

# Product Guidelines

## LENDER PAID MORTGAGE INSURANCE PROGRAM (LPMI)

PROGRAM CODES: C30FLPMI, H30FLPMI

Version 1.3 –02/20/18



LOAN AMOUNTS <=\$453,100									
Occupancy		Purpose	Max Loan Amount	Maximum LTV/CLTV	Min FICO	Max Ratios	Minimum Cash Investments	Mortgage/Rental History	Reserves
Primary	1 Unit SFR	Purchase & Rate/Term	\$453,100	95%*	620	Approved Eligible / Approved Accept - Follow AUS	5%***	Evaluated by AUS	Follow AUS
LOAN AMOUNTS \$453,100 to \$679,650									
Primary	1 Unit SFR	Purchase & Rate/Term	\$679,650	90%	620	Approved Eligible / Approved Accept - Follow AUS	5%***	Evaluated by AUS	Follow AUS
Primary	1 Unit Condo	Rate/Term	\$679,650	85%	620				
LOAN AMOUNT > \$679,650									
Primary	1 Unit SFR	Purchase	\$1,019,475	90%	620	Approved Eligible / Approved Accept - Follow AUS	5%***	Evaluated by AUS	Follow AUS
Primary	1 Unit SFR	Rate/Term	\$1,019,475	85%	620				
*Must follow MI Guidelines for particular state **Does not apply to Rate/Term Refinance ***Refer to Minimum Cash Investment topic below for additional information Alaska & Hawaii conforming max loan amount \$679,650									
LOAN AMOUNTS <=\$453,100									
Occupancy		Purpose	Max Loan Amount	Maximum LTV/CLTV	Min FICO	Max Ratios	Minimum Cash Investments	Mortgage/Rental History	Reserves
2nd Home	1 Unit SFR	Purchase & Rate/Term	\$453,100	90%	620	Approved Eligible / Approved Accept - Follow AUS	5%*	Evaluated by AUS	Follow AUS
*Refer to Minimum Cash Investment topic below for additional information.									

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### CONVENTIONAL Underwriting Guidelines Requirements (Loan MUST be submitted through AUS)

#### COLLATERAL

General	Property condition C5 is not eligible.
Appraisal	Follow FNMA Property Inspection Waiver (PIW). Transferred appraisals are permitted with proof the appraisals comply with Appraisal Independence Requirements (AIR). HPML loans may require second appraisal. Field Review (Form 2000) is required if: Loan amount is > \$625,500 and LTV/CTLV is > 80%, or property value is >=\$1,000,000 and LTV/CLTV is > 75%. If field review results in a different opinion of the value of the appraisal, the lower of the original value, field review value, or the sales price must be used to calculate LTV. If the appraisal report is marked "subject-to" a final inspection 1004D will always be required, processor certifications will not be accepted in lieu of.
Appraisal Updates	Permitted. Follow guidelines and acceptable extension dates. The appraisal update must be completed before the appraisal expires.
Condo	All Condo projects must be warranted & must have completed warranty form. ATTACHED CONDOS: Appraisal must contain 2 comparable sales from subject's project in addition to the current comparable sale requirements. All projects must meet FNMA requirements for warranty. Maximum investor concentration permitted is 30%.
Ineligible Properties	Manufactured homes (included properties with an ADU that is a manufactured home), Co-ops, Land Contracts, On-frame modular construction, Boarding houses, Bed and breakfast properties, Properties that are not suitable for year-round occupancy regardless of location, Agricultural properties, such as farms or ranches, Properties that are not readily accessible by roads that meet local standards, Vacant land or land development properties, properties serviced by hauled water, and State-approved medical marijuana producing properties, and water sourced by a river are not eligible, Properties in DHHL, Hawaiian Properties located in Lava Zones 1 and 2. See complete ineligible property list in CMS CONV guidelines.
Listed For Sale or Purchase < 6 Mos.	Properties that were listed for sale must have been taken off the market on or before the disbursement date of the new mortgage loan.
Maximum Number of Financed Properties	For second home and investment property transactions - FNMA is the Agency that allows for up to 10 properties (financed means the # of properties not the number of loans on it), <b>FNMA requires a 720 Fico for this feature.</b> DU cannot count the number of properties so the lender must apply the 720 FICO restriction manually to the file.

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#### TYPES OF FINANCING

Rate & Term/ Limited Cash Out Refi	Final Closing Disclosures are required from any transaction within past 6 months. If previous transaction was cash-out or if it combined a first and non-purchase money subordinate into a new first, loan to be coded cash out. If new transaction combines a 1st and non-purchase money 2nd into a new 1st loan, it is considered cash out. If a new transaction combines a purchase money 2nd used in whole to acquire the property, a copy of the Closing Disclosure must be obtained. Closing costs and prepaids may be financed into loan amount. Cash out is limited to the lesser of 2% or the new loan or \$2,000.
Subordinate Financing	New Subordinate financing is not permitted. Existing subordinate financing is allowed to re-subordinate provided the 2nd lien meets guidelines for secondary financing.
Cash-Out Refinance	Not permitted.
All Refinances	Must have Net Tangible Benefit to Borrower

#### CREDIT

Manual Underwrite	Not permitted. Must receive DU Approve/Eligible.
Bankruptcy	Chapter 13: Must be discharged > 2 years prior to application. BK discharge must be > 2 years seasoned. BK dismissal must be >4 years seasoned. Chapter 7: Must be discharged > 4 years prior to application. BK discharge must be > 4 years seasoned. BK dismissal must be > 4 years seasoned. Multiple Bankruptcy filings within past 7 years must be discharged/dismissed > 5 years. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u> Multiple BK filings - 5 years if more than one filing within the past 7 years ***Chapter 11 > 4 years prior to application***
(with extenuating circumstances)	BK 7 or BK 11: A two-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the discharge or dismissal date of the bankruptcy action. BK13: A two-year waiting period is permitted after a Chapter 13 dismissal, if extenuating circumstances can be documented. There are no exceptions permitted to the two-year waiting period after a Chapter 13 discharge. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u> Multiple BK filings - 3 years from the most recent discharge or dismissal date.
Short Sale/Pre-Foreclosure/Deed in Lieu of Foreclosure	A four-year waiting period is required from the completion date of the deed-in-lieu of foreclosure, preforeclosure sale, or charge-off as reported on the credit report or other documents provided by the borrower. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u>
(with extenuating circumstances)	A two-year waiting period is permitted if extenuating circumstances can be documented. Note: Deeds-in-lieu and preforeclosure sales may not be accurately or consistently reported in the same manner by all creditors or credit reporting agencies. See Identification of Significant Derogatory Credit Events in the Credit Report above for additional information. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.
Collections/Charge Offs	Refer to AUS stipulations.

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PROGRAM CODES: C30FLPMI, H30FLPMI

Version 1.3 –02/20/18



#### CREDIT (continued)

Judgments/Liens	Outstanding judgments and liens must be paid at or prior to loan closing. All outstanding debt owed to a state or the IRS for income or property tax must be paid off, at or prior to Closing, regardless of whether or not the debt has become an actual lien. All state and IRS tax liens on the subject property and other properties are required to be paid whether or not they currently affect title. No payment plans or subordination is allowed. Documentation of the satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations must be obtained.
Foreclosure	A seven-year waiting period is required, and is measured from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by the borrower. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.
(with extenuating circumstances)	A three-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the completion date of the foreclosure action. Additional requirements apply between three and seven years, which include: Maximum LTV, CLTV, or HCLTV ratios of the lesser of 90% or the maximum LTV, CLTV, or HCLTV ratios for the transaction per the Eligibility Matrix. The purchase of a principal residence is permitted. Limited cash-out refinances are permitted for all occupancy types pursuant to the eligibility requirements in effect at that time. Note: The purchase of second homes or investment properties and cash-out refinances (any occupancy type) are not permitted until a seven-year waiting period has elapsed. <u>Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.</u>
Minimum FICO	CMS requires a minimum of one (1) reported credit score for each borrower with a trimerge credit report. If there is a borrower on the loan who does not have a credit score, determine the representative credit score for the mortgage based on the credit scores of the other borrowers on the mortgage.
Debts/Minimum Payment	If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, the lender must use 5% of the outstanding balance as the borrower's recurring monthly debt obligation. For DU loan casefiles, if a revolving debt is provided on the loan application without a monthly payment amount, DU will use the greater of \$10 or 5% of the outstanding balance as the monthly payment when calculating the total debt-to-income ratio. For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must use the greater of the following to determine the monthly payment to be used as the borrower's recurring monthly debt obligation: 1% of the outstanding balance; or the actual documented payment (documented in the credit report, in documentation obtained from the student loan lender, or in documentation supplied by the borrower). If the payment currently being made cannot be documented or verified, 1% of the outstanding balance must be used.
30-day Charge Accounts	Open 30–day charge accounts require the balance to be paid in full every month. Fannie Mae does not require open 30–day charge accounts to be included in the debt-to-income ratio.
Mortgage History	Mortgage History evaluated by AUS.
Long Term Debts	Revolving charge accounts and unsecured lines of credit are open-ended and should be treated as long-term debts and must be considered part of the borrower's recurring monthly debt obligations. The monthly payment on every revolving and open-end account with a balance must be included in ratio calculation. Accounts cannot be paid down to qualify, installments or Mortgage accounts must be paid in full. Payoff of revolving accounts in order to qualify the borrower is generally not allowed.
Court Ordered Debt	If the obligation to make payments on a debt has been assigned to another person by court order, such as a divorce decree, and transfer of ownership of any related property has taken place, the payment may be excluded from long-term debt. The following documents are required: copy of the court order; and for mortgage debt, a copy of the recorded documents transferring ownership of the property (e.g.: Quit Claim Deed). If a transfer of ownership has not taken place, late payments associated with the loan repayment of the debt owing on the property should be taken into account when reviewing the Borrower's credit profile.

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Version 1.3 –02/20/18



#### CREDIT (continued)

Non-Occupant Co-borrowers and blended ratios	For DU loan casefiles, if the income of a guarantor, co-signer, or co-borrower is used for qualifying purposes, and that guarantor, co-signer, or co-borrower will not occupy the subject property, the maximum LTV, CLTV, and HCLTV ratio may not exceed 95%. The DTI ratio is calculated using the income and liabilities of all borrowers; there is no separate DTI ratio requirement for the occupant borrower.
Soft Pull Expiration	<b>14 days</b>
Business Debt	If the Borrower is personally liable for a business debt, whether the debt is reflected on the Borrower's personal credit report or not, the Borrower is personally liable and the debt must be included in the debt-to-income ratios. If the Borrower can provide twelve (12) months' proof of payment/canceled checks drawn against a business account, this debt need not be included in the debt-to-income ratio.
Contingent Liabilities	A contingent liability may be disregarded if the Borrower provides conclusive evidence from the creditor that there is no possibility that the creditor will pursue debt collection against the Borrower should the other party on the debt default.
Disputed	DU will issue the disputed tradeline message. If it is determined that the disputed tradeline information is accurate and complete, the lender must ensure the disputed tradelines are considered in the credit risk assessment by either obtaining a new credit report with the tradeline no longer reported as disputed and resubmitting the loan casefile to DU. If DU does not issue the disputed tradeline message, the lender is not required to: further investigate the disputed tradeline on the credit report, obtain an updated credit report (with the undisputed tradeline).

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Version 1.3 –02/20/18



#### INCOME/ASSETS

Debt Ratio	Per AUS findings, must receive Approve/Eligible.
Future Income	Permitted - borrower must provide a contract or employment offer prior to documents and a 30 day pay stub prior to funding.
Residual Income	Residual Income is required on HPML loans only.
Non-Taxable Income	Must verify and document source of income is non-taxable. Documentation includes award letters, policy agreements, account statements or any other documents that address the non-taxable status of the income. All disclosed, non-taxable income must be grossed-up even if not being used for qualification.
Documentation	Full income documentation loans only; must follow DU stipulations. Minimum documentation level for salaried wage earners is one paystub, W2, verbal VOE, and current bank statement. A Year-end Profit and Loss statement for prior year is required if the most recent year's tax returns have not been filed. Self-employed requires recent years personal tax returns and one month current bank statement.
Rental Income from Other Real Estate Owned	Document per AUS requirements. Can use 24-month average from Schedule E for calculation. The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the DTI ratio.
Tax Return Transcripts / W2 Transcripts	When federal income tax information is used to document income for qualifying purposes, the lender may obtain transcripts of the applicable federal income tax documents directly from the IRS (or designee) by using IRS Form 4506-T. For example, the lender may obtain Tax Return Transcripts for Form 1040, 1040A or 1040EZ or Wage and Income Transcripts for W2s, 1098s, and 1099s. However, in certain instances, copies of the actual returns, schedules, or forms are needed because the tax return transcripts will not provide the detail required to qualify the borrower. For example, the lender must obtain copies of Schedules B through F, Schedule K-1, Form 2106, or business returns.
Minimum Borrower Investment	Conforming loan amounts with DU Approve/Eligible require 3% borrowers own funds. Conforming loan amounts with LP Accept require 5% borrowers own funds. High-Balance loans require 5% borrowers own funds regardless of DU.
Verification of Deposits	Not permitted as standalone documentation – must be accompanied by computer printout or other statements directly from the banking institution.
Large Deposits	Purchase Money Transactions Only: Deposits >50% of the borrower's qualifying monthly income are considered large deposits and must be sourced.
Custodial Accounts for Minors	These accounts are not an allowable asset for down payment, closing costs or reserves. Accounts that are in a minors name where the borrower is only the custodian of the funds are not eligible to be used for a transaction in closing costs, reserves or down payment.
Gifts	Follow FNMA Guidance: <ul style="list-style-type: none"> <li>• 1 Unit Primary Residences (including High Balance): no minimum borrower contribution is required</li> <li>• 2-4 Units, 2nd Homes: LTV's &gt;80% require the borrower have a minimum 5% of their own funds in the transaction</li> <li>• Gifts are not permitted on Investment Properties</li> </ul>
Business Assets	Business Assets are allowed for downpayment; however, the borrower must be the 100% owner of the Business. The effect on borrower's business must be established by the underwriter.
Minimum Reserves	See Matrix Above. Additional reserves may be required by DU based on risk.

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Version 1.3 –02/20/18



#### PURCHASE MONEY

Buyer Contribution	Primary=5% 2nd Home=5%
Seller Contribution	Owner Occupied and Second Home: CLTV >90%=3%, CLTV ≤90%=6%.

#### GENERAL

Maximum Combined Loan AMT	\$1 million regardless of lienholder on the first and second liens. The number of CMS financed properties to one borrower is limited to the lesser of 4 properties or an aggregate of \$2 million. The maximum aggregate of loans to one borrower for any servicer and its affiliates is the lesser of 4 properties or \$2 million.
Maximum Loan Amt	Up to Conforming/High Balance Limits. See Matrix Above. Subject to specific MSAs.
State Specific	Texas Section 50 (a)(6) transactions are ineligible for this program. On refinance transactions, CMS requires a copy of the note to confirm the existing lien is not a Section 50(a)(6).
Age of Documents	Must be <120 days old at time of closing. Appraisal must be <120 days old.
Loan Terms Available	30 Fixed Rate Conforming and High Balance.
Qualifying Fixed Products	Qualify at Note Rate.
Assumptions	Not permitted.
Borrower Eligibility	Permanent Resident Aliens allowed with supporting documentation. Non-Permanent Resident Aliens, Foreign Nationals or borrowers with Diplomatic Immunity are not permitted.
Gifts	Permitted provided borrower investment is met. Gifts are not permitted on Investment properties.
Buydowns	Not permitted.
Down Payment Assistance	Not permitted.
Mortgage Insurance (MI)	MI certificate must be obtained prior to clear to close. Full credit file needs to be submitted to MI company. Lender Paid Disclosure Form must be provided to the borrower.
Non-Arm's Length Trans	Not permitted.
Non-Traditional Credit	Not permitted.
Prepayment Penalty	Not permitted.
Miscellaneous	Lender Paid Disclosure Form must be executed prior to closing.
Ineligible Programs	Refi DU, Homestyle/Homepath Renovations, HomeReady Loans, Temp Buydown, Interest Only Loan Programs