



Direct Mortgage  
Wholesale™

## Program Guidelines

# 6186 Program Guideline

## DU Super Conforming ARM

## Conventional Super Jumbo Guidelines

The Super Conforming Loan Program (2009 Loan Limits) was created to allow loan amounts higher than the established conforming loan amounts in certain high cost areas. The program is only allowed for loans which meet all requirements, including the 2009 permanent (HERA) or the 2009 temporary (ARRA) high balance conforming loan limits.

**The guidelines below have been revised to support both the 2009 permanent (HERA) and 2009 temporary (ARRA) loan amounts and apply to all High Balance loans registered or locked on or after May 11, 2009. Loans which are eligible for this program under the 2009 temporary (ARRA) loan limits must close and fund by December 31, 2010.**

### MAXIMUM LOAN AMOUNTS

Only certain loan amounts in certain geographic areas are eligible for this program. Use the link below to determine geographic eligibility and maximum loan amount.

- HERA: <http://www.fhfa.gov/GetFile.aspx?FileID=134>
- ARRA: <https://entp.hud.gov/idapp/html/hicostlook.cfm>

**Note:** in order to obtain the correct loan limits for this program, select “Fannie/Freddie” from the <Limit Type> field, and “CY2009” in the <Limit Year> field.

### ELIGIBLE TRANSACTIONS

- Purchase
- Rate/Term Refinance
- Cash-out Refinance

### INELIGIBLE TRANSACTION CHARACTERISTICS

The following are not allowed with the Super Conforming Loan Program:

- Non-traditional credit
- Resale-Deed Restrictions

### LTV/TLTV/CLTV

Primary Residence <sup>1</sup> Purchase Fixed Rate				
Property	Max LTV w/o Subordinate Financing	Max LTV w/ Subordinate Financing	Max TLTV w/ Subordinate Financing	Max CLTV w/ Subordinate Financing
1-Unit (Single Family Detached or Attached) PUD-Detached	90% <sup>2,3</sup>	80%	90%	90%
PUD-Attached, Condo <sup>4</sup>	85% <sup>2,3</sup>	80%	90%	90%
2-4 Unit	75%	70%	75%	75%
1. Minimum Loan Score Requirements: If LTV or TLTV or CLTV require different loan scores, apply the most restrictive loan score: <ul style="list-style-type: none"> <li>• 700 when LTV/TLTV/CLTV &lt; 75%</li> </ul>				

- 700 when LTV > 75% but < 80%, or when TLTV/CLTV > 75%
  - 740 for 2-4 units regardless of LTV/TLTV/CLTV
- When LTV is greater than 80 percent:
    - 720 minimum loan score is required
    - Temporary Buydowns not allowed
    - The greater of two months verified PITI or standard verified reserves are required
    - Attached housing in Florida is not allowed
  - Maximum 80% LTV when loan amount >\$625,500.
  - Condos and PUD-Attached are not allowed in the following counties in Florida: Broward, Lee, and Miami-Dade.

Primary Residence Purchase and Rate/Term Refinance ARM					
Property	Max LTV w/o Subordinate Financing	Max LTV w/ Subordinate Financing	Max TLTV w/Subordinate Financing	Max CLTV w/Subordinate Financing	Minimum Loan Score
1-Unit (Single Family Detached or Attached), PUD, Condo <sup>1</sup>	75%	75%	75%	75%	680
<b>2-4 Unit</b>	<b>75%</b>	<b>70%</b>	<b>75%</b>	<b>75%</b>	<b>740</b>
1. Condos and PUD-Attached are not allowed in the following counties in Florida: Broward, Lee, and Miami-Dade.					

Primary Residence <sup>1</sup> Rate/Term Refinance Fixed Rate					
Property	Loan Amount	Max LTV w/o Subordinate Financing	Max LTV w/ Subordinate Financing	Max TLTV w/Subordinate Financing	Max CLTV w/ Subordinate Financing
1-Unit (Single Family Detached or Attached), PUD-Detached	≤\$625,500	90% <sup>2</sup>	80%	90%	90%
	>\$625,500	80%	75%	80%	80%
PUD Attached	≤ \$625,000	85% <sup>2</sup>	80%	90%	90%
Condo <sup>3</sup>	>\$625,500	80%	75%	80%	80%
2-4 Unit	All	75%	70%	75%	75
1. Minimum Loan Score Requirements: If LTV or TLTV or CLTV require different loan scores, apply the most restrictive loan score: <ul style="list-style-type: none"> <li>• 700 when LTV/TLTV/CLTV less than or equal to 75%</li> <li>• 700 when LTV greater than 75% but less than or equal to 80%, or when TLTV/CLTV greater than 75 percent</li> </ul>					

- 740 for 2-4 units regardless of LTV/TLTV/CLTV
- When LTV is greater than 80 percent:
    - 720 minimum loan score is required
    - Temporary Buydowns not allowed
    - Attached housing in Florida is not allowed
  - Condos and PUD-Attached are not allowed in the following counties in Florida: Broward, Lee, and Miami-Dade.

<b>Primary Residence Cash-out Refinance Fixed Rate and ARM</b>					
<b>Property</b>	<b>Max LTV w/o Subordinate Financing</b>	<b>Max LTV w/ Subordinate Financing</b>	<b>Max TLTV w/ Subordinate Financing</b>	<b>Max CLTV w/ Subordinate Financing</b>	<b>Minimum Loan Score</b>
1-Unit (Single Family Detached or Attached), PUD, Condo <sup>1</sup>	60%	60%	60%	60%	740
1. Condos and PUD-Attached are not allowed in the following counties in Florida: Broward, Lee, and Miami-Dade.					

<b>Second Home Purchase and Rate/Term Refinance Fixed Rate and ARM</b>					
<b>Property</b>	<b>Max LTV w/o Subordinate Financing</b>	<b>Max LTV w/ Subordinate Financing</b>	<b>Max TLTV w/ Subordinate Financing</b>	<b>Max CLTV w/ Subordinate Financing</b>	<b>Minimum Loan Score</b>
1-Unit (Single Family Detached or Attached), PUD, Condo <sup>1</sup>	65%	65%	65%	65%	740
2-4 Unit	Not Allowed				
1. Condos and PUD-Attached are not allowed in the following counties in Florida: Broward, Lee, and Miami-Dade.					

<b>Investment Purchase<sup>2</sup> and Rate/Term Refinance Fixed Rate and ARM</b>					
<b>Property</b>	<b>Max LTV w/o Subordinate Financing</b>	<b>Max LTV w/ Subordinate Financing</b>	<b>Max TLTV w/ Subordinate Financing</b>	<b>Max CLTV w/ Subordinate Financing</b>	<b>Minimum Loan Score</b>
1-Unit (Single Family Detached or Attached), PUD, Condo <sup>1</sup>	65%	65%	65%	65%	740
2-4 Unit	65%	65%	65%	65%	740
1. Condos and PUD-Attached are not allowed in the following counties in Florida: Broward, Lee, and Miami-Dade.					

2. Investment transactions purchased via auction require 5 percent LTV/CLTV reduction from maximum financing.

## Products

Subject to the above LTV/TLTV/CLTV limits, the *Super Conforming Loan Program* is available with the following Conforming conventional products:

- Fixed Rate - 15 and 30 Year
- 5/1 ARM
  - 30-year term only
- 7/1 ARM (Section 921)
- 10/1 ARM (Section 922)

**INTEREST-ONLY FEATURE** - For all Freddie Mac loan programs locked on or after April 1, 2010, the interest only feature will no longer be available.

Allowed with a 10-year Interest Only term on the following products:

- 5/1 ARM
- 7/1 ARM
- 10/1 ARM

## QUALIFYING INTEREST RATE

### Fully Amortized

- 6 Month to 5 Year ARMs
  - Greater of fully indexed rate or the note rate + 2.0%
- 7 to 10 Year ARMs
  - Note Rate

### Interest-Only

- 3 to 5 Year ARMs
  - Greater of the fully indexed rate or the note rate + 2.0%
- 7 to 10 Year ARMs
  - Greater of the fully indexed rate or the note rate

## TEMPORARY BUYDOWNS

Not Eligible

## MORTGAGE INSURANCE REQUIREMENTS

- Standard coverage requirements apply; refer to the appropriate product description.

- Borrower paid mortgage insurance is allowed.

## LOAN SCORE

Varies; refer to appropriate LTV matrix. Borrowers relying on a non-traditional credit history are not eligible for *Super Conforming Loan Program*. All borrowers on the transaction must have a credit score within the range of 300 to 870.

## RATIOS AND QUALIFYING

- Total Debt to Income – maximum ratio of 45%.
  - Qualifying ratio maximum may not be exceeded. No exceptions.
- Non-occupant co-borrowers are permitted.
  - The occupant borrower’s debt (including PITI on the subject property) divided by occupant borrower’s income cannot exceed 43%.
  - The occupant and non-occupant borrowers’ total debt divided by occupant and non-occupant borrowers’ total incomes cannot exceed 45%.

## DOCUMENTATION

Full documentation is required.

### AGE OF DOCUMENTATION FOR EXISTING AND NEW CONSTRUCTION PROPERTIES

Item	Existing and New Construction
Credit Documents	90 days
Appraisal	120 days old <sup>1</sup>
1. At closing, if the appraisal is older than 120 days, but is less than one year old, obtain an update from the appraiser indicating that the property value has not declined since the original Appraisal date. If the effective date of the appraisal exceeds one year or the value has declined, a new appraisal is required.	

## APPRAISAL REQUIREMENTS

- Maximum appraisal age is 120 days.
- As determined by AUS feedback, eligible options include:
  - Full appraisal (Forms [1004](#), [1073](#), [1025](#) & [2090](#))
  - Exterior only appraisal (Forms [2055](#) & [1075](#))
- 7 to 10 year ARMs
  - Note Rate
  - Note: PIW is ineligible.
- 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 condominium, 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.

## **APPRAISAL REVIEW REQUIREMENTS**

A field review is required when:

- The loan amount is \$625,500 or greater **and** the LTV/TLTV/CLTV is greater than 80%, or
- The appraised value is \$1,000,000 or greater **and** the LTV/TLTV/CLTV is greater than 75%.

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

## **CONDOMINIUM TRANSACTIONS**

Eligible project review types allowed:

- 1028, or
- Project Eligibility Review Service (PERS), or
- Projects with a valid FHA project approval, or

See Appraisal Requirements (above) for mandatory condominium comparable requirements.



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## Program Guidelines

# DMC Conventional Guide

## Product Description – Conforming Fixed

### General Description:

Conventional Conforming fixed rate principal and interest level-payments for the life of the loan.

<b>PURCHASE AND RATE TERM REFINANCE<sup>4</sup></b>				
<b>Property Type</b>	<b>Units</b>	<b>Credit Score<sup>7</sup></b>	<b>DU LTV/CLTV/HCLTV<sup>1, 2, 6</sup></b>	<b>LP LTV/CLTV/HCLTV<sup>1, 2, 6</sup></b>
Primary Residence	1	680	95/95/95	95/95/95
	2	640	80/80/80	80/80/80
	3	640	75/75/75	75/75/75
	4	640	75/75/75	75/75/75
Second Home	1	640	80/80/80	80/80/80
Investment Property (Purchase)	1	680 <sup>5</sup>	80/80/80	80/80/80
Investment Property (Refinance)	1	680 <sup>5</sup>	75/75/75	75/75/75
Investment Property <sup>3</sup> (Purchase and Refinance)	2	680 <sup>5</sup>	75/75/75	75/75/75
	3	680 <sup>5</sup>	65/75/75	65/75/75
	4	680 <sup>5</sup>	65/75/75	65/75/75
<b>CASH OUT REFINANCE</b>				
<b>Property Type</b>	<b>Units</b>	<b>Credit Score<sup>7</sup></b>	<b>DU LTV/CLTV/HCLTV<sup>1, 2, 6</sup></b>	<b>LP LTV/CLTV/HCLTV<sup>1, 2, 6</sup></b>
Primary Residence	1	640	80/80/80	80/80/80
	2	680	75/75/75	75/75/75
	3	680	75/75/75	75/75/75
	4	680	75/75/75	75/75/75
Second Home <sup>8</sup>	1	720	75/75/75	75/75/75
Investment Property <sup>3,8</sup>	1	720	75/75/75	75/75/75
	2	720	75/75/75	75/75/75
	3	720	75/75/75	75/75/75
	4	720	75/75/75	75/75/75

#### Footnotes:

1. CLTV represents the loan amount of a closed-end second or the disbursed amount of the HELOC plus the first mortgage amount, divided by the sales price/appraised value of the subject property.
2. HCLTV represents the HELOC credit line limit plus the first mortgage amount, divided by the value of the subject property. If the secondary financing is a HELOC, the loan amount plus the draw amount cannot exceed the CLTV and the loan amount plus the total line amount cannot exceed the HCLTV.
3. Investment Condos not allowed in Florida.
4. If LTV's > 80% check with MI companies for product eligibility.
5. Investment Property Requirements
  - With landlord history. With 2 most recent years experience, 680 FICO, and can count rents as income (proposed rents for purchase – as taken from the OIS or comparable rent schedule, whichever is lower ---- or the actual rents for a refinance – as taken from the tax return). 1x30 (12 months), 0x60 (12 months), 0x90 (24 months) mortgage lates.
  - Without landlord history. 720 FICO score, qualifying with both payments, and max debt ratio of 45%. Mortgage Payments on time last 12 months.
6. Condo maximum LTV/CLTV/HCLTV is 90%.
  - Florida condos & attached PUDs.
  - The following counties are not eligible: Broward, Miami Dade, or Lee
7. 620 for loans locked prior to 12/21/09.
8. Max DTI 45% and 1 year title seasoning.

<p><b>APPRAISAL</b></p>	<p><b>General Guidelines</b></p> <ul style="list-style-type: none"> <li>• As determined by DU/LP.</li> <li>• Age of appraisal: <ul style="list-style-type: none"> <li>- DMC will not accept appraisals dated more than 12 months prior to the note date.</li> <li>- An Appraisal Update is required on all appraisals dated more than 120 days prior to the note date. The new Update Appraisal Form (1004D) must be used. <ul style="list-style-type: none"> <li>○ If the value of the property is less than the original appraised value then a new appraisal will need to be ordered.</li> <li>○ If the value of the property is more than the original appraised value then the appraiser must notate on the appraisal the reason for the change and the underwriter may request a new appraisal.</li> </ul> </li> </ul> </li> <li>• If the appraisal indicates that the subject property was previously sold within the last 12 months, the underwriter is required to determine the change in value. If the value has increased 20% or more, the underwriter must require document improvements that support the increase and/or the appraiser must document rapid increases in value within the market.</li> <li>• All appraisals must reflect the current transaction information. When using an appraisal for a refinance that was previously used by the current borrowers to purchase the subject property, the Fannie Mae form 1004D may be used to update the current owner and recent transfer information since the previous appraisal date, as well as other required information in accordance with Fannie Mae guidelines.</li> <li>• All appraisals of one to four unit properties dated on/after April 1, 2009 must contain the Market Conditional Addendum to the Appraisal Report (Form 1004MC).</li> <li>• Purchases of REO or foreclosure properties require a full appraisal.</li> <li>• Appraisals on new construction properties can not be dated more than 120 days from the Note Date. If the appraisal is dated more than 120 days from the note date, a new appraisal will be required, appraisal updates are not allowed.</li> <li>• Non-Permitted additions are not allowed.</li> </ul> <p><b>Appraisal Documentation</b></p> <ul style="list-style-type: none"> <li>• The minimum allowed appraisal documentation is an exterior only appraisal.</li> <li>• Property Inspection Waiver (PIW) is not allowed.</li> </ul> <p><b>Purchase Price Negotiations</b></p> <ul style="list-style-type: none"> <li>• DMC will no longer allow the purchase price to be renegotiated upwards if an appraisal has already been performed. This applies to all loans locked on or after 1/21/10.</li> </ul> <p><b>Short Sale Restrictions</b></p> <ul style="list-style-type: none"> <li>• Short sell negotiator fees may be paid by the buyer provided the buyer has agreed to do so in the real estate purchase contract.</li> <li>• Additional monies to the seller's mortgage company may be paid by the buyer provided the buyer has agreed to do so in the real estate purchase contract. In addition, these funds must be required as part of the short sale agreement. The buyer must verify sufficient liquid assets in addition to the required down payment and reserves.</li> </ul>
<p><b>BORROWERS</b> (ELIGIBLE/INELIGIBLE)</p>	<p><b>Eligible:</b></p> <ul style="list-style-type: none"> <li>• Individuals only</li> <li>• Social security number required. A Tax I.D. Number will not be acceptable.</li> </ul> <p><b>Permanent Resident Aliens:</b></p> <ul style="list-style-type: none"> <li>• As long as the borrower holds a "Green Card" (an Alien Registration Receipt Card, INS Form I-551), the loan is eligible under the same guidelines/terms as a loan made to a U.S. citizen. A copy of the front and back of the Green Card must be included in the file. An approved Green Card application will not be acceptable.</li> </ul> <p><b>Non-Permanent Resident Aliens:</b></p> <ul style="list-style-type: none"> <li>• Temporary residents. Granted the right to live and/or work in the U.S. for a specified period of time.</li> <li>• One of the following valid Visas are required: <ul style="list-style-type: none"> <li>- H-1B, Temporary Worker.</li> <li>- L-1, Intra-Company Transferee.</li> <li>- E-1, Treaty Trader.</li> <li>- G series (G-1, G-2, G-3, G-4).</li> <li>- TN or TC NAFTA VISA - Used by Canadian or Mexican citizens.</li> </ul> </li> <li>• The loan file must contain a copy of the front and back of the eligible Visa. The approved application for one of the visas listed above will not be acceptable and a copy of the actual visa must be obtained.</li> <li>• All Non-Permanent Resident Aliens must have a minimum 2 year history of residency, credit, employment, currently reside and work in the U.S. Income should be expected to continue for at least 3 years.</li> <li>• If tax returns are required, they must be U.S. federal returns. If income is in foreign currency, 75% of the currency exchange value may be used for qualifying the borrower.</li> <li>• Funds for closing must be in U.S. bank accounts. If funds were transferred from a foreign depository, the borrower must provide evidence that they owned the funds prior to the transfer.</li> </ul>

<b>BORROWERS</b> (ELIGIBLE/INELIGIBLE) (CONTINUED)	<b>Ineligible:</b> <ul style="list-style-type: none"> <li>• Foreign nationals.</li> <li>• Borrowers with diplomatic immunity.</li> <li>• Borrowers without social security numbers.</li> <li>• Land Trusts.</li> <li>• Inter vivos or “living” revocable trusts.</li> </ul>
<b>CASH RESERVES</b>	<ul style="list-style-type: none"> <li>• Primary Residence - As determined by DU/LP.</li> <li>• Second Homes – Minimum 2 months reserves.</li> <li>• Investment Properties – Minimum of 6 months reserves is required.</li> <li>• Stocks, bonds, mutual funds: 70% of the value may be used as reserves.</li> <li>• Retirement accounts: 60% of the vested value may be used as reserves.</li> </ul>
<b>CLOSING REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• Standard fixed rate documentation</li> <li>• Interest credit allowed; loan must fund by the 10th calendar day of the month preceding the first payment date</li> <li>• Limited Power of Attorney allowed.</li> <li>• Well, Septic and Termite Certifications are required as noted on appraisal and/or sales agreement.</li> <li>• A minimum of 24 months chain of title as evidenced by the title commitment satisfactory to DMC review.</li> <li>• Maximum days rent back allowed are 60. On an owner-occupant loan the borrower is to be occupying the property within 60 days of the closing.</li> </ul>
<b>CONDOS/PUDS</b>	<ul style="list-style-type: none"> <li>• Condos must be Fannie Mae approved</li> <li>• Effective February 1, 2010, Fannie Mae and Freddie Mac will no longer accept FHA condominium approvals for conventional mortgage loans</li> <li>• Florida: Condos/PUDS in Miami-Dade, Lee, and Broward counties are <u>not</u> allowed</li> <li>• We now require a condominium borrower to obtain a “Walls In” coverage policy (commonly known as an HO-6 policy). Coverage is to include interior walls, floor coverings, fixtures, cabinetry, appliances, and improvements and betterments made to the unit's interior. The HO-6 policy must provide coverage is an amount that is no less than 20% of the condominium unit's appraised value</li> <li>• DMC will require an existing, unexpired FNMA Form 1028 or approval from Fannie Mae's Project Eligibility Review Service (PERS) for all conventional loans</li> </ul>
<b>CREDIT SCORES</b>	<ul style="list-style-type: none"> <li>• All minimum credit scores must be met regardless of DU/LP</li> <li>• See LTV Matrix for minimum credit scores</li> <li>• The main borrower must have qualifying credit scores</li> <li>• If three scores are provided, the middle score will be used</li> <li>• If two of the three scores are the same, the duplicate score will be used to qualify</li> <li>• If two scores are provided, the lower of the two scores are used</li> <li>• If one score is provided, a zero credit score will be used</li> <li>• The lowest of the scores for the borrower or co-borrower, as determined by the credit report, will be viewed as the credit score for the loan file</li> </ul>
<b>CREDIT HISTORY</b>	<ul style="list-style-type: none"> <li>• Credit reports must be dated within 60 days of the date of the Note.</li> <li>• As determined by DU/LP</li> <li>• Derogatory Credit Policy (collections, charge-offs, judgments, tax liens, etc.):           <ul style="list-style-type: none"> <li>- Individual accounts equal to or greater than \$1,000 and accounts that total more than \$5,000 must be paid in full prior to or at closing</li> </ul> </li> <li>• Consumer Credit Counseling Service (CCCS):           <ul style="list-style-type: none"> <li>- If the loan is approved through DU/LP with the CCCS being addressed or released then no further evaluation is needed</li> </ul> </li> <li>• Credit reports must be dated within 60 days of the date of the Note.</li> <li>• <b><u>Disputed Trade Lines Policy Clarification:</u></b> <ul style="list-style-type: none"> <li>• Effective Immediately - All disputed trade lines must be resolved prior to closing. To be considered resolved, disputed trade lines must be removed entirely from the credit report or the dispute language must be removed from the trade lines. A new credit report must be obtained and reissued into DirectWare once each disputed trade line is resolved. Trade line updates are not allowed to resolve disputed trade lines because the trade lines are not updated directly with the three credit bureaus which provide the borrower's credit scores. This policy clarification is effective immediately and applies to all loans.</li> <li>• Chapter 13 Bankruptcies:               <ul style="list-style-type: none"> <li>- BK must be discharged at least 24 months prior to the credit report date.</li> <li>- BK must be dismissed at least 48 months prior to the credit report date.</li> </ul> </li> </ul> </li> </ul>

<b>CREDIT HISTORY</b> (CONTINUED)	<ul style="list-style-type: none"> <li>• Non-Chapter 13 Bankruptcies:           <ul style="list-style-type: none"> <li>- BK must be filed, discharged, or dismissed at least 48 months prior to the credit report date.</li> </ul> </li> <li>• <b><u>Foreclosure, Deed in Lieu of Foreclosure, Pre-Foreclosure Sales, Short Sales and Short Payoff / Restructured loans</u></b></li> <li>• Regardless of DU or LP findings, the credit guidelines below for Foreclosure, Deed-in-Lieu of Foreclosure, Pre-Foreclosure Sales, Short Sales or Short Payoff/Restructured loans must be met as automated underwriting systems may not detect the presence of these items. As there is not a standard for reporting these items to the credit bureau, underwriters are responsible for reviewing the credit report, loan application and preliminary title opinion and any other information in the loan file to determine whether such an action has been completed. Requirements are as follows:</li> </ul> <table border="1" data-bbox="370 415 1529 1184"> <thead> <tr> <th data-bbox="370 415 639 457">Lender Action</th> <th data-bbox="639 415 987 457">Definition</th> <th data-bbox="987 415 1529 457">Eligibility Requirements</th> </tr> </thead> <tbody> <tr> <td data-bbox="370 457 639 583"><b>Foreclosure</b></td> <td data-bbox="639 457 987 583">Legal proceeding in which a servicer obtains a court ordered termination of a borrower's equitable right of redemption or ownership.</td> <td data-bbox="987 457 1529 583">Five (5) years must have passed from the completion date of the foreclosure to the date of the credit report.</td> </tr> <tr> <td data-bbox="370 583 639 709"><b>Deed-in-Lieu of Foreclosure</b></td> <td data-bbox="639 583 987 709">Borrower, failing to satisfy the loan obligation, assigns title to the property through executing a deed to the lender and avoids foreclosure proceedings.</td> <td data-bbox="987 583 1529 709">Four (4) years must have passed from the date the deed was executed, or Pre Foreclosure sale was completed, to the date of application. A minimum two (2) year seasoning is required to re-establish credit following the sale of the property.</td> </tr> <tr> <td data-bbox="370 709 639 863"><b>Pre-Foreclosure Sale</b></td> <td data-bbox="639 709 987 863">Servicer agrees to accept a payoff less than the balance owed on the borrowers delinquent mortgage to avoid the time and expense of a foreclosure action.</td> <td data-bbox="987 709 1529 863">Additionally, requirements below must be applied after four (4) years and up to seven (7) years following the completion date: Purchase transactions, the borrower must contribute the greater of 10% minimum down payment or the minimum required for the loan program (no gifts).</td> </tr> <tr> <td data-bbox="370 863 639 1184"><b>Short Sale, Short Payoff/ Restructured Loans</b></td> <td data-bbox="639 863 987 1184">Short Sales, the servicer agrees to accept a payoff less than the balance owed on the borrower's mortgage that is NOT delinquent. Short Payoff / Restructured Loans are mortgage loans in which the terms of the original transaction have been changed, resulting in either the absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan.</td> <td data-bbox="987 863 1529 1184">Borrowers purchasing a home that is being sold under a short sale are eligible provided the transaction is arms length. <b>Borrowers who have entered into a short refinance /restructured debt on the subject property are not eligible.</b> <b>Borrowers who have completed a short refinance or restructured loan and are purchasing or refinancing a property which is not the subject of the short refinance / restructured loan must have re-established credit for a minimum of four (4) years since completion on short refinance / restructure and no more than 1 x 30 days late on any mortgage in the past 12 months.</b></td> </tr> </tbody> </table>	Lender Action	Definition	Eligibility Requirements	<b>Foreclosure</b>	Legal proceeding in which a servicer obtains a court ordered termination of a borrower's equitable right of redemption or ownership.	Five (5) years must have passed from the completion date of the foreclosure to the date of the credit report.	<b>Deed-in-Lieu of Foreclosure</b>	Borrower, failing to satisfy the loan obligation, assigns title to the property through executing a deed to the lender and avoids foreclosure proceedings.	Four (4) years must have passed from the date the deed was executed, or Pre Foreclosure sale was completed, to the date of application. A minimum two (2) year seasoning is required to re-establish credit following the sale of the property.	<b>Pre-Foreclosure Sale</b>	Servicer agrees to accept a payoff less than the balance owed on the borrowers delinquent mortgage to avoid the time and expense of a foreclosure action.	Additionally, requirements below must be applied after four (4) years and up to seven (7) years following the completion date: Purchase transactions, the borrower must contribute the greater of 10% minimum down payment or the minimum required for the loan program (no gifts).	<b>Short Sale, Short Payoff/ Restructured Loans</b>	Short Sales, the servicer agrees to accept a payoff less than the balance owed on the borrower's mortgage that is NOT delinquent. Short Payoff / Restructured Loans are mortgage loans in which the terms of the original transaction have been changed, resulting in either the absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan.	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<b>DOWN PAYMENT</b>	<ul style="list-style-type: none"> <li>• As determined by DU/LP.</li> <li>• Grants allowed after borrower has made minimum down payment of at least 5%. Sweat equity is not allowed.</li> </ul>															
<b>ESCROWS</b>	<ul style="list-style-type: none"> <li>• Required if LTV &gt; 80%, except where prohibited by state law.</li> <li>• Escrow waivers allowed with LTVs ≤ 80%.</li> </ul>															
<b>ESCROW HOLDBACKS</b>	<b>Only eligible as an exception on a case by case basis with the following requirements:</b> <ul style="list-style-type: none"> <li>• 2X the bid amount.</li> <li>• Maximum \$3,500 .</li> <li>• 2 Bids from 2 different companies.</li> <li>• Escrow funds to be held by DMC.</li> <li>• \$250 Fee paid to DMC at closing.</li> <li>• Conventional 1004D required before funds will be released.</li> <li>• Work must be completed within 7 days of funding.</li> <li>• DMC to hold Broker check until the work has been completed.</li> </ul>															
<b>GEOGRAPHIC RESTRICTIONS</b>	<ul style="list-style-type: none"> <li>• High Cost loans in the state of South Carolina allow a maximum DTI of 50%.</li> <li>• Investment condos are not eligible in the state of Florida.</li> <li>• Condos and attached PUD's are not eligible in Florida in the following counties: Miami-Dade, Broward, and Lee.</li> <li>• Mortgage Insurance Guidelines apply to all states.</li> </ul>															

<p><b>GIFTS</b></p>	<ul style="list-style-type: none"> <li>• Gifts are allowed on primary residences and second homes, per DU/LP.</li> <li>• The gift may be provided by a relative, domestic partner, or fiancé/fiancée only. <ul style="list-style-type: none"> <li>- Second homes allow gifts made by a relative only.</li> <li>- A relative is defined as a borrower's spouse, child or other dependant, or any individual related by blood, marriage, adoption or legal guardianship.</li> <li>- There is no minimum down payment requirement if the LTV/CLTV is 80% or less and the entire down payment is a gift.</li> </ul> </li> <li>• Executed gift letter is required.</li> <li>• Gift of equity is allowed on the purchase of a primary residence or a second home. <ul style="list-style-type: none"> <li>- The LTV should be based on the lesser of the purchase price or appraised value. <ul style="list-style-type: none"> <li>o The gift may not be deducted from the sales price before calculating the LTV.</li> <li>o No cash may change hands; instead the seller agrees to donate a portion of the equity in the subject property in lieu of all or a portion of the down payment.</li> </ul> </li> <li>- All gift policy criteria must be met.</li> <li>- There is no minimum down payment requirement if the LTV/CLTV is 80% or less and the entire down payment is a gift.</li> <li>- The relative may not be, or have any affiliation with the builder, developer, real estate agent or any other interested party to the transaction.</li> <li>- Gift of equity must be acknowledged by the Appraiser on the appraisal.</li> </ul> </li> <li>• DMC to validate relationship between the borrower and the donor by a third party service. If unable to validate by this service, then legal documents will be required to validate the relationship.</li> </ul>
<p><b>INVESTMENT PROPERTIES</b></p>	<p><b>General Guidelines:</b></p> <ul style="list-style-type: none"> <li>• 1-4 unit properties allowed.</li> <li>• Refinances, the borrower(s) must have been listed as the owner of record for a minimum of 6 months from the date of application. Title transfers to or from the borrower during the previous six month period is not allowed regardless of the nature of the relationship between the transferees.</li> <li>• History of managing rental properties and rent loss insurance as determined by DU/LP for 1-4 unit investment properties.</li> <li>• <i>See matrix for minimum credit score requirements.</i></li> <li>• Investment properties require a minimum of six months reserves regardless of DU/LP Findings.</li> <li>• For properties located in TX – Borrower must be a current homeowner.</li> <li>• An Operating Income Statement (Fannie Form 216) and Appraisal Addendum supplying the market rents for the subject property are required on all investment properties. <ul style="list-style-type: none"> <li>- On single family investment properties where full debt is counted against the borrower, if AUS allows the Operating Income Statement (Fannie Mae 216) to be waived, DMC requires one of the following: <ul style="list-style-type: none"> <li>o Single Family Comparable Rent Schedule (1007), or</li> <li>o A letter from the appraiser on his letterhead stating eligible market rents for the subject property, or</li> <li>o The income approach section on page 3 of the appraisal to be completed, or</li> <li>o An executed lease agreement.</li> </ul> </li> </ul> </li> <li>• With landlord history. With 2 most recent years experience, 680 FICO, and can count rents as income (proposed rents for purchase – as taken from the OIS or comparable rent schedule, whichever is lower -- or the actual rents for a refinance – as taken from the tax return). 1x30 (12 months), 0x60 (12 months), 0x90 (24 months) mortgage lates.</li> <li>• Without landlord history. 720 FICO score, qualifying with both payments, and max debt ratio of 45%. Mortgage Payments on time last 12 months.</li> <li>• A second appraisal is required on all investment property transactions with a purchase price or appraised value under \$100,000.</li> </ul> <p><b>1031 Tax Deferred Exchange</b></p> <ul style="list-style-type: none"> <li>• Allowed for source of assets with the following restrictions: <ul style="list-style-type: none"> <li>- Funds from exchange are only acceptable when both the property that was sold and the subject property being purchased are investment properties.</li> <li>- The sales contract from both the sale of the previous properties from which the 1031 assets are acquired and the purchase of the subject properties must state that a 1031 Deferred Tax Exchange is being utilized.</li> <li>- The loan closing for the property that was sold and the subject property being purchased through the use of the 1031 exchange must be handled by a qualified intermediary. The intermediary must be an independent third party such as a title company, escrow agent, or exchange Company and not a real estate agent or broker, attorney, accountant, banker or investment advisor.</li> <li>- Subordinate financing is not allowed.</li> </ul> </li> </ul> <p><b>General Guidelines:</b></p> <ul style="list-style-type: none"> <li>• 1-4 unit properties allowed</li> <li>• Refinances, the borrower(s) must have been listed as the owner of record for a minimum of 6 months from the date of application. Title transfers to or from the borrower during the previous six month period is not allowed regardless of the nature of the relationship between the transferees.</li> </ul>

<b>INVESTMENT PROPERTIES</b> (CONTINUED)	<ul style="list-style-type: none"> <li>History of managing rental properties and rent loss insurance as determined by DU/LP for 1-4 unit investment properties</li> <li>See matrix for minimum credit score requirements</li> <li>Investment properties require a minimum of six months reserves regardless of DU/LP Findings</li> <li>For properties located in TX – Borrower must be a current homeowner</li> <li>An Operating Income Statement (Fannie Form 216) and Appraisal Addendum supplying the market rents for the subject property are required on all investment properties           <ul style="list-style-type: none"> <li>On single family investment properties where full debt is counted against the borrower, if AUS allows the Operating Income Statement (Fannie Mae 216) to be waived, DMC requires one of the following:               <ul style="list-style-type: none"> <li>Single Family Comparable Rent Schedule (1007), or</li> <li>A letter from the appraiser on his letterhead stating eligible market rents for the subject property, or</li> <li>The income approach section on page 3 of the appraisal to be completed, or</li> <li>An executed lease agreement</li> </ul> </li> </ul> </li> <li>With landlord history. With 2 most recent years experience, 680 FICO, and can count rents as income (proposed rents for purchase – as taken from the OIS or comparable rent schedule, whichever is lower -- or the actual rents for a refinance – as taken from the tax return). 1x30 (12 months), 0x60 (12 months), 0x90 (24 months) mortgage lates</li> <li>Without landlord history. 720 FICO score, qualifying with both payments, and max debt ratio of 45%. Mortgage Payments on time last 12 months</li> <li>A second appraisal is required on all investment property transactions with a purchase price or appraised value under \$100,000</li> </ul> <p><b>1031 Tax Deferred Exchange</b></p> <ul style="list-style-type: none"> <li>Allowed for source of assets with the following restrictions:           <ul style="list-style-type: none"> <li>Funds from exchange are only acceptable when both the property that was sold and the subject property being purchased are investment properties</li> <li>The sales contract from both the sale of the previous properties from which the 1031 assets are acquired and the purchase of the subject properties must state that a 1031 Deferred Tax Exchange is being utilized</li> <li>The loan closing for the property that was sold and the subject property being purchased through the use of the 1031 exchange must be handled by a qualified intermediary. The intermediary must be an independent third party such as a title company, escrow agent, or exchange Company and not a real estate agent or broker, attorney, accountant, banker or investment advisor</li> <li>Subordinate financing is not allowed</li> <li>The following documentation is required:               <ul style="list-style-type: none"> <li>Copy of the sales contract from the sale of the previous property and the purchase of the subject property</li> <li>1031 Exchange Agreement</li> <li>HUD-1 from the sale of the previous property and the purchase of the subject property</li> <li>Title Transfer</li> <li>Verification of receipt of funds from the intermediary</li> </ul> </li> </ul> </li> </ul> <p><b>Ineligible Transactions</b></p> <ul style="list-style-type: none"> <li>Gifts</li> <li>Temporary Buydowns</li> <li>Reverse exchanges are not allowed because the borrower is not on title to the property at the time of closing</li> </ul>															
<b>LEASEHOLD</b>	<ul style="list-style-type: none"> <li>Allowed per Fannie Mae/Freddie Mac guidelines</li> </ul>															
<b>LOAN TERM</b>	<ul style="list-style-type: none"> <li>10, 15, 20, 25, and 30 years</li> </ul>															
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<b>MORTGAGE INSURANCE</b>	<p><b>General Guidelines</b></p> <ul style="list-style-type: none"> <li>• Reduced mortgage insurance is not allowed. Standard mortgage insurance is required.</li> <li>• 2 months PITI required.</li> <li>• Condo/Attached PUD – Mortgage insurance is no longer available if the loan amount is greater than \$417,000.</li> <li>• Maximum DTI - <ul style="list-style-type: none"> <li>- 41% with a 680 fico score</li> <li>- 45% with a 720 fico score.</li> </ul> </li> <li>• Minimum FICO score - <ul style="list-style-type: none"> <li>- 720 in AZ, CA, FL, MI, NV and OH</li> <li>- 680 in all other states</li> </ul> </li> <li>• Max LTV <ul style="list-style-type: none"> <li>- 95% with 720 FICO score; Owner Occupied; Purchase/ R&amp;T; 1 unit SFR only.</li> </ul> </li> <li>• Properties located in adverse markets may be further restricted by transaction type, LTV limitations higher FICO requirements, etc. and are subject to current MI availability.</li> </ul> <p><b>Standard MI Coverage:</b></p> <table border="1" data-bbox="565 653 1341 827"> <thead> <tr> <th>LTV Ranges</th> <th>10-20 Yr. Terms</th> <th>25-40 Yr. Terms</th> </tr> </thead> <tbody> <tr> <td>90.01% - 95%</td> <td>25%</td> <td>30%</td> </tr> <tr> <td>85.01% - 90%</td> <td>12%</td> <td>25%</td> </tr> <tr> <td>80.01% - 85%</td> <td>6%</td> <td>12%</td> </tr> </tbody> </table>	LTV Ranges	10-20 Yr. Terms	25-40 Yr. Terms	90.01% - 95%	25%	30%	85.01% - 90%	12%	25%	80.01% - 85%	6%	12%
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<b>NON-OCCUPANT CO-BORROWER</b>	<ul style="list-style-type: none"> <li>• As allowed per DU/LP on primary residence only</li> <li>• DU/LP Findings must identify that a non-owner occupant was used for qualification</li> <li>• Non-occupant co-borrower must be an immediate family member and sign the Note if their income is used for qualification. They must also execute the Deed of Trust if they have an ownership interest in the subject property</li> <li>• Maximum 90% LTV</li> <li>• If the LTV is greater than 80% and the non-occupant co-borrower's income is used to qualify, the owner-occupant must have 5% of the purchase price in their own funds</li> <li>• The occupying borrower may not have ratios that exceed 55%. 50% for loans locked on or after 1/11/10</li> </ul>												
<b>NUMBER OF LOANS/ PROPERTIES</b>	<p><b>Number of Properties per Borrower:</b></p> <ul style="list-style-type: none"> <li>• For a primary residence, there is no limit on the number of properties owned and/or financed by the borrower</li> <li>• For second homes and investment properties: <ul style="list-style-type: none"> <li>- Unlimited # of properties may be owned but only 4, including the borrowers' primary residence may be financed <ul style="list-style-type: none"> <li>o This Limitation includes joint or total ownership and is cumulative across all borrowers on the loan and must be manually applied on all loans as applicable regardless of DU/LP tolerances</li> <li>o A Minimum of two months reserves on the subject property is required on all second homes, regardless of DU/LP Findings</li> <li>o If the borrower has interest in or owns multiple financed investment properties (including the subject property), a minimum of six months reserves on the subject property is required, regardless of DU/LP Findings</li> </ul> </li> </ul> </li> </ul>												
<b>OCCUPANCY</b>	<ul style="list-style-type: none"> <li>• Owner occupied primary residence, second home and investment properties. <ul style="list-style-type: none"> <li>- On a Primary Residence, at least one borrower obligated to the note must occupy the subject property</li> </ul> </li> </ul>												
<b>PROPERTIES (ELIGIBLE/INELIGIBLE)</b>	<p><b>Eligible:</b></p> <ul style="list-style-type: none"> <li>• 1 - 4 unit primary residence and investment properties.</li> <li>• Single family attached and detached.</li> <li>• 1 Unit Second Homes.</li> <li>• Approved Condo's and PUD's.</li> <li>• Modular Homes: <ul style="list-style-type: none"> <li>- Composed of factory-built modules that are transported to the home site and assembled.</li> <li>- Built to the state building code requirements of the state in which it is to be installed.</li> <li>- Conforms to all codes adopted by the jurisdiction in which the property is permanently situated, including industrialized building codes; local zoning requirements; and International Code Council (ICC) building codes.</li> <li>- Marketing time must not exceed six (6) months.</li> <li>- Minimum of 2 similar factory-built comparables.</li> </ul> </li> </ul>												

<p><b>PROPERTIES</b> (ELIGIBLE/INELIGIBLE)</p>	<ul style="list-style-type: none"> <li>• Mixed use properties are eligible if it can be determined that the nature, intent, and primary purpose of the property is residential in use. The following should be considered in making this determination: <ul style="list-style-type: none"> <li>- The commercial/agricultural use must be allowed by zoning and the subject must conform to zoning.</li> <li>- In general, the commercial use should not exceed 20% of total gross living area of the property.</li> <li>- Agricultural usage should generally not exceed 20% of the total acreage.</li> <li>- Income generated on property used for agricultural purposes should be minimal.</li> <li>- Commercial use should not result in significant alteration to the property or one which could not be easily converted back to residential. The commercial use should generate a minimal amount of traffic noise.</li> <li>- The subject must be a single family primary residence.</li> <li>- The room layout must be reasonable for a residential home.</li> <li>- The property must be appraised as residential real estate, with commercial/agricultural value not included in the appraiser's market value.</li> <li>- The appraiser must comment on any affect the commercial/agricultural use has on marketability and compatibility with the subject's neighborhood</li> <li>- Industrial or manufacturing use not allowed.</li> <li>- Borrower must be both the owner and the operator of the business.</li> </ul> </li> </ul> <p><b>Ineligible:</b></p> <ul style="list-style-type: none"> <li>• Manufactured housing.</li> <li>• Mobile Homes.</li> <li>• Ranches, Orchards, Working or Hobby Farms.</li> <li>• Dome, Unique, or Geothermal homes.</li> <li>• Properties without a permanent source of heat and, if typical for the area, cooling. Space heaters and similar sources are not considered permanent heating sources.</li> <li>• Properties with right of redemption.</li> <li>• Co-ops.</li> <li>• Builder trade equity.</li> </ul>
<p><b>RATIOS</b></p>	<ul style="list-style-type: none"> <li>• As determined by DU/LP.</li> <li>• Max DTI 55% (For Loans locked prior to 12/21/09)</li> <li>• Max DTI 50% (For loans locked on or after 12/21/09)</li> </ul>
<p><b>REFINANCES</b></p>	<p><b>General Information:</b></p> <ul style="list-style-type: none"> <li>• At least one borrower must be on title prior to application date to be eligible for a refinance transaction.</li> <li>• Continuity of obligation must be established for both rate/term and cash out refinance transactions. <ul style="list-style-type: none"> <li>- If at least one borrower who will be obligated on the new loan was also a borrower on the existing loan being refinanced, continuity of obligation is established.</li> <li>- If the borrower refinancing is not on the existing note, continuity of obligation may be established through one of the following: <ul style="list-style-type: none"> <li>o 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 (spouse, relative, domestic partner, etc.) with the current obligor.</li> <li>o The borrower has recently inherited or was legally awarded the property (divorce, separation).</li> </ul> </li> <li>- If the borrower is currently on title but is unable to document continuity of obligation, or there is no outstanding lien against the property the loan will be considered a cash out refinance with the following additional restrictions:</li> </ul> </li> </ul> <p><b>No outstanding liens</b></p> <ul style="list-style-type: none"> <li>• If the property was purchased within 6 to 12 months prior to the application date, the LTV will be based the lesser of the original sales price/acquisition cost (documented by HUD-1 Settlement Statement) or the current appraised value.</li> <li>• If the property was purchased more than 12 months prior to application date, the current appraised value may be used to calculate the LTV.</li> </ul> <p><b>Outstanding liens with no continuity of obligation</b></p> <ul style="list-style-type: none"> <li>• If the borrower has been on title for at least 6 months but continuity of obligation does not exist, the maximum LTV will be limited to 50% based on current appraised value.</li> <li>• If the property was purchased within the last 12 months and the appraisal shows a substantial increase in value from the original purchase price, the file should contain documentation supporting the increase. If documentation cannot be obtained then the LTV will be based on the original sales price.</li> <li>• Properties listed for sale in the last six months are ineligible.</li> </ul> <p><b>Cash-out Refinance Transactions:</b></p> <ul style="list-style-type: none"> <li>• The mortgage may include the unpaid principal balance of the existing first mortgage, closing costs, prepaid items such as hazard insurance and property taxes, discount points, amounts required to satisfy outstanding subordinate mortgage liens and additional cash that the borrower may use for any purpose.</li> <li>• A minimum 6 months seasoning of ownership is required on any cash out transaction. If the property was purchased by the borrower within 6 months preceding the application for new financing, the borrower is ineligible for cash out refinance.</li> </ul>

**REFINANCES**

(CONTINUED)

- Any previous Cash-Out transaction, on the subject property, must be seasoned at least 6 months prior to the application date for any a new Cash-Out transaction. This seasoning requirement applies to all liens (including subordinate liens) on the subject property.
- Subordinate liens require no seasoning.
- Pay off of a Contract for Deed/Land Contract not allowed; *See Refinances-Rate/Term.*

**Rate/Term Refinance Transactions:**

- The mortgage amount is limited to the sum of the unpaid balance of the existing first mortgage, closing costs, points, pre-paid items, and if applicable, the amount required to satisfy certain subordinate lien(s) which were used for the original purchase of the home.
- There is no minimum seasoning for a first lien to be paid off for a rate/term refinance, however, if the most recent transaction was a cash out refinance or if it combined a first and non-purchase money subordinate lien into a new first lien, any refinance of that loan within 6 months will also be considered a cash out transaction (calculate 6 months from note date to note date).
  - Investment properties require 6 months seasoning, *see Investment Property Section.*
  - Any refinance transaction within the past 6 months will require the previous HUD-1 Settlement Statement(s) to document the previous refinance was not a cash out refinance or combined a non-purchase money subordinate lien into a first lien.
- Any additional cash back to the borrower must not exceed the lesser of 2% of the new loan amount or \$2,000, except on Texas primary residence; no cash can go back to borrower.
- Buyout of an ex-spouse or joint owner may be treated as a rate/term refinance if all of the following requirements are met:
  - Property is jointly owned by the borrower and the ex-spouse or other owner.
  - Property has been owned and occupied for at least the preceding 12 months by the borrower and joint owner, except in the case of inheritance.
  - The borrower's income, assets and debts are verified with full or alternative documentation.
  - Documentation of the divorce property settlement or estate disposition is in the file.
  - Proceeds are disbursed directly to the ex-spouse or joint owner, of his or her authorized agent – not to the borrower – and are reflected on the Settlement Statement.
  - Borrower who will be acquiring sole ownership must receive no cash out from the transaction.
- There are no seasoning requirements on second liens that are being subordinated.

**Subordinate liens may be paid off provided:**

- If a HELOC the amount being paid off (entire balance or partial balance) may not exceed the amount that was used to acquire the subject property, regardless of the amount of subsequent draws after the property was acquired. Otherwise the transaction will be considered a Cash-Out transaction.
- A Closed End Second Lien may be paid off provided it was used entirely to acquire the subject property.

**Pay off of a Contract for Deed/Land Contract allowed with the following restrictions:**

- The Land Contract must be seasoned for at least 12 months. Appraised value can be used.
- If seasoned less than 12 months, transaction will be considered a purchase.
- Proceeds from the refinance may include the sum of the outstanding balance of the installment sales contract.
- The Land Contract does not need to be recorded.
- Cash-out refinances are not allowed.

**SELLER CONTRIBUTION**

Owner-Occupied & Second Home		Investment Property	
LTV/CLTV	Max Contribution	LTV/CLTV	Max Contribution
> 90%	3%	All CLTVs	2%
≤ 90% and > 75%	6%		
≤ 75%	9%		

**SUBORDINATE FINANCING**

**Allowed subject to the following restrictions:**

- Must meet all Fannie Mae/Freddie Mac guidelines
- A copy of the subordinate financing Mortgage/Deed of Trust and Note must be obtained.
- Community or soft seconds are not allowed.
- Institutional Closed End Second/HELOC allowed on all loan terms. Minimum documentation requirements and all product parameters must be met for both the first and second lien.
- Seller carried second liens are allowed on owner occupied primary residences only.
- The repayment terms for any subordinate financing must provide for regular payments that cover at least interest due so negative amortization will not occur. At minimum, the interest rate should be at market rate.
- The loan term of the subordinate financing must be for at least 5 years, unless fully amortizing and clearly subordinate to the first Mortgage.
- The payment for subordinate financing must be included in the calculation of the borrower's qualifying ratio.

<p><b>SUBORDINATE FINANCING</b></p>	<ul style="list-style-type: none"> <li>- If the monthly payment is not shown on the credit report, the payment will be calculated at 1% of the outstanding balance or the payment reflected on the Borrower's billing statement.</li> <li>• If the first mortgage has an interest rate buydown, the payment for subordinate financing must be fixed.</li> <li>• The terms of the subordinate financing may not provide for a balloon or call option within the first five year after the Note date of the first Mortgage.</li> </ul> <p><b>If subordinate financing is a HELOC:</b></p> <ul style="list-style-type: none"> <li>• The CLTV ratio is calculated by adding the disbursed (or to be disbursed at closing) amount of the HELOC to the first mortgage amount and dividing the sum by the value of the mortgaged premises.</li> <li>• The HCLTV ratio is calculated by adding the HELOC credit line limit (rather than the amount of the HELOC in use) to the first mortgage amount and dividing that sum by the value of the mortgaged premises.</li> </ul>
<p><b>UNDERWRITING</b></p>	<p><b>Automated Underwriting Systems (AUS):</b></p> <ul style="list-style-type: none"> <li>• All loans must be underwritten through DU/LP and receive an Approve or Accept/Eligible.</li> </ul> <p><b>Manual Underwriting:</b></p> <p>Not allowed.</p> <p><b>General Underwriting:</b></p> <ul style="list-style-type: none"> <li>• <b>ALL</b> loan files must include an IRS Form 4506T signed by each borrower within 60 days.</li> <li>• If the borrower is employed by a relative or a closely held family business, the following documentation must be obtained: <ul style="list-style-type: none"> <li>- IRS Form 4506-T must be included in the submission package and signed at closing. The 4506-T must be processed for comparison between transcripts and tax returns.</li> <li>- Borrower's signed and completed personal federal income tax returns for the most recent one-year period, and</li> <li>- Written Verification of Employment form or pay stub(s) with W-2 form(s).</li> <li>- Current income reported on the VOE or pay stub may be used if it is consistent with W-2 earnings reported on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current VOE or pay stub, further investigation is needed to determine whether income is stable.</li> </ul> </li> </ul> <p><b>Job Stability</b></p> <ul style="list-style-type: none"> <li>• Current employment must be equal to or greater than 90 days.</li> <li>• Cumulative gap in employment must be no more than 60 days during the past 2 years - for more than 2 jobs - and 90 days gap will be allowed if there have only been 2 employers in 2 years.</li> <li>• Only 4 total jobs are allowed during the past 2 years, without an exception request approved.</li> <li>• If the credit report indicates that the borrower has made inquiries for new or additional credit within 90 days of the credit report date, the Underwriter must determine whether additional credit was obtained. If new credit was obtained and there is a balance on the account, the debt must be taken into consideration during the underwriting process.</li> <li>• Underwriters may require a corrected application if substantial discrepancies in the file are evident.</li> <li>• Loans on transactions involving a corporate-sponsored relocating employee may not use trailing co-borrower income to qualify.</li> <li>• Excessive real estate commission (&gt; 8%) is not allowed and will be deducted from the sales price/appraised value LTV calculation when determining maximum LTV.</li> <li>• In all cases when a borrower is obligated on a mortgage loan, land contract or any other debt that is NOT listed on the credit report the underwriter must require a written verification of the debt and a minimum of 12 months cancelled checks or bank statements reflecting the timely payment of this debt. When the creditor of the undisclosed debt is a verifiable bank or credit union, a direct verification may be acceptable</li> </ul> <p><b>Conversion of Principal Residence:</b></p> <ul style="list-style-type: none"> <li>• Borrowers who currently own a primary residence and are purchasing a new primary residence, typically have the option to either sell the previous residence, or convert the previous residence to a second home or an investment property. General underwriting and qualification requirements for each type are as follows:</li> <li>• All Conversions: 0 x 30 on previous mortgage for the past 12 months is required; full PITI must be documented.</li> </ul> <p><b>Current Principal residence is a pending sale but will not close prior to or simultaneous with the new transaction:</b></p> <ul style="list-style-type: none"> <li>• Both the current and proposed mortgage payments must be used to qualify the borrower. <ul style="list-style-type: none"> <li>- If 30% equity in existing residence can be documented with a current appraisal or AVM, dated within 60 days of the Note Date, the PITI for the current principal residence is not required to be used in qualifying the borrower and the following additional documentation is provided: <ul style="list-style-type: none"> <li>- Executed sales contract for the current residence; and</li> <li>- Confirmation that any financing contingencies have been cleared.</li> </ul> </li> </ul> </li> </ul>

**UNDERWRITING**

(CONTINUED)

- DU will determine the level of reserves.
- LP requires 6 months reserves for **both** properties, or 2 months for **both** properties if 30% equity has been established and must be manually applied to all LP loans (LP has not been updated).

**Conversion to Second Home:**

- Both the current and proposed mortgage payments must be used to qualify the borrower.
- At least 30% equity must be documented in the previous residence, derived from an appraisal or AVM minus outstanding liens.
- Required reserves greater of AUS or minimum 2 months required for **both** properties.
- If 30% equity cannot be documented in the previous residence, required reserves greater of AUS or minimum 6 months required for **both** properties.

**Conversion to Investment Property:**

- Both the current and proposed mortgage payments must be used to qualify the borrower.
- If using rental income to offset payment:
- At least 30% equity must be documented in the previous residence, derived from an appraisal or AVM, dated within 60 days of the Note Date, minus outstanding liens.
  - 75% of rental income may be used to offset the mortgage payment in qualifying.
  - Copy of the fully executed lease (all pages/schedules)
  - Copy of cancelled check for the security deposit or payment of first month's rent from the tenant and proof of deposit into the borrowers account.
  - FAMC underwriters will complete a verbal verification of all leases.
  - Reserves – greater of AUS or 2 months required for both properties.
- If 30% equity in previous residence cannot be documented, rental income cannot be used to qualify the borrower
  - Reserves – greater of AUS or 6 months required for both properties
- A borrower is now allowed to purchase a new primary residence when their departure residence is underwater if all of the following criteria are met:
  - The departure residence is being rented. A bona fide lease agreement must be provided. Just like in other situations, a copy of the renter's photo ID and 1st month's rent or security deposit check must be provided.
  - An appraisal OR AVM is required to determine the amount of negative equity. Additionally, a comparable rent schedule is required to establish the market rents.
  - The maximum amount of negative equity is 150% of the current value OR \$100,000, whichever is less.
  - The borrower must qualify with both payments.
  - 6 months of PITI for both properties is required to be in reserves.
- The existing mortgage on the departure residence must be fully amortizing. No Interest Only or Negatively Amortized loans allowed.

**Policy regarding departure residences when they are mobile homes.**

- Whether the borrower owns the land or pays lot rent, rental income may never be considered when the departure residence is a mobile home.
- If the borrower is moving out of a mobile home and owns the land, an appraisal Or AVM must be provided to verify to verify that they are not upside down in value and mortgage.
- If the borrower is moving out of a mobile home and pays lot rent, no appraisal or AVM is required. However, we must verify the amount of lot rent and hold it against them as a net rental loss.

**Properties previously listed for sale**

Direct Mortgage will allow conforming refinance transactions where the subject property was listed for sale within the last six months, but was taken off the market at least one (1) day prior to the application date and the appraisal date. The value will be based off the lesser of the appraised value or lowest listing price.

See basic guidelines below:

**Rate/Term Refinance Transaction**

- The maximum LTV/TLTV/CLTV is the lower of 80 percent or the maximum for product/occupancy/property type.
- The maximum loan amount is \$417,000.
- The minimum credit score is 700.

**Cash-Out Refinance Transactions**

- The maximum LTV/TLTV/CLTV is the lower of 70 percent or the maximum for product/occupancy/property type.
- The maximum loan amount is \$417,000.
- The minimum credit score is 700.

**Tax Transcripts**

- As part of Direct Mortgage's firm commitment to quality, it is necessary for us to execute form 4506-T on ALL loans, including salaried borrowers and wage earners. To avoid unnecessary delays in the processing of your loans, please make sure form 4506-T is uploaded into Scanned Images at the time of submission. Form 4506-T must be signed and dated within the last 60 days.

**UNDERWRITING***(CONTINUED)*

- Tax transcripts are required for the current year if the tax return income is used to qualify (i.e.; self employed borrowers, dividend income, etc). Tax extensions are not allowed. A filed tax extension is okay if a wage earner.

**Broker Compensation**

- Max Broker Compensation is 4% of the loan amount.
- We only allow discount points for the cost of the lock. We do not allow additional discount points to be charged on any loan program.

**Verification of Deposit (VOD)**

- Handwritten VOD needs to be accompanied by a transaction history or bank statement.

**Debts paid off at (or prior to) closing:**

- Revolving and installment debt paid off prior to the date of the loan application and credit report does not need to be included in the debt to income ratios. However, funds used to pay these items may need to be sourced and seasoned. Here is our policy regarding debts paid after the date of the loan application:
  - a) Purchase & Rate/Term Loans:
    - i) Revolving debts may not be paid off or paid down in order to qualify.
    - ii) Installment loans may not be paid down in order to qualify. Installment loans may be paid off in order to qualify. A borrower may not use gifts funds to pay off an installment loan in order to qualify.
  - b) Cash-out Loans:
    - i) Revolving debts may be paid off in order to qualify, as long as they are paid through closing using loan proceeds.
    - ii) Installment loans may not be paid down in order to qualify. Installment loans may be paid off in order to qualify. They may be paid off with borrower funds or loan proceeds. A borrower may not use gift funds to pay off an installment loan in order to qualify.

**Self Employed Documentation Requirements**

- Self employed borrowers will need to provide tax returns on April 16, 2010. January 1, 2010 through April 15, 2010, financial statements (profit/loss & balance sheet) along with Oct – Dec 2009 business bank statements will be required.

**Non-Arms Length and Identity-of-Interest**

- Non-Arms Length and Identity-of-Interest transactions are NOT allowed when the occupancy type is second Home or Investment.
- Non-Arms Length and Identity-of-Interest transactions are NOT allowed when the seller has entered into a short sell agreement with the existing lien holder or when a bank is the seller and the buyer is related to the previous owner.
- Non-Arms Length and Identity-of-Interest transactions ARE allowed – on a case by case basis for primary homes. DMC does not allow “bailouts.”

Direct Mortgage requires all decisions to be documented as per the AUS feedback or the loan may not be eligible or additional restrictions may apply. Therefore, please pay special attention to DU findings and LP feedback.