



JUMBO FULL DOC

Program Code Series J

30 & 15 YEAR FIXED RATE

1 MONTH I/O LIBOR ARM

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

Interest Only Available

Product Matrices

**FULL DOCUMENTATION: PURCHASE & RATE/TERM REFINANCE
FULLY AMORTIZED & INTEREST ONLY**

OCCUPANCY	PROPERTY	LOAN AMOUNT	LTV	CLTV	MIN FICO
Owner Occupied	1 unit	500,000	90	90	720
	1-2 Units	1,000,000	80	90	660
			70	70	620
		1,500,000	75	75	680
		2,000,000	75	75	720
		3,000,000 ARM ONLY, FIXED NOT ALLOWED	75	75	720
	3-4 Units	700,000	80	80	660
Second Home	1 Unit	500,000	85	90	660
		700,000	80	85	660
		1,000,000	70	75	660
		1,500,000	65	65	680

Some designated Declining Markets will be limited to 80% LTV

Investment properties not allowed



FULL DOCUMENTATION: CASH OUT REFINANCE

FULLY AMORTIZED ARMS

FULLY AMORTIZED & INTEREST ONLY FIXED RATE

OCCUPANCY	PROPERTY	LOAN AMOUNT	LTV	CLTV	MIN FICO	MAX C/O
Owner Occupied	1-2 Unit	500,000	80	80	660	250K
					700	500K
		700,000	70	70	620	200K
					680	700K
		1,000,000	65	65	620	500K
					680	700K
		1,500,000	50	50	680	700K

Some designated Declining Markets will be limited to 80% LTV
 3-4 Units, Second homes & Investment properties not allowed

FULL DOCUMENTATION: CASH OUT REFINANCE

INTEREST ONLY ARMS

OCCUPANCY	PROPERTY	LOAN AMOUNT	LTV	CLTV	MIN FICO	MAX C/O
Owner Occupied	1-2 Unit	500,000	80	80	680	250K
					700	500k
		700,000	70	70	680	700K
					680	700K
		1,000,000	65	65	680	700K
					680	700K
		1,500,000	50	50	680	700k

Some designated Declining Markets will be limited to 80% LTV
 3-4 Units, Second homes & Investment properties not allowed



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

1 MONTH LIBOR ARM INTEREST ONLY

- Adjusts monthly, no negative amortization,

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 7 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 1 yr ARM: J101

FD denotes Full Doc

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

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

Max total DTI 40%



TEMPORARY BUYDOWN

FIXED:

3/2/1 & 2/1 buydown permitted subject to seller contribution limits.

3/2/1 buydown only available for Owner Occupied properties

Qualify at the bought down rate for owner occupied, qualify at the note rate for 2nd home

Not permitted on 2nd homes > 700K loan amounts or > 80% LTV.

Not permitted for cash out refinances

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

2/1 buydown permitted subject to seller contribution limits.

Allowed on 1-2 Unit Owner Occupied & 2nd Home Purchase & R/T refinance only:

80% LTV max for 5/1 LIBOR

90% LTV max for 7/1 & 10/1 LIBOR

Qualify at the bought down rate for owner occupied, qualify at the note rate for 2nd home

Not permitted on 2nd homes > 700K loan amounts or > 80% LTV.

Not permitted for cash out refinances

Annual payment difference between note rate & bought down rate is assessed as an upfront fee.

SUBORDINATE FINANCING

AAF may provide subordinate financing – see Standalone 2nds – subject to stricter guidelines

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 -

MI coverage is required for all LTVs > 80%:

LTV	COVERAGE
85.01-90%	25%
80.01-85%	12%

IMPOUND ACCOUNTS

Escrow/Impound accounts are required for all over 80% LTV, except where mandatory escrow/impounds prohibited by state law.

California properties: impounds required for 90% LTV and above

Pricing adjustment applies to waive impounds at allowable LTVs

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 Allowed



NON-OCCUPANT CO-BORROWERS

Allowed on Owner Occupied purchase 90% LTV max

Income from non-occupant co-borrowers may be used to qualify with the following restrictions:

- Immediate Family Member
- DTI with all borrowers must meet program guidelines.
- 5% of downpayment must be provided by occupant borrower.
- Occupant borrower guidelines may exceed maximum program DTI by 5%

NON-ARM'S LENGTH TRANSACTIONS

Not permitted, including FSBO transactions

MULTIPLE PROPERTIES

Borrower may own no more than 10 financed residential properties if subject property is owner occupied.

If the subject property is a 2nd home or investment property, the maximum number of financed properties including the primary residence is 4.

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
- 12 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 2 years Foreclosure discharged minimum 5 years Reestablished credit with no derogatories after BK
History of Credit Counseling	12 mos since participation in CCC program where agency makes payments to creditors on behalf of borrower. Satisfactory pay history required



Collections, Charge-Off's	Borrower may not be party to a lawsuit All derogatory credit requires written explanation Collections, charge-offs > 1000 aggregate must be paid at or before closing
Tax Liens, Judgments	Must be paid at or prior to closing

Income Requirements

DOCUMENTATION TYPE

Full Doc

- Standard FNMA/FHLMC income and asset documentation is required
- IRS Form 4506-T is required
- 2 years income/employment must be verified

Asset Requirements

DOWN PAYMENT REQUIREMENTS

See matrices above for LTV

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

For purchase transactions with CLTV of 100%, borrower must contribute at least \$500 from their own funds to the transaction, to be applied to closing costs

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 funds may not satisfy reserve requirements



Gift of Equity

A gift of equity is permitted for purchase of a primary residences or second home. The LTV should be calculated based on the purchase price or appraised value whichever is less. (The gift equity may not be deducted from the sales price before calculating LTV). With a gift of equity, no cash changes hands. Instead, the seller agrees to donate a portion of the equity in the subject property in lieu of all or a portion of the down payment.

Gift policy criteria must be met. If the LTV exceeds 80%, at least 5% of the down payment must come from the borrower's own funds.

The following documentation must be obtained to verify funds:

- Demonstrated family relationship; and
- Gift letter explaining the type of gift is required; and
- Gift of equity must be identified in the Sales Contract; and
- The final equity exchange must be documented on the borrower's HUD-1.

RESERVE REQUIREMENTS

Cash Reserves required for all transactions – purchase, rate/term & cash out

2 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 > 90%: 3% LTV/CLTV <= 90%: 6% LTV/CLTV <= 75%: 9%	LTV/CLTV > 80%: 3% LTV/CLTV <= 80%: 6%	LTV/CLTV > 80%: 3% 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 2nd 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 areas deemed declining markets subject to 5% LTV/CLTV reduction

Some designated Declining Markets will be limited to 80% LTV on ARMs