Agency Fixed

101-125 Conforming Fixed 10 - 30 yr

Units	Max Loan Amount	Max LTV/CLTV[2]	Min FICO
Purchase Owner Occupied[1,1A,11]			
1	$417,000	97%/NA[10]	720
1	$417,000	95%/95%[8]	720[5]
1	$417,000	80%/95%	620
2	$533,850	80%/80%	620
3	$645,300	75%/75%	620
4	$801,950	75%/75%	620
Purchase Second Home[1]			
1	$417,000	90%/90%[9]	720
1	$417,000	80%/80%	620
Purchase Investment[1]			
1	$417,000	80%/85%	620
2	$533,850	75%/75%	620
3	$645,300	75%/75%	620
4	$801,950	75%/75%	620
Rate/Term Refinance Owner Occupied[1]			
1	$417,000	95%/95%[8]	720[5]
1	$417,000	80%/95%	620
2	$533,850	80%/80%	620
3	$645,300	75%/75%	620
4	$801,950	75%/75%	620
Rate/Term Refinance Second Home[1]			
1	$417,000	90%/90%	720
1	$417,000	80%/80%	620
Rate/Term Refinance Investment[1]			
1	$417,000	75%/75%	620
2	$533,850	75%/75%	620
3	$645,300	75%/75%	620
4	$801,950	75%/75%	620
Cash Out Refinance Owner Occupied[1,4, 7]			
1	$417,000	80%/85%	620
2	$533,850	75%/75%	620
3	$645,300	75%/75%	620
4	$801,950	75%/75%	620
Cash Out Refinance Second Home[1, 7]			
1	$417,000	75%/75%	620
Cash Out Refinance Investment[1, 7]			
1	$417,000	75%/75%	620
2	$533,850	70%/70%	620
3	$645,300	70%/70%	620
4	$801,950	70%/70%	620

NOTES:

[1] Minimum loan amount $50,000.
[1A] **DTI over 50- Investor Specific Add applies-Contact Secondary for pricing**
[2] Max LTV of 80% with subordinate financing. **HCLTV IS SAME AS CLTV**.
[5] 620 Credit Score may be allowed depending on MI Company /Market Area
[6] Check MGIC Property Locator for eligibility since some areas are max 90% LTV
[7] Texas Cash Out not allowed
[8]Max DTI allowed if LTV 80.01% and above-41. May allow 45 DTI with score of 720 or greater in some markets.

[9]Check MGIC Property Locator for eligibility. Available in Non-Restricted Markets only. Borrower can own Primary residence ONLY. No other properties can be owned.

Agency Fixed

[10]Check MGIC Property Locator for eligibility. Available in Non-Restricted Markets only. Available for Purchase only. Max DTI 41. Borrower's own funds for reserves. Gifts allowed by relative, fiancé or domestic partner who have lived with borrower for last 12 months and will occupy the subject property.

[11]Alameda County MCC Credit Certificate (MCC) is allowed on a purchase of borrower's primary residence only. Refer to MCC eligibility criteria herein.

Agency ARM

1431C -1410C Conforming 30 Fixed Period 1 Yr ARM[5] (DU CODES- Use FM GENERIC 3,5,7,10YR)

Purchase Owner Occupied[1,10]			
Units	**Max Loan Amount**	**Max LTV/CLTV[2]**	**Min FICO**
1	$417,000	97%/NA[9]	720
1	$417,000	95%/95%[7]	720[4]
1	$417,000	80%/95%	620
2	$533,850	80%/80%	620
3	$645,300	75%/75%	620
4	$801,950	75%/75%	620
Purchase Second Home[1]			
1	$417,000	90%/90%[8]	720
1	$417,000	80%/80%	620
Purchase Investment[1]			
1	$417,000	80%/85%	620
2	$533,850	75%/75%	620
3	$645,300	75%/75%	620
4	$801,950	75%/75%	620
Rate/Term Refinance Owner Occupied[1]			
1	$417,000	95%/95%[7]	720[4]
1	$417,000	80%/95%	620
2	$533,850	80%/80%	620
3	$645,300	75%/75%	620
4	$801,950	75%/75%	620
Rate/Term Refinance Second Home[1]			
1	$417,000	90%/90%	720
1	$417,000	80%/80%	620
Rate/Term Refinance Investment[1]			
1	$417,000	75%/75%	620
2	$533,850	75%/75%	620
3	$645,300	75%/75%	620
4	$801,950	75%/75%	620
Cash Out Refinance Owner Occupied[1, 6]			
1	$417,000	80%/80%	620
2	$533,850	75%/75%	620
3	$645,300	75%/75%	620
4	$801,950	75%/75%	620
Cash Out Refinance Second Home[1, 6]			
1	$417,000	75%/75%	620
Cash Out Refinance Investment[1, 6]			
1	$417,000	75%/75%	620
2	$533,850	70%/70%	620
3	$645,300	70%/70%	620
4	$801,950	70%/70%	620

NOTES:

[1] Minimum loan amount $50,000.

[2] Max LTV of 80% with subordinate financing. **HCLTV IS SAME AS CLTV**.

[4] 620 Credit Score may be allowed depending on MI Company/Market Area

[5] 3/1 Arm unavailable in New Mexico

[6] Texas Cash Out not allowed

[7]Max DTI allowed if LTV 80.01% and above-41. May allow 45 DTI on 5/7/10 year ARMs with score of 720 or greater in some markets.

[8]Check MGIC Property Locator for eligibility. Available in Non-Restricted Markets only. Borrower can own Primary residence ONLY. No other properties can be owned.

Agency ARM

[9]Check MGIC Property Locator for eligibility. Available in Non-Restricted Markets only. Available for Purchase only, 3/1 5/1 10/1 ARMS. Max DTI 41. Borrower's own funds for reserves. Gifts allowed by relative, fiancé or domestic partner who have lived with borrower for last 12 months and will occupy the subject property.
[10]Alameda County MCC Credit Certificate (MCC) is allowed on a purchase of borrower's primary residence only. Refer to MCC eligibility criteria herein.

Agency ARM Interest Only

1431C IO -1410C IO Conforming 30 Fixed Period 1 Yr ARM[1,2,3,4,5]

Purchase/Rate & Term Refinance Owner Occupied[1,6]			
Units	**Max Loan Amount**	**Max LTV/CLTV[2]**	**Min FICO**
1	$417,000	70%/70%	720
Purchase/Rate & Term Refinance Second Home[1]			
1	$417,000	70%/70%	720

NOTES:

[1] Minimum loan amount $50,000.
[2] Max LTV of 65% with subordinate financing. HCLTV IS SAME AS CLTV.
[3] Minimum 24 Month Reserve Requirement
[4] DU Approve/Eligible only-LP not allowed
[5] 3/1 Arm not available in New Mexico
[6]Alameda County MCC Credit Certificate (MCC) is allowed on a purchase of borrower's primary residence only. Refer to MCC eligibility criteria herein.

****DU ARM CODES- 3 YR-3514**
5 YR-3505
7 YR- 3518
10 YR- 3225

Agency Fixed/ARM High Balance

101/102HB Fixed / 1451HC/1471HB/ 1410HB Agency High Balance [7,8,9,10](DU CODES- Use FM GENERIC 3,5,7,10YR)

Purchase Owner Occupied[1A, 2,13]			
Units	**Max Loan Amount**	**Max LTV/CLTV[2]**	**Min FICO**
1[1]	$625,500	90%/90%	720[12]
1[1]	$625,500	80%/80%	700
1[1]	$625,500	75%/75%	660[8]
2[3]	$800,775	75%/75%	740
3[4]	$967,950	75%/75%	740
4[5]	$1,202925	75%/75%	740
Purchase Second Home[1]			
1	$625,500	65%/65%	740
Purchase Investment			
1[1]	$625,500	65%/65%	740
2[3]	$800,775	65%/65%	740
3[4]	$967,950	65%/65%	740
4[5]	$1,202,925	65%/65%	740
Rate/Term Refinance Owner Occupied[1,8]			
1[1]	$625,500	90%/90%	720[13,14]
1[1]	$625,500	80%/80%	700
1[1]	$625,500	75%/75%	660
2[3,6]	$800,775	75%/75%	740
3[4,6]	$967,950	75%/75%	740
4[5,6]	$1,202,925	75%/75%	740
Rate/Term Refinance Second Home[1]			
1	$625,500	65%/65%	740
Rate/Term Refinance Investment			
1[1]	$625,500	65%/65%	740
2[3]	$800,775	65%/65%	740
3[4]	$967,950	65%/65%	740
4[5]	$1,202,925	65%/65%	740
Cash Out Refinance Owner Occupied[1, 11]			
1[6]	$625,500	60%/60%	740
Cash Out Refinance Second Home			
Not Permitted			
Cash Out Refinance Investment			
Not Permitted			

NOTES:

[1] Minimum loan amount $417,001.

[1A] DTI over 50 on Fixed Rate Loans- Investor Specific Add applies-Contact Secondary for pricing

[2] Max LTV of 80% with subordinate financing. **HCLTV IS SAME AS CLTV**.

[3] Minimum loan amount $533,851

[4] Minimum loan amount $645,301

[5] Minimum loan amount $801,951

[6] 2 – 4 Unit Owner Occupied Refinances

- Occupancy certification is required. Please contact your account manager to order. Borrowers photo ID will be required at the time of inspection

[7] **DU Approve/Eligible Only-LP not allowed**

[8] **ARMS- Max LTV/CLTV 75/75%- Minimum 680 Credit Score**

[9] **Condo's require 2 comps outside the subject project**

[10] **Max jumbo conforming loan amt based on city/county – click on link below for eligibility**
https://www.efanniemae.com/sf/refmaterials/loanlimits/

[11] Texas Cash Out not allowed

[12] Max DTI allowed if LTV 80.01 and above-41. May allow 45 DTI with score of 740 or greater in some markets.

[13]Alameda County MCC Credit Certificate (MCC) is allowed on a purchase of borrower’s primary residence only. Refer to MCC eligibility criteria herein.
[14] **Lower Credit Score may be allowed- See MI Matrices**

CMG FINANCIAL

Agency ARM Interest Only High Balance

1451HB-IO Agency ARM Interest Only High Balance [1,2,3,4,5,6] DU ARM CODE-3505

Purchase Owner Occupied[7]			
Units	**Max Loan Amount**	**Max LTV/CLTV**	**Min FICO**
1	$625,500	70%/70%	720
Purchase Second Home[1]			
1	$625,500	65%/65%	740
Rate/Term Refinance Owner Occupied			
1	$625,500	70%/70%	720
Rate/Term Refinance Second Home			
1	$625,500	65%/65%	740

NOTES:

[1] Minimum loan amount $417,001.

[2] DU Approve/Eligible required

[3] Condo's require 2 comps outside the subject project

[4] Max jumbo conforming loan amt based on city/county – click on link below for eligibility
https://www.efanniemae.com/sf/refmaterials/loanlimits/

Click on: 2012 Conforming Loan Limits by area toward the top
Click on: On the bottom of this matrix is a Tab for 2012 Conforming Loan Limits
Hit Control/Letter F/Number 1- type in county

[5] Qualify at fully amortized rate (rate = higher of index + margin or note rate + 2%)

[6] 24 months reserves required

[7] Alameda County MCC Credit Certificate (MCC) is allowed on a purchase of borrower's primary residence only. Refer to MCC eligibility criteria herein.

CMG FINANCIAL

DU Refi Plus

CLICK HERE FOR EXPANDED UNDERWRITING CRITERIA

DU Refi Plus Fixed 15- & 30-Year 101 RP 102 RP 103 RP 104RP 125RP [1,2,3,4]

Rate/Term Refinance Owner Occupied[1,2]			
Units	Max Loan Amount	Max LTV/CLTV[1,2]	Min FICO
1	$417,000	N/A	N/A
2	$533,850	N/A	N/A
3	$645,300	N/A	N/A
4	$801,950	N/A	N/A
Rate/Term Refinance Second Home[1,2]			
1	$417,000	N/A	N/A
Rate/Term Refinance Investment[1,2]			
1	$417,000	N/A	N/A
2	$533,850	N/A	N/A
3	$645,300	N/A	N/A
4	$801,950	N/A	N/A

NOTES:
[1] APPROVE/ELIGIBLE, EA I,II & III AVAILABLE **EA III REQUIRES MGMT APPROVAL
[2]No Max LTV/CLTV/HCLTV.
[3]Program 102RP Max Allowed 105% LTV/Unlimited CLTV/HCLTV until 6/1/2012
[4]LTV's > 105% REQUIRE A FIELD REVIEW (unless appraisal waiver used)

FNMA-Owned Property Link: http://www.fanniemae.com/loanlookup/

30 & 15 Year Fixed HIGH BALANCE DU REFI PLUS : 101-RP HB; 102-RP HB[3]

Units	Continental US		Properties in Alaska, Hawaii	
	Minimum Loan Amount	**Maximum Loan Amount Permanent High Cost (HERA)**	**Minimum Loan Amount**	**Maximum Loan Amount Permanent High Cost (HERA)**
1	>$417,000	$625,500	>$625,500	$938,250
2	>$533,850	$800,775	>$800,775	$1,201,150
3	>$645,300	$967,950	>$967,950	$1,451,925
4	>$801,950	$1,202,925	>$1,202,925	$1,804,375

These are the maximum potential loan limits for designated high-cost areas. Actual loan limits are established for each county (or equivalent) and the loan limits for specific high-cost areas may be lower. The original principal balance of a Mortgage must not exceed the maximum loan limit for the specific area in which the Mortgaged Premises is located. For specific loan limits for each high cost area, as released by the Federal Housing Finance Agency, visit:

https://www.efanniemae.com/sf/refmaterials/loanlimits/

Click on: 2012 Conforming Loan Limits by area toward the top
Click on: On the bottom of this matrix is a Tab for 2012 Conforming Loan Limits
Hit Control/Letter F/Number 1- type in county

CMG FINANCIAL

Fannie Mae DU Refi Plus

(15 yr loans over 105% will not be offered until 6/1/12)

A new merged credit report with the borrower's credit score *(We do not need to review the credit report except for the Credit Score being used for committing)*

- **Unlimited LTV/CLTV/HCLTV** With an Approve/Eligible in DU(CMG MI (no affiliation) not available)
- **FNMA Owned Loans** FNMA Purchased loan before 6/1/2009
- **DU FINDINGS** Approve/Eligible , EA- I, II & III Available-**EA III Req MGMT APPROVAL**
- **EA-I,II & III** PIW Appraisal Waiver required or ineligible
- **New Subordinate Financing** Not Allowed-Existing 2nd to follow FNMA guidelines
- **Financing with MI** Available on loans with existing MI. Need MI Company Name and Current Certificate Number
- **No Minimum Credit Score**
- **High Balance Loans** Available at TODAYS high balance limit (see below)
- **All Occupancies Accepted** Owner Occupied / 2nd Hm / Non Owner (change in occupancy is Allowed
- **Borrower Added/Removed** New borrowers can be added-Removal of any borrower on note allowed without documentation- borrower must also be removed from title
- **Currently Listed for Sale** Available (document listing has been cancelled, no seasoning)
- **Appraisal Requirements** ***If no waiver is received – #1004 appraisal is required***

  If waiver(PIW) is received – DU does NOT have to be rerun at estimated DU value. Input value is acceptable if last DU run at closing still has waiver
- **Mixed Use Properties** If the Du Findings allow us to waive the appraisal, but our file contains documentation leading us to believe the property has mixed use (i.e. agricultural or commercial), we will need to get an appraisal and follow their standard Mixed Use guidelines. The DU Refi Plus only allows us to forego our reps and warrants on the value. So it follows that if we do need an appraisal we need to follow the standard Mixed Use guidelines) **PIW NOT AVAILABLE FOR MANUFACTURED HOMES OR 2-4 UNIT PROPERTIES**
- **LTV'S Over 105%** **Field Review required unless appraisal waiver used**
- **FEMA DISASTER AREA** 1004D required if county in currently designated Disaster Area
- **Preliminary Title** Short Form Alta Policy
- **Rate/Term only** Max cash back $250

- **Max # of Properties Owned** Unlimited
- **Full Documentation required** Per DU findings
- **Signed 4506T required** Form signed prior to docs & at funding-Audit required-see pg 29
- **Verbal VOE** Can be performed at funding
- **Condo Requirements** UW to verify not a CondoTel online and upload printout / Insurance is required:

  Haz/Liab/Walls In)
- **Borrower benefit must be determined outside of Du as follows:**
  Lower Payment
  Lower Rate
  More stable product- ARM to Fixed/Interest Only to Fully Amortized
  ARM-ARM with a longer fixed rate period

Fannie Mae DU Refi Plus

(15 yr loans over 105% will not be offered until 6/1/12)

Lower Term from 30 year to 15 (>105% ltv not avail until 6/1/12), 20 or 25 year FRM

High Balance Loan Limit look up: https://www.efanniemae.com/sf/refmaterials/loanlimits/

Click on: 2012 Conforming Loan Limits by area toward the top
Click on: On the bottom of this matrix is a Tab for 2012 Conforming Loan Limits
Hit Control/Letter F/Number 1- type in county
It will come up automatically
Fannie Mae owned loan look up: **http://www.fanniemae.com/loanlookup/**

RESOURCE CENTER: **resource_center@fanniemae.com** / 800-732-6643 8 A.M – 8 P.M. EST

LP OPEN ACCESS RELIEF REFINANCE PROGRAM

CLICK HERE FOR EXPANDED UNDERWRITING CRITERIA

30 & 15 Year Fixed LP OPEN ACCESS: 101-OA; 102-OA ; 103-OA

Rate/Term Refinance Owner Occupied[1]			
Units	**Max Loan Amount**	**Max LTV/CLTV[2,3]**	**Min FICO**
1	$417,000	Unlimited	N/A
2	$533,850	Unlimited	N/A
3	$645,300	Unlimited	N/A
4	$801,950	Unlimited	N/A
Rate/Term Refinance Second Home[1]			
1	$417,000	Unlimited	N/A
Rate/Term Refinance Investment[1]			
1	$417,000	Unlimited	N/A
2	$533,850	Unlimited	N/A
3	$645,300	Unlimited	N/A
4	$801,950	Unlimited	N/A

NOTES:

[1] Minimum loan amount $0.

[2] No Max LTV/CLTV/HCLTV with subordinate financing

[3] LTV over 105%- CMG PAID FIELD REVIEW REQUIRED (unless appraisal waiver used)

30 & 15 Year Fixed HIGH BALANCE LP OPEN ACCESS: 101-OA HB; 102-OA HB

Units	Continental US		Properties in Alaska, Hawaii	
	Minimum Loan Amount	Maximum Loan Amount Permanent High Cost (HERA)	Minimum Loan Amount	Maximum Loan Amount Permanent High Cost (HERA)
1	>$417,000	$625,500	>$625,500	$938,250
2	>$533,850	$800,775	>$800,775	$1,201,150
3	>$645,300	$967,950	>$967,950	$1,451,925
4	>$801,950	$1,202,925	>$1,202,925	$1,804,375

These are the maximum potential loan limits for designated high-cost areas. **Actual loan limits are established for each county (or equivalent) and the loan limits for specific high-cost areas may be lower. The original principal balance of a** Mortgage must not exceed the maximum loan limit for the specific area in which the Mortgaged Premises is located. For specific loan limits for each high cost area, as released by the Federal Housing Finance Agency, visit:

https://www.efanniemae.com/sf/refmaterials/loanlimits/

Click on: 2012 Conforming Loan Limits by area toward the top
Click on: On the bottom of this matrix is a Tab for 2012 Conforming Loan Limits
Hit Control/Letter F/Number 1- type in county

FHLMC OWNED PROPERTY LINK:

www.freddiemac.com/mymortgage

Freddie Mac LP Open Access Underwriting Criteria-3/12/2012
(POINT SET-UP- FHLMC ADDENDUM TO REFLECT 310 OFFERING IDENTIFIER)

- **Unlimited LTV/CLTV/HCLTV** With an LP Open Access Accept
- **New Sub Financing not allowed** Exisiting 2nds to follow FNMA/FHLMC guidelines
- **LP Open Access Accept** No manual underwrite
- **Financing with MI** Available on loans with existing MI (Triad is not available)
- **No minimum Credit Score**
- **Mortgage Lates** 0x30 1-6 months / 1x30 7-12 months
- **High Balance** Available at TODAYS high balance limit (see below)
- **All occupancy's are acceptable** OO, 2nd HM, NOO(change in occupancy allowed)
- **Borrowers added/removed** Occ borrowers can be added or removed with at least 1 borr on note remains; Non-Occ borrs cannot be added
- **Currently Listed for Sale** Available (document listing has been cancelled, no seasoning is required)
- **Max financed 1-4 unit prop's** Primary- No Max 2nd Home/Inv- 4
- **Signed 4506T required** **Form signed prior to docs & at funding-Audit required-see pg 29**
- **Rate/Term Only** Max cash back to borrower cannot exceed $250
- **Full Documentation required** Per LP Findings
- **LTV'S Over 105%** **Field Review required unless appraisal waiver used**

Appraisal Waiver's will be honored – 1-2 Units All Occupancies- HVE (Home Value Explorer) value on LP Findings can be used, but if lower, LP must be rerun or appraisal requested. If the findings allow us to use the HVE value, then we DO NOT need to document anything further on mixed use. If the findings require an appraisal, then we need to follow their standard mixed use guidelines.

FEMA Website Checked on all loans- Appraisers 1004D required if property in declared disaster area

- **Borrower benefit must be determined outside of LP as follows**: Lower Payment / Lower Rate / More stable product- ARM to Fixed/Interest Only to Fully Amortized / ARM-ARM with a longer fixed rate period-**NOTE: No limit on P&I increase if moving to more stable product**
- **Subject Loan Amount Calculation**: Current loan balance + Interest due + 4% or $5,000 (of the unpaid prin bal) whichever is lower

CONDO REQUIREMENTS

OWNER OCCUPIED:

- **90% or less:** can do limited review
- **Limited Condo Review:** (must receive a limited review in DU findings)
- HOA: Document no litigation / no daily rentals / 100% insurance replacement and interior coverage or borrower to provide H0-6 policy covering 20% of value / fidelity bond insurance needs to cover reserves on balance sheet if over 20 units/1 Million Master Liab.
- CA – requires Earthquake Ins.(management can call Freddie for waiver request)

High Balance Loan Limit look up:

https://www.efanniemae.com/sf/refmaterials/loanlimits/

Click on: On the bottom of this matrix is a Tab for 2012 Conforming Loan Limits
Hit Control/Letter F/Number 1- type in county, It will come up automatically

Click on: 2012 Conforming Loan Limits by area toward the top
Click on: On the bottom of this matrix is a Tab for 2012 Conforming Loan Limits
Hit Control/Letter F/Number 1- type in county, It will come up automatically

FNMA Homepath

30 Year FNMA Homepath - Program Code: 101HP

*****DU APPROVE/ELIGIBLE REQUIRED-EXCEPTIONS-SEE FNMA HOMEPATH ELIGIBILITY SHEET CONTAINED WITHIN THESE GUIDELINES*****

Renovation Mortgages Are Not Allowed[3]

Purchase Owner Occupied[1,3]			
Units	**Max Loan Amount**	**Max LTV/CLTV[1]**	**Min FICO**
1	$417,000	97%/NA	660
2	$533,850	80/80%	620
3	$645,300	75%	620
4	$801,950	75%	620
Purchase Second Home[1,3]			
1	$417,000	90%	660
1	$417,000	80%	620
Purchase Investment[1,2,3]			
1	$417,000	90/90%	660
2	$533,850	80/80%	620
3	$645,300	75/75%	620
4	$801,950	75/75%	620

NOTES:

[1]Max LTV of 80% with subordinate financing. **HCLTV IS SAME AS CLTV & MUST BE MANUALLY INPUT ON 1008/DU**

[2] Florida condos are not permitted for investment purchases

[3] Renovation mortgages are not allowed

Jumbo Fixed and ARM

****Refer to Jumbo Fixed and ARM Eligibility Section for specific criteria****

725 – 5/1 ARM; 727 – 7/1 ARM; 720 – 30 Year Fixed; 715 – 15 Year Fixed[1,2,3,4,5,6,7,8,9,10,11,12,13]

Purchase/Rate & Term Refinance Owner Occupied			
Units	**Max Loan Amount**	**Max LTV/CLTV**	**Min FICO**
1-2	$650,000	80%/85%	720
1-2	$1,000,000	80%/80%	720
1-2	$1,500,000	70%/70%	720
1	$2,000,000	65%/65%	720
Purchase/Rate & Term Refinance Second Home[2,10]			
Units	**Max Loan Amount**	**Max LTV/CLTV**	**Min FICO**
1	$650,000	75%/75%	720
1	$1,000,000	70%/70%	720
Cash Out Owner Occupied[2,11]			
Units	**Max Loan Amount**	**Max LTV/CLTV**	**Min FICO**
1-2	$1,000,000	70%/70%	720
1-2	$1,500,000	65%/65%	720
Cash Out Second Home[2,10,11]			
Units	**Max Loan Amount**	**Max LTV/CLTV**	**Min FICO**
1	$650,000	70%/70%	720
1	$1,000,000	65%/65%	720

[1] Minimum loan amount $417,001 on fixed; $35,001 on ARMs
[2] Not available in Hawaii or in Dade or Broward Counties in Florida
[3] On refinance transactions, LTV/CLTV is reduced by 5% on properties located in Arizona, California, Florida, Michigan & Nevada; on purchase transactions, LTV/CLTV is reduced by 5% on properties in Nevada
[4] LP Accept required; still require full manual documentation
[5] Investor prior approval required
[6] Max DTI allowed is:

- **45** if LTV/CLTV is greater than 65% regardless of LP findings
- **50** if LTV/CLTV is less than or equal to 65%

[7] Qualifying ARMs – note rate
[8] 2 appraisals required for loan amounts and combined loan amount over $1,000,000
[9] Appraisals can be ordered through CMG's AMC
[10] Reserves:

- **6** months PITI on subject property if loan amount is less than or equal to $1,000,000
- **12** months PITI on subject property if loan amount is greater than $1,000,000

[11] Second Home – max of 4 financed properties owned (1 – 4 unit)
[12] Cash out:

- Six months ownership required
- Written explanation required
- Max cash out is:
  - **$300,000** if LTV/CLTV is greater than 50%
  - **$500,000** if LTV/CLTV is less than or equal to 50%

[13] Minimum FICO scores:

- **720** if LTV/CLTV is greater than 65% OR loan amount is greater than $1,000,000
- **680** if LTV/CLTV is less than or equal to 65%

Jumbo Fixed and ARM Interest Only

****Refer to Jumbo Fixed and ARM Interest Only Eligibility Section for specific criteria****

725 IO – 5/1 ARM; 727 IO – 7/1 ARM; 720 IO – 30 Year Fixed[1,2,3,4,5,6,7,8,9,10,11,12,13]

Purchase/Rate & Term Refinance Owner Occupied			
Units	**Max Loan Amount**	**Max LTV/CLTV**	**Min FICO**
1-2	$650,000	75%/80%	720
1-2	$1,000,000	70%/80% fixed; 70%/75% ARMs	720
1-2	$1,500,000	65%/65%	720
Purchase/Rate & Term Refinance Second Home[11,12]			
Units	**Max Loan Amount**	**Max LTV/CLTV**	**Min FICO**
1	$650,000	70%/70%	700
1	$1,000,000	65%/65%	700

[1] Minimum loan amount $417,001 on fixed; $35,001 on ARMs
[2] Not available in Hawaii or in Dade or Broward Counties in Florida
[3] On refinance transactions, LTV/CLTV is reduced by 5% on properties located in Arizona, California, Florida & Michigan
[4] Eligible borrowers must have:

- Minimum household income of $150K OR
- $500K reserves

[5] LP Accept required; still require full manual documentation
[6] Investor prior approval required
[7] Max DTI allowed is 45
[8] Qualifying:

- Fixed – P&I payment
- ARMs – P&I at the higher of fully indexed or note rate

[9] 2 appraisals required for loan amounts and combined loan amounts over $1,000,000 (lower value will be used)
[10] Appraisals can be ordered through CMG's AMC
[11] Reserves:

- **6** months PITI on subject property if loan amount is less than or equal to $650,000
- **9** months PITI on subject property if loan amount 650,001 - $1,000,000
- **12** months PITI on subject property if loan amount is greater than $1,000,000

[12] Second Home – max of 4 financed properties owned (1 – 4 unit)
[13] Minimum FICO scores:

- **Fixed:**
  - **720** if LTV/CLTV is greater than 70% <u>OR</u> loan amount is greater than $1,000,000
  - **700** if LTV/CLTV is less than or equal to 70%
- **ARMs**
  - **720** if LTV/CLTV is greater than 65% <u>OR</u> loan amount is greater than $1,000,000
  - **700** if LTV/CLTV is less than or equal to 65%

Agency Fixed/ARM/Interest Only

Automated Underwriting System (AUS)

Loans must be submitted through DU and must receive an Approve/Eligible(LP available for OA programs only). Manual underwriting is not acceptable under any circumstance.

Credit Doc Expiration Date

The credit package must be dated no earlier than 30 days prior to the initial 1003. Paystubs and bank statements must be within 30 days at close

The appraisal must be dated no more than 90 days prior to the note date or a new appraisal will be required. See Appraisal Requirements

Qualifying DTI

The Max DTI is 45% or as determined by DU

Credit Score

The minimum credit score may not be lower than **620** regardless of AUS approval. For loans with LTVs in excess of 80%, the minimum credit score will be determined by the Mortgage Insurance guidelines, but may never be below **620**.

The lowest qualifying score of all applicants is used to qualify and each borrower must have at least two credit scores. The qualifying score is the lower of 2 or the middle of 3 scores and must be reviewed for each borrower. Late payments are considered accounted for in the credit score.

Valid Credit Score: Regardless of AUS approval, for a credit score to be considered valid, the score must be generated from a minimum of (3) trade lines that have been evaluated for at least 12 months. The trade lines do not need to be currently active but require some activity within the last 24 months. Exceptions may be considered.

Mortgage/Rental Payment History: There may be no history of any 30 day late mortgage or rental payments within the last 12 months. Any housing lates in the last 24 months should be considered by the underwriter. Exceptions may be submitted to Corporate Underwriting for consideration.

Eligible Applicants

U.S. citizens
Permanent resident aliens:

- Must provide Alien Registration Card

Non-permanent resident aliens:

- Valid Visa and Passport; Acceptable Visas include but are not limited to E-1, H-1B, H-2A, H-2B, H-3, L-!, G series and O-1. Two yrs: employment, credit history & housing required.
- Employed in the U.S.
- Tax Identification Number is not acceptable (TIN)
- Must provide copy of visa and passport (investor requirement)

First Time Homebuyers

- Borrowers who have not owned a property within the last 3 years are considered first time home buyers and are eligible when purchasing an owner occupied primary residence.

- In addition to a DU approval, borrowers must show compensating factors. An example of compensating factors are:
  - Verification of 12 mo housing rental history paid
  - 3 credit tradelines @ a min 24 mo rated
  - Personal, seasoned assets
- Second home and investment properties are allowed on a case by case basis

Ineligible Applicants

- Foreign Nationals
- Partnerships
- Corporations
- Non-Revocable Inter Vivos Trusts
- Borrowers with more than 4 loans currently with Citi

Eligible Properties

Attached/Detached SFRs	Low-Rise/High-Rise Condos[1,2,3]
Attached /Detached PUDs	2-4 Units
Modular Home	Properties with utilities turned on and in working order-
Log Homes	Condotels (overlays apply – see Lee Heim)

[1]Florida condos are not permitted
[2]Max 95% LTV on all condos
[3]California Condo's must have Earthquake Insurance or use DU and be FNMA Warrantable

Ineligible Properties

<table>
<tr><td>Cooperatives</td><td>Manufactured Housing</td><td>Geodesic Dome Homes</td><td>Timeshares</td></tr>
<tr><td>Non-warrantable Condos</td><td>Mobile Homes</td><td>Geothermal Homes</td><td rowspan="3">Working Farms, Ranches, Orchards, Hobby Farms</td></tr>
<tr><td>Leaseholds</td><td>Condos with Resale Restrictions</td><td></td></tr>
<tr><td>Commercial Properties</td><td>Mixed Use</td><td></td></tr>
<tr><td colspan="2">Properties without Stove/Oven</td><td colspan="2">Properties with utilities turned off</td></tr>
<tr><td colspan="2">Properties with any health and/or safety issues or repairs needed</td><td colspan="2">Properties in less than average conditon</td></tr>
<tr><td colspan="4">Second Home purchases in Nevada</td></tr>
<tr><td colspan="4">Properties over 20 acres. 10-20 acres must have value with max 30%</td></tr>
</table>

Additions/Conversions

Accessory Unit / In Law Unit etc:

- 3 sold comps with similar unpermitted unit is required

CMG FINANCIAL

Agency Fixed/ARM/Interest Only

- No value given to addition
- No rents given to addition used to qualify
- Hazard Insurance Policy MUST insure this illegal unit
- Appraiser to state completed in a workmanlike manner

Enclosed Patio or Enclosed Garage – WITHOUT plumbing and/or electric added:
- Need appraisal and management (lee or lori) approval

Any added room / kitchen / bath (or half bath in garage) WITH plumbing and/or electric added:
- Need appraisal and management approval (without 3 comps that have similar illegal usage, will probably NOT find a home for these)

Carbon Monoxide Detectors(California Properties Only)

- If the subject property has either Gas Burning Appliances, Gas Heater, Gas Furnace, Gas Fireplace or an Attached Garage, and the Appraiser comments there is No Carbon Monoxide Detector, then one must be installed and a 1004D provided.

Private Roads

- Road Maintenance Agreement required if recorded agreement not reflected on prelim-**California properties are exempt

Short Sale Transactions

- Short Sale transactions are eligible with full audit and review of third party verifications.
- **Allowable Fees and Payments**
- Borrowers may pay additional fees or payments in connection with acquiring a property that is a preforeclosure or short sale that are typically the responsibility of the seller or another party. Examples of additional fees or payments include, but are not limited to the following:
- Short sale processing (also referred to as short sale negation fees, buyer discount fees, short buyer fees);
  Note: This fee does not represent a common and customer charge and therefore must be treated as a sales concession if any portion is reimbursed by an interested party to the transaction.
- Payment to a subordinate lien holder; and
- Payment of delinquent taxes or delinquent HOA fees.
- The following requirements apply:
- The borrower (buyer) must be provided with written details of the additional fees or payments and the additional necessary funds to complete the transaction must be documented.
- The servicer that is agreeing to the preforeclosure or short sale must be provided with written details of the fees or payments and has the option of renegotiating the payoff amount to release its lien.
- All parties (buyer, seller, and servicer) must provide their written agreement of the final details of the transaction which must include the additional fees or payments. This can be accomplished by

using the "Request for Approval of Short Sale" or "Alternative Request for the Approval of Short Sale" forms published by the U.S. Treasury *Supplemental* Directive 09-09 or any alternative form or addendum.

- The HUD-1 Settlement Statement must include all fees and payments included in the transaction.

Inherited Properties

If a mortgaged property was inherited within the last 12 months, the following restrictions apply:

- The owner must have clear title.
- Title cannot be held in probate.
- Percentage of ownership by heirs must be demonstrated.
- The borrower who will be acquiring sole ownership may receive cash out from the transaction if vested in title as trustee at time of loan submission.

Refinances Currently Vested In an LLC

Refinances that are currently vested in an LLC must meet the following additional requirements:

- Borrower must be 100% owner of LLC
- LLC must be in place/recorded prior to the purchase of the property
- **Title on subject loan cannot be taken in LLC**
- Or the title must be held as individual for a minimum of 6 months

Condo and PUD Project Requirements (includes 2-4 Unit Projects)

****Resale Restrictions not eligible****

Limited Condo Review: (must receive a limited review in DU findings)
HOA: Document no litigation / no daily rentals / 100% insurance replacement and interior coverage or borrower to provide H0-6 policy covering 20% of value / fidelity bond insurance needs to cover reserves on balance sheet if over 20 units/1 Million Master Liab.

Off the appraisal – look for:

- If project and common area is not 100% complete (not eligible)
- If less than 90% presold (not eligible)
- If converted less than 3 years (must have FNMA's 1028 approval)
- Must have 51% O/O occupancy (not eligible)
- If builder still in control not eligible unless it has FNMA 1028 approval on our phase
- Google to make sure not a CondoTel

- Owner Occupied max LTV/CLTV with DU Approve/Eligible – 90.00%
- Second Home max LTV/CLTV with DU Approve/Eligible – 75%

Two Unit Condo:

- If no common areas – Master Liability Insurance is not required, but Master Insurance with full replacement cost coverage is required
- "Other" owner must complete HOA certificate

Investment Condo:

- NOO (any LTV) require the following:
  - HOA Cert

CMG FINANCIAL

Agency Fixed/ARM/Interest Only

- Liability Insurance with 100% replacement
- Fidelity Bond
- HO6 for "Walls In" coverage covering 20% of value
- 2011 Budget
- Current balance sheet
- CMG management to warrant – additional conditions may apply

Appraisal Requirement

- **Must include 2 comps from outside subject project**

Attached PUD:

- Unexpired Project Master Hazard Insurance with $1,000,000 liability coverage

FNMA NEW PROJECTS- TYPE T **(APPLICABLE ON DU- LP LOANS MUST BE SOLD TO FHLMC)

- **Project has not been turned over to the HOA or Incomplete with less than 90%Presale or subject to Phasing –Unexpired FNMA 1028 Required for Subject Phase/ HOA CERT/Master Hazard/Liab/Fidelity/Wall In Coverage with 20% of value covered- CAN BE SOLD TO AHMSI WITH NO ADD(NOTE: LP MAX DTI- 45)**
- **Appraisal must include 1 closed comp inside subject project and 2 outside to support value.**

PROPERY OWNERSHIP CHART

Refer to the following table to determine if "other properties owned" should be included in property limitation.

Type of Property Ownership	Property Included in Limitation?
Joint ownership of residential real estate. (This is considered to be the same as total ownership of an individual property.)	Yes
Ownership of commercial real estate.	No
Ownership of multifamily property consisting of more than four dwelling units.	No
Joint or total ownership of a property that is held in the name of a corporation or S-corporation, even if the borrower is the owner of the corporation and the financing is in the name of the corporation or S-corporation.	No
Joint or total ownership of a property that is held in the name of a corporation or S-corporation, even if the borrower is the owner of the corporation; however, the financing is in the name of the borrower.	Yes
Ownership in a timeshare.	No
Obligation on a mortgage debt for a residential property (regardless of whether or not the borrower is an owner of the property on title).	Yes
Ownership of a vacant (residential) lot.	No

Agency Fixed/ARM/Interest Only

Joint or total ownership of a property that is held n the name of an LLC or partnership.	Yes
Ownership of a manufactured home and the land on which it is situated that is titled as real property.	Yes
Ownership of a manufactured home on a leasehold estate not titled as real property.	No

Note: Properties owned or financed jointly by the borrower and co-borrower are only counted once

Maximum Financed Properties

The maximum number of financed 1-4 unit properties, including the subject property and regardless of the lending source is limited as outlined below. These guidelines apply regardless of AUS results.

Primary Residence	Second Homes	Investment Properties
No Restrictions	10[1,2,3,5,6]	10[1,2,4,5,6]
See Matrix for LTV/CLTV	75/75/75% Pur 1 Unit-720 Score 70/70/70% R/T 1 Unit-720 Score 70/70/70% C/O[7] 1 Unit-720 Score	75/75/75 Pur 1 Unit-720 Score 70/70/70% R/T 1 Unit-720 Score 70/70/70% Pur/R&T 2-4 Units-720 Score 65/65/65% C/O[7] 2-4 Unit-720 Score

1. The borrower may not be affiliated with the builder, developer or seller of the subject property.
2. Pricing Hit imposed for total property ownership over 4. Contact lock desk for Fee
3. Second Home reserve requirement- 2 mos PITI on subject and 6 mos on all financed investment properties owned
4. Investment Property reserve requirement- 6 mos PITI on subject and 6 mos on all financed second home and investment properties owned
5. All properties listed on Partnership Returns that have Mortgage Interest reflected and are identified as 1-4 units only, must be included on borrowers 1003 Real Estate Owned Schedule regardless of percentage of ownership and included in the maximum allowed of 4
6. “Other Rental Properties” rent can be used. Disregard DU Findings only requiring 1 year. 2 years 1040s will be required. If property has not been owned for 2 years, average applicable to months owned. If purchased in current year, lease can be used with documentation of rent received and HUD-1 to show when purchased
7. Cash-out permitted only if delayed financing exception requirements are met – refer to Cash-Out Delayed Finance Exceptions section

Maximum Loans/Maximum Exposure

A maximum of 4 loans per borrower

Agency Fixed/ARM/Interest Only

Transaction Type and LTV/CLTV Calculation

Purchase
LTV/CLTV is based on the lesser of the sales price or current appraised value.

Rate/Term Refinance*

- The amount of the new mortgage is limited to the sum of the present 1^{st} mortgage lien, any subordinate financing which was used to acquire the property and closing costs, including prepaids. Cash to the borrower may not exceed the lesser of 2% of the new loan amount or $2,000. **LTV/CLTV is based on the current appraised value.**
    - **If purchase done in previous 4 months, loan is ineligible – for LP loans only**
    - If CMG did a refinance for the subject borrower in the previous 6 months to payoff a 1^{st} and Non-Purchase Money 2^{nd}, this new transaction will be considered a cash out.
    - Closing an existing 2^{nd} , even with a .00 Balance, will be considered **Cash Out** if done concurrently with our loan. Second must be closed and removed from prelim prior to our close of escrow.
    - **Subject Property Listed for Sale- Conforming DU Approve/Eligible Loans**
    - If the subject property is currently listed for sale the loan is not eligible for a rate/term refinance or a cash-out refinance. Properties that were listed for sale and taken off the market within the past 180 days are eligible for a refinance as follows:
    - Loans are eligible for either a rate/term (aka limited cash-out) or cash-out refinance. Cash-out refinances are limited to 70% maximum LTV/CLTV/HCLTV. Properties that were listed for sale must have been taken off the market on or before the application date. (Applies to loans approved via DU –all occupancy types)
- **Title on subject loan cannot be taken in LLC or CORPORATION**

Every effort should be made to verify the property is no longer listed for sale and the underwriter should give additional scrutiny to these transactions to ensure that refinancing the loan provides a benefit to borrower.

NOTE: This policy does not apply to the refinance of a property that was recently purchased within the past 180 days or to DU Refi Plus loans.

Cash Out Refinance* ***NOTE: Texas Cash Out not allowed***
A mortgage loan that may include the unpaid principal balance of the existing first mortgage, closing costs, the amount to satisfy any outstanding subordinate financing of any age and additional cash that the borrower may use for any purpose. Ineligible if:

- Subject property purchased less than six months. NOTE: unless cash purchase and the following parameters are met (FNMA-specific add will apply):
    - Purchase of subject was an arms-length transaction; and
    - HUD-1 on subject purchase shows no loans; and
    - Subject loan amount can include closing costs, prepaids and points; and
    - Bank statement from borrower to show seasoned source of funds for all-cash purchase
- Paying off cash out refinance done less than six month ago
- Paying off a new or existing 1^{st} and 2^{nd} mortgage taken out less than six months ago
- LTV/CLTV based on current appraised value
- Recently listed for sale allowed with max 70% LTV and initial application dated 1 day after listing is canceled

Agency Fixed/ARM/Interest Only

- **Title on subject loan cannot be taken in LLC or CORPORATION**

Construction-to-Perm Financing –Follow standard rate/term and cash out guidelines listed above

***All Refinance Transactions:** If the first lien being paid off was a purchase transaction and the original purchase price, as stated on the application, is less than the new appraised value, the file should contain documentation supporting the increase. Examples: Comments from the appraiser or documented receipts from the borrower.

Flips

- **<90** day flip: FIELD REVIEW is required and Arms length transaction audit is required by management
- **+90** day (and less than one year). Field review "may" be required and Arms length transaction audit is required by management
- The following property sales/transfers are not required to meet this policy where the seller is:
  - A lender or mortgage insurance company that acquired the property as a result of a foreclosure or a deed in lieu of foreclosure
  - A spouse who acquired the property through a divorce settlement
  - An employer that acquired the property through its relocation program
  - An administrator, executor, or personal representative selling property of an estate

Occupancy

- Owner-occupied Primary Residences, Second homes & Investment properties.
- **Purchase transactions of owner occupied 2-4 unit properties are subject to the following:**
  - Borrowers may not own any other residential property of equal or greater value in the same area in which the units are located.
- Occupancy inspection will be required on refinance transactions prior to closing and on purchases after closing.
- Rent loss insurance required if rent used for qualifying

Non-arm's Length Transactions

Non-arms length transactions, which include individuals employed by or affiliated with the seller, builder, developer, appraiser, lender providing financing, Title Company, broker, real estate agent or any other interested party are allowed with the following restrictions:

Transactions with Non-Family Members

Non-arm's length transactions with non-family members will be considered if they are bona fide sales transactions for a primary residence.

Transactions with Family Members

Non-arm's length transactions with family members are generally allowed if:

- The family member or relative is the spouse, child, parent fiancée, or domestic partner.
- An executed purchase or sales agreement between the borrower and the family member is provided.
- The source and ownership of funds for the down payment, closing costs and reserves are well documented.
- The appraised value is well supported, particularly for gifts of equity or gifts of more than 20%.
- Borrowers employed by a family member must provided standard full income documentation regardless of AUS findings.
- See the Gift Funds section in these guidelines for additional information.
- Loans must be processed using full documentation for assets and income, regardless of the AUS findings. (Full documentation requires 2 years for income and 2 months for assets.)

CMG FINANCIAL

Agency Fixed/ARM/Interest Only

The following types of Non-Arm's Length Transactions are Ineligible:
- Second Home and Investment Properties not eligible
- Borrowers who are purchasing a property from a builder who is purchasing the borrower's existing residence.
- Interested Party – If the builder and /or property seller is a company owned by the borrower or where the borrower is a registered agent, sales agent or partner for the builder or property seller.
- Interested Party – A borrower may act as an interested party to a sales transaction for the subject property; however, the borrower may not use any payment for services rendered from the sales transaction toward the down payment, closing costs or reserve requirements. Realtor, broker or sales associate commissions are all included

Purchase of Investment Properties
- If there is an existing rental agreement or lease on the subject property, verify that it does not contain any provisions that could affect CMG's first lien position on the property. Review the lease to determine if it is subordinated to the new first mortgage. If it will not be subordinate to the new mortgage, ensure that any tenant's rights to the property have been formally waived by the tenants.
- Rental income can be used if current lease is provided with copy of deposit and verified in the borrowers account
- 1 – 4 unit properties require a 1007 and 216 regardless if rent is used for qualifying
- Rent loss insurance is not required, regardless if rents used, unless approved through LP
- If rent not used, borrower to provide signed letter stating that property is not rented and document possible market rent – put on 1008. If rented, still need current lease.

See Landlord Experience

Non-Owner Occupied Purchases
- If the last sale date is within 6 months, must be approved by CMG Management
- "Foreclosure rate in market area" cannot exceed 30%. If it exceeds 30% CMG management review and approval
- Additional conditions may apply if approved

Retaining Current Residence Requirements and Restrictions
If the borrower's current primary residence is retained, and the borrower is purchasing a new primary residence:

- The borrower must qualify using both the current and proposed mortgage payments.
- Six months PITI reserves for both properties are required. (Or per DU)
    - If there is documented equity of at least 30% in the existing property, a reduced reserve requirement of 2 months PITI for both properties is permitted. The 30% equity position in the existing property must be documented using a 2055 exterior appraisal.
- Borrowers must be moving up in value and to a different geographic location..

If the current primary residence is converting to a second home:
- In addition to the requirement above for qualifying and PITI, the property must be located in an area that can reasonably function as a second home, must be suitable for year-round occupancy and must meet all other second home requirements.

If the current primary residence is converting into an investment property:

- And there is documented equity of 30% or more in the existing property; the borrower may continue to qualify using 75% of rental income to offset the mortgage loan payment amount.
  - The 30% equity position must be documented using a 2055 appraisal.
  - The rental income must be documented with a fully executed lease agreement and the receipt of the security deposit from the tenant with evidence of deposit into the borrower's account.
  - Standard reserve requirements apply.

- If an equity position of 30% in the existing property cannot be documented, the borrower must qualify using both the current and proposed mortgage loan payment amounts. The proposed rental income cannot be used to offset the mortgage loan payment amount.
  - Six months PITI for both properties are required.
  - The underwriter must ensure that DU is calculating the total expense ratio. If the mortgage is identified as a rental property on the borrower's application, underwriters must enter a negative net rental income equal to the current monthly PITI payment, i.e., if the current PITI payment is $1,000, input $1,000 as negative net rental income.

Continuity of Obligation

The continuity of obligation requirement is to address refinance transactions that include a borrower that is on title, but not obligated on the original mortgage note being satisfied. The information below will determine whether continuity exists, and if not, what additional eligibility restrictions are applicable:

An acceptable continuity of obligation (assuming that this is an outstanding lien against the property) exists when:

- There is at least one borrower obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.
- The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor.
- The existing loan being refinanced and the title have been held in the name of a natural person or an LLC as long as the borrower was a member of the LLC prior to transfer.
  - Transfer of ownership from a corporation to a borrower does not meet the continuity of obligation requirements.
  - LLCs are not an acceptable form of title for the new loan transaction.
- The borrower has recently inherited or was legally awarded the property (for example: divorce or separation).
- If the borrower is currently on title and there is no outstanding lien against the property, the loan must be underwritten and priced as a cash out transaction. The following restrictions apply:

  Loans with no outstanding liens:
  - Property purchased within 6 to 12 months prior to the application date for the new loan transaction: The LTV is based on the lesser of the original sales prices or the current appraised value.
  - Property purchased more than 12 months prior to the application date for new loan transaction: The LTV is based on the current appraised value.

  Loans with outstanding liens but with no continuity of obligation:
  - At least one borrower must have been on title for at least six months, and
  - The maximum LTV (based on the current appraised value) is 50%.

Credit History

Mortgage/Rental Payment History: There may be no history of any 30 day late mortgage or rental payments within the last 12 months. Any housing lates in the last 24 months may be considered by the underwriter.

Agency Fixed/ARM/Interest Only

Exceptions may be submitted to Corporate Underwriting for consideration.

Bankruptcies:

Chapter 13: Discharged ≥ 2 years

Dismissed ≥ 4 years

Chapter 7 / 11: ≥ 4 year discharged or dismissed

Foreclosures: None in last seven years

Short Sales or Loan Modifications or Deeds-in-Lieu: None in last 48 months-MAX 90% LTV/CLTV(Radian MI)

Requirements for a Re-established Credit History:
After a bankruptcy or foreclosure-related action, a credit history must meet the following requirements to be considered re-established:

- It must meet the requirements for elapsed time since the derogatory credit event outlined in the topic
- It must reflected that all accounts are current as of the date of the mortgage application
- It must include a minimum of **four credit references**, and **one of the references must be housing-related**
  - A housing-related reference must cover the period following the bankruptcy discharge or dismissal, foreclosure, or deed-in-lieu, and can be in the form of mortgage payments or rental payments
  - If rental payments were not reported to the credit repositories the lender must obtain copies of bank statements, money orders, or canceled checks for the most recent 12-month period as a supplement to the rent verification.
- It must reflect three of the four credit references, including rental housing references, as active in the 24 months preceding the date of the mortgage application
- It must include no more than two installment or revolving debt payments 30 days past due in the last 24 months
- It must include no installment or revolving debt payments 60 or more days past due since the discharge or dismissal of the bankruptcy or the completion of the foreclosure-related action
- It must include no housing debt payments past due since the discharge or dismissal of the bankruptcy or the completion of the foreclosure-related action
- It must include no new public records since the discharge or dismissal of the bankruptcy or the completion of the foreclosure-related action. Public records include bankruptcies, foreclosures, deeds-in-lieu, pre-foreclosure sales, unpaid judgments or collections, garnishments, liens, etc.

Consumer Credit Counseling

Must be completed a minimum of 12 months

Adverse Credit and Payoff of Adverse Credit

Any outstanding judgments and/or tax liens, as well as any other derogatory items appearing in the title policy (delinquent taxes, tax liens, mechanics' liens and collections) must be paid/released to the satisfaction of the title company.

In certain cases, collection and charge-off accounts will be reflected in amounts that have no material effect on the priority of the lien; therefore, collection or charge-off accounts do not have to be paid off at or before closing if they meet the following guidelines:

Agency Fixed/ARM/Interest Only

Underwriting Method	Occupancy and/or Property Type	Max Allowable Amount to be left unpaid
DU Approve/Eligible	1-4 units owner occupied and 1 unit second homes	$5,000 per individual item or in aggregate.
DU Approve/Eligible	Investment properties	$250 per individual account or $1,000 aggregate

Disputed credit items on DU findings:

Disputed credit per DU, loan is not eligible without getting:
1. Credit Supp – These do not belong to Borrower ‘or’
2. Broker to provide DU & Credit ran without disputed items reporting

Credit Inquiries

All credit inquiries within 4 months of CMG credit report will require borrowers detailed explanation and credit report supplement confirming no debt.

Qualifying the Borrower and Payment Shock

Fixed Rate Loans: borrower must qualify based on the Note Rate

Fixed Period ARM and Interest Only Loans: Borrower must qualify at the PITI based on the higher of the note rate (for 3/1 & 5/1 ARMs add 2%to note rate) or the fully amortized index + margin.

Installment Debt: Payments on all installment debts with more than 10 months of remaining payments must be included in the DTI. Borrower cannot pay down to 10 months for qualifying.

Alimony, Child Support or Maintenance Payments: Payments with more than 10 months remaining are considered long term obligations and must be included in the total monthly obligations when calculating the debt-to-income ratios.

Auto Lease: The payment must be included in the DTI regardless of the remaining number of payments.

Revolving Debt: The monthly payment per the credit report must be included in the DTI calculation regardless of number of months left. If a payment is not provided, use the greater of $10 or 5% of the outstanding balance. If paying off for qualifying, account must be closed with proof from creditor or credit supplement.

Deferred Student Loans: Payments must be included in the borrower’s long term debt. If the credit report does not provide a monthly payment, the file must contain a copy of the borrower’s payment letter or forbearance agreement to determine the payment amount to use in calculating the borrower’s total DTI. If the above cannot be obtained, the borrower must document the reason why it could not be obtained. The monthly payment should be calculated as 2.0% of the balance due.

401(k) Loans: 401(k) loans are not counted in DTI’s.

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Other Assets: Certificates of deposit, savings accounts, stocks, bonds, life insurance policies and other assets with a monetary value easily converted to cash are not required to be included in the DTI.

Paying off Debt: Installment debt may be paid off to qualify. Revolving debt may not be paid off; however exceptions may be granted on a case by case basis – if benefit to borrower is established.

Paying off Judgments and Tax Liens with Refinance Loan Proceeds: Loan proceeds from a cash out refinance can be used to pay off judgments and tax liens provided the underwriter allows the derogatory reason. This is reflected on the final HUD-1 (investor-specific).

Co-signed Obligations: Co-signed obligations for mortgages and installment loans can be excluded from recurring monthly expenses if the following can be provided: 1) 12 months canceled checks that show payments have been made by another party. If the account is less than 12 months old, the full payment must be used in calculating the DTI. 2) There may be no delinquencies reported within the most recent 12 months.

HELOCs:

- Subject property subordinating HELOC – use credit report payment
- New HELOC – use draw amount at the interest-only rate
- All other properties – use credit report payment

Payment Shock: Transactions resulting in significant payment shock should always be considered by underwriting. If the borrower's mortgage payments will more than double, the underwriter must clearly document how the borrowers will be able to make the higher payments. It is always at the underwriter's discretion to require additional verification of assets or a larger down payment as a compensating factor for a loan with high payment shock.

Income and Employment

IRS Form 4506-T

All loans require a processed 4506-T for 2 tax years prior to signing loan documents.

For all CONVENTIONAL loans currently received at CMG as of 3/19/2012:

- Underwriters to condition for 2010/2011 4506 Audit-Even if not using income from 2011 returns
- 2011 Audit must come back with findings if using 2011 1040's for income
- If income being used covers 2 years, 2009/2010 & 2011 audits required

Income, employment and assets are stated on the application and verified. The signed 1003 must be complete and cover a 2 year period.

Salaried Borrower Requirements:

- The most recent year's W2's and a recent computer generated YTD pay stub that covers a minimum of a 30 day pay period. **REGARDLESS OF DU/LP FINDINGS**
- A Verbal VOE within 10 days of the note date that confirms current employment.
- Executed IRS 4506-T with transcripts ordered prior to docs. Returned transcripts must be reviewed and approved prior to closing/funding.
- Overtime, bonus and commissions used for qualifying must be averaged for 12 months using current paystubs regardless of time of year. Either verbal or written confirmation with borrower's employer that income is likely to continue. (Written VOE may be required. If confirmation cannot be obtained, the income may not be used to qualify.)

Agency Fixed/ARM/Interest Only

- Second Job Income-If any breaks in the last 2 years this cannot be used for qualifying
- NOTE: If average bonus/commission constitutes 24% or more of total earnings, recent 1040's to
- Teachers require a Written VOE or Current Contract to confirm number of months paid per year
- Royalty Payments: 2 years most recent tax returns with all Schedules.
- Trust Income: 2 years most recent tax returns with all Schedules (if Agreement/statement does not include information about historical level of distributions from the trust).

Automobile Allowance:
There are two methods for calculating the income associated with an automobile allowance:

- *Actual cash flow approach*: If the borrower reports automobile allowances on IRS Form 2106 or IRS Form 1040, Schedule C:
  - Funds in excess of the borrower's monthly expenditures are added to the borrower's monthly income.
  - Expenses in excess of the monthly allowance are included in the borrower's total monthly obligations.

  If the borrower used IRS Form 2016 and recognized "actual expenses" instead of "standard mileage rate", the lender must look at the "actual expenses" section to identify the borrower's actual lease payments and make appropriate adjustments.

- *Income and debt approach*: If the borrower does not report the allowance on either Form 2106 or Schedule C, the full amount of the allowance is added to the borrower's monthly income, and the full amount of the lease or financing expenditure for the automobile is added to the borrower's total monthly obligations.
- *Union Dues*-These do not need to be included when calculating 2106 Expenses

Foreign/Non U.S. Sources of Income:
Foreign income (income generated from non-U.S. sources) may be used only if its stability can be verified and is supported by U.S. Federal Tax Returns for the most recent two years. If the income is paid in a foreign currency:

- All income and asset documents must be translated on the document itself with attached printout evidencing source used for the conversion to U.S. dollars
- The income must also be verified in the same manner as U.S. income sources

MCC Credit Certificate Income:

- States and other political subdivisions can issue mortgage credit certificates (MCCs) in place of, or as part of, their authority to issue mortgage revenue bonds.
- MCCs enable an eligible first-time home buyer to obtain from a lender a market-rate mortgage that will be secured by his or her principal residence and to claim a federal tax credit for a specified percentage (usually 20% to 25%) of the mortgage interest payments.
- The borrower is permitted to reduce the withholding on his or her wages by the full amount of the tax credit to ensure that he or she will have an adequate cash flow and the ability to make periodic mortgage payments.
- When calculating the borrower's debt-to-income ratio, treat the maximum possible MCC income as an addition to the borrower's income, rather than as a reduction to the amount of the borrower's mortgage payment.

- Use the following calculation when determining the available income:
  (Mortgage Amount) x (Note Rate) x (MCC %) ÷ 12 = Amount added to borrower's monthly income.

  For example, if a borrower obtains a $100,000 mortgage that has a note rate of 7.5% and he or she is eligible for a 20% credit under the MCC program, the amount that should be added to his or her monthly income would be $125 ($100,000 x 7.5% x 20% = $1500 ÷ 12 = $125).

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- The following table provides verification requirements for MCCs:

Verification of Income from Mortgage Credit Certificates
Obtain copies of the following documents. They will be required if the mortgage is selected for a post-purchase underwriting performance review. • A copy of the MCC. • A copy of the lender's calculation of the adjustment to the borrower's income. • A copy of the IRS Form W-4 that the borrower gave to his or her employer.

Parttime/Secondary/Seasonal Income:

- Parttime & Secondary income must be uninterrupted (same position) for the previous 2 years and strong likelihood of continuance. If under 2 years, exception may be allowed with documented history in same position with previous company to consider.
- Seasonal income considered if borrower worked for same company previous 2 years with letter confirming intent to rehire next season. Borrower must currently be working to use.
- Qualifying income based on previous 2 tax years and YTD. If YTD is lower, use that amount.

Non-Wage Earner Requirements:

If the borrower's income is from sources such as pension/retirement, disability, child support or alimony, the file must be documented with evidence of receipt and proof of continuance for a minimum of 3 years.

- A capital gain or loss is the result of an individual selling an investment asset (stocks, bonds, real estate, etc.) at a price higher or lower than the amount originally purchased.
  - Capital gains that are non-recurring may not be considered in determining income. Only recurring gains consistent over a period of time may be considered in the income analysis. Borrowers must have sufficient remaining assets with income likely to continue for the next three years. Two years of signed tax returns will be used to determine income.
- Child support/alimony income must be supported by a copy of the divorce decree, separation agreement or court order AND copies of the court records, bank statements or canceled checks evidencing a minimum of **12 months** receipt of payments and 3 years continuance. **Evidence of 6 months receipt allowed if less than 30% of qualifying income**
- **IRA Distributions must be evidenced by previous years 1040's, 1099's OR 2 most recent IRA statements, along with a letter from the financial advisor is required to verify terms of withdrawal.** IRA ACCT CANNOT BE USED AS AN ASSET IF USED FOR INCOME**

Temporary Income

Temporary leave from work is generally short in duration and may be for family, medical, maternity, short-term disability, or other temporary leave that is acceptable by law or the borrower's employer. Income used to qualify is determined by when the borrower will be returning to work:

- If the borrower will return to work prior to the first mortgage payment being due, the borrower's regular employment income that will be received upon their return to employment can be used to qualify.
- If the borrower will not return to work prior to the first mortgage payment being due, the lesser of the borrower's temporary leave income (if any) or their regular employment income may be used to qualify.

Supplemental Income

Agency Fixed/ARM/Interest Only

If the borrower will not return to work prior to the first mortgage payment being due and the borrowers temporary income is less than their regular pay, liquid assets may be used to supplement the temporary leave income. However, the total qualifying income (temporary leave income plus supplemental income) may not exceed the borrower's gross monthly income that will be received upon their return to their current employer.

Supplemental Income =
Available liquid reserves ÷ the number of months of supplemental income***

*Available liquid reserves: Total liquid assets reduced by the amount of funds needed to complete the transaction (down payment, closing costs, prepaids, other debt payoff, required reserves, etc.).
**Number of months of supplemental income: The number of months from the first mortgage payment date to the date the borrower will begin receiving his/her regular employment income, rounded up to the next whole number.

Documentation Requirements:

- Borrower must provide a signed written statement confirming his/her intent to return to work and the agreed upon date of their return as evidenced by documentation provided by the employer, or a third party as designated by the employer. There must not be any evidence or information from the employer indicating that the borrower does not have the right to return to work after the leave period; *and*
- Documentation from the current employer confirming the borrower's statutory right to return to work (or the employers commitment to permit the borrower to return to work), containing the date of return, and the borrowers post-leave employment and income; *and*
- Documentation of the amount and duration of the borrowers temporary leave income, which may require multiple documents or sources depending on the type and duration of the leave period; *and*
- Documentation of the amount of the regular employment income that the borrower received prior to the temporary leave. This should include all eligible sources of income that could be used to qualify under normal circumstances (i.e., base pay, commissions, bonus, overtime, etc); *and*
- Verbal verification of employment. If the employer confirms the borrower is currently on temporary leave, the borrower must be considered employed; *and*
- If supplemental income is being used to qualify, the liquid assets must be verified according to the documentation process type selected; *and*
- Underwriters rationale must include how qualifying income was calculated.

Self Employed Borrower:

- Defined as having over 24% ownership in company.
- Signed copies of the borrower's individual (and business if applicable) tax returns, including all schedules, for the previous 2 years. When the AUS only requires one year of tax returns, the underwriter may consider obtaining just one year providing the borrower has been self employed with the same company for at least 2 years.
- A YTD Profit & Loss Statement if previous 1040's were filed more than six months from application date
- Regardless of AUS feedback, document borrower's business is in existence and operating a minimum of 2 years with:
  - A letter from CPA; OR
  - 2 year 'business' or 'regulatory' license AND one of the following:

        - Business Phone Listing
            - 411.com - must verify name, address, phone #; OR
        - Website page to support business in existence; OR
        - Sales tax records/receipts showing sales taxes remitted to the state; OR
        - Tax exempt certificates; OR
        - Utility bills in the name of the business (3); OR
        - Business checking account statements (3); OR
        - Rent receipts for business premises
    - If borrower works from home and does not have a license, business address, business phone (ie: daycare provider, consultant, etc):
        - CPA Cert to state past 2 years and currently receiving income earned in same line of work
        - Business license lookup in that state (or CPA) to prove a license is not required
        - 3 letters from current clients with phone #'s and names that we can call and QC
        - VVOE by funder must always document s/he called the phone number on the application and borrower answered
- Executed IRS 4506-T with transcripts ordered prior to docs. Returned transcripts must be reviewed and approved prior to docs.

Rental Income

Regardless of if the rental income is needed to qualify, if the property has been owned for one or more complete tax years, net cash flow must be calculated by using Schedule E from the 1040s. Use FNMA Form 1084, Cash Flow Analysis, to calculate. For properties owned less than one complete tax year, net cash flow must be based on 75% of actual rent established by copies of signed current annual lease agreements. Also see Landlord Experience.

For borrowers who are purchasing an existing investment property with tenants, see Purchase of Investment Properties for requirements.

For borrowers refinancing an existing rental property:

- If owned the previous tax year, use FNMA Cash Flow Analysis (Form 1084) to calculate the Gross Rent figure used in Point/borrower Info/Investment screen – change percentage to 100% as we do when calculating rents on other properties.

If there is an existing rental agreement or lease on the subject property, verify that it does not contain any provisions that could affect our first lien position. Review the lease to determine if it is subordinated to the new first mortgage. If it will not be subordinated to the new mortgage, ensure that any tenant's rights to the property have been formally waived by the tenant. (FNMA Selling Guide Part VII, Ch 1, Sect. 102.08)

Landlord Experience

A two year history of managing rental properties may be required for all investment property transactions. Verification must be provided through the most current two years of tax returns.

Exception: The two-year history managing rental properties may be waived if the loan meets one of the following requirements:

- The borrower qualifies for the mortgage based on the full payment (PITI) for the subject property without having to rely on the rental income.
- DU approve/eligible finding and underwriter review deems investor specific waiver.

Assets

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Business Funds

If business funds are used for down payment and/or closing costs:

- Borrower must be the sole proprietor or 100% owner of the business.
- The accountant must comment on the impact that the withdrawal of the funds will have on the business. If the accountant states that there will be a negative impact, the use of the funds will not be permitted.
- Verification of funds in the account is required. (**Note**: large deposits that are not in line with business revenue/income stream should be explained and verified.)

Gift Funds

Gift Funds			
Type	**Owner-Occupied**	**Second Home**	**Investment**
Source	• Relatives • Domestic partner • Fiancée • Any individual related by blood, adoption or guardianship	• Relatives • Domestic partner • Fiancée • Any individual related by blood, adoption or guardianship	Not Allowed.
Percentage of Borrower's Funds	Minimum 5% down payment must be from the borrower's own funds. 97% LTV – 3% Borrowers own funds **Note:** If the LTV/CLTV is less than or equal to 80%, the entire down payment may be a gift.	Minimum 5% down payment must be from the borrower's own funds. **Note:** If the LTV/CLTV is less than or equal to 80%, the entire down payment may be a gift.	N/A

Gift Fund Requirements:

Gift funds must be documented by a letter signed by the donor and include the following information:

- **Gift Funds from a Relative or Fiancée:**
  - Fiancé – gift on owner-occupied and second homes only.
  - The dollar amount of the gift and the date funds were transferred.
  - The donor's name, address, telephone number & relationship to the borrowers.
  - State that no repayment is expected or required.
  - Identify the subject property being purchased.
  - Verification of transfer documented by the following:
    - A copy of the donor's check and the borrower's deposit receipt into account
    - A copy of the donor's withdrawal slip and the borrower's deposit slip
    - A copy of the donor's check to the closing agent, or
    - A settlement statement showing receipt of donor's check
      - When the funds are not transferred prior to settlement, the lender must document that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check or other official check.

Assets Held in a Living Trust

Borrower must provide either a trust certification or full copy of the trust if assets being used are held in their living trust.

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1031 Exchanges

A 1031 exchange is an investment property exchange; therefore primary residences and second home transactions are not permitted. A 1031 tax deferred exchange is permitted to be used as the down payment for the purchase of an investment property with the following restrictions:

- Subordinate financing not allowed
- A qualified intermediary must handle the loan closing.
    - A qualified intermediary is an entity (usually a subsidiary of a title company) who enters into a written agreement with the taxpayer.
        - The qualified intermediary cannot be an agent, attorney, accountant, investment bank or broker.
    - The exchange agreement requires the qualified intermediary to acquire and transfer the relinquished property and to acquire and transfer the replacement property.
        - The relinquished property is the property “sold” and the replacement property is the property “acquired”.
- Copies of all closing documents including the 1031 exchange agreement, settlement statement, and title transfer and the purchase agreement on the relinquished property must be obtained.
- Both purchase agreements on the relinquished and replacement properties must contain appropriate language to identify the 1031 exchange.

Contributions

Interested party contributions, as a percentage of the sales price or appraised value, whichever is less, are limited to the following values shown below:

Occupancy	LTV/CLTV	Maximum Seller Contributions
Owner Occupied and Second Homes	> 90%	3%
	> 75% and ≤ 90%	6%
	≤ 75%	9%
Investment Properties	All LTVs	2%

Seller Credit can include closing costs and prepaids, excluding pre-paid interest due at closing.
Seller paying delinquent HOA dues 12 mos & under considered a contribution
Seller is required to pay all delinquent HOA dues over 12 months

Unacceptable Sources of Funds

The borrower may not receive funds for down payment, closing costs and other prepaid items or reserves from any of the following sources:

- Any payment received as a result of being party to the subject property sales transaction. (i.e., real estate commission payments)
- Cash proceeds from the transaction.
- Cash on hand
- Sweat Equity
- A cash advance on a revolving charge account or unsecured line of credit Gift funds which must be repaid in full or in part.
- Gifts or grants from a non-profit organization funded by a builder or the property seller. (i.e., Nehemiah, Ameridream, etc.)
- Funds in any form donated by the property seller, builder, real estate agent or any other party for advance payments of HOA dues

Agency Fixed/ARM/Interest Only

Subordinate Financing

Subordinate Financing from an institutional lender is allowed per the LTV/CLTV & Credit Score Tables.

Requirements:

- The term of the 2nd may not be less than 5 years, unless the financing fully amortizes prior to that time.
- The loan terms of the 2nd must provide for regular payments of principal and interest or interest only.
- If the subordinate loan has a fixed rate, the terms may not be more than 2% below the market rate for Fannie Mae second mortgages at the time of origination. To locate the market rate, refer to the Historical Daily Yields under Reference Material on efanniemae.com
- If the loan has a variable rate, the monthly payment must remain constant for each 12 month period over the term of the loan.

Documentation Requirements
For Purchases- HELOC Agreement & Deed of Trust, GFE & TIL
For Refinances- HELOC Agreement & Deed of Trust, Subordination Agreement

Restrictions:

- Community 2nds may be allowed – Underwriting Manager to review but must meet LTV/CLTV restrictions on eligibility matrix for conforming loan programs.
- The subordinate mortgage may not have wraparound terms combining the indebtedness of the first mortgage with the subordinate mortgage.
- Subordinate mortgages with negative amortization are not allowed.

Exception for Texas loans: Closed-end variable rate subordinate secondary financing, with a payment that is not constant for each 12 month period, is allowed for purchase & rate/term refinances.

Down Payment / Source of Funds

A minimum of 5% of the sales price is required as a minimum cash investment from the borrower. See the Gift Funds grid for exceptions.

The documentation in the loan file must verify that the borrowers have sufficient cash, equity or assets to apply towards the downpayment, closing costs, prepaid items (interest –if allowed, taxes, hazard insurances, mortgage insurance and escrows, financing costs & required cash reserves).

Source of Verification – Computer generated bank statement(s) with increases documented to meet DU seasoning requirements

Cash Reserves – Subject Property

Owner Occupied - Primary Residence

Agency Fixed/ARM/Interest Only

2 months or per AUS

Reserve requirements identified below apply regardless of AUS findings:

Second Home	Investment
2 months	6 months

- For second home or investment property transactions where the borrower has multiple financed properties, see the Maximum Financed Properties section within these guidelines for information on restrictions on the maximum number of financed properties allowed.
- If subject is a Second Home – 2 months reserves required on additional financed second home and investment properties
- If subject is Investment Property – 6 months reserves required on additional financed second home and investment properties
- Stock / Bond / Mutual Funds – 70% of the value will be allowed for reserves
- Retirement accounts – 60% of the vested value will be allowed for reserves
    - Must document means in which funds can be withdrawn or borrowed.
    - Cannot be contingent on retirement, termination or death
- Business Funds – Allowed for reserves if Schedule C
    - Must establish no effect on operations with withdrawal provided minimal overhead in business
    - Need cash flow analysis and 2 years business returns
- Gift funds allowed (all investors)

Standard Mortgage Insurance (Borrower Paid – BPMI)

- Only MI companies allowed are MGIC, Radian and Genworth
- Mortgage Insurance guidelines can change at any time; it is therefore the underwriter's responsibility to check the applicable Mortgage Insurance Underwriting Guidelines online and order the MI Cert at the time of underwriting and prior to sending out an approval.

Lender-Paid Mortgage Insurance (LPMI)

- Max 95% LTV
- Available through MGIC & RADIAN
- Available for Fixed Rate Programs only
- See Rate Sheet for Program 101LPMI & adjustments

Refer to MI guides posted separately here: http://home/Retail/Docs/Operations%20Forms/retail-mi-guides.pdf

Appraisal Requirements

Refer to Appraisal Requirements section of these guidelines

Agency Fixed and ARM I/O High Balance

30 Year Fixed and Interest-Only ARM High Balance Loans - Program Codes: 101/102HC; 1451HC; 1471HC; 1410HC; 1451HC-IO

The Housing and Economic Recovery Act (HERA) established high-cost area loan limits for conventional loans based on the higher of $417,000 or 155% of the area median home price, not to exceed 150% of the standard limit, which is $729,750 for one unit homes in the continental U.S. Loans exceeding $417,000 will be subject to approval under the High Balance program. The following states have specific counties that are eligible for the High Balance program. Refer to the FNMA HC Website

All loans must be run through DU and receive an "Approve/Eligible" recommendation and the recommendation must be only due to the loan amount exceeding the current limit. Underwriters must confirm that the loan amount is within the county limit, see the link above to determine the loan limit.

For additional underwriting requirements, see the following pages.

Ineligible Borrowers

Non-Permanent Resident Aliens ineligible

Qualifying Rate

3-Yr. & 5-Yr.: Higher of index + margin or note rate + 2%
7-Yr. & 10-Yr.: Higher of index + margin or note rate

Qualifying Ratios

80.00% and below – DU determines DTI
80.01 and above – max DTI 41. May allow 45 DTI with a score of 740 or greater in some markets.

High Balance Appraisal

One full appraisal is required, with interior photos, regardless of DU feedback. The date of the appraisal must be within 90 days at closing.

NOTE: The appraiser performing the appraisal must be qualified to perform appraisals without oversight or supervision by a supervisory or review appraiser and must be experienced with the types of properties being appraised and with higher value properties

When the subject property is an attached condo, the appraiser must provide at least two comparable sales from outside the subject project and outside the influence of the developer, builder or property seller

Field Review

A field review is required when:

- LTV/CLTV is greater than 80%; OR
- The appraised value is equal to or greater than $1,000,000 and the LTV/CLTV is greater than 75%
- All non-owners

When the Field Review results in a different value, the lower of the original appraised value, the field review or the sales price must be used to calculate the LTV/CLTV

Condominium projects must be approved using the following review types only:

- Limited project review is eligible for all established projects and new/established detached units
- Two comps outside project required

Agency Fixed and ARM I/O High Balance

Interest-Only Feature

- Available for 5/1 ARM only – see separate matrix
- Purchase or Rate & Term 1 unit and 2nd Home allowed
- Qualify at fully amortized rate
- 24 month reserves required

NOTE: For all guidelines not specifically referenced in the High Balance section, refer to the standard conforming section of these guidelines for requirements.

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FNMA HomePath

Eligibility

Mortgages must meet the following eligibility requirements per Desktop Underwriter ("DU") except as provided below

Maximum LTV/CLTV/HCLTV (%)

- 90/90/90 for 1-unit, investment properties – Approve/Ineligible 85% to 90% LTV
- 80/80/80 for 2-unit, investment properties – Approve/Ineligible 75% to 80% LTV

Property Types

- All eligible per Selling Guide
- Properties in a condominium or cooperative hotel project are ineligible

Loan Purpose

- Purchases only

Occupancy/Number of Units

- 1-4 unit principal residence
- 1 unit second home
- 1-4 unit investment property
- Non-Owner occupied condos are eligible:
    - 660 over 80.00% LTV
    - 620 80.00 and below

Mortgage Products/Features (including Amortization Type and Term)

- All standard FRM and ARM products per Selling Guide are eligible
- Unless otherwise provided in this Variance, products must meet the standard eligibility requirements for the specific mortgage type, property type or feature per Selling Guide.

Eligible ARM Plan Numbers

- Per Selling Guide, as applicable to the stand eligibility requirements for the specific mortgage type

Minimum FICO

- 660, for Mortgages above 80% LTV

Mortgaged Properties

- Mortgages must be secured by properties that are acquired from Fannie Mae and designated by Fannie Mae on the www.homepath.com website as eligible for HomePath financing
- Lender must document the file with appropriate pages printed from www.homepath.com showing that the property was eligible for HomePath financing

Subordinate Financing

- Permitted per Selling Guide

Underwriting/Documentation

Required Underwriting Method

- DU. See additional provisions in the "Desktop Underwriter" section below

Interested Party Contributions("IPC")

- Maximum IPC:

- Notwithstanding the Selling Guide requirements,for principal residences with LTVs (or CLTVs if applicable) greater than 90%: 6:00% of the Contract Sales Price (see "Determination of Property Value" section below)
- Investment properties: 2% maximum allowed

Additional Borrower Eligibility

Maximum Financed Properties
The maximum number of financed 1-4 unit properties, including the subject property and regardless of the occupancy type, is 4.

Maximum Loans/Maximum Exposure
A maximum of 4 loans per borrower

Property Valuation/Appraisal Requirements

Required Appraisal Type

- No appraisal is required
- Notwithstanding the Selling Guide, Lender is not required to represent and warrant the value or the condition of the property
- If the borrower, at its option, chooses to obtain an appraisal, then:
  - The borrower must order the appraisal from an appraiser selected by the borrower (and not one recommended by the Lender), and the appraisal must be paid for by the borrower outside of the loan transaction
  - Lender must not request a copy of the appraisal, but if one is provided by the borrower then it must be included in the loan file with a note that the appraisal was ordered by the borrower outside of the loan transaction and was not reviewed or approved by Lender
  - The property value shown on the appraisal will not impact the LTV calculation of the purpose of this Variance
  - Lender must inform the borrower that the purposed of the borrower-ordered appraisal and its contents are for the use and information of the borrower only, and will not be considered for purposes of the loan transaction

Determination of Property Value

- Property value for purposes of loan delivery and for determining LTV/CLTV/HCLTV is the sales price of the property evidenced by the sales contract between Fannie Mae and the buyer/borrower ("Contract Sales Price")

Desktop Underwriter

Required Recommendation Levels

- Any of the following
  - Approve
- Requires an "Eligible" recommendation. "Approve/Ineligible" recommendations are permitted if only reason for ineligibility is:
  - LTV greater than 85% for 1-unit investment properties; or
  - LTV greater than 75% for 2-unit investment properties.

Documentation Levels

FNMA HomePath

- Must use documentation levels issued by DU, except for the level of fieldwork recommendation and MI.

DU Messaging

- Lender may disregard the following DU messages, provided that the Mortgage complies with all requirements of the Variance:
  - Any message relating to the 1-unit investment property receiving an “Ineligible” recommendation due to an LTV/CLTV/HCLTV greater than 85%, per “Required Recommendation Levels” section above;
  - Any message relating to the 2-unit investment property receiving an “Ineligible” recommendation due to an LTV/CLTV/HCLTV greater than 75%, per “Required Recommendation Levels” section above;
  - Any message relating to amount of MI required;
  - Any message that says the maximum allowable IPC has been exceeded on a principal residence or second home with LTV over 90%;
  - Any message that says the property valuation estimate appears to have an excessive rate of appreciation based on analysis on a recent sale

Limited Waiver of Representations and Warranties

- Mortgages receiving an “Approve” recommendation are eligible for the limited waiver of underwriting representations and warranties provided the Mortgage complies with all applicable terms of the limited waiver per the Selling Guide

DU Submission Instructions

- HomePath Mortgages must not be submitted to DU as MyCommunityMortgages.

Project Approval and Requirements

Project Eligibility

- Lender is not required to warrant that the condominium, cooperative or PUD project meets Fannie Mae’s project eligibility criteria, provided that for each mortgage secured by a condominium or cooperative unit:
  - Lender must check project status in CPM:
    - If anything other than “unavailable”, then no more research in CPM is required
    - If “unavailable”, then the Lender may contact Fannie Mae’s Project Standards Team to determine if the project is a condominium or cooperative hotel project, in which case the property is ineligible for HomePath financing
  - Lender must make inquires, including internet searches on the project, which include:
    - Looking at project name to determine whether it contains “hotel”, “motel”, or “lodge”;
    - Researching project address to see if it has the same address as a hotel; and
    - Reviewing the advertised project features to see if there is evidence that the project is a condominium or cooperative hotel (such as daily cleaning service, nightly rentals, etc)
  - If any of those inquires confirm, or suggest, that the project may be a condominium or cooperative hotel project, then the property is ineligible

Required Recommendation Levels

- Lender must utilize the following Project Type Codes at the time of delivery for all HomePath Mortgages secured by a property in a condominium project, cooperative project, or planned unit development where no project review is performed
  - V – for properties in a condominium project,
  - E – for properties in a planned unit development

FNMA HomePath

- As a reminder, a Project Type Code of G would be used at the time of delivery for all Mortgages secured by a property that is *not* located in a condominium project, cooperative project, or planned unit development.

Required Recommendation Levels

- Lender must confirm that the project has adequate hazard, flood and liability and fidelity coverage in place

Jumbo Fixed and ARM

Production Description - ARMs

- Caps:
  - 5/1: 5/2/5
  - 7/1: 5/2/5
- Qualify at note rate
- Fully Amortizing
- Non-Convertible
- Assumable with Investor approval after initial fixed rate period

Index

Weekly average yield of U.S. Treasury Securities adjusted to a constant maturity of one year

Margin

2.75%

Adjustment Caps (up or down)

- 5% initial adjustment
- 2% subsequent adjustments
- Lifetime Cap is 5% over initial rate

Appraisals

- Appraisals can be ordered through CMG's AMC
- Two (2) appraisals required for loan amount or combined loan amounts over $1,000,000
- Road Maintenance Agreement required if no recorded easement

Credit Doc Expiration Dates

- Credit Report – 60 days with max 90 days on Reporting Date of all balances except mortgage
  - Max 30 days for mortgage
- Income/Assets – 90 days
- Prelim – 90 days
- Appraisal – 120 days
  - 1004D not allowed.

Eligible Transactions

- 4 maximum financed properties allowed for all second home transactions

Purchase Transactions

- Use lesser of current appraised value or sales price

Rate and Term Refinances

- Property owned 4 months to payoff first & second (if purchase money)
- If owned more than 4 months from Note execution date, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership
- Reasonable and customary closing costs and prepaids may be included in loan amount
- Cash out not to exceed the lesser of 2% or $2000 of the principal amount of the new loan

Jumbo Fixed and ARM

- Payoff of subordinate liens used for Home Improvement allowed with documentation of costs – 12 months seasoning required
- Payoff of a HELOC seasoned 12 months with draws less than $2000 allowed
- Properties listed for sale in the last 3 months (on or before the application date) are not eligible for refinance transactions
- Inherited properties with no seasoning allowed with documentation evidencing borrower and co-owner(s) inherited the property. Documentation to include Letter of Intent to buy-out co-owner(s) with no cash to borrower at closing
- Buyout of a spouse will be treated as a Rate/Term refinance with no cash to borrower. Divorce decree to evidence buy-out occurring required.

Cash Out Refinances

- At least one borrower on our loan must have held title to subject property for a minimum of 6 months (recorded date to application date)
    - Borrowers not on title can be added
    - LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership
- Properties listed for sale in the last 3 months (on or before application date) are not eligible for cash out refinance transactions
- If existing loan, title held in the name of a natural person or LLC (OK if borrower purchased while a member of the LLC)
- Detailed cash-out explanation required

Property Types

Eligible Properties

NOTE: Refinance transactions require maximum financing reduced by 5% if property is located in **Arizona, California, Florida, Michigan or Nevada.** Purchase transactions require maximum financing reduced by 5% if property is located in **Nevada**.

- 1 – 2 unit properties
- Low-, Mid-, and High- Rise condos (FL condos not allowed)
    - FHLMC-warrantable with full review conducted by Investor (*NOTE*: very difficult to get approved over 4 units)
    - Limited review not allowed
    - Contact Lee Heim for prior approval requirements
- Site condos
- Planned Unit Development (PUD) – attached and detached
- Properties over 20 acres if not unique for area (no value assigned to land over 20 acres)

Ineligible Properties

- Properties located in Hawaii or in Dade or Broward Counties in Florida
- 3 – 4 unit properties
- Condo-Hotel
- Cooperative
- Houseboats
- Earth/Dome homes
- Manufactured Home
- Mixed use property
- Mobile Home
- Timeshares

Jumbo Fixed and ARM

- Property or project with pending litigation
- Property that represents a legal but non-conforming use if zoning regulations prohibit rebuilding the improvements to current density in the event of full or partial destruction.
- Property without full kitchen
- Non-warrantable condominium
- Planned Unit Development (PUD) project with pending structural litigation
- Working farm, ranch or orchard
- Property without full utilities installed to meet all local health and safety standards

Anti-Flipping Policy
Purchase transactions:

- The property Seller must have taken title to the subject property more than 90 days prior to the contract date on the sale of the property to the applicant
  - Evidence of seasoning must be submitted in the underwriting file
  - Appropriate documentation to verify the property Seller on the Purchase Contract is "in title" and owner must be submitted and cleared prior to closing. Acceptable documentation includes:
    - Property sales history report
    - Copy of the deed of reconveyance
    - Copy of the property tax bill
    - Computer-generated print-out from the assessor's website or the title commitment or binder indicating the legal ownership of the property
- Appraisals must indicate required sales history information as required by regulation
- Property sales involving any of the following entities as property Seller are exempt from these seasoning requirements:
  - U.S. Bank or affiliate
  - HUD
  - A builder of a newly built home that is the subject property
  - An employer or relocation agency
  - A state or local government agency
  - A state and/or federally chartered financial institution
  - VA
  - USDA
  - Fannie Mae
  - Freddie Mac
  - Any approved Delegated Correspondent for their own loan
  - Owners as a result of inheritance, to include divorce

Occupancy
Primary Residence and Second Home

Underwriting
- All loans require an LP Accept regardless of loan amount
- Full income and asset documentation required regardless of LP findings
- FHLMC guidelines used except for overlays listed in these product guidelines
- Investor prior approval required for all loans

Documentation Types

CMG FINANCIAL

RETAIL ONLY

Jumbo Fixed and ARM

Full income documentation only

Borrower Eligibility

Eligible Borrowers

- U.S. citizen
- Permanent Resident Aliens
- Non-Permanent Resident Alien
- Title held in a trust
- Non-occupant co-borrowers (occupant borrower does not need to be employed or earn an income)

Ineligible Borrowers

- Foreign Nationals
- Non-arm's length transactions, including:
  - Relationship between buyer, seller, loan agent or originator
  - Seller and borrower related
  - Owners, employees or family members of CMG
  - Builder or developers
  - Renters buying from landlord
  - Trading properties with seller

Credit History

- Minimum FICO scores:
  - **720** if LTV/CLTV is greater than 65% OR loan amount is more than $1,000,000
  - **680** if LTV/CLTV is less than or equal to 65%
  - See Matrix for eligibility
- Credit report dated within 60 days of Note
- Balances must be verified within 90 days of Note
- Current mortgage history within 30 days of Note
- No minimum number of tradelines – must have LP Accept
- Credit score – use lower of 2 or middle of 3
  - 2 scores required
- Borrowers who have had a loan modification or surrendered a property through a Short Sale or Deed-In-Lieu are not eligible
- Items not listed – refer to CMG Retail Underwriting Guidelines

CREDIT STANDARDS	
Authorized User Accounts	Not allowed and are not acceptable forms of credit
Mortgage/Rent	0x30 in past 24 months (NO exceptions)
Unreported Payments	Use 5% of current balance
Deferred Student Loans	Document actual payment or use 5%
Bankruptcy	7 years minimum since discharge
Foreclosure/Deed-in-Lieu	7 years minimum since occurrence
Short Sale	7 years minimum since occurrence

- Collections over $1,000 aggregate do not need to be paid off
- Major derogatory should be evaluated against the borrower's overall credit in the last 24 months and reflect a willingness and capacity to repay
- Payoff of revolving debt for qualifying is not allowed

Jumbo Fixed and ARM

- Disputed accounts do not need to be resolved prior to closing; however, manual underwrite will be required
- The following require a written explanation from the borrower:
  - Late payments
  - Disputed accounts
  - Inquiries in the last 4 months

Employment Income

- **Borrowers must have two (2) years consistent employment with the same employer or in the same industry.** Exceptions include borrower either attending school or training program.
- Borrowers returning to work after an extended absence (any time period six months or longer):
  - After returning to work after an extended absence, borrower's income may be considered effective and stable if s/he:
    - Is employed in the current job for six months or longer, **and**
    - Can document a two-year history prior to an absence from employment using traditional employment verifications and/or copies of W-2's or paystubs
  - Examples:
    - A person who has left their job (for whatever reason) and was unemployed for 6 months or longer and has now found new employment
    - Parents who took time off (6 months or longer) to care for family members, including children, and are now starting a new job with a different employer
- Self employed, commissioned, or borrowers using overtime or bonus income must have a 2 year history
  - Income must be documented with all schedules of the prior 2 years individual and business tax returns
  - Current 3rd party prepared P&L required when 6 months has elapsed since the last tax returns
    - Borrower can prepare if business returns 1040s were prepared by them
  - Declining income cannot be averaged for the 2 year period
- Borrowers who are employed by a family member are considered to be self-employed, regardless of the percentage of ownership, and self-employed documentation is required
  - Underwriter must clarify potential ownership by the borrower
  - Written verification of the borrower's status should be obtained by a written confirmation from an accountant or legal counsel
  - Borrowers must provide the preceding 2 years signed, dated individual and business (if applicable) tax returns with all supporting schedules
- Standard full documentation is required (2 years W2's and current pay stub, etc.).
  - Pay stubs must be computer generated.
    - Handwritten pay stubs require a borrower to provide tax returns and all schedules.
- **IRS 4506-T is required for all loans. The 4506-T must be executed prior to approval and closing and acceptable results must be returned from the IRS prior to final approval for 2 years.**
- Verbal VOE to be performed by the underwriter prior to closing on Flagstar's VOE form or if self-employed, an independent written confirmation of self-employment is required (i.e. copy of business license reflecting ownership of company, corporate minutes, etc.).
- reflecting ownership of company, corporate minutes, etc.).
  - Two continuous years of self-employment in same business are required.
- Verbal VOE must be completed within 10 business days of closing. All loans must provide a verbal employment verification at the time of requesting funds.
- Foreign income may be used only if its stability and continuance can be verified, paid in U.S. dollars, and is supported by U.S. Federal Tax Returns
- Trailing co-borrower income is not eligible
- Using rents to qualify on all owned properties require 24 months verified receipt
- Items not listed, refer to CMG Retail Underwriting Guidelines

Jumbo Fixed and ARM

Assets

- Retirement accounts – use 70% of vested balance
- Funds must be from the borrower's own resources
- Business funds allowed for downpayment and reserves with CPA letter
- Funds must be available to the borrower prior to and after closing
- Proceeds from the transaction (i.e. refinance proceeds, etc.) or sale of assets may not be used to meet cash reserve requirements
    - Reserve requirements are based off LTV/CLTV and loan amount. See RESERVES section for required reserves.
    - ALL EMD funds must be verified. If EMD reflected on 1003 is different than the EMD disclosed on the PA, underwriter will require verification of those funds.

Gift Funds

- Borrower must contribute at least 5% of own funds toward transaction
- Donor must be immediate family member or domestic partner
- Donor's ability to gift required with all large deposits in last 60 days sourced
- Transfer of funds and evidence of receipt required
- Gift funds cannot be used to meet reserve requirement

Reserves

Occupancy	*Loan Amount*	*Required Reserves*
Primary Residence / Second Home	Up to & including $1,000,000	6 months verified PITI
	$1,000,001 & above	12 months verified PITI

Subordinate Financing

- Seller carrybacks allowed – must meet FHLMC guidelines (5 years remaining with monthly interest payment)
- Payments may be fixed or adjustable

Jumbo Fixed and ARM Interest Only

Production Description
- Fixed:
  - 30 year term with interest-only payments for 10 years – fully amortizing over remaining 20 years
- ARMs:
  - Caps:
    - 5/1: 5/2/5
    - 7/1: 5/2/5

Index
Weekly average yield of U.S. Treasury Securities adjusted to a constant maturity of one year

Margin
2.75%

Adjustment Caps (up or down)
- 5% initial adjustment
- 2% subsequent adjustments
- Lifetime Cap is 5% over initial rate

Qualifying
- Fixed: P&I payment
- ARMs: P&I at the higher of fully indexed or note rate

Appraisals
- Appraisals can be ordered through CMG's AMC
- Two (2) appraisals required for loan amount or combined loan amounts over $1,000,000
  - The lower value will be used
- Road Maintenance Agreement required if no recorded easement

Assumability
- Fixed: not assumable
- ARMs - assumable

Credit Doc Expiration Dates
- Credit Report – 60 days with max 90 days on Reporting Date of all balances except mortgage
  - Max 30 days for mortgage
- Income/Assets – 90 days
- Prelim – 90 days
- Appraisal – 120 days
  - 1004D not allowed.

Eligible Transactions
- 4 maximum financed properties allowed for all second home transactions

Jumbo Fixed and ARM Interest Only

Purchase Transactions
- Use lesser of current appraised value or sales price

Rate and Term Refinances
- Property owned 4 months to payoff first & second (if purchase money)
- If owned more than 4 months from Note execution date, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership
- Reasonable and customary closing costs and prepaids may be included in loan amount
- Cash out not to exceed the lesser of 2% or $2000 of the principal amount of the new loan
- Payoff of subordinate liens used for Home Improvement allowed with documentation of costs – 12 months seasoning required
- Payoff of a HELOC seasoned 12 months with draws less than $2000 allowed
- Properties listed for sale in the last 3 months (on or before the application date) are not eligible for refinance transactions
- Inherited properties with no seasoning allowed with documentation evidencing borrower and co-owner(s) inherited the property. Documentation to include Letter of Intent to buy-out co-owner(s) with no cash to borrower at closing
- Buyout of a spouse will be treated as a Rate/Term refinance with no cash to borrower. Divorce decree to evidence buy-out occurring required.

Property Types

Eligible Properties

NOTE: Refinance transactions require maximum financing reduced by 5% if property is located in **Arizona, California, Florida or Michigan**

- 1 – 2 unit properties
- Low-, Mid-, and High- Rise condos (FL condos not allowed)
  - FHLMC-warrantable with full review conducted by Investor (*NOTE*: very difficult to get approved over 4 units)
  - Limited review not allowed
  - Contact Lee Heim for prior approval requirements
- Site condos
- Planned Unit Development (PUD) – attached and detached
- Properties over 20 acres if not unique for area (no value assigned to land over 20 acres)

Ineligible Properties
- Properties located in Hawaii or in Dade or Broward Counties in Florida
- 3 – 4 unit properties
- Condo-Hotel
- Cooperative
- Houseboats
- Earth/Dome homes
- Manufactured Home
- Mixed use property
- Mobile Home
- Timeshares
- Property or project with pending litigation
- Property that represents a legal but non-conforming use if zoning regulations prohibit rebuilding the

Jumbo Fixed and ARM Interest Only

- improvements to current density in the event of full or partial destruction.
- Property without full kitchen
- Non-warrantable condominium
- Planned Unit Development (PUD) project with pending structural litigation
- Working farm, ranch or orchard
- Property without full utilities installed to meet all local health and safety standards

Anti-Flipping Policy
Purchase transactions:

- The property Seller must have taken title to the subject property more than 90 days prior to the contract date on the sale of the property to the applicant
  - Evidence of seasoning must be submitted in the underwriting file
  - Appropriate documentation to verify the property Seller on the Purchase Contract is “in title” and owner must be submitted and cleared prior to closing. Acceptable documentation includes:
    - Property sales history report
    - Copy of the deed of reconveyance
    - Copy of the property tax bill
    - Computer-generated print-out from the assessor’s website or the title commitment or binder indicating the legal ownership of the property
- Appraisals must indicate required sales history information as required by regulation
- Property sales involving any of the following entities as property Seller are exempt from these seasoning requirements:
  - U.S. Bank or affiliate
  - HUD
  - A builder of a newly built home that is the subject property
  - An employer or relocation agency
  - A state or local government agency
  - A state and/or federally chartered financial institution
  - VA
  - USDA
  - Fannie Mae
  - Freddie Mac
  - Any approved Delegated Correspondent for their own loan
  - Owners as a result of inheritance, to include divorce

Occupancy

Primary Residence and Second Home

Underwriting

- All loans require an LP Accept regardless of loan amount
- Full income and asset documentation required regardless of LP findings
- FHLMC guidelines used except for overlays listed in these product guidelines
- Investor prior approval required for all loans.

Documentation Types

Full income documentation only

Jumbo Fixed and ARM Interest Only

Borrower Eligibility

Eligible Borrowers
- U.S. citizen
- Permanent Resident Aliens
- Non-Permanent Resident Alien
- Title held in a trust
- Non-occupant co-borrowers (occupant borrower does not need to be employed or earn an income)

Ineligible Borrowers
- Foreign Nationals
- Non-arm's length transactions, including:
  - Relationship between buyer, seller, loan agent or originator
  - Seller and borrower related
  - Owners, employees or family members of CMG
  - Builder or developers
  - Renters buying from landlord
  - Trading properties with seller

Credit History
- Minimum FICO scores:
  - **Fixed:**
    - **720** if LTV/CLTV is greater than 70% OR loan amount is greater than $1,000,000
    - **700** if LTV/CLTV is less than or equal to 70%
  - **ARMs**
    - **720** if LTV/CLTV is greater than 65% OR loan amount is greater than $1,000,000
    - **700** if LTV/CLTV is less than or equal to 65%
  - See Matrix for eligibility
- Credit report dated within 60 days of Note
- Balances must be verified within 90 days of Note
- Current mortgage history within 30 days of Note
- No minimum number of tradelines – must have LP Accept
- Credit score – use lower of 2 or middle of 3
  - 2 scores required
- Borrowers who have had a loan modification or surrendered a property through a Short Sale or Deed-In-Lieu are not eligible
- Items not listed – refer to CMG Retail Underwriting Guidelines

CREDIT STANDARDS	
Authorized User Accounts	Not allowed and are not acceptable forms of credit
Mortgage/Rent	0x30 in past 24 months (NO exceptions)
Unreported Payments	Use 5% of current balance
Deferred Student Loans	Document actual payment or use 5%
Bankruptcy	7 years minimum since discharge
Foreclosure/Deed-in-Lieu	7 years minimum since occurrence
Short Sale	7 years minimum since occurrence

- Collections over $1,000 aggregate do not need to be paid off
- Major derogatory should be evaluated against the borrower's overall credit in the last 24 months and reflect a

willingness and capacity to repay
- Payoff of revolving debt for qualifying is not allowed
- Disputed accounts do not need to be resolved prior to closing; however, manual underwrite will be required
- The following require a written explanation from the borrower:
  - Late payments
  - Disputed accounts
  - Inquiries in the last 4 months

<u>Employment Income</u>

- **Borrowers must have two (2) years consistent employment with the same employer or in the same industry.** Exceptions include borrower either attending school or training program.
- Borrowers returning to work after an extended absence (any time period six months or longer):
  - After returning to work after an extended absence, borrower's income may be considered effective and stable if s/he:
    - Is employed in the current job for six months or longer, **<u>and</u>**
    - Can document a two-year history prior to an absence from employment using traditional employment verifications and/or copies of W-2's or paystubs
  - Examples:
    - A person who has left their job (for whatever reason) and was unemployed for 6 months or longer and has now found new employment
    - Parents who took time off (6 months or longer) to care for family members, including children, and are now starting a new job with a different employer
- Self employed, commissioned, or borrowers using overtime or bonus income must have a 2 year history
  - Income must be documented with all schedules of the prior 2 years individual and business tax returns
  - Current 3rd party prepared P&L required when 6 months has elapsed since the last tax returns
    - Borrower can prepare if business returns 1040s were prepared by them
  - Declining income cannot be averaged for the 2 year period
- Borrowers who are employed by a family member are considered to be self-employed, regardless of the percentage of ownership, and self-employed documentation is required
  - Underwriter must clarify potential ownership by the borrower
  - Written verification of the borrower's status should be obtained by a written confirmation from an accountant or legal counsel
  - Borrowers must provide the preceding 2 years signed, dated individual and business (if applicable) tax returns with all supporting schedules
- Standard full documentation is required (2 years W2's and current pay stub, etc.).
  - Pay stubs must be computer generated.
    - Handwritten pay stubs require a borrower to provide tax returns and all schedules.
- **IRS 4506-T is required for all loans. The 4506-T must be executed prior to approval and closing and acceptable results must be returned from the IRS prior to final approval for 2 years.**
- Verbal VOE to be performed by the underwriter prior to closing. If borrowers are self-employed, an independent written confirmation of self-employment is required (i.e. copy of business license reflecting ownership of company, corporate minutes, etc.).
  - Two continuous years of self-employment in same business are required.
- Verbal VOE must be completed within 10 business days of closing. All loans must provide a verbal employment verification at the time of requesting funds.
- Foreign income may be used only if its stability and continuance can be verified, paid in U.S. dollars, and is supported by U.S. Federal Tax Returns
- Trailing co-borrower income is not eligible
- Using rents to qualify on all owned properties require 24 months verified receipt
- Items not listed, refer to CMG Retail Underwriting Guidelines

Jumbo Fixed and ARM Interest Only

Assets

- Retirement accounts – use 70% of vested balance
- Funds must be from the borrower's own resources
- Business funds allowed for downpayment and reserves with CPA letter
- Funds must be available to the borrower prior to and after closing
- Proceeds from the transaction (i.e. refinance proceeds, etc.) or sale of assets may not be used to meet cash reserve requirements
  - Reserve requirements are based off LTV/CLTV and loan amount. See RESERVES section for required reserves.
  - ALL EMD funds must be verified. If EMD reflected on 1003 is different than the EMD disclosed on the PA, underwriter will require verification of those funds.

Gift Funds

- Borrower must contribute at least 5% of own funds toward transaction
- Donor must be immediate family member or domestic partner
- Donor's ability to gift required with all large deposits in last 60 days sourced
- Transfer of funds and evidence of receipt required
- Gift funds cannot be used to meet reserve requirement

Reserves

Occupancy	***Loan Amount***	***Required Reserves***
Primary Residence / Second Home	Up to & including $650,000	6 months verified PITI
	$650,001 – $1,000,000	9 months verified PITI
	$1,000,001 & above	12 months verified PITI

Subordinate Financing

- Seller carrybacks allowed – must meet FHLMC guidelines (5 years remaining with monthly interest payment)
- Payments may be fixed or adjustable

Appraisal Requirements

Appraisal Requirements
Refer to Appraisal Requirements section of these guidelines

- 1004 appraisal is required regardless of DU findings.
- Condos require unit number if part of legal description.
- If a loan is approved through DU with a Property Inspection Waiver (PIW), the original appraiser name must be populated with 'Waiver, Property Inspection' in DataTrac and the borrower is assessed a fee that must be entered in the funding fees in DataTrac (available on program 101 RP and 102 RP only).
- Comps must be dated within 90 days of appraisal – to include 3 closed, 1 pending and 1 listing sale

Age of Appraisal: The appraisal must be dated within 90 days at closing.

Appraiser Classifications
- AT – Trainee license – requires supervisory appraiser inspection and review
- AL – Residential license classification can appraise up $1,000,00 value
- AR – Certified residential license – classification can appraise all 1 – 4 unit property types without regard to
- value
- AG – Certified general license – classification can appraise residential and commercial without regard to value

The **CMG Appraisal Checklist** can be located in the Forms section of this guide

How to Order an Appraisal
- CMG's Appraisal Management Company ("AMC") is Got Appraisals.com.
- No fees (including appraisal fee) can be collected from the borrower until 3 days (including Saturdays) have passed since receipt of CMG's disclosures and borrowers have indicated their intent to proceed with the loan
  - If the borrower acknowledges receipt of the disclosures prior to the expiration of the 3 days and indicates intent to proceed, fees may be collected.
- An appraisal is ordered through Got Appraisals.com via their website, www.gotappraisals.com and clicking on the "Order an Appraisal" link.
  - All fields marked with a red asterisk are required fields.
  - The Borrower's credit card is typically entered; however the broker can use his/her card and be reimbursed through escrow.
  - Additional Comments or Instructions to Appraiser box:
    - The e-mail addresses of anyone who wants to be notified of the appraisal status can be entered here.
    - Any reference to value should not be included. It will not be transmitted to the assigned appraiser.
      - Pricing is found on the options list along the left of the screen.
      - Turn times average 5 days.

How to Add an Appraiser to CMG's AMC
An appraiser interested in being added to Got Appaisals.com needs to go to www.GotAppraisers.com and follow the instructions provided on that website.
- This site can also be accessed from the GotAppraisals.com ordering site by clicking on the "Join Our Team" link

The HVCC Desk (appraisals@cmgmortgage.com)
- Completed appraisal orders are received by the HVCC Desk
  - The HVCC Desk sends the borrower copy and appropriately documents the file.
    - If a field review is required and comes back with a lower value, that field review must also be sent to the borrower 3 days before docs can be signed.

Appraisal Requirements

- A field review must be entered as a PTD condition.
- The underwriter or AM must notify the HVCC Desk if a field review has come in at a lower value.

▪ It is unacceptable for the broker to send the appraisal to the borrower. The borrower copy must come from the lender, and our investors require proof that we have (1) provided the borrower's copy of the appraisal; and (2) have done so within the required timeframe.

▪ The HVCC Desk inputs the date the appraisal was sent in DocuTrac, under the DOCS tab, #5 Custom Doc Fields, Borrower Copy (HVCC).

- When drawing docs, the doc drawer needs to add PTD condition 534 [appraisal sent xx/xx/xx], using the date found in the Borrower Copy (HVCC) field.
  - This condition is used on the Borrower Acknowledgment of Receipt of Appraisal form that generates with the closing docs.
  - Funders should verify that the "Date Appraisal Sent" field on the Acknowledgment is not blank.
- DocuTrac will not allow the submission of a Doc Order if this field is blank.
  - If the loan does not require an appraisal, contact the HVCC Desk to input a date.
    - The HVCC Desk also adds a PTD condition stating when docs can be signed.
- The borrower must be in receipt of the appraisal 3 days (including Saturdays) prior to signing docs.
  - If e-mailed, the date the appraisal was sent counts as the first day; docs can be signed ON the 3rd day.
  - If no e-mail address is provided and the appraisal has to be mailed, the time frame is 5 days.
    - The HVCC Desk then forwards the completed appraisal to the Account Manager (and to the processor listed in MKT5 tab in DataTrac).

Ordering Underwriting Conditions

All conditions are ordered directly by CMG personnel; brokers are not authorized or allowed to order appraisal conditions. Conditions are ordered via the Got Appraisals.com website, www.gotappraisals.com.

- Select "Lender condition" from the options listed along the left side of the screen.
- The appraiser's license number must be included when ordering conditions.
- Any supporting documentation needs to be emailed to "condition@gotappraisals.com".

Transferred Appraisals

- Not Allowed

State Restrictions

Originators must comply with all federal, state, and local requirements. The following table lists key geographic restrictions by state. Restrictions apply for all loan products and programs except as otherwise noted

<table>
<tr><th>State</th><th>Geographic Restrictions</th></tr>
<tr><td>Alabama</td><td>Restricted Lending Area: Coliseum Boulevard Area of Montgomery

This area contains a subsurface chemical contamination condition or environmental condition known as the Coliseum Boulevard Plume (CBP). If the subject property is located in this area, the loan must meet the following requirements:
A full appraisal (interior/exterior) is required.
The requirements detailed in Bank of America’s Client Guide, under the Environmental Hazards and Adverse Influences heading must be satisfied.
A fully executed disclosure issued by the Montgomery Area Association of Realtors (MAAR), identified as the Coliseum Boulevard Plume Disclosure, must be a part of the purchase contract, signed, and dated by all required parties prior to closing.</td></tr>
<tr><td>California</td><td></td></tr>
<tr><td>Big Rock Mesa (Malibu) and Castellamare (Pacific Palisades)</td><td>All of the following conditions apply to any loan if the subject property is located in the Castellamare area of Pacific Palisades or on the following streets in the Big Rock Mesa Area (Malibu):
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<tr><td>Big Rock Drive</td><td>McAnany Way</td><td>Rockcroft Drive</td><td>Seaboard Way</td></tr>
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Due to earth slippage and landslides, the following conditions apply:
Verify soil engineer’s report stating soil is stable and not subject to future expansion, slippage or slide activity.
Verify structural engineer’s report confirming dwelling and any outbuildings or garages have not been affected by soil expansion, slippage or land slides and are in, at least, good condition.
Homes on septic systems are not acceptable.
Borrowers must sign a Borrower Property Indemnification Certificate.
For more specific location information, the referenced streets may be located in the most current copy of the Thomas Bros. Guide for Los Angeles County.</td></tr>
<tr><td>La Conchita Area (San Buena Ventura)</td><td>This area is known to have experienced earth slippage and landslide problems. All of the following conditions apply to any loan if the security property is located in these areas:
Clear soil engineer’s report stating that the subject soil is stable and not subject to future expansion, slippage or slide activity.
Clear structural engineer’s report confirming that soil expansion, slippage, or landslides have not affected the subject dwelling and any outbuildings, garages, etc. and are in at least good condition.
Borrowers are required to sign the <u>La Conchita Area (San Buena Ventura) Borrower Property Condition Indemnification Certificate</u>.
The properties located on the following streets in the La Conchita area are subject to all three conditions above:
<table>
<tr><td>Vista Del Rincon Drive</td><td>San Fernando Avenue</td><td>Carpinteria Avenue</td></tr>
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State Restrictions

	All properties are a portion of Sections 1 and 12 of La Conchita Del Mar No. 2, Book Page 31. La Conchita is an unincorporated area of Ventura County, CA.
Nevada	• Loans must comply with Nevada Revised Statute 598D.100. This regulation applies only to consumer credit transactions secured by owneroccupied and second homes submitted with low documentation, no documentation, or stated documentation. • A Commercially Reasonable Means or Mechanism Worksheet is required for any loan covered under the regulation. A sample form is available under the State-Specific Supplemental section of Forms. • Interest-Only and ARM loans must have a disclosure to the borrower that provides adequate information concerning the actual costs and risks of the nontraditional mortgage loan product offered. The disclosure must be written in language that is easy to understand, be printed in at least 10-pt bold type and comply with the content requirements set forth in the law. • Mortgage brokers must ensure that each loan secured by a lien on real property for which it engages in a mortgage broker activity include their license number. CMG requires that the license number be included on the Uniform Loan Application (form 1003).

Forms

1. Appraisal Check List
2. LP Open Access Check List

State Restrictions

Originators must comply with all federal, state, and local requirements. The following table lists key geographic restrictions by state. Restrictions apply for all loan products and programs except as otherwise noted

<table>
<tr><th>State</th><th>Geographic Restrictions</th></tr>
<tr><td>Alabama</td><td>Restricted Lending Area: Coliseum Boulevard Area of Montgomery

This area contains a subsurface chemical contamination condition or environmental condition known as the Coliseum Boulevard Plume (CBP). If the subject property is located in this area, the loan must meet the following requirements:
• A full appraisal (interior/exterior) is required.
• The requirements detailed in Client Guide Section 6.9, Collateral Appraisal, under the Environmental Hazards and Adverse Influences heading must be satisfied.
• A fully executed disclosure issued by the Montgomery Area Association of Realtors (MAAR), identified as the Coliseum Boulevard Plume Disclosure, must be a part of the purchase contract, signed, and dated by all required parties prior to closing.</td></tr>
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State Restrictions

	Bakersfield Avenue	Santa Barbara Avenue	North Sunland Avenue
	Fillmore Avenue	Ojai Avenue	Oxnard Avenue
	All properties are a portion of Sections 1 and 12 of La Conchita Del Mar No. 2, Book Page 31. La Conchita is an unincorporated area of Ventura County, CA.		
Oakley, Contra Costa County	**Purchase transactions only** – The Dupont Chemical Plant, located at 6000 Bridgehead St., Oakley, CA, is a potential environmental hazard site. The appraiser is responsible for making appropriate comments on the appraisal report regarding the potential hazard. If the appraiser determines the property is located within one mile of the site or any impact is noted on the appraisal, the borrowers are required to sign the Notice to Prospective Buyers of Properties form acknowledging that the property is near a source of potential hazard.		
Nevada	• Loans must comply with Nevada Revised Statute 598D.100. This regulation applies only to consumer credit transactions secured by owner occupied and second homes submitted with low documentation, no documentation, or stated documentation. • A Commercially Reasonable Means or Mechanism Worksheet is required for any loan covered under the regulation. A sample form is available under the State-Specific Supplemental section of Forms. • Interest-Only and ARM loans must have a disclosure to the borrower that provides adequate information concerning the actual costs and risks of the nontraditional mortgage loan product offered. The disclosure must be written in language that is easy to understand, be printed in at least 10-pt bold type and comply with the content requirements set forth in the law. • Mortgage brokers must ensure that each loan secured by a lien on real property for which it engages in a mortgage broker activity include their license number. CMG requires that the license number be included on the Uniform Loan Application (form 1003).		

APPRAISAL CHECKLIST

CMG Loan Number ________________ **Borrower Name** ________________

Property Address ________________

APPRAISAL FORM 1004MC REQUIRED ON ALL LOANS **Question**	**Answer**
1. Is the appraisal more than 90 days old? • ***If, Yes a new appraisal will be required***	□ Yes □ No
2. Did appraiser review the sales contract and all addendums? Box must be checked and comments on all financing and/or sales concessions analyzed to determine effect on value of subject.	□ Yes □ No
3. Are the required comparable sales within 90 days & ARMs length transactions? Is there one listing and pending sale, with time adjustments used to reflect difference in market conditions between listing/sale date and effective date of appraisal? • ***If no, additional QC is required.*** [1]	□ Yes □ No
4. Has subject property been listed in last 12 month? • ***Must include all sources & Listing prices if frequent listings/sales of subject. Analyze possible flip.*** • ***If yes, additional QC is required.*** [1]	□ Yes □ No
5. Does the appraised value fall outside of the price range of comparable properties (sales and listing prices) as indicated in the Neighborhood section of the appraisal? • ***If yes, additional QC is required.*** [1]	□ Yes □ No
6. If the subject property was sold within the past three years, is the current appraised value less than the prior sales price? (a decrease may indicate a declining market) • ***If yes, additional QC is required.*** [1]	□ Yes □ No
7. The reported Days on Market of comparables must be provided. Is the Market Time over six months? • ***If yes, additional QC is required.*** [1]	□ Yes □ No
8. Is the subject property an REO or in an area where there is significant REO activity? • ***If yes, additional QC is required.*** [1]	□ Yes □ No
9. Does the location of the comparable sales cross any major boundaries or appear to be outside of the neighborhood of the subject property? • ***If yes, additional QC is required.*** [1]	□ Yes □ No
10. Are comparables the same as subject property in regards to age (maximum of 10 year difference), gross livable area, condition, and upgrades? Are property characteristics bracketed by the comparable sales (i.e. one comparable larger than the subject and one comparable smaller)? • ***If no, additional QC is required.*** [1]	□ Yes □ No
11. Have there been additions, expansions or conversions done to the subject property? • ***IF YES, FINAL PERMITS MUST BE PROVIDED***	□ Yes □ No
12. Did Supervisory Appraiser inspect property? • ***If no, appraisal not acceptable***	□ Yes □ No
13. Appraiser has provided resume and license.	□ Yes

Footnote
[1] Underwriters to contact CMG-designated underwriting supervisor for further review.

Comments:

____

____

I have reviewed the appraisal and feel that the estimated market value of the subject property is reasonable and properly supported.

Reviewed by: ____________________ **Date:** ____________________