

Revised 3/29/2012

**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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Appraisal Requirements	<p>Full URAR - 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>APPRAISAL REQUIREMENTS FOR ALL LOAN TYPES</p> <ul style="list-style-type: none">• 3 comps within 90 days (one of the 3 must be within 60 days)• At least one current listing• Additional comps may be required at underwriter discretion• On a Flip transaction at minimum a desk review of the appraisal is required if the property value has increased within the last 90 days by more than 15%. <p>High Balance Conforming</p> <ul style="list-style-type: none">• In addition, a field review (Form 1032) is required if the<ul style="list-style-type: none">• Loan amount \$625,500 or greater and the LTV, CLTV or HCLTV is greater than 80% or• The property is valued at \$1,000,000 or more and the LTV, CLTV, or HCLTV is greater than 75%• The person performing the appraisal must be qualified to perform appraisals without oversight or supervision by a “supervisory” or “review” appraiser and ordered per HVCC requirements.• 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 <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>
Assets	Assets are determined per the DU/LP approval. Asset verification must be within 30 days of the application date and within 90 days of the funding 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.

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Allowable AUS	<p>DU and LP only. LP is acceptable on PF 10 if loan amount does not exceed \$417,000 and is fixed rate (ARMS not allowed). Findings must be followed exactly and additional documentation may be required by the underwriter above D/U findings based on merits of individual file.</p> <p><u>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 and High Balance</u></p> <table border="1"><thead><tr><th>DU ARM Product Codes</th><th>PBM Product Code</th></tr></thead><tbody><tr><td>FM Generic 3 yr</td><td>CM30</td></tr><tr><td>3252 5/1 Libor 5/2/5 caps</td><td>CM50, CM52, JA51A</td></tr><tr><td>3558 7/1 Libor 5/2/5 caps</td><td>CM70, CM72, JA71A</td></tr><tr><td>FM Generic 10 yr</td><td>CM10, JA101A</td></tr><tr><td>FHA Hybrid Arm</td><td>FH5A</td></tr></tbody></table> <p>L/P system used to “blend ratios” for non – occupant co-borrower needed to qualify. D/U does not recognize non – occupant co-borrowers when qualifying occupant borrower.</p>	DU ARM Product Codes	PBM Product Code	FM Generic 3 yr	CM30	3252 5/1 Libor 5/2/5 caps	CM50, CM52, JA51A	3558 7/1 Libor 5/2/5 caps	CM70, CM72, JA71A	FM Generic 10 yr	CM10, JA101A	FHA Hybrid Arm	FH5A
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Arms	<p>Arms with a fixed start rate of 5 years or less qualify at the greater of the Note Rate + 2% or fully indexed rate. DU is the ONLY AUS that can be used to qualify ARM Loans. PLEASE SEE INTEREST ONLY SECTION FOR I/O QUALIFYING GUIDELINES</p>												

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Borrowers	<p><u>Eligible Borrowers</u></p> <ul style="list-style-type: none">• Individuals who are citizens or lawful residents of the United States.• Revocable Trust (prior approval by a Sr. Underwriter or Corporate Administrator): Owner-Occupied and 2nd Home ONLY. Trust certification is allowed, must be prepared by attorney and be approved by Title. Trust certification must answer ALL questions contained on PBM Trust Checklist. If not, complete, executed, notarized Trust agreement must be supplied.• U/W must fully complete pgs. 2-3 of Trust Approval documentation (found within P/P > Forms) <p><u>Ineligible Borrowers</u></p> <ul style="list-style-type: none">• Corporations• Foreign Nationals (including diplomatic immunity)• Partnerships
Commissions Paid to all Sales Agents	Commissions paid on any transaction may not exceed a combined total of 8% of the purchase price. Commissions include a combination of monies paid to listing agent, selling agent, auction fees, referral fees, accommodator fees etc.

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Credit

Minimum FICO of 620 on Standard Conforming. IF CREDIT REPORT REFLECTS ALL CORRECT CREDIT DATA THEN FOLLOW D/U – IF U/W AWARE OF OTHER CREDIT DATA NOT REFLECTED ON REPORT THEN MUST APPLY AS “OVERLAY” TO D/U FINDINGS

- Credit Reports must be within 45 days of the Note date. Explanation letter required for all inquires within last 120 days. Lender must insure that there is no additional debt.
- IRS Tax Lien Payment Plans are not allowed on conventional financing.

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

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

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Credit (cont'd)

Foreclosure – 7 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 time.
- Cash out refinances are not permitted for any occupancy type.

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 2-4 yrs. for LTV's =<80%; 4-7 yrs for LTV's =<90% Same additional requirements noted above for deed-in-lieu apply after 2 yrs. up to 7 yrs. following completion.

Time period after Preforeclosure Sale (Short sale) – 2 year time period from completion dated (If subject prop) No exceptions permitted to 2 yr. time period due to extenuating circumstances

Note: In addition to requirements above the lender must follow FNMA guidelines in order to determine that the borrower has successfully reestablished his or her credit history after a bankruptcy or foreclosure actions

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<p>Credit Score Requirements for Standard and HighBalance</p>	<p>**ALL BORROWERS MUST HAVE AT LEAST ONE (1) CREDIT SCORE TO QUALIFY. Must use the middle score of all Borrowers. Use the lowest to qualify Minimum Loan Score Requirements: If LTV or TLTV or CLTV require different loan scores, apply the most restrictive loan score: FICOS are determined by DU/LP findings. The minimum allowed is 620 regardless of findings. HIGH BALANCE FICOS are determined by the AUS findings. THE SCORES BELOW ARE PROVIDED FOR GUIDANCE ONLY. RELY ON D/U FINDINGS FOR HIGH BALANCE TRANSACTIONS.</p> <table border="0"> <tr> <td>Purchase/Rate and Term - =75%</td> <td>minimum 700 score</td> </tr> <tr> <td>< 75%</td> <td>minimum 680 score</td> </tr> <tr> <td>ARM</td> <td>minimum 680 score</td> </tr> <tr> <td>I/O</td> <td>minimum 720 score</td> </tr> <tr> <td>2-4 units</td> <td>minimum 740 score</td> </tr> <tr> <td>Cash Out</td> <td>1 unit only</td> </tr> <tr> <td>Second Home</td> <td>Pur/R&T</td> </tr> <tr> <td>Investment</td> <td>Pur/R&T</td> </tr> </table>	Purchase/Rate and Term - =75%	minimum 700 score	< 75%	minimum 680 score	ARM	minimum 680 score	I/O	minimum 720 score	2-4 units	minimum 740 score	Cash Out	1 unit only	Second Home	Pur/R&T	Investment	Pur/R&T
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<p>Credit Trade line Requirements ***** Debts to be paid At close</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> <hr/> <p>For FNMA D/U only: Effective with the 8.2 version of D/U all revolving accounts are required to be included in the debt-to-income (DTI) ratios regardless of the number of payments remaining. This requirement also applies when the revolving account is being paid off at closing but the account is not being closed. If revolving account(s) are being paid off to qualify a borrower(s) the account will be marked as "paid at close" on the liability section of D/U and the underwriter will condition the loan that the revolving accounts noted as being paid at close must have proof provided that the account has been closed to further use. Proof of closure must come from the creditor. Version 8.3 will include message that will be issued on revolving debts that are marked paid at close to remind lenders that those debts must be closed or the debt(s) must be included in the DTI</p>
<p>Contributions (Seller)</p>	<p><u>Owner Occupied/ Second Home</u></p> <ul style="list-style-type: none"> • >75.01% LTV/CLTV 6% maximum • < 75% LTV/CLTV 9% maximum • Maximum allowable commissions of 8% total Listing, Selling Agent and REO service or auction house costs. <p><u>Non-Owner</u></p> <ul style="list-style-type: none"> • 2% All LTV's

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Disposition of
Property Of
Departing
Residence

If Current principal is pending sale but the transaction will not be closed (with title transfer to a new owner) prior to the new transaction:

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.

If conversion to a Second Home –

- Both the current and proposed mortgage payments must be used to qualify the borrower for the new transactions; and
- 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).

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.

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**Income
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 MADE BE REQUIRED FOR 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).
 - 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

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Income Cont.

- 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
- Copy of the signed court order reflecting the payer'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 payer 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 payer 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 payer 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.

Operating Loss calculations.

- If loss related to a previous business (no longer operating) this loss **does not** have to be considered for income qualifying. Proof that the business has been dissolved/no longer in operation must be provided for U/W review
- If loss related to current business then 2 years tax returns required and loss must be considered for income calculations

SOCIAL SECURITY/RETIREMENT INCOME: - Non taxable portion (must have tax returns to confirm) can be grossed up to qualify.

4506T requirements (follow D/U requirements); Process 4506T based on AUS findings. If most recent year has an extension a 4506 must be processed and state "**no record**", a copy of the extension must be obtained and evidence of any monies owed must be documented paid to the IRS. In cases of W-2 borrowers with extensions a 4506 for the W-2 should be processed for the extension year. If 4506T results reflect income/loss information that we did not have documented in our file we must require two years 1040's that match the 4506 results. AT NO TIME CAN THE W2 RESULTS REPLACE THE REQUIRED 4506T RESULTS

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Gift Funds	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 12 month rental or mortgage verification is required at underwriter discretion. May be needed in cases of significant payment shock. Payment history must be obtained from Professional Mgt. company; 12 mos. cancelled checks or Bank statements for automatic payments or a credit supplement with minimum of a 12 month history.
Impounds	<ul style="list-style-type: none"> • Must include taxes & 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
Interest Only	<p>Interest Only is available on the 10/1, 7/1, 5/1 and 3/1 ARMS only. INTEREST ONLY period covers the first 10 years of loan term. INTEREST ONLY MAY NOT QUALIFY AT INTEREST ONLY PAYMENT. MUST BE QUALIFIED USING NOTE RATE + 2% OR FULLY INDEXED/FULLY AMORTIZED RATE WHICHEVER IS HIGHER ON THE 3/1 AND 5/1 PRODUCTS. 7/1 AND 10/1 QUALIFY AT NOTE RATE</p> <p>INTEREST ONLY ARM is available for Purchase and R/T transactions on Primary, Second Homes - 1 unit only. INTEREST ONLY ARM NOT AVAILABLE ON ANY FHLMC PRODUCT.</p> <p>DU must be run correctly showing the product type as INTEREST ONLY ARM (See page 2 Allowable AUS product) Minimum credit score of 740 required; 24 mos of PITI reserves required and max LTV of 70% on ALL I/O programs</p>

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<p>Investment Properties</p>	<p>Refer to section "Number of Properties Owned" Investment transactions require a two (2) year landlord experience (1040's) for rental income on the subject to be used for qualifying. (Case by case may not require 2 year history BUT must be investor specific with appropriate pricing; Corporate review if applicable 6 months reserves – PITI Subject and 2 months reserves for each additional property or 6 months reserves for each multiple unit owned. Operating Income statement required (form 216) for all property; SFR Comparable Rent Schedule (form 1007) required on all 1 unit investment property 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 & Second home borrowers may not be affiliated with the builder, developer or seller of subject property if purchase transaction when property is NEW CONSTRUCTION</p>	
<p>Mortgage Insurance Coverage Fixed Rate MI cont'd</p>	<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 729,750 Loan amounts (Purchase only – 1 unit only) Greater than 625,500 are limited to 80% LTV/CLTV (for R/T refinance – 1 unit only)</p>	<p>Each MI company has specific guidelines and maximum ratios to credit scores. Each has their own Website which can be accessed (no password or login required) and there are links on our intranet to access the MI company. MGIC: www.mgic.com/sitemap RADIAN: www.radian.biz Essent: www.essent.us</p>
<p>Mortgage Insurance Co.</p>	<p>MGIC, Radian, Essent</p>	

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Non-Occupant Co-Borrowers	<ul style="list-style-type: none">• 80% LTV – 5% from borrower• Occupant Borrower qualifying ratios not to exceed 35%/43% or Per DU findings• Blended Ratios (Occupant Borrower & Non Occupant Borrowers) are allowed on LP.• High Balance not allowed
Number of properties owned	<ul style="list-style-type: none">• 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.• The borrower who has multiple mortgages secured by investment properties must meet minimum reserve requirement for each investment property owned. See page 12 Investment Properties.
Number of loans to one borrower	Investors are specific to the # of loans to one borrower that will be accepted and it is capped at 4 total. Exceptions to this policy would have to be reviewed with Corporate

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<p>Property Types</p>	<ul style="list-style-type: none"> SFR Attached & Detached, Condo, PUD 2-4 Unit Properties – 6 months PITI for properties when rents are used to qualify. Leasehold properties require an Attorney Opinion Letter confirming property meets FNMA/FHLMC guidelines Projects with litigation must be reviewed with Corporate U/W to confirm if able to proceed with loan request, Attorney’s Opinion letter Confirming HOA insurance is sufficient to cover any costs/damages awarded to Plaintiff. Copy of complaint filed with Court is required and Must be reviewed by U/W. Limited Project Reviews must meet all FNMA Project Warranty requirements. <p>**Please reference PBM Condo/PUD Guidelines for complete Condo/PUD guidelines/warranty requirements**</p> <p>1008 must always have Project name and project type listed. Project type for PUD is either Type E (existing) or Type F (new project); For condo unit CPM will supply the Type that was processed by CPM and will provide CPM # which also must be on the 1008</p> <p>FHLMC will accept FNMA CPM for project approval purposes. All condo documentation as required to warrant project required by FHLMC Follow FHA guidelines for Condo project approval.</p> <p>Please see D/U Refi Plus program and Open Access programs for Condo/PUD requirements</p>
<p>Qualifying Rate For ARMS</p>	<p>ARMS with a fixed start rate of 5 years or less 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>
<p>Qualifying Ratio’s</p>	<p>Maximum ratios are based on DU/LP findings except:</p> <ul style="list-style-type: none"> LP for High Balance and ARMS is not allowed.

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Refinance

Rate and Term:

- Pay existing 1st regardless of age
- Pay closing costs & prepaids
- Current Appraised value O.K.
- Subordinate liens not paid off must be subordinated to new 1st and CLTV requirements must be met

***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.**

Cash Out:

- 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)- **Please see Delayed Financing program for exceptions to this guideline**
- Cash back exceeds 2% or 2K.
- Junior liens do not need to be seasoned as long as no portion of current loan proceeds are used to pay down all or a portion of the subordinate second.
- May not exceed maximum LTV/CLTV
- Properties which are currently Free and Clear are always considered cash out
- For DU Refi Plus see DU Refi Plus Guidelines (Max cash back \$250)

Short Term Refinance:

- Short term refinance that combines first mortgage and non-purchase money subordinate into new first mortgage with a subsequent refinance of 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

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<p>Refinance cont.</p>	<p>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.</p> <p>PROPERTIES LISTED FOR SALE – On R/T refinance property must be cancelled from MLS and off market at time initial Loan application is dated. Fully executed proof of listing cancellation must be provided for U/W review Cash out requires 6 months off the market at the time of application and max LTV of 70%.</p>
<p>Reserve Requirements</p>	<p>For reserve requirements follow DU/LP findings For I/O transactions 24 mos. of PITI required.</p> <ul style="list-style-type: none">• Also see “Disposition of Property” section for additional reserve requirements when retaining existing residence as an investment property. <p>Determining value of assets 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. See “Asset” section for required Asset Documentation.</p>

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<p>Secondary Financing</p>	<ul style="list-style-type: none"> • Minimum term 5 year term remaining. Less than 5 year term remaining OK as long as the 2nd TD will amortize out at the end of the term or 2nd TD is a fixed rate 2nd TD. 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 1st 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 loan has a variable rate, the monthly payment must remain constant for each 12 mos. period over the term of the loan • Subordination of 3rd TD acceptable as long as loan amount is calculated into CLTV/HCLTV. • No Secondary financing from Seller or private seconds on FHLMC program • Secondary financing cannot contain any "wraparound" terms which combines the indebtedness of the 1st 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 1st TD as well as CLTV • When the existing subordinate second has had a modification to the line amount maximum limit we must have either a formal recorded modification or the subordination agreement must include the modified amount when recorded. Otherwise you must use the original limit for the CLTV and payment. • When subordinate second is an ARM on our subject property you must use 1% of the total line amount for qualifying. When the second is on a property other than the subject the actual payment per the credit report may be used in qualifying.
<p>Seller Concessions</p>	<ul style="list-style-type: none"> ➤ Greater than 80% LTV allows 3% seller concessions ➤ 80% LTV or less 6% is allowed. ➤ < 75% LTV allows 9% seller concession ➤ Investment properties maximum 2%
<p>Temp Buydowns</p>	<p>Eligible Program PF10 – 30 Year Fully Amortizing</p>

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<p>Temporary Buydowns cont.d</p>	<p>Eligible Finance Types</p>	<ul style="list-style-type: none"> Owner-Occupied and Second Home (Investment ineligible) Purchase and Rate & Term Refinance 		
	<p>Plan Options</p>	<p>3/2/1, 2/1, and 1/0</p>		
	<p>Qualifying the Borrower</p>	<p>Occupancy</p>	<p>Minimum Credit Score</p>	
		<p>Owner-Occupied</p>	<ul style="list-style-type: none"> Greater than 680 (self-employed require minimum 700) Less than 680 and equal to or greater than 620 	
		<p>Second Home</p>	<ul style="list-style-type: none"> Equal to or greater than 660 (self-employed require 680) 	
	<p>Qualifying Rate</p>	<p>Note Rate</p>		
<p>NOTE: Loans approved through AUS may be qualified at a different rate</p>				

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**Underwriting
Specific Risks**

New Construction Condo/Converted Condo/PUDS

- Focus on the review of the comparables in new construction appraisals to assure the appraiser is providing the best and most recent comparables available.
- Appraisers should use comparables from both inside and outside the project or development.
- Outside comparables should be from projects where the builder or developer is different from the subject property seller.
- The appraiser should provide comments on current listings in the project and use re-sales, where available, to support the final value determination.
- Desk or field reviews are always acceptable at underwriter discretion.

**Underwriting
Specific Risks
Cont.**

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.

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Underwriting
Specific Risk
Cont.

- 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.
- At minimum, a desk review of the appraisal is required and in some cases a second appraisal may be required if within the last 90 days the value has increased by 15% or greater than what the seller purchased the property for.

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.

Deed Restrictions

Properties with Deed restrictions, other than Age restrictions in retirement communities, 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.

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

All Loans MUST meet the HUD County New 2012 loan limits

SEE SEPARATE MATRIX FOR DU REFI PLUS AND OPEN ACCESS

For complete underwriting policy and procedures see "Standard Underwriting Guidelines" on PBM Intranet under PBM Manuals.