

## Eligibility

<b>Eligible Borrowers</b>	US Citizens
	Foreign nationals - permanent resident aliens with appropriate documentation.
	<b>First time homebuyers; full documentation only.</b>
	Non-occupant co-borrowers are allowed provided they are a disclosed on the original application; they cannot be added at a later date to qualify; and must be related to the primary borrower on the loan)
<b>Ineligible Borrowers</b>	Applicants possessing diplomatic immunity
<b>Ineligible Transactions</b>	High Cost (Section 32) Mortgage Liens as defines by applicable local, state, federal, and secondary market regulations.
	Loans closed by Power of Attorney (POA)
	Non-arms length transactions include, but are not limited to: <ul style="list-style-type: none"> <li>• Owners, employees or family members of originating entity,</li> <li>• Renters buying from landlord.</li> </ul>
<b>Eligible States</b>	CA, CO, OR, WA
<b>Ineligible Properties</b>	Acreage greater than 5 acres (appraisal must include total acreage)
	Leasehold Properties
	Income Producing Properties
	Manufactured Homes
<b>Source of Funds</b>	Borrower must contribute at least 30% toward the transaction from their own funds for purchase transactions.
<b>Gift Funds</b>	Acceptable after a minimum the borrower has made 30% down payment from their own resources.

**IMPOUNDS (TAXES & INSURANCE) ARE MANDATORY REGARDLESS OF LTV**

<b>Minimum Loan amount</b>	<b>\$100,000</b>
<b>Minimum Fico Score</b>	<b>620</b>
<b>CAPS</b>	<b>5/2/5</b>
<b>Index</b>	<b>1 Year Libor</b>
<b>Margin</b>	<b>3.75%</b>

**Standard Documentation**

<b>Eligibility</b>	Wage earner or self-employed borrower
<b>Income</b>	Two (2) years of most recent tax returns or two years of most recent W-2s and a paycheck stub reflecting the most recent 30 day period are required, unless DU/LP AUS findings require less, in which case, default to DU/LP AUS findings. Processed 4506-T, IRS transcript required
<b>Assets</b>	Minimum of two (2) most recent bank statements

**Alternative Documentation- 2 Options**

<b>Eligibility</b>	First time homebuyers limited to 43% DTI when using Alternative Documentation.
	Self-employed borrowers (defined as an individual who files schedule C or corporate tax returns) in the same business for at least two (2) years are eligible for Alt-Doc
	Borrowers classified as investors (i.e. Real Estate Investors, day traders; etc.) are not eligible for the Alternative Documentation Programs
	Salaried or commission borrowers may utilize Alt-Doc Option #4
	Business phone number must be verifiable via 411 or the internet.
	Primary self-employed borrowers may have Co-borrower that earns W-2 income.
<b>Income</b>	Tax Returns and IRS form 4506-T will not be required unless noted.
	Rental income not diverted to a separate account must be taken into consideration when calculating the borrowers monthly income from bank statements for qualification purposes.



<b>Assets</b>	Minimum of two (2) most recent bank statements
<b>Option#1:  12 Months Bank Statements</b>	Available to any borrower with a 25% or greater ownership in a business.
	Twelve (12) months of personal bank statements to determine income derived from business- Income stated on 1003. If eligible business bank statements may be utilized.
	Sole proprietors and 100% business owners may use both personal and/or business bank statements when utilizing Alt-Doc Option #1
	Income is considered to be transfers or deposits from business accounts, deposits from business accounts through an ATM, or payroll check deposits. Average monthly income over twelve (12) months.
	Twelve (12) month P&L prepared by borrower, or 3rd party CPA or tax preparer and covering the same time period to further validate the income shown in the bank statements.
	A CPA/tax preparer's attestation that the borrower has been self-employed in the same business for a minimum of two years.
<b>Option#2:  1 Year W2 or Tax Returns</b>	Available to salaried, and/or commission borrowers.
	Most recent one (1) year tax return and/or most recent W-2 (income stated on 1003) with current paystub showing YTD income for salaried, commission, and/or salary plus commission borrowers.
	Most recent two (2) months personal bank statements to validate required reserves.
	Processed 4506-T, IRS transcripts required or 1-year, in line with W-2.
	A written VOE reflecting the income for the same period as a single year tax return/ W-2.

### Credit Standards

<b>Mortgage/Rent</b>	0 x 30 in past twelve (12) months. (No exceptions)
<b>Installment debt Trade lines</b>	At least one installment trade line within the past thirty-six (36) months
	Three (3) active trade lines seasoned for at least twenty-four (24) months are required.
<b>Foreclosure Short Sale/BK Loan Modification</b>	Must be seasoned at least twelve (12) months (no exceptions). <ul style="list-style-type: none"> <li>• <i>Foreclosure/Shortsale/BK/Loan mod 13-36 months after derogatory event is considered "Unseasoned" &amp; subject to price adjustment. (see rate-sheet for details)</i></li> </ul>
<b>Judgment, tax lien, collection, charge-off</b>	Must be paid off with no new derogatory credit within the past twelve (12) months (medical excluded).
<b>Rental Income</b>	Rental income used for qualification must be documented with lease(s) or tax returns. Borrowers using leases will be credited 75% of lease rent amount, minus PITI+ to determine net rental income.
<b>Maximum Financed Properties</b>	Borrowers are allowed up to ten (10) financed properties including subject

<b>Credit Documentation</b>	May not be more than 90 days old at the time of close
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### Underwriting Guidelines

<b>Minimum Loan Amount</b>	\$50,000	
<b>AUS Findings</b>	All loan files are required to be submitted with FNMA DU AUS findings (FNMA 3.2 format); Approve/Ineligible or other status; DU results used primarily for credit analysis purposes.	
<b>Departing Residence Income</b>	Per FNMA guidelines, the residence being departed and retained as investment must have at least 30% equity to consider rental income for qualification. An AVM is required.	
<b>Financing &amp; Sales Concessions</b>	Interested 3rd party concessions are allowed per FNMA guidelines on owner occupied properties only.	
<b>Sellers Contributions</b>	Sellers contributions to Purchase transactions are capped as follows: <ul style="list-style-type: none"> <li>• Contributions cannot exceed 6% of the purchase price for owner occupied transactions;</li> <li>• Contributions cannot exceed 3% of the purchase price for investment/non-owner occupied transactions.</li> </ul>	
<b>HELOC Payments On Additional Properties</b>	If a HELOC or other subordinate lien is not identified on the credit report, then documentation must be provided to verify payment amount.	
<b>Debt to Income Ratio (DTI)</b>	Defined as a roll-up of 1 monthly debt obligations.	
	<b>LTV</b>	<b>Max DTI</b>
	≤65%	55%
	≥65.01%	50%
	Loans with DTI ratios ≤ 43%, then no residual income required.	
Loans with DTI ≥ 43.01% require residual income		
<b>Residual Income</b>	Defined as the cash flow remaining after all monthly obligations have been paid.	
	Requirement- .0045 (.45%) of the UPB. (UPB x 0.0045 = required residual income)	
<b>Secondary Financing</b>	All secondary financing must be included in DTI calculation.	
	Only institutional secondary financing will be accepted.	
<b>Condominiums</b>	Condominiums must be warrantable by FNMA	
<b>Seasoning</b>	No seasoning Requirements for refinance transactions (both rate/term and Cash-Out)	
<b>Vesting</b>	Loans must be closed in the name of an individual (no Trusts, LLC, etc....)	
<b>Qualifying Interest Rate (Full Am)</b>	Qualify at the greater of the introductory or fully indexed rate (current index plus applicable margin) and monthly, fully amortizing payments that are substantially equal (to be substantially equal, no two monthly payments should vary by more than 1 percent).	



<b>Qualifying Interest Rate (IO)</b>	Qualify at the fully amortizing payment - the greater of the introductory or fully-indexed rate (current index plus applicable margin) and substantially equal monthly payments of principal and interest that will fully repay the loan over the remaining term of the loan as of the date the loan is converted from interest only to principal and interest.
<b>For Sale by Owner</b>	For Sale By Owner" transactions must be closed through escrow with an executed real estate sales contract in file.

## **ALL ASSETS REQUIRE VOD**

Reserve Requirements	Property Type	Loan Amount	Required Reserves
	All Property Types		\$100,000-\$650,000
		\$650,001-\$1,000,000	9 months, verified PITI
		\$1,000,001 - \$1,500,000	12 months, verified PITI
		\$1,500,001 - \$2,500,000	18 months, verified PITI
<b>Documentation</b>	Full Asset Documentation is required for both funds to close and reserves. Assets can be cash in the bank, stocks, bonds, IRS's, 401k's, mutual funds or retirement accounts. For most asset types, this would include all pages of the most recent two months consecutive statements or the most recent quarterly statement. In addition, Verification of Deposit (VOD) will be required.		
<b>Stocks/Bonds/ Mutual Funds</b>	70% available may be considered for reserves.		
<b>Vested Retirement Account Funds</b>	60% may be considered for reserves.		
<b>Additional Liquid Assets</b>	In addition to the minimum PITI requirements, borrowers must also disclose and verify all other liquid assets.		
<b>Sole Proprietor/ 100% Owner</b>	Reserves provided by a sole proprietor are required to counted separately from the day-to-day business ash flow.		
<b>Additional Properties</b>	Borrowers with financed properties are required to document additional two (2) months reserves for each property in addition to the subject property.		

### **Appraisal Guidelines**

Appraisal	Loan Amount	Appraisal Requirement	
		Up to \$1,000,000	1 Full Appraisal
	>\$1MM to \$2.5MM	2 Full Appraisals	w/ 5 sold comps in the past 12 months
	<ul style="list-style-type: none"> <li>• If a property has been "flipped" in the last 180 days, a second appraisal is required.</li> <li>• For properties purchased or refinanced within the last 6 months, the value of the property at the time of the purchase or refinance will be used. If property valuation has increased by 10% in the last 7-12 months, a second appraisal is required.</li> <li>• For transactions which occurred more than 1 year prior, the value as reflected on the appraisal will be used.</li> </ul>		

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