



# JUMBO ASSET BASED STATED INCOME

Program Code Series J

30 & 15 YEAR FIXED RATE

5/1, 7/1 & 10/1 LIBOR ARMS

Interest Only Available

## Product Matrices

### ASSET BASED STATED INCOME: PURCHASE & RATE/TERM REFINANCE FIXED RATE PROGRAMS

OCCUPANCY	PROPERTY	LOAN AMOUNT	LTV	CLTV	MIN FICO
Owner Occupied	1-2 Units	1,000,000	80	90	700
		1,500,000	75	75	680
		2,000,000	75	75	720
	3-4 Units	700,000	80	80	700
Second Home	1 Unit	500,000	80	90	700
		700,000	80	85	
		1,000,000	70	75	680
		1,500,000	65	65	

Some designated Declining Markets will be limited to 80% LTV/CLTV

Investment properties not allowed

### ASSET BASED STATED INCOME: PURCHASE & RATE/TERM REFINANCE ADJUSTABLE RATE PROGRAMS

OCCUPANCY	PROPERTY	LOAN AMOUNT	LTV	CLTV	MIN FICO
Owner Occupied	1-2 Units	1,000,000	80	90	700
		1,500,000	75	75	



		3,000,000	75	75	720
	3-4 Units	700,000	80	80	700
Second Home	1 Unit	500,000	<b>80</b>	90	700
		700,000	80	85	
		1,000,000	70	75	
		1,500,000	65	65	

Some designated Declining Markets will be limited to 80% LTV/CLTV  
Investment properties not allowed

**ASSET BASED STATED INCOME: CASH OUT REFINANCE  
FIXED RATE AND ADJUSTABLE RATE PROGRAMS**

OCCUPANCY	PROPERTY	LOAN AMOUNT	LTV	CLTV	MIN FICO	MAX C/O
Owner Occupied	1-2 Units	500,000	80	80	700	500K
		700,000	70	70		700K
		1,000,000	65	65		
		1,500,000	50	50		

**Product Information**

Note: Items not specifically addressed in these guidelines generally default to standard FNMA guidelines and are subject to underwriter review.

**ELIGIBLE TERMS**

30 YEAR FIXED

15 YEAR FIXED

5/1 LIBOR ARM

- Fixed for 5 years, first adjustment cap 5%, annual adjustments at 2% cap, 5% life cap

7/1 LIBOR ARM

- Fixed for 7 years, first adjustment cap 5%, annual adjustments at 2% cap, 5% life cap

10/1 LIBOR ARM

- Fixed for 10 years, first adjustment cap 5%, annual adjustments at 2% cap, 5% life cap



ARM programs tied to 1 year LIBOR index

Interest only (10 year interest only period) is permitted (except 15 year fixed rate product)

### **PROGRAM CODES**

30 yr fixed: J130      15 yr fixed: J115

5/1 ARM: J105      10/1 ARM: J110

7/1 ARM: J107

AB denotes Asset Based Stated Income

Interest Only program codes end with the "I" character

### **MINIMUM LOAN AMOUNT**

\$1 over the FNMA conforming loan size for property type

### **QUALIFYING INFORMATION**

#### ***Qualifying Rates FIXED***

Qualify at the note rate. For interest only, qualify at the fully amortizing payment.

#### ***Qualifying Rates ARMs:***

Qualify at the higher of the note rate or the fully indexed rate at the fully amortizing payment for all loans including interest only option.

#### ***Qualifying Ratios***

Fixed Rate DTI 38%

ARM DTI 40%

### **TEMPORARY BUYDOWN**

Buydown not permitted

### **SUBORDINATE FINANCING**

Subordinate financing parameters must comply with Fannie Mae guidelines.

Subordinate financing must provide for the following:

- Regular payments of principal and interest or regular payments of interest only so that negative amortization does not occur.
- Interest rate at market rate as defined by Fannie Mae.
- Must fully amortize under a level monthly payment plan and may not have a maturity or balloon payment date of less than five years.
- Must permit prepayment at any time without penalty.
- May not include wraparound terms that combine the indebtedness of the first mortgage with the subordinate mortgage.



In some cases, the seller of the property may elect to provide secondary financing to the applicants. The sellers may be motivated to provide secondary financing when applicants do not qualify for maximum financing and the seller wants to sell the subject property more quickly, or it may be indicative that the property is difficult to market. Seller carry-backs must meet all requirements outlined in the Subordinate Financing section above.

Seller carry-backs are permitted on primary residences and second homes provided the combined LTV does not exceed the maximum for the product, program and documentation process selected. Typically, the Purchase & Sale Agreement will state that the present owner is willing to provide secondary financing.

- All payments related to secondary financing must be included in the debt ratio.
- The lien must be recorded and clearly subordinated.
- A copy of the note must be obtained to verify the amount secured against the property.
- Regular payments must cover at least the principal and the interest at the market rate.
- The subordinate loan cannot have a call option of less than five years.
- The subordinate loan must permit pre-payment at any time without a penalty.

## **MORTGAGE INSURANCE –**

Not applicable

## **IMPOUND ACCOUNTS**

Pricing adjustment applies to waive impounds

## **PREPAYMENT PENALTY**

4 month prepay

## **Borrower Eligibility**

### **TITLE REQUIREMENTS**

Individuals only

### **RESIDENCY**

#### ***U.S. Citizens***

Allowed with a valid Social Security number

#### ***Permanent Resident Aliens:***

Allowed under same terms as U.S. Citizens

#### ***Non-Permanent Resident Aliens***

Not permitted



***Foreign Nationals***

Not permitted

**NON-OCCUPANT CO-BORROWERS**

Not permitted

**NON-ARM'S LENGTH TRANSACTIONS**

Not permitted, including FSBO transactions

**MULTIPLE PROPERTIES**

Borrower may own no more than 10 financed residential properties if the subject property is primary residence.

**If the subject property is 2<sup>nd</sup> home or investment property, the maximum number of financed properties including the primary residence is four.**

**Credit Requirements**

**CREDIT HISTORY**

- All borrowers must meet the minimum credit score requirements noted in the LTV/CLTV Matrices
- Minimum of 2 FICO scores required for all borrowers.
- For loans with more than one borrower, the LOWEST FICO is used for pricing/qualifying.
- TRADELINES - 4 tradelines, one must have 24 months history & must be currently open, the other 3 must have 12 months history and may be closed if there is activity in the last 12 months. Non-traditional credit is not permitted
- 24 month mortgage/rental payment history **required**.

CREDIT ISSUE	REQUIREMENTS
Revolving and Installment Debt	Lates are considered in FICO score
Mortgage/Rental history	0x30 in the last 12 months 1x30 in the last 24 months
Bankruptcy, Foreclosure, Deed-in-Lieu, Short Sale	Bankruptcy discharged minimum 7 years Foreclosure discharged minimum 7 years Reestablished credit with no derogatories after BK



<b>History of Credit Counseling</b>	12 mos since participation in CCC program where agency makes payments to creditors on behalf of borrower. Satisfactory pay history required
<b>Collections, Charge-Off's</b>	Borrower may not be party to a lawsuit All derogatory credit requires written explanation Collections, charge-offs > 250 individual account / > 1000 aggregate must be paid at or before closing
<b>Tax Liens, Judgments</b>	Must be paid at or prior to closing

## Income Requirements

### DOCUMENTATION TYPE

#### *Asset Based Stated Income*

- 1003 must state the specific source of income. Stated income is used to calculate debt ratios provided that assets, credit & income are consistent.
- Income must be supported by liquid assets reflecting a minimum balance of the lesser of 50% of the borrower's annual income or \$100,000.
- Assets may come from any combination of liquid assets – checking/savings, retirement, etc, however may not come from gift funds or proceeds from the sale of real estate. Explanation is required if cumulative deposits are greater than one month's gross qualifying income and must be reasonable and consistent with the borrower's credit and income profile.
- 2 years employment history is required. Self-employed borrower's business must have been in existence for 2 years. Gaps in employment are not permitted.
- IRS Form 4506-T/8821 is required and must cover the past 2 years for both the individual as well as the business if applicable.
- Other income sources may be considered however may not be the primary source of income.

## Asset Requirements

### DOWN PAYMENT REQUIREMENTS

See matrices above for LTV

Down payment must be verified, sourced & seasoned from borrowers' own funds.



### ***Gift Funds***

- Gifts are permitted only on purchase transactions on owner occupied or second home.
- 5% must come from borrower's own funds, then the remaining down payment may come from gift funds.
- If the LTV is  $\leq 80\%$ , the entire down payment may be from gift funds.
- Gift may be from the following donors:
  - Gift or grant funds may be given by a blood or legal relative, domestic partner, fiancé, government agency, non-profit organization, or an individual with an established history of residing with the borrower and who plans to continue to reside with the borrower.
  - A gift letter signed by the borrower and donor is required indicating donor's name, address, telephone number and relationship to the borrower is required.
  - Verification of availability and transfer of gift funds is required
- Gift of equity not permitted
- Gift funds may not satisfy reserve requirements or to support income.

### **RESERVE REQUIREMENTS**

***Liquid Reserves required for all transactions – purchase, rate/term & cash out – and are in addition to the assets required for asset based income***

6 mos PITI reserves required

Cash out proceeds may not be applied towards reserve requirement

**Note – if investment properties are owned in addition to subject property, 6 mos reserves required for ALL financed properties.**

**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.**



**CONTRIBUTIONS**

*Seller Contributions*

*Can be applied to recurring & non-recurring closing costs*

*If subordinate financing exists, maximum contributions based on CLTV*

OWNER OCCUPIED	SECOND HOME	INVESTMENT
LTV/CLTV <= 80%: 6% LTV/CLTV <= 75%: 9%	LTV/CLTV <= 80%: 6%	LTV/CLTV <= 80%: 6%

Transaction Type

It must be determined if the loan is a Purchase , Rate/Term Refinance or Cash out refinance transaction and depending on how it is classified will determine how the LTV is calculated. Acquisition costs only need to be documented in certain scenarios. The following breaks down the different possibilities.

**PURCHASE**

- Financing of the purchase of the property both land and improvements
- Payoff of an outstanding balance on an installment land contract including any costs incurred for renovation, rehabilitation or improvements not to exceed the existing liens
- Convert an interim construction loan or term-note into permanent financing, as long as the borrower receives no cash from settlement.
- Convert a lease option to permanent financing
- In these cases, the LTV is based on the lesser of current appraised value or document acquisition cost/purchase price.
- The acquisition cost must be verified by a valid contract to build and/or accumulated paid receipts and/or cancelled checks and lien waivers.
- If the land was purchased separately, a copy of the closing statement or contract for deed (land contract) is required to document the acquisition of the land.

**RATE AND TERM REFINANCE**

- Borrower is currently on title to the land
- Payoff the outstanding unpaid principal balance of the existing first mortgage, regardless of the loan origination date; and
- Financing of related closing costs and prepaid items; and
- Funds Disbursed to the borrower may not exceed 1% of the principal amount of the new mortgage.



- Payoff of a subordinate loan that meets the following requirements; and:
  - The subordinate lien was made more than 12 months ago and is a closed-end second, or, Subordinate lien is a home equity line of credit, the total amount of draws against the line during the past 12 months does not exceed \$2,000, (as documented by copies of home equity line statements); or
  - The subordinate lien was made within the last 12 months, is a closed-end second, and all of the proceeds were used to acquire the property (as documented by a copy of the HUD-1 settlement statement), or
  - The subordinate lien was made within the last 12 months, but all of the proceeds were used to improve the property, and all of the following criteria are met:
    - The subject property is a 1-unit primary residence or second home; and
    - Dollar-for-dollar adjustments for the improvements were not made on the appraisal; and
    - Borrower provides copies of home improvement contracts and canceled checks or paid receipts as documentation of the costs of the improvements; and
    - Documentation is provided to evidence borrower received no cash at closing; and
    - If the subordinate lien is a home equity line of credit, the total amount of additional draws within the past 12 months does not exceed \$2,000 (as documented by copies of home equity line statements);

## CASH OUT

Any funds borrowed that exceed the above requirements for a rate & term refinance are considered cash out refinance.

**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. A transaction that does not meet all of the criteria listed for a Rate/Term Refinance must be treated as a cash-out refinance and must meet all the LTV/loan amount restrictions. This includes payoff of any second mortgage that is not permitted as outlined in the Rate/Term Refinance section above.



## Property Eligibility

### **ACCEPTABLE PROPERTIES**

Attached & Detached SFRs  
Attached & Detached PUDs  
Low-Rise & High Rise Condos  
3-4 units (see matrices for restrictions)

### **UNACCEPTABLE PROPERTIES**

Non-warrantable condos  
Condotels  
Coops  
Log Homes  
Rural Properties  
Manufactured/Modular/Factory Built Homes  
Timeshares/fractional ownership

### **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
- **Property cannot have been listed on MLS in the last 3 months for cash out refinance. For rate/term refinance the property may have been listed in the last 3 months however must not be currently listed.**
- Full URAR is required for loan amounts up to \$1 million.
- **Loan amounts greater than \$1 million will require 2<sup>nd</sup> independent appraisal or field review, subject to senior management review.**
- All standard Fannie Mae/Freddie Mac appraisal guidelines applicable for conforming loans apply to non-conforming loans. **The following additional appraisal guidelines apply whenever two appraisals are required:**
  - Two complete residential appraisal reports, from two different companies, are required. We use the appraisal with the lower value.



- The underwriter must review both appraisal reports and address any inconsistencies between the two. All discrepancies must be reconciled.
- The LTV is generally based on the lower of the two appraised values, as long as the lower appraisal supports the value conclusion. The final inspection and/or recertification of value must be for the appraisal with the lower value.
- **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 seriously declining markets may be subject to the lower of 80% LTV or the program maximum - see Declining Markets Policy.**

### CONDO/PUD REQUIREMENTS

HOA cert must be reviewed for all projects.

FNMA standard warrantability requirements apply, u/w will verify acceptability of project

FHA approved projects are also permitted

### LEASEHOLD PROPERTIES

Leaseholds must outlive the loan term by a minimum of 5 years

SFR only (no condos or units)

Attorney evaluation required

### GEOGRAPHIC RESTRICTIONS

**Properties in seriously declining markets may be subject to the lower of 80% LTV or the program maximum - see Declining Markets Policy.**