

06/09/2010



**Classic Conforming Fixed  
Deluxe Conf. ARM Guidelines  
High Balance Conforming**

<p>PF10, PF11, PF20, PF06, P14F CM30, CM50, CM70, CM10 C30I, C50I, C70I, C10I PF58, PF13, PF23</p>	<p><b>PBM requires DU (AUS) approved/Eligible or LP (AUS) Accept findings. MANUAL UNDERWRITES NOT ALLOWED.</b> The following guidelines are a general overview of FNMA/Investor guideline. DU must be followed unless guidelines below reflect an overlay.</p>
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<p><b>Appraisal Requirements</b></p>	<p><b>Full URAR</b> - Interior and exterior inspection required (Form 1004) Only – No Reduced Documentation appraisals allowed If 1004 D is needed and reduces value then a new full appraisal will be required by existing appraiser ok.</p> <p><b>APPRAISAL REQUIREMENTS FOR ALL LOAN TYPES</b></p> <ul style="list-style-type: none"> <li>• 3 comps within 90 days (one of the 3 must be within 60 days)</li> <li>• At least one current listing</li> <li>• Additional comps may be required at underwriter discretion</li> <li>• On a Flip transaction a Field Review is required if the property value has increased within the last 90 days by more than 15%.</li> </ul> <p><b>High Balance Conforming</b></p> <ul style="list-style-type: none"> <li>• In addition, a field review (Form 1032) is required if the             <ul style="list-style-type: none"> <li>• Loan amount \$625,500 or greater and the LTV, CLTV or HCLTV is greater than 80% or</li> <li>• The property is valued at \$1,000,000 or more and the LTV, CLTV, or HCLTV is greater than 75%</li> </ul> </li> <li>• The person performing the appraisal must be qualified to perform appraisals without oversight or supervision by a “supervisory” or “review” appraiser.</li> <li>• <b>NOTE: APPRAISAL MAY NOT BE OVER 60 DAYS OLD AT TIME OF FUNDING OR UPDATE TO VALUE REQUIRED (1004D) WITH UPDATED COMPARABLES - All Appraisals require 1004MC</b></li> </ul> <p>FHLMC ARM Program – Does not allow purchase transactions where the seller has taken title to the property less than 90 days prior to the purchase contract.</p>
<p><b>Assets</b></p>	<p>Assets are determined per the DU/LP approval. Asset verification must be within 45 days of the application date. IF using bank statements must have all pages. Internet statements are ok if they include the borrowers name, address, account number, the date and the name of the institution. VOD's must be completed within 45 days of the application and have a 60 average balance.</p> <p>All Condominium classifications must be completed accurately in L/P and D/U so that the findings will reflect all required</p>
<p><b>AUS</b></p>	<p>documentation for project type. Correct ARM product must be input into AUS so that the loan will process correctly, DU is the only AUS available at this time for ARMS.</p>



06/09/2010

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### Borrowers

#### Eligible Borrowers

- Individuals who are citizens or lawful residents of the United States.
- Revocable Trust (prior approval by a Sr. Underwriter or Corporate Administrator): Owner-Occupied, 2<sup>nd</sup> Home and 1-Unit SFR Investment.
- **Ineligible Borrowers**
- Corporations
- Foreign Nationals (including diplomatic immunity)
- Partnerships



06/09/2010

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#### Credit

- No mortgage delinquency in past 12 months without DU or LP approval
- Minimum FICO of 620 on Standard Conforming. See Matrix for High Balance Fico Requirements
- Credit Reports must be within 45 days of application date and updated at funding at underwriters discretion.

**Bankruptcy (all except chapter 13)** – 4 years from discharge or dismissal date.

**Chapter 13 Bankruptcy** – 2 years from discharge date or 4 years from dismissal date.

**All Bankruptcies with Extenuating Circumstances** – 2 year time period will be measured from the bankruptcy discharge or dismissal date. No exceptions are permitted to the 2 year time period after a Chapter 13 discharge.

**Multiple Bankruptcy Filings** – 5 year time period from most recent dismissal or discharge date required for borrowers with more than one bankruptcy filing within the past 7 years.

**Multiple Bankruptcy Filings with Extenuating Circumstances** – 5 year time period from the most recent discharge or dismissal date.

**Note:** The most recent bankruptcy filing must have been the result of extenuating circumstances.

**Additional requirements that apply after 5 years up to 7 years following completion date:**

- The purchase of a principal residence is permitted with a minimum 10 percent down payment and minimum representative credit score of 680.

**Foreclosure** – 5 year time period from completion date.

- Purchase of a second home or investment property is not permitted.
- Limited cash out refinances are permitted for all occupancy types pursuant to eligibility requirements in effect at that



06/09/2010

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#### Credit (cont'd)

time.

- Cash out refinances are not permitted for any occupancy type.

**Foreclosure with extenuating circumstances** – 3 year time period from completion date.

**Additional requirements that apply after 3 years up to 7 years following completion date:**

The same additional requirements apply as above except the minimum credit score of 680 is not required

**Deed-in-Lieu of Foreclosure** – 4 year time period from completion dated (date Deed-in-Lieu executed).

**Additional requirements that apply after 4 years up to 7 years following completion date:**

Borrower may purchase a property secured by a principal residence, second home or investment property with the greater of 10% minimum down payment or the minimum down payment required for the transaction.

Limited cash out and cash out refinance transactions secured by a principal residence or second home are permitted pursuant to the eligibility requirements in effect at that time. Cash out investment properties not allowed.

**Deed-in-Lieu of Foreclosure with extenuating circumstances** requires 2 to 4 years for LTV's =<80%; 4 to 7 years for LTV's =<90%.

**The same additional requirements noted above for deed-in-lieu apply after 2 years up to 7 years following completion.**

**Time period after Preforeclosure Sale (Short sale)** – 2 year time period from completion dated.

**No exceptions are permitted to the 2 year time period due to extenuating circumstances.**



06/09/2010



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<p><b>Credit Tradeline Requirements</b></p>	<p>Based on DU or LP approval **Mortgage insurance will require a minimum of 3 trade lines that are evaluated for a minimum of 12 mos.**</p>
<p><b>Contributions (Seller)</b></p>	<p><b><u>Owner Occupied/ Second Home</u></b></p> <ul style="list-style-type: none"> <li>• &gt;75.01% LTV/CLTV 6% maximum</li> <li>• ≤ 75% LTV/CLTV 9% maximum</li> <li>• Maximum allowable commissions of 8% total Listing, Selling Agent and REO service or auction house costs.</li> </ul> <p><b><u>Non-Owner</u></b></p> <ul style="list-style-type: none"> <li>• 2% All LTV's</li> </ul>
<p><b>Disposition of Property</b></p>	<p><b>If Current principal is pending sale</b> but the transaction will not be closed (with title transfer to a new owner) prior to the new transaction:</p> <p>When the loan is to purchase new principal residence and the borrower's current principal residence is pending sale, the borrower must have at least 6 months of PITI reserves (or 2 months with at least 30% Equity in current residence), but current residence PITI not required to be considered in qualifying the borrower if executed sales contract for current residence is documented and confirmation obtained that all financing contingencies have been cleared.</p> <p><b>If conversion to a Second Home –</b></p> <ul style="list-style-type: none"> <li>• Both the current and proposed mortgage payments must be used to qualify the borrower for the new transactions; and</li> <li>• 6 mos of PITI for both properties is required to be in reserves. Lender may consider reduced reserves of no less than 2 mos for both properties if there is documented equity of at least 30% in the existing property (derived from an appraisal, AVM or BPO (Broker price opinion), minus outstanding liens).</li> </ul>

06/09/2010



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Property  
(Cont'd)

**If conversion to an Investment Property –**

FNMA will continue to permit up to 75% of the rental income to be used to offset the mortgage payment in qualifying if there is documented equity of at least 30% in the existing property (derived from an appraisal, or AVM, minus outstanding liens).

**The rental income must be documented with:**

- A copy of the fully executed lease agreement; and
- The receipt of a security deposit from the tenant and evidence of the deposit into borrowers account.

**If the 30 percent equity in the property cannot be documented,** rental income may not be used to offset the mortgage payment.

- Both the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction; and
- 6 months of PITI for both properties is required to be in reserves.

Documentation

• Full or Alt Doc Per DU findings – INCOME MUST BE BROKEN OUT (ITEMIZED) IN DU, OR LP AND EMPOWER (ie., base, bonus, over time commission etc.) INCOME DOCUMENTATION MUST NOT BE OLDER THAN 45 DAYS FROM THE DATE OF APPLICATION

ADDITIONAL DOCUMENTATION MAY BE NEEDED IN THE FOLLOWING SITUATIONS:

1. **Borrowers who are re entering the workforce** – Income from borrowers who re enter the workforce and currently have less than a two year employment and income history may be used to qualify, if:
  - The borrower has been at the current employer for a minimum of six months and
  - Previous employment history has been evidenced.
2. **Income tax return requirement for self employed borrowers** (regardless of whether or not the self employed income is used to qualify.

06/09/2010



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PF10, PF11, PF20, PF06, P14F  
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- If a borrower is self employed and self employment income is not used to qualify, you must obtain the borrower's individual federal tax returns. If a business loss is reported on the borrower's individual federal tax returns, the underwriter may require additional documentation in order to fully evaluate the impact of a business loss on the income used for qualify.

3. **Document requirements for commission, bonus, overtime or income from second job** – When using commission, bonus, overtime or income from a second job to qualify the borrower, a minimum two-year history of receipt is required and must be documented with a verbal verification of employment (VVOE) completed within 10 calendar days of the Note Date. In addition to a VVOE, the following documentation is required:

**For Commission:**

- Most recent YTD paystub or salary voucher documenting at least one month of income.
- W-2's and/or 1099's covering the most recent two years
- Complete signed individual federal tax returns for the most recent two years reflecting at least six months of commission income and a processed 4506T.

Employee paid business expenses reflected on the borrower's tax returns must be deducted from the borrower's gross commission income when calculating income.

**For Bonus, Overtime and Second Job:**

- Most recent YTD paystub or salary voucher documenting at least one month of income.
- W-2's covering the most recent two years
- Overtime only: Employer verification that overtime income is likely to continue.

**Document requirements for alimony, child support or separate maintenance payments.**

When using alimony, child support or separate maintenance payments to qualify the borrowers, the following documentation must be provided:

- Evidence the borrower has received the total court ordered amount for the most recent three months, and

06/09/2010



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- Copy of the signed court order reflecting the payor’s obligation for the previous 12 months or
- For the previous six to 12 months if the monthly income does not exceed 30% of the borrowers qualifying income.

Additionally, income from alimony, child support or separate maintenance payments may be considered qualifying income if:

- The documentation shows that the payor was obligated to make payments to the borrower for the most recent 12 months and is obligated to make payment to the borrower for the next three years, or
- The payor was obligated for less than 12 months but not less than six months and if the amount of the monthly payment does not exceed 30% of the borrower qualifying monthly income.
- Income cannot be considered for qualifying if the payor has been obligated to make payments for less than six months, the payments are not for the full amount or the payments are not received on a consistent basis.

SOCIAL SECURITY/RETIREMENT INCOME: - Non passive income may only be grossed up if evidence income is not taxable which would require 1040's.

If 4506T results reflect income/loss information that we did not have documented we must require two years 1040's. See "Asset" section for required Asset documentation.

**Gift Funds**

- Immediate Family Member
- 5% from borrower's own funds
- LTV of <=80% all gift O.K.
- Gifts not allowed on Investment properties

**Housing  
Payment  
Verification**

- 12 month rental or mortgage verification is required  
Rental payment history must be obtained from a professional management company, copies of bank statements for automatic payments or a credit supplement with minimum of a 12month history.

06/09/2010



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<p><b>Impounds</b></p>	<ul style="list-style-type: none"> <li>• Must be established for any loan that req. Mtg. Ins.</li> <li>• Must include taxes &amp; insurance if the LTV of the first lien being originated is 89.01% (this would be considered a 90%) or Above. 80.01% to 89.01% MI only can be impounded</li> </ul>		
<p><b>Interest Only</b></p>	<p>Interest Only is available on the 10/1, 7/1, 5/1 and 3/1 ARMS only. I/O period covers the first 10 years of loan term. Generic program I/O is available for Purchase and R/T transactions on Primary, Second Homes 1 unit only. I/O NO LONGER AVAILABLE ON ANY FHLMC PRODUCT AS OF 6/13/2010 DU must be run correctly showing the product type as I/O. Must be qualified using Note Rate + 2% or Fully Indexed/Fully Amortized whichever is higher on 3/1 or 5/1 product Minimum credit score of 720 required; 24 mos of PITI reserves required and max LTV of 70% on ALL I/O programs</p>		
<p><b>Investment Properties</b></p>	<p>Refer to section "Number of Properties Owned" 6 months reserves – PITI Subject and 2 months reserves for each additional property or 6 months reserves fro each multiple unit owned. Operating Income statement required Single Family Comparable Rent Schedule is required on all one unit investment properties Funds for down payment, prepaids and reserves must be from borrowers own funds (NO GIFT FUNDS) Seller Concession – Max 2% Nonpermanent Resident Aliens are not permitted Rent Loss Insurance required for 2 -4 units (gross rentals minimum 6 months) Investment &amp; Second home borrowers may not be affiliated with the builder, developer or seller of subject property if purchase transaction. This applies to NEW CONSTRUCTION</p>		
<p><b>Mortgage Insurance Coverage Fixed Rate</b></p>	<table border="0"> <tr> <td data-bbox="415 1232 913 1404"> <p>Per the highest coverage required by DU. Reduced coverage not available. Delegated MI is not available Maximum LTV for High Balance is 90% on loan Amounts 417,001 to 625,500. Loan amounts Greater than 625,500 are limited to 80%</p> </td> <td data-bbox="913 1232 1906 1404"> <p>95% LTV for Retail/Wholesale limited to 1 unit; loan amount &lt;=417,000.00; NO attached condo/PUD; Purchase transactions ONLY RETAIL: MGIC – 95% LTV allowed in Tier ONE w/FICO 680/Tier TWO markets w/FICO of 720 Genworth – 95% LTV w/FICO of 680 Radian – 95% LTV w/FICO of 720 WHOLESALE: MGIC – 95% LTV @ 417,000.00 limited to Tier ONE w/FICO 680/Tier TWO</p> </td> </tr> </table>	<p>Per the highest coverage required by DU. Reduced coverage not available. Delegated MI is not available Maximum LTV for High Balance is 90% on loan Amounts 417,001 to 625,500. Loan amounts Greater than 625,500 are limited to 80%</p>	<p>95% LTV for Retail/Wholesale limited to 1 unit; loan amount &lt;=417,000.00; NO attached condo/PUD; Purchase transactions ONLY RETAIL: MGIC – 95% LTV allowed in Tier ONE w/FICO 680/Tier TWO markets w/FICO of 720 Genworth – 95% LTV w/FICO of 680 Radian – 95% LTV w/FICO of 720 WHOLESALE: MGIC – 95% LTV @ 417,000.00 limited to Tier ONE w/FICO 680/Tier TWO</p>
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06/09/2010



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	<b>LTV/CLTV</b>	markets w/FICO of 720 <a href="http://www.mgic.com">www.mgic.com</a> refer to website for further guidelines. Genworth, Radian and RMIC limited to 90%
<b>Mortgage Insurance Companies</b>	MGIC, Radian, RMIC, Gen Worth	
<b>Non-Occupant Co-Borrowers</b>	<ul style="list-style-type: none"> <li>• 80% LTV – 5% from borrower</li> <li>• Occupant Borrower qualifying ratios not to exceed 35%/43% or Per DU findings</li> <li>• Blended Ratios (Occupant Borrower &amp; Non Occupant Borrowers) are allowed on LP and must be coded and priced per PF13 guidelines</li> </ul> Interest Only not allowed	
<b>Number of properties owned</b>	<ul style="list-style-type: none"> <li>• 4 property limitation when subject property is secured by an investment property or second home; in the case of an investment or second home the borrower may not own more than 4 properties (including his/her primary residence) that are currently financed. (Regardless of DU Findings) If the subject transaction is for a primary residence this rule does not apply.</li> <li>• The borrower who has multiple mortgages secured by investment properties must meet minimum reserve requirement for each investment property owned.</li> <li>• FHLMC ARM program allows no more than one financed investment property if loan is secured by an investment property and initial fixed rate period is less than 7 years.</li> </ul>	
<b>Number of loans</b>	Provident Bank Mortgage will make no more than 3 loans to one borrower: One (1) Owner-Occupied and two (2) Non-owner	



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to one borrower	Occupied
<b>Property Types</b> <u>See</u> <u>“Underwriting specific property types”</u>	<ul style="list-style-type: none"> <li>• SFR Attached &amp; Detached, Condo, PUD</li> <li>• 2-4 Unit Properties – 6 mos PITI for properties when rents are used to qualify.</li> <li>• Leasehold properties require an Attorney Opinion Letter confirming property meets FNMA/FHLMC guidelines</li> </ul> <p><u>Condo</u> (see section T-1 for guidelines)</p> <ul style="list-style-type: none"> <li>• FNMA CPM (Need all FNMA Condo Requirements) –FHLMC will accept CPM for project approval purposes</li> <li>• PBM will only lend up to maximum 10% concentration for each project.</li> </ul> <p><u>PUD</u></p> <ul style="list-style-type: none"> <li>• FNMA Type E &amp; Type F</li> </ul> <p><b>Auction Properties</b> –See “Underwriting Specific Risks”</p> <p>FHLMC Program require lender warranty to include HOA Cert, Budget with sufficient reserved and insurance. Warranty must meet FHLMC condo guidelines.</p> <p>PROPERTIES WITH SUBORDINATE FINANCING DEED RESTRICTIONS ARE NOT ALLOWED</p>
<b>Qualifying Rate</b>	<p>ARMS qualify at the greater of the Note Rate + 2% or fully indexed rate. Fixed will qualify at Note rate. Also see Buydowns (Temporary) DU is the only AUS that can be used to qualify ARMS at this time.</p>

06/09/2010



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<p><b>Qualifying Ratio's</b></p>	<p>Maximum ratios are based on DU/LP findings except: **HIGH BALANCE LOANS USING L/P FINDINGS ARE CAPPED AT A 45% DTI REGARDLESS OF AUS RATIOS. D/U FINDINGS ARE NOT AFFECTED AND RATIOS DETERMINED BY D/U**</p>
<p><b>Refinance Refinance</b></p>	<p><b><u>Rate and Term:</u></b> <b>Rate and Term</b></p> <ul style="list-style-type: none"> <li>• Pay existing 1<sup>st</sup> regardless of age</li> <li>• Pay closing costs &amp; prepaids</li> <li>• Current Appraised value O.K.</li> <li>• Subordinate liens not paid off must be subordinated to new 1<sup>st</sup> and CLTV requirements must be met</li> </ul> <p><b>*When paying off a subordinate lien, regardless of age, it is considered cash-out, unless the junior lien was purchase money second. Obtain a copy of the final HUD-1 from the purchase to prove the second was a direct result of the purchase.</b></p> <p><b><u>Cash Out:</u></b></p> <ul style="list-style-type: none"> <li>• Loan is ineligible for cash-out refinance if property purchased in past 6 mos. (previous purchase date is date of recording and new loan date is the date of our loan initial application)</li> <li>• Cash back exceeds 2% or 2K.</li> <li>• Junior liens do not need to be seasoned.</li> <li>• May not exceed maximum LTV/CLTV</li> <li>• Properties which are currently Free and Clear are always considered cash out</li> <li>• For DU Refi Plus see DU Refi Plus Guidelines (Max cash back \$250)</li> </ul> <p><b><u>Short Term Refinance:</u></b></p> <ul style="list-style-type: none"> <li>• Short term refinance that combines first mortgage and non-purchase money subordinate into new first mortgage with a subsequent refinance of</li> </ul>



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that loan within 6 months is considered a cash out refinance or if cash out was taken in last 12 mos. period.

**Short Refinance and Restructured Debt**

Transactions involving one or more borrowers who have entered into a short refinance or restructured debt on the SUBJECT property are not eligible for purchase with PBM.

However, borrowers who have completed a short refinance or restructured loan in the past and are purchasing or refinancing a property which was not the subject of the short refinance/restructured loan are eligible if they meet the short sale policy requirements.

A short refinance or a restructured loan is defined as a mortgage loan in which the terms of the original transaction have been changed resulting in either absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in forgiveness of a portion of principal and/or interest on either the first or second mortgage.

PROPERTIES LISTED FOR SALE – Rate and Term cannot be listed at time of application.

Cash out requires 6 mos off the market at the time of application **and max LTV of 70%.**

**Reserve Requirements**

For reserve requirements follow DU/LP findings

**For I/O transactions 24 mos. of PITI required.**

- Also see “Disposition of Property “ section for additional reserve requirements when retaining existing residence as an investment property.

**Determining the value of assets when used for reserves:**

Stock, bonds and mutual funds: 70percent of the value may be used as reserves (reduced from 100%)

Retirement accounts: 60 percent of the vested value may be used as reserves (reduced from 70%)

In addition, stock options and non vested restricted stock are not eligible for use as reserves.



06/09/2010

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Deluxe Conf. ARM Guidelines  
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See "Asset" section for required Asset Documentation.

**Secondary Financing**

- Minimum term 5 years; No Negative amortization allowed; Minimum payments of Interest Only required; No prepayment charge allowed; No ARM when the new first is a temporary buydown. ARM acceptable with fixed rate 1<sup>st</sup> mortgage.
  - If secondary financing is a fixed rate, the terms may not be more than 2% below the market rate for FNMA second mortgages at the time of origination.  
If the loan has a variable rate, the monthly payment must remain constant for each 12 mos. period over the term of the loan.
  - No Secondary financing from Seller or private seconds on FHLMC ARM program
  - Secondary financing cannot contain any "wraparound" terms which combines the indebtedness of the 1<sup>st</sup> mortgage with the subordinate mortgage.
  - Secondary financing from Seller or Private Party IS ALLOWED as long as the terms of the secondary financing meet FNMA/FHLMC requirements as Reflected above. NOTE: Secondary financing from Seller or Private Party is limited to specific program guidelines for the 1<sup>st</sup> TD as well as CLTV.
- \*\*PRIVATE PARTY OR SELLER CARRIED SECONDARY FINANCING IS LIMITED TO STANDARD CONFORMING PRODUCT ONLY\*\***

06/09/2010



**Classic Conforming Fixed  
Deluxe Conf. ARM Guidelines  
High Balance Conforming**

PF10, PF11, PF20, PF06, P14F  
CM30, CM50, CM70, CM10  
C30I, C50I, C70I, C10I  
PF58, PF13, PF23

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<b>Seller Concessions</b>	<ul style="list-style-type: none"> <li>➤ Greater than 80% LTV allows 3% seller concessions</li> <li>➤ 80% LTV or less 6% is allowed.</li> <li>➤ &lt; 75% LTV allows 9% seller concession</li> <li>➤ Investment properties maximum 2%</li> </ul>		
<b>Temporary Buydowns</b>	<b>Eligible Program</b>	PF10 – 30 Year Fully Amortizing	
	<b>Eligible Finance Types</b>	<ul style="list-style-type: none"> <li>• Owner-Occupied and Second Home (Investment ineligible)</li> <li>• Purchase and Rate &amp; Term Refinance</li> </ul>	
	<b>Plan Options</b>	3/2/1, 2/1, and 1/0	
	<b>Qualifying the Borrower</b>	<b>Occupancy</b>	<b>Minimum Credit Score</b>
		Owner-Occupied	<ul style="list-style-type: none"> <li>• Greater than 680 (self-employed require minimum 700)</li> <li>• Less than 680 and equal to or greater than 620</li> </ul>
		Second Home	<ul style="list-style-type: none"> <li>• Equal to or greater than 660 (self-employed require 680)</li> </ul>
	<b>Qualifying Rate</b>	<b>Note Rate</b>	
<b>NOTE: Loans approved through AUS may be qualified at a different rate</b>			
<b>Underwriting Specific Risks</b>	<p><b><u>New Construction Condo/Converted Condo/PUDS</u></b></p> <ul style="list-style-type: none"> <li>• Focus on the review of the comparables in new construction appraisals to assure the appraiser is providing the best and most recent comparables available.</li> <li>• Appraisers should use comparables from both inside and outside the project or development.</li> <li>• Outside comparables should be from projects where the builder or developer is different from the subject property seller.</li> <li>• The appraiser should provide comments on current listings in the project and use re-sales, where available, to</li> </ul>		



06/09/2010

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#### Underwriting Specific Risks (Cont'd)

- support the final value determination.
- Desk or field reviews are always recommended where appropriate.

#### Auction Properties

- Underwriters should review the purchase contract to assure the buyer's or auction fee is clearly disclosed and not excessive for the transaction.
- Buyer's fees are generally in the 5-8% range and added to the winning bid to determine the final sales price.
- Realtor commissions, if any, should be 1-2%
- All fees on both the buyer and seller sides of the HUD 1 should be consistent with the purchase contract and deemed reasonable relative to the transaction.
- Appraisers should consider the fees in the value determination and use non-auction sales as comparables.

#### Property Flipping

We continue to see flip transactions where the current sales price is unreasonably higher than the previous sale.

- Understand who is currently in title and any relationship to the new buyer.
- Confirm the prior sales date and purchase price paid by the seller.
- Ensure the appraiser provides detailed comments and clearly supports increases to value based on any home improvements made. Focus on the reasonableness of the improvements relative to current value.
- If the property is in contract for higher than list price appraiser must give detailed information regarding reason. Comps must support contract amount.
- A field review is required and in some cases a second appraisal may be required if the new sales price is 15% or greater than what the seller purchased the property for.



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**Continuity of Obligation**

For a refinance transaction (either limited cash-out or cash out) to be eligible for sale to FNMA, there must be a continuity of obligation if there is currently an outstanding lien that will be satisfied through the refinance transaction, i.e. there must be at least one borrower obligated on the new loan who was also a borrower obligated on the existing loan that is being refinanced. If there is no continuity of obligation, i.e. if no borrower on the outstanding loan that will be satisfied through the new loan is also a borrower on the new loan; the transaction must be treated as a purchase. If there is not currently an outstanding lien on the subject property, as loan to the property owner secured by the property will be considered a cash out refinance.

**PROPERTIES WITH DEED RESTRICTIONS ARE NOT ALLOWED**

It is Provident Bank Mortgages policy to underwrite to DU or LP findings. However there are loans where the AUS cannot assess a transaction accurately. In these cases additional documentation will be required.

SEE "DOCUMENTATION" SECTION FOR ADDITIONAL REQUIREMENTS RELATING TO INCOME.

All Loans MUST meet the HUD County New 2009 Limits

**SEE SEPARATE MATRIX FOR DU REFI PLUS; OPEN ACCESS AND HOME POSSIBLE PRODUCTS**