

Category FICO/LTV Matrix & Program Details

Base Guidelines The following overlays apply to FHA's base guidelines found in HUD Handbook 4000.1.

Underwriting FHA Total Scorecard/AUS must be run; with the exception of Streamline Refinances (manual underwriting is required for Streamline Refinances).
 Standard Loan Amounts: Refers and Manual downgrades allowed; all manual underwriting guidelines must be met.
 High Balance Loan Amounts: AUS Accept Rating required. Refers and manual downgrades not permitted.

Eligible Transactions Purchase, Cash-out Refinance, Rate & Term, Simple and Streamline Refinances permitted. For Escrow Holdbacks refer to Escrow Holdback Addendum.
 HUD REO Purchase Transactions:
 • Owner Occupied transactions only & Title Policy is required
 • HUD \$100 Down REO Purchase Program permitted
 • Good Neighbor Next Door (GNND) permitted for properties insurable "As-Is" (HUD repo with repair escrow not permitted in conjunction with GNND).
 • HUD Repo with Repair Escrow Eligible. Up to \$10,000 in repairs. Must meet all HUD requirements. Correspondent Seller controlled holdback. Max 30 day holdback period and seller to provide all required documentation. May be combined with \$100 down when all HUD requirements met; however, not permitted with GNND.

Occupancy Purchase, Rate/Term & Cash out: Owner Occupied, Primary Residence and HUD Approved Secondary Residences only.
 Simple Refinance is only permissible for owner-occupied Principal or HUD-approved Secondary Residences.
 Streamline Refinances permitted for owner occupied, HUD Approved Secondary Residences, and non owner occupied transactions.

Standard Loan Amounts & High Balance FHA Loans					
	Purchase	Cash Out	No Cash Out Refinances		
			Rate and Term	Simple Refinance	Streamline Refinance
FICO Standard Loan Amounts	600 AUS Approved ⁵ 620 Manual Underwrite	600 AUS Approved ⁵ 620 Manual Underwrite	600 AUS Approved ⁵ 620 Manual Underwrite	600 AUS Approved ⁵ 620 Manual Underwrite	600 Standard loan amounts 620 NOO
FICO High Balance	620 AUS Approved ⁴	620 AUS ⁴	620 AUS ⁴	620 AUS ⁴	620 ⁴
LTV	96.5% ¹	85.00%	97.75% ³	97.75% ³	N/A ³
CLTV	96.5% ²	85.00%	97.75%	97.75%	None

1. LTV may be exceeded for HUD REO properties utilizing the \$100 Down Program as eligible per FHA
 2. CLTV can exceed LTV when permitted by FHA with the use of eligible DPA. Not to exceed 100% "Cost to Acquire"
 3. Refer to FHA Handbook for Maximum Loan Amount calculation. HUD approved secondary residences are subject to additional restrictions.
 4. All High Balance Loans: Maximum 0x30x12 mortgage history and must score Approve/Eligible. (Streamlines okay to be manually underwritten: HPH applies)
 5. For Ficos 600-619, "Refer" not permitted regardless of reason. In addition, the following loans must be sent to CMG Correspondent Management for Second Signature if any of the following apply:
 Borrower has late payments in the last 12 months (installment/mortgage), Borrower is using all or a majority (75%) Gift Funds for closing, Borrower has less than 2 years on current job prior to application date, Very little or no recent tradelines rated in the last 12 months, Borrower has new collections in the last 12 months that are non-medical, DTI is over 29/41

Compliance/QM - Rebuttable Presumption / HPCT Eligibility

Definitions

- Qualified Mortgage – loan meets upfront points and fees test and does not contain risk features (i.e. prepayment, neg am, etc) and term cannot exceed 30 years
- Safe Harbor – loan meets upfront points and fees test and does not exceed 115 bps + APOR+MIP(FHA)
- Rebuttable Presumption / HPCT – loan meets upfront points and fees test and exceeds 115 bps +APOR+MIP(FHA)
- Points and Fees Test – For a loan to be a QM, the points and fees may not exceed the points-and-fees caps. The points-and-fees caps are higher for smaller loans. These thresholds are updated annually:
<https://www.federalregister.gov/articles/2014/08/15/2014-18838/truth-in-lending-regulation-z-annual-threshold-adjustments-card-act-hoepa-and-atrqm>
- Higher Priced – First lien mortgage that is FHA loan that exceeds 115 bps +APOR+MIP
- Residual income requirement – qualifying income minus gross monthly debt

Note on Safe Harbor vs. Rebuttable Presumption / HPCT: QMs that are not higher-priced have a safe harbor, meaning that they are conclusively presumed to comply with the ATR requirements. QMs that are higher-priced have a rebuttable presumption that they comply with the ATR requirements, but consumers can rebut that presumption.

CMG Eligibility: CMG will purchase FHA Rebuttable Presumption / HPCT loans meeting the below requirements:

- Loan complies with all QM requirements:
 - QM Points and Fees audit must pass.
 - QM Ability to Repay requirements are met.
 - Loan does not contain risk features (e.g. prepayment penalty, negative amortization, etc.) and loan term cannot exceed 30 years
- Residual Income must exceed:
 - Fixed Rate loan: \$1000.00
 - ARM loan: \$1000.00 plus the proposed monthly mortgage payment and interest (e.g. \$1000 + P&I \$2760 = \$3760)
- In addition, for FHA Streamlines, the loan must also meet the following requirements:
 - Borrower is not 30 days or more past due
 - Principal balance is not increased (addition of MIP and interest due as allowed by FHA)
 - FHA NTB rule applies
 - All Rebuttable Presumption/HPCT Streamlines must be credit qualifying in order to meet the residual income requirement noted above and include the income analysis.

Non-Occupant Co-Borrower(s) Cash-out is not permitted. Non-occupant co-borrower may not be an interested party to the sales transactions, such as property seller, builder, or real estate broker

Number of Borrowers There can be no more than 4 borrowers per loan.

Property Types 1-4 Family Dwellings, PUD, Townhomes, Row homes, Modular, HUD Approved Condominiums.

Eligible Terms Fixed: 15, 20, 25 and 30 year; ARM: 3/1 & 5/1 Arm

Loan Amount Limits

- Minimum Loan Amount: \$40,000
- Maximum Loan Amount: Maximum loan limits vary by unit county and by State and County as determined by HUD: <https://entp.hud.gov/idapp/html/hicostlook.cfm>
- The base loan amount (loan amount prior to UFMIP) may not exceed the limits published by HUD.
- High Balance loan amounts must utilize a high balance product code.

Qualifying Ratios

- AUS approved loans max DTI is per AUS.
- Manual underwrites must meet all FHA requirements.

High Balance	<u>Maximum 0x30x12 mortgage history and must score Approve/Eligible</u>
Streamline Refinances	Non credit qualifying permitted., however, a Verbal Verification of Employment (VVOE) must be completed by the Seller within ten (10) days of the date of the note. Note: Per FHA non-owner occupied Properties and HUD-approved Secondary Residences are only eligible for Streamline Refinancing into a fixed rate Mortgage.
Cash-out Refinances	<ul style="list-style-type: none"> Refer to FICO/LTV Matrix for minimum credit score; 0x30 mortgage lates in the last 12 months; There is no limit to the maximum cash-out permitted; The Property securing the cash-out refinance must have been owned and occupied by the Borrower as their Principal Residence for the 12 months prior to the date of case number assignment. HUD Exception for inheritance permitted. The Mortgagee must review the Borrower's employment documentation or obtain utility bills to evidence the Borrower has occupied the subject Property as their Principal Residence for the 12 months prior to case number assignment.
Down Payment Assistance	For Purchase transactions, maximum CLTV is 100% of the Cost to Acquire if the secondary financing is from a Government Agency/HUD-approved Non-Profit considered in instrumentality of government. The cost to acquire is defined as Sales Price + Borrower Paid Closing Costs + Discount Points + Pre-paid Expenses.
Subordinate Financing	<u>New subordinate financing is not permitted on refinance transactions.</u> Modified and existing subordinate liens are permitted within the max CLTV tolerance noted above. A copy of the subordinating Note, Mortgage/Deed and Subordination Agreement is also required. See down payment assistance section for subordinating liens on purchase money transactions.
Mortgage Insurance	See FHA MORTGAGE INSURANCE PREMIUM GRID in CMG FHA Guidelines
Escrows	Tax and Insurance escrows are required on all FHA loans. Effective on loans closed on or after January 1, 2016 that require flood insurance: the premiums related to the flood insurance must be escrowed. If flood insurance premiums are paid by a condominium association, homeowner's association or other group, no escrow is required. Note: CMG does not permit escrow for earthquake insurance.
Correspondent Seller Employee Loan	<u>Correspondent Seller employee loans require second signature from CMG Management.</u>

Additional Policies & Overlays

Category	Overlay Type	Policy
Program	<u>Ineligible Programs</u>	<ul style="list-style-type: none"> Military Impacted Areas Texas A6 loans Section 32 loans are not eligible Temporary Buydowns are not permitted Section 184 FHA Back To Work 203K Loans Weatherization financing (II.A.8.i) Solar & Wind Technologies Financing (II.A.8.j) Disasters & 203(h) <ul style="list-style-type: none"> Loans to non-profit organizations Negative Equity Program Indian Reservations HOPE for Homeowners Construction to Permanent (CTP) Financing where the original note is modified is not eligible (II.A.8.g) FHA's "Building on own Land" program (II.A.8.k) Dual roles on an FHA transaction are not permitted (An originator cannot have another real estate related position for any loan) Properties with individual water purification systems are not eligible Energy Efficient Mortgages (EEM) NY CEMA purchase transactions (CEMA refinances are eligible)
	First Time Homebuyers	Allowed
	Maximum # of Financed Properties	For FHA Financing the borrower may generally only have one FHA loan (Multiple loans to FHA Borrowers not permitted unless eligible per FHA Handbook)
	Multiple Mortgages to Same Borrower	<u>Borrowers are limited to three (3) loans or one million dollars (\$1,000,000) total in loans funded/purchased by CMG.</u> Jumbo loans are excluded from loan amount limit, but still count towards the aggregate total of loans with CMG.
Assets	<u>Ineligible Asset Types</u>	<ul style="list-style-type: none"> 1031 exchanges are not permitted and are ineligible as an asset type. Custodial Accounts for Minors; accounts that are in a minor's name where the borrower is the only custodian of the funds are not eligible for closing costs, reserves or downpayment <u>Pooled Funds</u> <u>Mattress Money / Cash on Hand</u> <u>Sweat or Trade Equity</u>
	Verification of Deposits	<u>Not permitted as standalone documentation</u> – must be accompanied by computer printout or other statements directly from the banking institution.
Collateral	<u>Ineligible Property Types</u>	<ul style="list-style-type: none"> Co-ops Live/Work Units <u>Section 8 rent controlled properties</u> <u>Properties where farm or agricultural income from the subject property is claimed on borrowers tax returns</u> <u>Properties encumbered with private transfer fee covenants</u> <ul style="list-style-type: none"> <u>Properties with manufactured on site being used as storage</u> Loans on properties significantly uncommon for the area and lacking comparable sales Bed and Breakfast Properties Hobby Farms <p>Refer to Manufactured Home Guideline Addendum for restrictions on manufactured homes. Note: 3-4 unit properties in NY & NJ permitted subject to CMG 100% pre-purchase QC audit.</p>
	Appraiser Requirements	Appraisal must be completed by an FHA Roster appraiser; a copy of the appraiser's license must be included in all funded loan files The transfer of an FHA appraisal from another lender is permitted; as a standard, an appraisal is only good for 1 closed and funded loan. Re-use of an appraisal from a previously closed transaction is not permitted.
	Condos	With the exception of FHA Streamlines, condominiums must be HUD approved and not expired at time of case number issuance: https://entp.hud.gov/idapp/html/condlook.cfm Note: CMG Financial will not process a DELRAP.
	Properties Listed for Sale	R/T Refinance: <u>Must be off the market at least one day prior to application.</u> Cash Out Refinance: <u>Must be off the market at least six months prior to the application.</u>
	Deed Restricted Properties	All deed restricted properties must be reviewed and receive prior approval from CMG Corporate Credit.
	Property Flips	Standard FHA 90 day rule applies.
	Property Condition	Property condition of C5 or C6 are not eligible All repairs affecting safety, livability, or habitability must be completed prior to delivery. With the exception of eligible HUD Repos with Repair Escrow, any seller controlled completion / repair escrow holdback request must meet all FHA eligibility requirements.
	Re-negotiated purchase agreements	<u>Generally renegotiated sales contracts are not allowed,</u> however, minor adjustments due to condition or other relevant factors are permitted. Increasing of sales price after the appraisal is completed to provide seller credit is not permitted.
	Sales Incentive	<u>The maximum allowable sales incentive (commission, finder's fee, etc.) is limited to 8% of the sales price.</u>

Additional Policies & Overlays

Category	Overlay Type	Policy
Credit	Derogatory Credit	<p>Loans are subject to standard FHA requirements and waiting periods as noted below:</p> <ul style="list-style-type: none"> • BK Chapter 7 must be discharged 24 months preceding the case number assignment date. Timeframes for extenuating circumstances allowed per FHA eligibility criteria with supporting documentation included in file. • BK Chapter 13 must have been entered at least 12 months preceding the case number assignment date and be paid as agreed. <u>In addition, plan must be paid out and discharged prior to closing; loan proceeds cannot be used to payoff a BK balance.</u> • Foreclosures must be settled a minimum of 36 months preceding the case number assignment date. Timeframes for extenuating circumstances allowed per FHA eligibility criteria with supporting documentation included in file. <p>Notes: FHA's Back to Work – Extenuating Circumstances is not permitted.</p>
	Credit Score / History	<ul style="list-style-type: none"> • Minimum score requirements are described in the FICO/LTV Matrix above. All borrowers must meet minimum credit score. • <u>Unless AUS approved, a minimum of two credit scores to be established for each Borrower; AUS approved loans require a minimum of one valid credit score to be established for each borrower. Non-traditional credit is not permitted.</u>
	Credit Inquiries	All credit inquiries within 120 days of the credit report are required to be addressed by the customer.
	Paying Down/Off Debt to Qualify	CMG Aligns with HUD Requirements
Income	4506T & Income Validation	<p>A fully completed and signed 4506T for each borrower is required. Tax return transcripts cannot be used in place of the actual tax return documentation for qualification. <u>Refer to CMGs Income Validation policy for full details.</u></p>
	Annuity/Retirement/ Distribution Income	<ul style="list-style-type: none"> • <u>Any distribution that is being used to qualify must be established prior to the application date.</u> • Copy of the distribution schedule must be provided • Copy of at least one month's distribution check must be provided • Assets being depleted due to distribution cannot be used for reserves
	Mortgage Credit Certificates (MCC)	<p>Mortgage Credit Certificates are not eligible to be used as income or reduction of a housing payment for purposes of qualifying the borrower unless all FHA requirements are adhered to in addition to the below:</p> <ul style="list-style-type: none"> • Minimum fico to use MCC to qualify: 640 • \$1200 residual income required • 2 months reserves post-closing from borrower's own funds unless downpayment is coming from borrower's own funds • In addition, originating lender to be fully responsible for the annual IRS reporting associated with the MCC issuance; CMG will not complete any required IRS reporting.
	Projected Income	<p>Loans involving a new job for the borrower that will begin after closing may be eligible subject to all of the following requirements:</p> <ul style="list-style-type: none"> • The subject transaction is for the purchase of a 1-unit primary residence; • borrower must have a minimum 640 qualifying credit score; • maximum DTI is 50%; • the Borrower's employment offer must be non-contingent and the non- contingent offer letter must be retained in the loan file; • the Borrower's written acceptance of the employment offer must be retained in the loan file; • the Expected/Projected income cannot be derived from a family-owned business; • the Borrower must have cash reserves to support the mortgage payment and any other obligations during the employment gap plus and additional one month's reserves of PITIA; • the time frame between the Note Date and the start of employment (the employment gap) must not exceed 60 days (Income must be guaranteed to begin within 60 Days of mortgage closing); • the income is calculated in accordance with the standards for the type of income being received; • a post-closing copy of the borrower's first paystub / proof of receipt of income must be obtained and verified to support income used to qualify and retained in the loan file.
	Salaried Borrowers	All HUD Requirements must be met.
Self Employed Borrowers	<ul style="list-style-type: none"> • A borrower with a 25 percent or greater ownership interest in a business is considered self-employed for FHA mortgage loan underwriting purposes. Two years of personal and business tax returns with all applicable schedules are required. A Profit and Loss Statement and Balance Sheet are required when the most recent tax return will be older than 120 days on the date of closing. For Accept transactions, documentation relief on business tax returns is permitted if all AUS conditions are met. • Business assets are permitted for cash to close and reserves if the borrower is 100% owner of the company and it is determined by the UW that the withdrawal of funds will not impact the borrowers business. A CPA letter verifying no impact to the business is acceptable; however, if no CPA letter is available the UW will review the tax returns of the business to determine any impact. Any significant withdrawal should be considered in relation to the overall strength of the borrowers company 	
Recent Updates / 90 Day Lookback	<p>4/7/2017 Updated to all MCC to be used for qualification when specific requirements are met. 2/21/2017 Removed Leaseholds from ineligible classification. 3-4 unit properties in NJ eligible subject to CMG 100% QC prefunding audit. Removed CLTV overlay on FHA Streamlines Refinance transactions. For AUS approved loans all borrowers must have one valid credit score. Removed manufactured homes as an ineligible property type and noted CMG eligibility criteria is as noted in the Manufactured Home Guideline Addendum. Added 3/1 ARM as available term. 01/20/17 Updated to align with recent changes and clarifications to compliance and eligibility of Rebuttable Presumption/HPCT. Removed reference that full tax transcripts are required for all loans; refer to policy. 12/19/16 Updated to allow high balance with a minimum 620 credit score (previously 640)</p>	
Information in this matrix is a summary only and is not a complete representation of CMG Financial (NMLS #1820) Lending Policies. Information is accurate as of the date of publishing and is subject to change without notice. The Guidelines outlined in this matrix apply to FHA loans submitted to DU/LP/TOTAL Scorecard. In addition to applying these CMG specific overlays, all loans submitted to DU/LP/TOTAL Scorecard must comply with the DU/LP/TOTAL Scorecard Findings and FHA/Ginnie Mae requirements. This document should not be relied upon or treated as legal advice. To verify our state license, please log onto the following websites: http://www.cmgfi.com/licensing.php and www.nmlsconsumeraccess.org		
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