

Conforming Guideline

Revision: December 27, 2016 (Product Information Center, 800-520-5626, www.rightstartmortgage.com)

Fixed Rate (Purchase & Rate/Term Refinances) - Fannie Mae DU						
Products: CF30, CF20, CF15, CF10						
Occupancy	Owner Occupied		Second Home		Investment Property	
LTV, CLTV, FICO	Max LTV/CLTV	Min FICO	Max LTV/CLTV	Min FICO	Max LTV/CLTV	Min FICO
1 Unit	95/95%	620	90/90%	620	Purchase - 85/85% Refi - 75/75%	620
2 Units	Purchase & Refi - 85/85%	620	N/A	N/A	75/75%	620
3-4 Units	Purchase & Refi - 75/75%	620	N/A	N/A	75/75%	620
Finance Type	Cash-Out Refinances					
1 Unit	80/80%	620	75/75%	620	75/75%	620
2-4 Units	75/75%	620	N/A	N/A	70/70%	620
ARM Rate (Purchase & Rate/Term Refinances) - Fannie Mae DU						
Products: CF10/1, CF7/1, CF5/1						
LTV, CLTV, FICO	Max LTV/CLTV	Min FICO	Max LTV/CLTV	Min FICO	Max LTV/CLTV	Min FICO
1 Unit	90/90%	620	80/80%	620	Purchase - 75/75%; Refi - 65/65%	620
2 Units	75/75%	620	N/A	N/A	65/65%	620
3-4 Units	65/65%	620	N/A	N/A	65/65%	620
Finance Type	Cash-Out Refinances					
1 Unit	75/75%	620	65/65%	620	65/65%	620
2-4 Units	65/65%	620	N/A	N/A	60/60%	620

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Purchase & Rate/Term Refinance - Freddie Mac LP					
Fixed and ARMS					
Products: CF30, CF20, CF15, CF10, CF10/1, CF7/1, CF5/1					
	Fico Score	Max LTV w/o sec. fin.	Max LTV w/sec fin.	Max TLTV w/sec. fin.	Max TLTV w/sec. fin.
1 - Unit Primary Residence	640	95%	95%	95%	95%
2-4 Unit Primary Residence	640	80%	80%	80%	80%
Second Home	640	85%	85%	85%	85%
1 Unit Purchase Investment	640	85%	85%	85%	85%
1 Unit R&T Investment	640	85%	80%	80%	80%
2-4 Unit Purchase Investment	640	75%	75%	75%	75%
2-4 Unit R&T Investment	640	75%	75%	75%	75%

Cash Out - Freddie Mac LP					
Fixed and ARMS					
Products: CF30, CF20, CF15, CF10, CF10/1, CF7/1, CF5/1					
	Fico Score	Max LTV w/o sec. fin.	Max LTV w/sec fin.	Max TLTV w/sec. fin.	Max HTLTV w/sec. fin.
1 - Unit Primary Residence	640	80%	75%	80%	80%
2-4 Unit Primary Residence	640	75%	70%	75%	75%
Second Home	640	75%	70%	75%	75%
1 Unit Investment	640	75%	70%	75%	75%
2-4 Unit Investment	640	70%	65%	70%	70%

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ARM Information	<p>For 5/1 ARM: <u>Index</u>: 1 YR Libor <u>Caps</u>: 2% initial adjust. 2% per adjust. ,thereafter, 5% Life <u>Floor</u>: Margin <u>Margin</u>: 2.25% For 7/1 ARM: <u>Index</u>: 1 YR Libor <u>Caps</u>: 5% initial adjust. 2% per adjust. ,thereafter, 5% Life <u>Floor</u>: Margin <u>Margin</u>: 2.25% For 10/1 ARM: <u>Index</u>: 1 YR Libor <u>Caps</u>: 5% initial adjust. 2% per adjust. ,thereafter, 5% Life <u>Floor</u>: Margin <u>Margin</u>: 2.25%</p>																			
Rate at Adjustment	<p>On 5/1 ARM, the initial note rate is in effect for 60 months; the first interest adjustment is calculated by the power of Index plus Margin or Initial Rate plus 2%, and is subject to Life Cap of 5% plus Initial Rate if Index plus Margin is greater. Thereafter, a 2% annual adjustment cap begins with the second adjustment. On 7/1 ARM, the initial note rate is in effect for 84 months; the first interest adjustment is calculated by the lower of Index plus Margin or Initial Rate plus 5%, and is subject to Life Cap of 5% plus Initial Rate if Index plus Margin is greater. Thereafter, a 2% annual adjustment cap begins with the second adjustment. On 10/1 ARM, the initial note rate is in effect for 120 months; the first adjustment is calculated by the lower of Index plus Margin or Initial Rate plus 5%, and is subject to Life Cap of 5% plus Initial Rate if Index plus Margin is greater. Thereafter, a 2% annual adjustment cap begins with the second adjustment.</p>																			
Products	<p>Fixed Rate (10,15,20,25 and 30-Year) Fixed Period LIBOR ARMs with 30 year term (5/1, 7/1, 10/1).</p>																			
Borrower Qualification	<p><u>Fixed Rate</u>: Borrower is qualified at the Note rate. <u>7/1 and 10/1 ARMS</u>: Qualify at the greater of the Note rate or the fully indexed rate. <u>5/1 ARMS</u>: Qualify at the higher of the note rate +2% or the fully indexed rate.</p>																			
Maximum Loan Amount	<p>Minimum Loan Amount is \$75,000.00</p> <table border="1" data-bbox="485 841 1955 1019"> <thead> <tr> <th rowspan="2">Units</th> <th>Continental Us</th> <th>Hawaii</th> </tr> <tr> <th colspan="2">Maximum Loan Amount</th> </tr> </thead> <tbody> <tr> <td>One</td> <td>\$424,100</td> <td>\$636,150</td> </tr> <tr> <td>Two</td> <td>\$543,000</td> <td>\$814,500</td> </tr> <tr> <td>Three</td> <td>\$656,350</td> <td>\$984,525</td> </tr> <tr> <td>Four</td> <td>\$815,650</td> <td>\$1,223,475</td> </tr> </tbody> </table>			Units	Continental Us	Hawaii	Maximum Loan Amount		One	\$424,100	\$636,150	Two	\$543,000	\$814,500	Three	\$656,350	\$984,525	Four	\$815,650	\$1,223,475
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Underwriting Method	<p>Loans must be underwritten though Desktop Underwriter (DU) or Loan Prospector (LP). Loans must receive a DU “Approve/Eligible”, or LP “Accept” determination. Loans with DU Refi Plus Approve/Eligible decisions: Refer to DU Refi Plus matrix DU recommendation of Approve/Eligible required. <u>Loan Prospector Loans</u> When purchase money tractions are refinanced, Freddie Mac requires the Note date on the loan being refinanced to be at least 120-days prior to the Note date of the new refinance loan. This requirement will apply to R&T refinance transactions.</p>																			
Prepayment Penalty	None																			
Occupancy	Primary Residence , Second home, and investment properties																			
Eligible Borrowers	US Citizens; Permanent Resident Aliens; Non-Permanent Resident Aliens allowed with required VISAs); Revocable Trust; Must have valid Social Security Number; Maximum of 4 borrowers per loan application are allowed.																			

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	Non-Permanent Required VISAs: A Series (A-1, A-2, A-3), E-1 and E-2, G Series (G-1, G-2, G-3, G-4, G-5), H-1 (includes H-1B and H-1C), L-1, O-1A, O-1B, O-2, TN NAFTA for Canadian and Mexican Citizens, TC, NAFTA for Canadian citizens for professional or business purpose.
Property Types	<ul style="list-style-type: none"> Condo, PUD, SFR, 2-4 Units (excludes manufactured homes, co-ops, condo hotels, leasehold condos, mixed used, agricultural zoning, acreage greater than 10) Condo complex with 4 or less units require that at least 3 out of 4 are owner occupied properties. Owner occupancy requirement for condos is no longer applicable for owner occupied and second home. On all investment properties, 50% owner-occupancy required.
Qualifying Ratios	Maximum qualifying ratio: Based on AUS Approval
Credit	<ul style="list-style-type: none"> Non-traditional credit NOT allowed. Minimum credit score(s): Minimum required per LTV/CLTV grid DU Approve/Eligible <p>General Credit Guidelines</p> <p><u>Mortgage lates</u>: subject to LP or DU findings. **related to 30 day lates only**</p> <p><u>Chapter 7 or 11 Bankruptcy</u>: 4 years have elapsed since the discharge or dismissal date to the Application date</p> <p><u>Chapter 13 Bankruptcy</u>: 2 years have elapsed since discharge date to the Application date; 4 years have elapsed since dismissal date to the Application date</p> <p><u>Short Sale, "Settled for Less", Deed-in-lieu of foreclosure, Pre-foreclosure</u>: with AUS approval- 4 years waiting period (base on Credit report Date) is required. 2 years waiting period (base on Credit Report Date) is acceptable if reason was due to extenuating circumstances as per agency guidelines. Extenuating circumstances must be explained with adequate supporting documentation</p> <p><u>Foreclosure</u>: 7 years waiting period is required from completion date to the Application date</p> <ul style="list-style-type: none"> Borrower with multiple BK filings: 60 months since most recent discharged / dismissal Mortgages with previous modifications or restructured loans on subject property- 24 month satisfactory Payment record require after the date of the recorded modification, and AUS approval.
Max CLTV on Second Liens	The max CLTV is 90% for Closed End Second. For HELOC, we allow up to 95%CLTV.
Income Documents	<p>Base Pay (salary or hourly)</p> <ul style="list-style-type: none"> Paystub + W-2s covering most recent year <p>Bonus, Overtime, and Commission < 25%</p> <ul style="list-style-type: none"> Paystub + W-2s covering most recent two-year period <p>Commission >= 25%</p> <ul style="list-style-type: none"> Paystub, W-2s, and personal tax returns covering most recent two-year period <p>Second Job, not self-employed</p> <ul style="list-style-type: none"> Paystub + W-2s covering most recent two-year period <p>Second Job, self-employed</p>

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	<ul style="list-style-type: none"> • Personal and business tax returns covering most recent two-year period <p>NOTE:</p> <ul style="list-style-type: none"> • If borrower's has handwritten paystubs, then we also need a written VOE. • For business tax returns, current AUS findings may ask for one (1) year or it may waive the condition for business tax returns. A two year history, however, must be documented by business license or CPA preparing tax returns
<p>Down Payments, Reserves & Source of Funds</p>	<p>Gift Funds</p> <ul style="list-style-type: none"> • Primary Residence: <ul style="list-style-type: none"> ○ If the LTV/CLTV is 80.01% and <= 95%, the entire down payment and closing costs may be a gifted from immediate family. • Second Home: Allowed, but 5% must be from borrower own funds. • Gift of Equity Allowed on owner occupied and second home purchase. • Investment Properties: Gifts funds and gifts of equity are not permitted. <p>Reserves are determined by AUS; the following are generally required:</p> <ul style="list-style-type: none"> • Additional reserves may be required by DU based on risk. • Primary Residence with 2-4 units properties needs 6 months PITI • Investment Properties needs 6 months PITI *refer to multiple financed properties for additional reserve requirements • Second home or investment property transactions also require 2 months PITI reserves for each additional second home and/or investment property. *refer to multiple financed properties for additional reserve requirements <p>Seller Contributions: Basis for the limit is now based on CLTV ratio</p> <ul style="list-style-type: none"> • Primary Residence and Second Home <ul style="list-style-type: none"> ○ 3%: LTV > 90% ○ 6%: LTV 75.01 -90% ○ 9%: LTV < 75% • Investment Properties <ul style="list-style-type: none"> ○ 2%: All LTV/CLTVs <p>NOTE: VOD's are acceptable subject to QC, which may delay loan process.</p>
<p>Assets</p>	<p>Allowable Assets for down payment and closing:</p> <ul style="list-style-type: none"> • Checking • Saving • 401K (vested 100%) 60% of value or 70% if over 59 ½ years old *100% can be used for reserve if the funds are composed of stocks, stock options, bonds and mutual funds • Stock - 100% of stock value • Business Funds - must own the company 100% Also requires verification that use of funds will not affect the business. • Life Insurance - 100% of cash value • Government Bonds - 70% of redemption value

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Cash Out Transaction	<ul style="list-style-type: none"> The property must have been purchased by the borrower at least six months prior to the loan application for new financing except if delayed financing guidelines. 														
Student Loan	<p>For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must include a monthly payment in the borrower's recurring monthly debt obligation when qualifying the borrower. The lender must use one of the options below to determine the repayment amount:</p> <p>1% of the outstanding balance; The actual payment that will fully amortize the loan(s) as documented in the credit report, by the student loan lender, or in documentation supplied by the borrower; A calculated payment that will fully amortize the loan(s) based on the documented loan repayment terms; or If the repayment terms are unknown, a calculated payment that will fully amortize the loan(s) based on current prevailing student loan interest rate and the allowable repayment period shown in the table below.</p> <p>The "current prevailing student loans interest rate" can be found on a variety of websites. For example, see U.S. Department of Education Federal Student Aid in E-1-03, List of Contacts.</p> <p>The following table specifies the repayment period to be used when calculating a fully amortizing payment.</p> <p style="text-align: center;">Calculating a Student Loan Repayment</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Total outstanding balance of all student loans</th> <th style="text-align: left;">Repayment Period</th> </tr> </thead> <tbody> <tr> <td>\$1 – \$7,499</td> <td>10 years</td> </tr> <tr> <td>\$7,500 – \$9,999</td> <td>12 years</td> </tr> <tr> <td>\$10,000 – \$19,999</td> <td>15 years</td> </tr> <tr> <td>\$20,000 – \$39,999</td> <td>20 years</td> </tr> <tr> <td>\$40,000 – \$59,999</td> <td>25 years</td> </tr> <tr> <td>\$60,000 +</td> <td>30 years</td> </tr> </tbody> </table>	Total outstanding balance of all student loans	Repayment Period	\$1 – \$7,499	10 years	\$7,500 – \$9,999	12 years	\$10,000 – \$19,999	15 years	\$20,000 – \$39,999	20 years	\$40,000 – \$59,999	25 years	\$60,000 +	30 years
Total outstanding balance of all student loans	Repayment Period														
\$1 – \$7,499	10 years														
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\$20,000 – \$39,999	20 years														
\$40,000 – \$59,999	25 years														
\$60,000 +	30 years														

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	<p>Note: The lender is responsible for determining that the payment on the credit report or other documents provided by the student loan lender or borrower are fully amortizing payments.</p> <p>Example: Calculating an Amortizing Payment</p> <p>Balance: \$17,500</p> <p>Repayment period: 15 years</p> <p>Interest rate: 4.29%</p> <p>Monthly Amortizing Payment: \$132.00</p>				
<p>Multiple Financed Properties</p>	<ul style="list-style-type: none"> • Minimum Fico score of 720 for borrower with more than 6 financed properties • There is additional .500 hit adjustment for more than 4 financed properties *refer to rate sheet • Cash-Out Refinance loan on properties purchased greater than six (6) months since the date of acquisition is now allowed for borrowers, who own two to ten (2-10) financed properties. <ul style="list-style-type: none"> ○ If the seasoning is less than six (6) months then all delayed financing guidelines must be met. • Financed property has been re-defined as a residential one-to four-unit (1-4) property with a mortgage for which the borrower is personally obligated. <ul style="list-style-type: none"> ○ A property in the name of a Limited Liability Company (LLC) where the borrower has more than twenty-five percentage (25%) ownership is no longer included in limitation. • Maximum number of financed properties for a borrower continues to be ten (10). <ul style="list-style-type: none"> ○ RightStart Mortgage will finance a maximum of four (4) properties for a borrower at one time. • Reserve requirement for other financed properties will now be calculated by applying a specific percentage based on the aggregate Unpaid Principal Balance (UPB) for all mortgages and Home Equity Line of Credit (HELOC). <ul style="list-style-type: none"> ○ The percentage is determined by the number of financed properties owned by the borrower as explained below: <table border="1" data-bbox="680 1096 1860 1226" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Number of financed properties</th> <th style="text-align: left;">Reserves (as percentage of UPB)</th> </tr> </thead> <tbody> <tr> <td>One to four (1-4)</td> <td>2%</td> </tr> </tbody> </table> 	Number of financed properties	Reserves (as percentage of UPB)	One to four (1-4)	2%
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One to four (1-4)	2%				

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		Five to six (5-6)	4%
		Seven to ten (7-10)	6%
		<p>The aggregate UPB calculation does not include the mortgages and HELOCs that are</p> <ul style="list-style-type: none"> • The subject property, • The borrower's principle residence, • Properties that are sold or pending sale, and • Accounts that will be paid by closing (or omitted) <p>NOTE:</p> <ul style="list-style-type: none"> • DU will also include the UPB calculation open mortgages and HELOCs on the credit report that are not disclosed on the online loan application. • If processing multiple second home or investment applications simultaneously, the same assets may be used to satisfy the reserve requirements for both mortgage applications. Reserves are not cumulative for multiple applications. Funds to close are subtracted from available assets when considering sufficient assets for reserves. 	
	<p>DU Loans: DU is not able to determine the exact number of financed properties the borrower owns or is obligated on. The underwriter must manually apply the Multiple Property policies outlined above. (Loans with 7-10 mortgage properties must be decisioned via DU, otherwise are negligible)</p>		
	<p>LP Loans: Up to 6 financed properties is permitted with LP. Note: LP is not able to determine the exact number of financed properties the borrower owns. The underwriter must manually apply the Multiple Property and Departing Property reserve requirement policies noted in LP Notes. Reminder: More than 6 financed properties are not permitted for LP loans.</p>		
	<p>Simultaneous Second Home or Investment Property Transactions If a lender is processing multiple second home or investment property applications simultaneously, the same assets may be used to satisfy the reserve requirements for both mortgage applications. Reserves are not cumulative for multiple applications.</p>		

Example: A lender is simultaneously processing two refinance applications for two investment properties owned by the borrower. The application for property A requires reserves of \$5,000. The application for property B requires reserves of \$10,000. Because the reserves are covering the same properties, the lender does not have to verify \$15,000 in reserves, but only those required per each application.

Examples of Reserves Calculations

Example 1: Three Financed Properties

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Second Home	\$78,750	\$776	2 Months PITIA =	\$1,552
Principal	\$0	\$179	N/A	\$0
Investor	\$87,550	\$787	\$230,050 x 2% =	\$4,601
Investor	\$142,500	\$905		
	\$230,050		Total =	\$6,153

Example 2: Six Financed Properties

Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations	
Subject: Investor	\$78,750	\$776	6 Months PITIA =	\$4,656
Principal	\$133,000	\$946	N/A	\$0
Investor	\$87,550	\$787	\$345,030 x 4% =	\$13,801
Investor	\$142,500	\$905		
Investor	\$84,950	\$722		
Investor	\$30,030	\$412		
	\$345,030		Total =	\$18,457

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	<p>Example 3: Eight Financed Properties (DU ONLY)</p> <table border="1"> <thead> <tr> <th>Occupancy</th> <th>Outstanding UPB</th> <th>Monthly PITIA</th> <th colspan="2">Reserves Calculations</th> </tr> </thead> <tbody> <tr> <td>Subject: Investor</td> <td>\$78,750</td> <td>\$776</td> <td>6 Months PITIA =</td> <td>\$4,656</td> </tr> <tr> <td>Principal</td> <td>\$133,000</td> <td>\$946</td> <td>N/A</td> <td>\$0</td> </tr> <tr> <td>Investor</td> <td>\$87,550</td> <td>\$787</td> <td rowspan="6" style="text-align: center; vertical-align: middle;">\$629,530 x 6% =</td> <td rowspan="6" style="text-align: center; vertical-align: middle;">\$37,772</td> </tr> <tr> <td>Investor</td> <td>\$142,500</td> <td>\$905</td> </tr> <tr> <td>Investor</td> <td>\$84,950</td> <td>\$722</td> </tr> <tr> <td>Investor</td> <td>\$30,030</td> <td>\$412</td> </tr> <tr> <td>Second Home</td> <td>\$124,500</td> <td>\$837</td> </tr> <tr> <td>Investor</td> <td>\$160,000</td> <td>\$1,283</td> </tr> <tr> <td></td> <td>\$629,530</td> <td></td> <td>Total =</td> <td>\$42,427</td> </tr> </tbody> </table>	Occupancy	Outstanding UPB	Monthly PITIA	Reserves Calculations		Subject: Investor	\$78,750	\$776	6 Months PITIA =	\$4,656	Principal	\$133,000	\$946	N/A	\$0	Investor	\$87,550	\$787	\$629,530 x 6% =	\$37,772	Investor	\$142,500	\$905	Investor	\$84,950	\$722	Investor	\$30,030	\$412	Second Home	\$124,500	\$837	Investor	\$160,000	\$1,283		\$629,530		Total =	\$42,427
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Two to Four Unit Condo Project	Requires 3 out of 4 to be owner occupied.																																								
Attached Condo's over 4 Unit Condo Project	<p>For investment property transactions on attached units in established project, at least 50% of the total units in the project must be conveyed to principal residence or second home purchasers. This requirement does not apply if the subject mortgage is for a principal residence or second home.</p> <p>Financial institution-owned REO units that are for sale (not rented) are considered owner-occupied when calculating the 50% owner-occupancy ratio requirement.</p>																																								
Property Flipping	<ul style="list-style-type: none"> • Properties owned less than 1 year and the value increased by more than 30% <ul style="list-style-type: none"> ○ A field review may be required if $\geq 30\%$ appreciation within 90 days of loan application. ○ The increase in value must be supported by documented improvements. ○ The new purchase must be an Arm-Length Transaction. 																																								
Non-Arm's Length Transaction	Allowed on non-owner and second home																																								
Non-Occupant Co-Borrower	<p>For Purchases and on Rate/Term refinances with the following requirements (subject to Loan Prospector (LP) AUS approval):</p> <ul style="list-style-type: none"> • Primary residences • Up to 95% LTV (no subordination allowed) 																																								

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	<ul style="list-style-type: none"> • 1 unit only • For LTV > 80%: <ul style="list-style-type: none"> ○ 2 months PITI Reserves ○ For purchase, 5% of down payment must be from Primary Borrower own funds. ○ Primary borrower must qualify for the full PITIA with gross monthly income up to 100%. ○ Fixed product only • Non-occupant must be an immediate family member and the non-occupant co-borrower may not be an interested third party in the transaction (i.e. builder or real estate agent). <p><u>For Cash-Out Transactions:</u></p> <ul style="list-style-type: none"> • Max cash out at 80%LTV/CLTV • If non-occupant is not on the original note, they must be an immediate family member with minimum fico score of 660. • Primary borrower must cover a minimum of 50% of the PITIA.
Maximum Number of Financed Properties	<ul style="list-style-type: none"> • Primary Residence: up to 10 financed properties including the owner occupied property under the 5-10 financed properties program through DU. • Second and Investment (Fannie Mae DU): up to 10 financed properties including the owner occupied property. • Second and Investment (Freddie Mac LP): up to 6 financed properties including the owner occupied property. <p>NOTE: <u>Lender Overlay:</u> The max number of properties a borrower can own is 15.</p>
Recently Listed Properties	<ul style="list-style-type: none"> • Properties that were listed for sale must have been taken off the market at least one day before the application date • For cash out, it's limited to 70% LTV/CLTV (or less if mandated by the specific product, occupancy, or property type) • For refinance R&T, it's limited to 80%LTV/CLTV (or less if mandated by the specific product, occupancy, or property type)
Delayed Financing	Allowed
Mortgage Insurance	<ul style="list-style-type: none"> • LTV/CLTV <= 95% requires a minimum credit score of 620 subject to DU and MI approval. • LPMI Single premium allowed for both Fixed and ARM products. Please refer to the product grid above for max LTV/CLTV allowed for either DU or LP. • Maximum DTI is subject to current mortgage insurance guidelines and AUS findings.
Attached or Two to Four Unit	<p>For investment property transactions on attached units in established projects (including two- to four unit projects), at least 50% of the total units in the project must be conveyed to principal residence or second home purchasers. This requirement does not apply if the subject mortgage is for a principal residence or second home.</p> <p>Financial institution-owned REO units that are for sale (not rented) are considered owner-occupied when calculating the 50% owner-occupancy ratio requirement.</p>
Limited Review for Condos	<ul style="list-style-type: none"> • Please refer to Agency guideline for reduced LTV's for restricted states such as Florida. • If a condo is in litigation and litigation is approved, it's always subject to full review regardless of AUS findings.

Conforming Guideline

	<p>LIMITED REVIEW PARAMETERS</p> <p>Maximum LTV/CLTV/HCLTV: The maximum LTV/CLTV/HCLTV is dependent upon the method by which the loan is evaluated and decisioned as well as where the property is geographically located Approve/Eligible Loans</p> <ul style="list-style-type: none"> ○ Primary Residence: 90%/90%/90% (75% / 75% / 75% for Florida properties) ○ Second Home: ≤75% / 75% / 75% (70% / 70% / 70% for Florida properties) ○ Investor: Not Permitted ● LP Accept Loans ○ Primary Residence: 90% / 90% / 90% (75% / 75% / 75% for Florida properties) ○ Second Home: ≤ 75% / 75% / 75% (70% / 70% / 70% for Florida properties) Investor: Not Permitted
<p>Conversion of Principal Residence to Investment Property</p>	<p>Current Executed Lease Agreement is required. Lender will review and use rental income reflected on lease agreement provided rental income reflected on lease is deemed acceptable and in line with market rents. On loans where ratios are pushed, or underwriter research indicates rents are out of line, a 1007/comparable rental survey will be required.</p>
<p>Unreimbursed Business Expenses</p>	<p>For a borrower who is qualified using base pay, bonus, overtime or commission income less than 25% of the borrower’s annual employment income:</p> <ul style="list-style-type: none"> ● Unreimbursed employee business expenses are not required to be analyzed or deducted from the borrower’s qualifying income. This applies regardless of whether unreimbursed business expenses are identified on tax returns (IRS form 2106) or tax transcripts received from IRS. ● Union dues and other voluntary deductions identified on borrower’s paystubs do not need to be deducted from borrower’s income or treated as a liability ● The FNMA Guide clearly states tax returns are not required to document these types of income. <p>For borrowers earning commission income that is 25% or more of annual employment income, employment expenses must be deducted from gross commission income regardless of length of time borrower has filed expense with IRS.</p>

Property Inspection Waiver

The Property Inspection Waiver Disclosure must be completed prior to ordering loan documents. This only applies to Fannie Mae with AUS findings with PIW waiver with Approve/Eligible findings.

The following transactions are eligible for consideration for a PIW:

- One-unit Properties
- In order for a PIW to be considered, a prior appraisal must be found for the subject property in Fannie Mae's Collateral Underwriter® (CU™) data, and that appraisal must be associated with one of the borrowers on the loan casefile
- Rate/Term refinances
- Primary residences, second homes, and investment properties
- When determining PIW eligibility, DU will apply the maximum allowable LTV/CLTV ratios consistent with the published limits in the Fannie Mae Seller Guide
- PIW will not be offered on LTV/CLTV's greater than 80%.
- Special Feature Code 801 must be in the DU findings.

The following transactions are not Eligible for PIW Waiver:

- Purchase Transactions
- Cash out refinances, condominiums, leasehold properties, construction to permanent transactions, high balance mortgage loans, 2-4 unit properties
- DU case files that receive an ineligible consideration.
- Properties currently listed for sale are not eligible.
- LP Transactions
- Non-Arm's Length Transactions
- Purchase transactions where the borrower is purchasing an REO property, or the last transaction on the subject property was a foreclosure **REGARDLESS** of whether a lender receives a PIW offer
- The final submission to DU must reflect PIW recommendation to be eligible. Subsequent submissions to DU which result in the loss of a PIW waiver are not eligible.
- Resubmission of loan casefiles to DU are required when (a) material changes have occurred-such as property address, occupancy, transaction type, loan amount, CLTV, fico; or the loan has not closed within four months of receiving a PIW offer.
- When a lender obtains an appraisal and also receives a PIW offer, the PIW may not be exercised.

There will be situation that lender needs to obtain an appraisal, even though PIW was offered on the loan casefile. Examples are:

- When the lender has reason to believe that fieldwork is warranted based on subsequent events such as a hurricane or other natural disaster.
- A purchase transaction where the borrower is purchasing an REO property, or the last transaction on the subject property was a foreclosure
- When the lender is required by law to obtain an appraisal