

## **100 Series Portfolio Products**

### **Table of Contents**

**\*\* There is no ownership seasoning requirement for cash-out refinance on any of the below products \*\***

<b><u>PRODUCT</u></b>	<b><u>PAGE NUMBER</u></b>
<b>AltQM Agency Plus</b> Loan up to \$2,000,000. Foreign Nationals are not allowed, multiple property ownership is allowed, credit score down to 640, interest only allowed on ARM products, cash out allowed on 2 <sup>nd</sup> home and investment property. Asset based income is allowed. DU is required for credit evaluation and income documentation, income and assets must be fully documented; this is a manual Underwrite. DU findings must be included in the file.	<b>2</b>
<b>AltQM Investor</b> Borrower may own unlimited number of properties. 5/1 ARM offers Interest only option. Minimum 2 year history of owning, retaining and managing Residential rental properties is required. Borrower is qualified based on cash flow of property.	<b>7</b>
<b>AltQM Alternative Documentation</b> <b>Option 1:</b> Income based on verified liquid assets, Foreign Nationals allowed, employment and income need not be disclosed on 1003. <b>Option 2:</b> Self employed borrowers using bank statements, one borrower must be self employed and may have W-2 co-borrower. Income and employment must be traditionally verified for W-2 co-borrower. Foreign Nationals and Non-permanent resident aliens only are allowed on this program	<b>11</b>

**\*\* All products must be manually underwritten \*\***

## ALTQM – AGENCY PLUS 100 SERIES

<b>Product Description</b>	<b>100 Series Agency Plus , Wholesale and Retail, Fixed &amp; ARM.</b>
<b>Program Numbers</b>	100 - 15 yr fixed 100 - 30 yr fixed 100 - 5/1 ARM 100 – 5/1 I.O. ARM 100 - 7/1 ARM 100 – 7/1 I.O. ARM 100 - 10/1 ARM 100 – 10/1 I.O. ARM
<b>Non-Arms Length</b>	Not allowed
<b>ARM ADJUSTMENTS</b>	Applicable to all ARM products
<b>Index</b>	1 Year Libor
<b>Margin</b>	2.25%
<b>Annual Adjust. Cap</b>	2%
<b>Lifetime Cap</b>	5%
<b>Floor Rate</b>	2.25%
<b>First Adjust. Cap</b>	2%
<b>Temporary Buydown</b>	Not allowed
<b>Prepayment Penalty</b>	Not allowed
<b>Qualifying Rate</b>	Fixed = Note Rate ARMs = Greater of the Note Rate or Fully Indexed Rate. I.O. ARMs = Greater of the Note Rate or Fully Indexed Rate based on a fully amortizing principal and interest payment.
<b>Max Debt Ratio</b>	Up to 50%
<b>Payment Shock</b>	Payment Shock is waived
<b>Non-Occupant Co-borrower</b>	Allowed, however occupant borrower must meet debt ratio requirements on their own.
<b>Types of Financing</b>	Purchase, Rate/Term Refinance, Cash Out Refinance
<b>Max Loan Amount</b>	\$2,000,000
<b>Min Loan Amount</b>	\$100,000
<b>Eligible Property Type</b>	1-4 units, Condo, PUD
<b>Eligible Borrowers</b>	U.S. Citizens, Permanent Resident Aliens, & Non-Permanent Resident Aliens; Foreign Nationals are not allowed. Non-occupant co-borrowers allowed with 5% reduction in max LTV. FSBO transactions are not allowed.
<b>Mortgage Insurance</b>	Not applicable
<b>Employment</b>	Borrowers must be employed in the U.S. for the past 24 months. For self employed borrowers, a copy of current business license, or other proof of current existence and ownership of the business is required.

**Income** 2 years standard full income documentation is required, including most recent full months paystubs for all W-2 borrowers. Document relief is not allowed. Self employed requires 2 years personal and business returns, if applicable, K-1's, W-2's and YTD P & L.  
**Asset Based Income:** Allowed on primary residence and 2<sup>nd</sup> home . Max LTV/CLTV 70%. Borrower(s) must solely own the asset. No Foreign Assets. 100% of the assets will be amortized over the term of the loan. Any debt, discounts, or penalties must be deducted from asset prior to amortizing. Stocks, bonds, mutual funds and retirement accounts; use 65% of balance after any above listed deduction.

**Residual Income Required** Calculate the total gross monthly income of all occupying borrowers. (Note: Do not gross up non-taxable income for the residual income calculation) Deduct from gross monthly income:  
 a. State income tax  
 b. Federal income tax  
 c. Municipal or other income tax  
 d. Retirement or Social Security tax  
 e. Proposed total monthly fixed payment (total mortgage payment + all recurring monthly obligations)  
 f. Estimated maintenance and utilities (use \$0.14 per square foot of gross living area)  
 g. Job related expenses (if applicable – Employee Business Expense from IRS Form 2106)  
 Subtract the sum of the deductions above from the total gross monthly income of all occupying borrowers. The balance is residual income.

**Table of Residual Incomes by Region**

Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Over 5	Add \$80 for each additional member up to a family of seven.			

<b>Northeast</b>	Connecticut	New Hampshire	Pennsylvania
Maine	New Jersey		Rhode Island
Massachusetts	New York		Vermont
<b>Midwest</b>	Illinois	Michigan	North Dakota
Indiana	Minnesota		Ohio
Iowa	Missouri		South Dakota
Kansas	Nebraska		Wisconsin
<b>South</b>	Alabama	Kentucky	Puerto Rico
Arkansas	Louisiana		South Carolina
Delaware	Maryland		Tennessee
District of Columbia	Mississippi		Texas
Florida	North Carolina		Virginia
Georgia	Oklahoma		West Virginia
<b>West</b>	Alaska	Hawaii	New Mexico
Arizona	Idaho		Oregon
California	Montana		Utah
Colorado	Nevada		Washington
Wyoming			

**Appraisal** Loan amounts <= \$1m require 1 Full Appraisal. Loan amounts > \$1m, and all properties For Sale by Owner require 2 Full Appraisals.

**Appraisal Review** A Pro Teck Valuation Services Appraisal Risk Review supporting the value within 10% is required when appraisal requirement is 1 full appraisal. If it is not available, a Field Review or 2<sup>nd</sup> appraisal is required, and require documentation confirming Pro Teck inability to provide Risk Review. If variance > 10% then a Field Review is required from one of the following providers: Pro Teck Valuation Services, Clear Capital, Nationwide.

**Declining Markets** No separate guidelines

**Value Determination** Current Appraised value is always used

**Property Restrictions** Max 20 acres

<b>Delegated</b>	Not Delegated. 2 <sup>nd</sup> signature is required on all loan amounts.
<b>Impounds</b>	required
<b>Max Cash Out</b>	See LTV/CLTV matrix
<b>Credits/Concessions</b>	Primary and 2nd Home: CLTV < / = 75% is 9% CLTV 75.01 – 80% is 6% Investment Property: All LTV /CLTV are 2%
<b>2<sup>nd</sup> Home</b>	Allowed
<b>Investment Property</b>	Allowed
<b>Max # Properties Owned</b>	10 when subject is 2 <sup>nd</sup> home or investment property. This is regardless of whether or not they are financed properties.
<b>Document Expirations</b>	90 days, except for appraisal is 120 days.
<b>Minimum Credit Score</b>	640
<b>Gifts</b>	Allowed on purchase primary residence only. Minimum 5% must come from borrower's own funds. Gifts may not be used for reserves. Gifts of Equity are not allowed. If payment shock is not calculated, then gifts are not allowed.
<b>First Time Homebuyer</b>	See housing payment history.
<b>Credit</b>	<p>Minimum 5 tradelines on credit report. Trade lines may be open or closed, with one seasoned trade line having a minimum 24 month rating and one trade line with at least a \$5,000 high credit limit. The seasoning and high credit limit requirements may be met with the same trade line. Authorized user trade lines are not eligible for any portion of the credit requirement. Judgment/Tax Lien/Collections/Charge-Offs – Must be paid. New items with a cumulative total &gt; \$5,000 in the last 24 months not allowed.</p> <p><u>Foreign Nationals:</u> If the borrower has a valid SSN or Tax ID, a traditional U.S. credit report is required. Borrowers that have established credit in the U.S. and do not meet the 24 month 5 rated trades requirement may not have their credit history disregarded. The borrower's credit history must comply with the profile listed in this section. NOTE: If a credit report is not available, a minimum of one original credit letter must be obtained from a financial institution located in the country of origin or 3 credit references. The credit reference letter, on the financial institution's letterhead must include contact information, borrower's name and account number, detailing the types and lengths of the institution's relationship. The account with financial institution must have been opened at least two (2) years. Credit reference letter must be an original on institution letterhead and reflect telephone number, address, and website. It should be written in borrower's native language and any money amounts should be reflected in national currency. Translation from neutral 3<sup>rd</sup> party is required. Must have 5 tradelines with minimum 24 months history. OX30 housing payment in past 24 months. No BK, Foreclosure, Short Sale, Deed in Lieu, Judgment. No Collections, Charge-offs, past due accounts, or tax liens in past 24 months, and all must be paid prior to closing. Documents signed outside the U.S. must be notarized by a U.S. Embassy or consular official. POA not allowed.</p>
<b>Housing Payment History</b>	Borrowers must have a history of renting or owning within the past 2 years. OX30 in past 24 months. If renting, most recent 12 month's rent checks are required.
<b>Major Adverse Credit</b>	<p>Bankruptcy, Short Sale, Deed-in-Lieu Minimum 4 years seasoning. Short Sale or Deed in Lieu ≥ 2 years and &lt; 4 years is acceptable with the following compensating factors: Maximum 70% LTV or existing guidelines, whichever is lower; and Additional 6 months reserves required for subject property (this amount is in addition to all other reserves required on the loan)</p> <p>Foreclosure – None in the last seven (7) years Foreclosure ≥ 3 years and &lt; 7 years is acceptable with the following compensating factors: Maximum 70% LTV or existing guidelines, whichever is lower; and Additional 6 months reserves required for subject property (this amount is in addition to all other reserves required on the loan)</p>

<b>Debt Pay Down</b>	Not allowed.
<b>Reserve Requirement</b>	Gifts are not allowed for reserves. Loan amount < / = \$1,000,000 3 months reserves Loan amount > \$1,000,000 - < \$2,000,000 6 months reserves

### Primary Residence Fixed and ARM

Purchase and Rate/Term Refinance					
Units	Minimum Credit Score	Max LTV	Max CLTV	Maximum Loan Amount	Maximum Cash Out
1 -4 Units	680	80	80	1,000,000	\$2k
		70	70	2,000,000	
		60	60	2,000,000	
1 -4 Units	640	75	75	750,000	
		65	65	1,000,000	
		55	55	1,500,000	
Cash Out Refinance					
Units	Minimum Credit Score	Max LTV	Max CLTV	Maximum Loan Amount	Maximum Cash Out
1-4 Units	720	80	80	750,000	500,000
		70	70	1,500,000	500,000
		60	60	2,000,000	1,500,000
1-4 Units	680	75	75	750,000	500,000
		65	65	1,500,000	500,000
		55	55	2,000,000	1,500,000
1-4 Units	640	70	70	750,000	500,000
		60	60	1,000,000	500,000
		50	50	1,500,000	1,500,000

### 2<sup>nd</sup> Home Fixed and ARM

Purchase and Rate/Term Refinance					
Units	Minimum Credit Score	Max LTV	Max CLTV	Maximum Loan Amount	Maximum Cash Out
* 1-2 Unit	720	70	70	1,500,000	\$2k
* 1-2 Unit	680	80	80	750,000	
		70	70	1,000,000	
		60	60	2,000,000	
* 1-2 Unit	640	70	70	750,000	
		60	60	1,000,000	
		50	50	1,500,000	

\*2-unit second homes must be in a recognized vacation area (see *Occupancy*)

Cash Out Refinance					
Units	Minimum Credit Score	Max LTV	Max CLTV	Maximum Loan Amount	Maximum Cash Out
* 1-2 Unit	720	75	75	750,000	NA
		65	65	1,500,000	
		55	55	2,000,000,	
* 1-2 Unit	680	70	70	750,000	
		60	60	1,000,000	
		50	50	2,000,000	
* 1-2 Unit	640	65	65	750,000	
		55	55	1,000,000	
		45	45	1,500,000	

\*2-unit second homes must be in a recognized vacation area (see *Occupancy*)

### Investment Property Fixed and ARM

Purchase and Rate/Term Refinance					
Units	Minimum Credit Score	Max LTV	Max CLTV	Maximum Loan Amount	Maximum Cash Out
* 1-4 Unit	720	70	70	1,500,000	\$2k
* 1-4 Unit	680	80	80	750,000	
		70	70	1,000,000	
		60	60	2,000,000	
* 1-4 Unit	640	70	70	750,000	
		60	60	1,000,000	
		50	50	1,500,000	

Cash Out Refinance					
Units	Minimum Credit Score	Max LTV	Max CLTV	Maximum Loan Amount	Maximum Cash Out
* 1-4 Unit	720	75	75	750,000	NA
		65	65	1,500,000	
		55	55	2,000,000,	
* 1-4 Unit	680	70	70	750,000	
		60	60	1,000,000	
		50	50	2,000,000	
* 1-4 Unit	640	65	65	750,000	
		55	55	1,000,000	
		45	45	1,500,000	

## ALTQM – INVESTOR 100 SERIES

<b>Product Description</b>	<b>100 Series Investor , Wholesale and Retail, Fixed &amp; ARM.</b>
<b>Program Numbers</b>	100 - 15 yr fixed 100 - 30 yr fixed 100 - 5/1 ARM 100 – 5/1 I.O. ARM 100 - 7/1 ARM 100 - 10/1 ARM
<b>Non-Arms Length</b>	Not allowed
<b>ARM ADJUSTMENTS</b>	Applicable to all ARM products
<b>Index</b>	1 Year Libor
<b>Margin</b>	2.25%
<b>Annual Adjust. Cap</b>	2%
<b>Lifetime Cap</b>	5%
<b>Floor Rate</b>	2.25%
<b>First Adjust. Cap</b>	2%
<b>Temporary Buydown</b>	Not allowed
<b>Prepayment Penalty</b>	Not allowed
<b>Qualifying Rate</b>	Fixed = Note Rate ARMs = Greater of the Note Rate or Fully Indexed Rate. I.O. ARMs = Greater of the Note Rate or Fully Indexed Rate based on a fully amortizing principal and interest payment.
<b>Max Debt Ratio</b>	Not calculated; not applicable
<b>Payment Shock</b>	NA
<b>Non-Occupant Co-borrower</b>	Allowed.
<b>Types of Financing</b>	Purchase, Rate/Term Refinance, Cash Out Refinance
<b>Max Loan Amount</b>	\$2,000,000
<b>Min Loan Amount</b>	\$100,000
<b>Eligible Property Type</b>	1-4 units, Condo, PUD
<b>Eligible Borrowers</b>	U.S. Citizens, Permanent Resident Aliens, Non-Permanent Resident Aliens. Foreign Nationals are not allowed. First time homebuyers are allowed, however borrower(s) must have a history of owning and managing commercial or residential real estate..
<b>Mortgage Insurance</b>	Not applicable
<b>Employment</b>	Borrowers must have a minimum 2 year history of owning and managing investment properties.

<b>Income</b>	<p>Income used to qualify a borrower is based upon the cash flows from property. A 4506-T is NOT required.</p> <p>If transaction is a refinance, rental agreement and rent survey (Form 1007) provided by the appraiser, will be utilized. Rents will be validated via internet research by Investor.</p> <p>If transaction is a purchase, Appraisal Form 1007 will be utilized.</p> <p>All properties must assume a 20% vacancy/expense factor. (Alternate calculation requirements available below.)</p> <p><u>Debt Coverage Ratio</u></p> <p>The debt coverage ratio is calculated by taking 100% of the gross rents divided by the PITIA of the subject property</p> <p>Rents are derived from the lesser of the rental/lease agreement or the rent survey (Form 1007)</p> <p>The PITIA calculation for interest only loans is based on the remaining term after the interest only period</p> <p>DCR Purchase = 0.85  DCR Rate/Term = -.85  DCR Cash-Out = 0.85</p> <p><u>EXAMPLE</u></p> <p><u>Purchase, Rate Term, and Cash Out</u></p> <p>Gross Rent = \$1,000  DCR for purchase = .85  \$1,000 divided by .85 = \$1,176.47  PITIA may not exceed \$1,176.47 per month</p> <p>In the above example \$1,000,000 gross rents divided by \$1,176.47  PITI = 0.85</p>
<b>Residual Income Required</b>	See income section
<b>Appraisal</b>	Loan amounts </= \$1m require 1 Full Appraisal. Loan amounts > \$1m, and all properties For Sale by Owner require 2 Full Appraisals.
<b>Appraisal Review</b>	A Pro Teck Valuation Services Appraisal Risk Review supporting the value within 10% is required. If this is not available a Field Review, or 2 <sup>nd</sup> appraisal is acceptable in lieu of. Documentation confirming Pro Teck inability to provide ARR must be in file. If variance > 10% then a Field Review is required from one of the following providers: Pro Teck Valuation Services, Clear Capital, Nationwide.
<b>Declining Markets</b>	No separate guidelines
<b>Value Determination</b>	Current Appraised value is always used
<b>Property Restrictions</b>	Max 20 acres
<b>Delegated</b>	Not Delegated. 2 <sup>nd</sup> signature is required on all loan amounts.
<b>Impounds</b>	required
<b>Max Cash Out</b>	See LTV/CLTV matrix
<b>Credits/Concessions</b>	Max 3%
<b>2<sup>nd</sup> Home &amp; O/O</b>	Not Allowed
<b>Investment Property</b>	Allowed. Minimum 2 year history of owning, retaining and managing Residential rental properties is required.
<b>Max # Financed Properties</b>	The lesser of 8 financed properties, or maximum \$2,000,000 in financing
<b>Document Expirations</b>	90 days, except for appraisal is 120 days.
<b>Minimum Credit Score</b>	640
<b>Gifts</b>	Not allowed.
<b>First Time Homebuyer</b>	Not allowed.



<b>Credit</b>	Minimum 5 tradelines on credit report. Trade lines may be open or closed, with one seasoned trade line having a minimum 24 month rating and one trade line with at least a \$5,000 high credit limit. The seasoning and high credit limit requirements may be met with the same trade line. Authorized user trade lines are not eligible for any portion of the credit requirement. Judgment/Tax Lien/Collections/Charge-Offs – Must be paid. New items with a cumulative total > \$5,000 in the last 24 months not allowed.
<b>Housing Payment History</b>	Borrowers must have a verifiable housing history (mortgage or rent) of at least 12 months.
<b>Major Adverse Credit</b>	<p>Bankruptcy, Short Sale, Deed-in-Lieu – None less than four (4) years  Short Sale or Deed in Lieu ≥ 2 years and &lt; 4 years is acceptable with the following compensating factors:  Maximum 70% LTV or existing guidelines, whichever is lower; and  Additional 6 months reserves required for subject property (this amount is in addition to all other reserves required on the loan)</p> <p>Foreclosure – None in the last seven (7) years  Foreclosure ≥ 3 years and &lt; 7 years is acceptable with the following compensating factors:  Maximum 70% LTV or existing guidelines, whichever is lower; and  Additional 6 months reserves required for subject property (this amount is in addition to all other reserves required on the loan)</p> <p>Mortgage Lates – 0x30 past 24 months</p>
<b>Debt Pay Down</b>	Not allowed.
<b>Reserve Requirement</b>	<p>Gifts are not allowed for reserves.  Loan amount &lt; / = \$1,000,000 = 3 months reserves  Loan amount &gt; \$1,000,000 - &lt;\$2,000,000 = 6 months reserves  Loan amount = \$2,000,000 = 12 months reserves  Reserves may be waived on refinances when all borrowers have 0X30X12 VOM/VOR and payment on new loan is decreasing.  Additional reserves of one month PITI (on other property) required for each additional financed property. May be waived on a property with a most recent 12 month paid as agreed history. May not be waived if property was acquired within the past 12 months.2</p>
<b>Loan Purpose</b>	Borrowers must acknowledge the loan is a “Business Purpose Loan” by signing the Borrower’s Intent to Proceed with Loan and Business Purpose Loan Certification.

## Investment Property Fixed and ARM

Purchase and Rate/Term Refinance					
Units	Minimum Credit Score	Max LTV	Max CLTV	Maximum Loan Amount	Maximum Cash Out
1-4 Units	720	70	70	1,500,000	Lesser of 2% loan amount or \$2k
	680	80	80	750,000	
		70	70	1,000,000	
		60	60	2,000,000	
	640	70	70	750,000	
		60	60	1,000,000	
50		50	1,500,000		
Cash Out Refinance <sup>1, 2</sup>					
Units	Minimum Credit Score	Max LTV	Max CLTV	Maximum Loan Amount	Maximum Cash Out
1-4 Units	720	75	75	750,000	NA
		65	65	1,500,000	
		55	55	2,000,000	
	680	70	70	750,000	
		60	60	1,000,000	
		50	50	2,000,000	
	640	65	65	750,000	
		55	55	1,000,000	
		45	45	1,500,000	

**Proceeds from cash out refinance may be used for business purposes only. Cash Out Letter must be submitted with the original package.**

<sup>1</sup> Proceeds from cash out must be used for business purposes only

<sup>2</sup> Purpose of cash out letter must be submitted with the initial package.

## ALTQM – ALTERNATIVE DOCUMENTATION 100 SERIES

<b>Product Description</b>	<b>100 Series Agency Plus , Wholesale and Retail, Fixed &amp; ARM.</b>
<b>Program Numbers</b>	100 - 15 yr fixed 100 - 30 yr fixed 100 - 5/1 ARM 100 – 5/1 I.O. ARM 100 - 7/1 ARM 100 – 7/1 I.O. ARM 100 - 10/1 ARM 100 – 10/1 I.O. ARM
<b>Non-Arms Length</b>	Not allowed
<b>ARM ADJUSTMENTS</b>	Applicable to all ARM products
<b>Index</b>	1 Year Libor
<b>Margin</b>	2.25%
<b>Annual Adjust. Cap</b>	2%
<b>Lifetime Cap</b>	5%
<b>Floor Rate</b>	2.25%
<b>First Adjust. Cap</b>	2%
<b>Temporary Buydown</b>	Not allowed
<b>Prepayment Penalty</b>	Not allowed
<b>Qualifying Rate</b>	Fixed = Note Rate ARMs = Greater of the Note Rate or Fully Indexed Rate. I.O. ARMs = Greater of the Note Rate or Fully Indexed Rate based on a fully amortizing principal and interest payment.
<b>Max Debt Ratio</b>	Up to 50%. Any investment properties owned by the borrower must show a debt coverage ratio of at least 1.20 (may be cumulative if multiple properties are owned). Leases will be required. <b>Debt Coverage Ratio (DCR)</b> The debt coverage ratio is calculated by taking 80% of the gross rents divided by the PITIA of the respective property Rents are derived from the rental/lease agreement(s) DCR Requirement = 1.20  <b>Debt Coverage Ratio Example</b> Gross Rent = \$1,200 Vacancy/Expense Factor = 20% = \$240 Net Rent = \$960 DCR Requirement = 1.20 \$960 divided by 1.20 = \$800 PITIA may not exceed \$800 per month Net Rent(s) must be $\geq 1.2$ times PITIA This calculation may be cumulative for all rents and all PITIAs. If the Debt Coverage Ratio (DCR) for borrower's other investment properties falls short of the 1.20 requirement, the following additional reserves are required per the sample calculation below. Program DCR Requirement = 1.20 Actual DCR for investment properties = .93 DCR Shortage = $1.20 - .93 = .27$ Actual total PITIA of other investment properties = \$1400 Additional monthly liability for reserve calculation = $\$1400 \times .27 = \$378$ Additional Reserves = 60 months $\times \$378 = \$22,680$

<b>Payment Shock</b>	<b>Not applicable</b>
<b>Non-Occupant Co-borrower</b>	<b>Are not allowed</b>
<b>Types of Financing</b>	<b>Purchase, Rate/Term Refinance, Cash Out Refinance</b>
<b>Max Loan Amount</b>	<b>\$2,000,000</b>
<b>Min Loan Amount</b>	<b>\$100,000</b>
<b>Eligible Property Type</b>	<b>1-4 units, Condo, PUD</b>
<b>Eligible Borrowers</b>	<b>OPTION #1 - U.S. Citizens, Permanent Resident Aliens, Non-Permanent Resident Aliens. Foreign Nationals are not allowed. Option #2 - Foreign Nationals and Non-Permanent Resident Aliens are not allowed.</b>
<b>Employment</b>	<b>See income and documentation requirement section</b>
<b>Income and Documentation Requirements</b>	<p><b>Option One – Asset Qualification</b>  Borrowers are qualified based on verified liquid assets  Foreign National borrowers are not allowed  Full Asset Documentation is required for both funds to close and reserves. Assets can be cash in the bank, stocks, bonds, IRAs, 401Ks, mutual funds or retirement accounts. For most asset types, this would include all pages of the most recent twelve (12) months. Asset levels in the verified accounts are expected to be consistent and sustained over the twelve (12) month period. Increases or decreases of greater than 15% over the twelve (12) month period must be explained by the borrower. Additional supporting documentation may be required.  <b>Employment and Income are not required to be disclosed on the 1003 loan application. If not disclosed, please enter “Not applicable to this loan” in the respective fields. Business phone number must be reflected on the 1003 (for consumer contact purposes only).</b>  Assets must be verified sufficient to cover the loan amount request with sufficient additional reserves to cover all revolving, installment, alimony/child support, and mortgage related expenses for a period of no less than five (5) years, plus the separate reserve requirement based on loan amount listed</p> <p><b>Option Two – Self-Employed using Bank Statements with or without Asset Amortization</b>  Standard FNMA income documentation is required for any W-2 wage earning borrowers  One borrower must be self-employed and may have a W-2 co-borrower  Self-employed borrowers are qualified using bank statements for the most recent 12 month period  <b>Assets must be traditionally documented</b>  <b>Borrower may use an asset amortization formula to derive additional qualifying income</b>  Foreign Nationals are not allowed.  Self-employed, commissioned, or borrowers using overtime or bonus income must have a 2 year history.  VVOE must be completed within 10 business day of closing.  All borrowers must be qualified using current verifiable income, not projected income.  Self-Employed borrowers: A borrower with a 25% or greater ownership interest in a business is considered self-employed and must be evaluated as a self-employed borrower. Borrower must document two years current continuous self-employment with business license and statement from corporate accountant/CPA confirming the same. Acceptable business license must be verified by third party (e.g., government entity, borrower’s business attorney). Borrowers whose self-employment cannot be independently verified are not eligible. In instances where a license is not required (e.g., choreographer), a letter from a CPA confirming employment will be considered in lieu of a license on a case by case basis.  Retirement and Other Income: Retirement income and other fixed documentable income is allowed for qualifying income for both a self-employed borrower and for any non-self-employed or retired co-</p>

borrower. Non-taxable income may be “grossed up” by 25%.  
Rental Income: Rental income used for qualification must be documented with lease(s). Use 75% of lease rent amount minus PITIA for net rental income.

***Borrower Affirmation for Accurate Income and Debts***

A *Borrower Affirmation* document must be signed at closing confirming the income and loan terms on the final 1003.

**Self Employed Income Calculation**

Bank statements are used to calculate and show consistency of income for the self-employed borrower

Non-sufficient funds (NSF) is a term used to indicate that a demand for payment (a check) cannot be honored because insufficient funds are available in the account on which the instrument was drawn. In simplified terms, a check has been presented for clearance, but the amount written on the check exceeds the available balance in the account.

An NSF will be counted against the borrower when the borrower’s account is overdrawn. This is the same for “non-sufficient funds” as “overdrafting,” whether or not such “overdraft protection” is enabled.

Borrower generally may have no more than 3 instances of non-sufficient funds (NSFs) in a 12 month period.

The bank statements should show a trend of ending balances that are stable or increasing over the 12 month (or other examination) period.

Decreasing income trends must be explained; additional documentation may be required.

Low ending balances must be explained; additional documentation may be required.

Net deposits must not reflect any other income sources already taken into consideration (i.e. deduct SS payments, W-2 wage earnings etc...that have already been used for income calculation.

**Asset Amortization**

The borrower may supplement bank statement income with Asset Amortization.:

Asset amortization is a calculation used to generate a monthly income stream from a borrower’s personal assets. It can be combined with other income such as Social Security, Pension or other investment income.

There is no age restriction.

**Eligibility Requirements (Asset Amortization)**

**Maximum 70% LTV/CLTV/HCLTV for Primary Residence and Second Homes Only**

Borrower and Co-Borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation

100% of eligible assets must be verified and will be amortized over the term of the loan

All assets must be in a U.S. financial institution—No Foreign Assets

The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program.

**Eligible Asset Types (Asset Amortization)**

Considered assets must be comprised of the following readily marketable assets which must be available to the borrower with no penalty and are limited as follows (after deduction of any funds used for closing or reserves):

Bank Deposits – Checking, Saving, Money Market accounts = 100%

Publicly traded stocks and bonds = 65% (stock options not allowed)

Mutual Funds = 65%

**Retirement Accounts**

401(K) plans or IRA, SEP or KEOUGH accounts = 65%

(These can only be used if distribution is not already set up)

For eligible asset types, any debt tied to that asset must be netted out.

Example: Stocks bought on margin or 401(K) loan against the 401(K) account. Assets must be in liquid or semi-liquid form, no privately held stock, deferred compensation or non-regulated financial companies.

**Ineligible Asset Types:** Business funds , Non-liquid assets (automobiles,

artwork, business net worth, etc.)

**Asset Amortization Calculation Policy:**

Eligible asset amount to be amortized over the term of the loan (e.g., 360 months for a 30 year loan, 180 months for a 15 year loan)

**The following requirements apply to Options #1 and #2:**

**Loan/Property restrictions per borrower are as follows:**

Borrowers limited to eight (8) loans with investor, not to exceed \$2,000,000. Foreign Nationals limited to two (2) loans with investor not to exceed \$2,000,000 total. If borrower only has one (1) loan with investor including the subject property, that loan may exceed \$2 million (up to the guideline maximum herein). Borrowers with > 4 financed properties are ineligible for cash-out when subject is second home or investment property. Borrowers with 5 – 10 financed properties are eligible for purchase and rate/term transactions on 2nd home or investment property with 720 minimum score. Borrowers with > 10 financed properties are not eligible for any 2nd home or investment property transactions (purchase, rate/term, or cash-out) Borrower may have financing on a maximum of 10% of the properties in a PUD or condominium project. For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed .

**Residual Income Required**

**APPLIES TO OPTION #2 ONLY**

Calculate the total gross monthly income of all occupying borrowers.

(Note: Do not gross up non-taxable income for the residual income calculation) Deduct from gross monthly income:

- a. State income tax
- b. Federal income tax
- c. Municipal or other income tax
- d. Retirement or Social Security tax
- e. Proposed total monthly fixed payment (total mortgage payment + all recurring monthly obligations)
- f. Estimated maintenance and utilities (use \$0.14 per square foot of gross living area)
- g. Job related expenses (if applicable – Employee Business Expense from IRS Form 2106)

Subtract the sum of the deductions above from the total gross monthly income of all occupying borrowers. The balance is residual income.

**Table of Residual Incomes by Region**

Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Over 5	Add \$80 for each additional member up to a family of seven.			

<b>Northeast</b>	Connecticut	New Hampshire	Pennsylvania
Maine	New Jersey		Rhode Island
Massachusetts	New York		Vermont
<b>Midwest</b>	Illinois	Michigan	North Dakota
Indiana	Minnesota		Ohio
Iowa	Missouri		South Dakota
Kansas	Nebraska		Wisconsin
<b>South</b>	Alabama	Kentucky	Puerto Rico
Arkansas	Louisiana		South Carolina
Delaware	Maryland		Tennessee
District of Columbia	Mississippi		Texas
Florida	North Carolina		Virginia
Georgia	Oklahoma		West Virginia
<b>West</b>	Alaska	Hawaii	New Mexico
Arizona	Idaho		Oregon
California	Montana		Utah
Colorado	Nevada		Washington
Wyoming			

**Appraisal**

Loan amounts <=/ \$1m require 1 Full Appraisal. Loan amounts > \$1m, and all properties For Sale by Owner require 2 Full Appraisals.

**Appraisal Review**

A Pro Teck Valuation Services Appraisal Risk Review supporting the value within 10% is required when appraisal requirement is 1 full appraisal. If it is not available, a Field Review or 2<sup>nd</sup> appraisal is required, and require documentation confirming Pro Teck inability to provide Risk Review. If variance > 10% then a Field Review is required from one of the following providers: Pro Teck Valuation Services, Clear Capital, Nationwide.

**Declining Markets**

No separate guidelines

<b>Value Determination</b>	Current Appraised value is always used
<b>Property Restrictions</b>	Max 20 acres
<b>Delegated</b>	Not Delegated. 2 <sup>nd</sup> signature is required on all loan amounts.
<b>Impounds</b>	required
<b>Max Cash Out</b>	See LTV/CLTV matrix
<b>Credits/Concessions</b>	3%
<b>2<sup>nd</sup> Home</b>	Allowed
<b>Investment Property</b>	Allowed
<b>Max # Properties Owned</b>	8
<b>Document Expirations</b>	90 days, except for appraisal is 120 days.
<b>Minimum Credit Score</b>	640
<b>Gifts</b>	Gifts are not allowed
<b>First Time Homebuyer</b>	NA
<b>Credit</b>	<p>Minimum 5 tradelines on credit report. Trade lines may be open or closed, with one seasoned trade line having a minimum 24 month rating and one trade line with at least a \$5,000 high credit limit. The seasoning and high credit limit requirements may be met with the same trade line. Authorized user trade lines are not eligible for any portion of the credit requirement .</p> <p>Judgment/Tax Lien/Collections/Charge-Offs – Must be paid. New items with a cumulative total &gt; \$5,000 in the last 24 months not allowed .</p> <p>See Foreign National section for credit requirements for Foreign Nationals</p>
<b>Housing Payment History</b>	Borrowers must have satisfactory consecutive 12 month rent or mortgage payment history in the 3 years prior to application.
<b>Major Adverse Credit</b>	<p>Bankruptcy, Short Sale, Deed-in-Lieu Minimum 4 years seasoning. Short Sale or Deed in Lieu ≥ 2 years and &lt; 4 years is acceptable with the following compensating factors: Maximum 70% LTV or existing guidelines, whichever is lower; and Additional 6 months reserves required for subject property (this amount is in addition to all other reserves required on the loan)</p> <p>Foreclosure – None in the last seven (7) years Foreclosure ≥ 3 years and &lt; 7 years is acceptable with the following compensating factors: Maximum 70% LTV or existing guidelines, whichever is lower; and Additional 6 months reserves required for subject property (this amount is in addition to all other reserves required on the loan)</p>
<b>Debt Pay Down</b>	Not allowed.
<b>Reserve Requirement</b>	<p>Gifts are not allowed for reserves.</p> <p>Loan amount &lt; / = \$1,000,000 = 3 months reserves Loan amount &gt; \$1,000,000 - &lt;\$2,000,000 = 6 months reserves Loan amount = \$2,000,000 = 12 months reserves</p> <p>Additional reserves for each financed property (other than subject): One month PITIA for each additional financed property. PITIA calculated using the actual mortgage payment (PITIA) of the “other” property for each additional property.</p> <p><input checked="" type="checkbox"/> Reserves for financed properties with a recent 12 month paid-as-agreed history may be waived <input checked="" type="checkbox"/> Reserves for financed properties acquired within the 12 months prior to application cannot be waived</p> <p>Notes: 1. Required reserves for Option #1 are calculated using only P&amp;I (principal + interest) payment. Other mortgage related debt is included with “60 months monthly debt” calculation as part of loan qualification. See <i>Income/Asset Verification Option #1 – Asset Qualification</i> See <i>Credit</i> for additional reserves required as a compensating factor when</p>



using reduced waiting periods after a short sale, deed-in-lieu, or foreclosure.

PITIA for reserves is the monthly housing expense for a property and includes the following:

- ☑ Principal and interest (P&I);
- ☑ Hazard, flood, and mortgage insurance premiums (as applicable);
- ☑ Real estate taxes;
- ☑ Ground rent;
- ☑ Special assessments;
- ☑ Any owners' association dues (including utility charges that are attributable to the common areas, but excluding any utility charges that apply to the individual unit);
- ☑ Any monthly co-op corporation fee (less the pro rate share of the master utility charges for servicing individual units that is attributable to the borrower's unit);
- ☑ Any subordinate financing payments on mortgages secured by the subject property.

**Primary Residence  
Fixed and ARM**

<b>Purchase and Rate/Term Refinance</b>					
<b>Units</b>	<b>Minimum Credit Score</b>	<b>Max LTV</b>	<b>Max CLTV</b>	<b>Maximum Loan Amount</b>	<b>Maximum Cash Out</b>
<b>1-4 Units</b>	<b>680</b>	<b>80</b>	<b>80</b>	<b>1,000,000</b>	<b>2k</b>
		<b>70</b>	<b>70</b>	<b>2,000,000</b>	
	<b>640</b>	<b>75</b>	<b>75</b>	<b>750,000</b>	
		<b>65</b>	<b>65</b>	<b>1,000,000</b>	
		<b>55</b>	<b>55</b>	<b>1,500,000</b>	
<b>Cash Out Refinance</b>					
<b>Units</b>	<b>Minimum Credit Score</b>	<b>Max LTV</b>	<b>Max CLTV</b>	<b>Maximum Loan Amount</b>	<b>Maximum Cash Out</b>
<b>1-4 Units</b>	<b>720</b>	<b>80</b>	<b>80</b>	<b>750,000</b>	<b>NA</b>
		<b>70</b>	<b>70</b>	<b>1,500,000</b>	
		<b>60</b>	<b>60</b>	<b>2,000,000</b>	
	<b>680</b>	<b>75</b>	<b>75</b>	<b>750,000</b>	<b>NA</b>
		<b>65</b>	<b>65</b>	<b>1,500,000</b>	
		<b>55</b>	<b>55</b>	<b>2,000,000</b>	
	<b>640</b>	<b>70</b>	<b>70</b>	<b>750,000</b>	<b>NA</b>
		<b>60</b>	<b>60</b>	<b>1,000,000</b>	
		<b>50</b>	<b>50</b>	<b>1,500,000</b>	

**2<sup>nd</sup> Home  
Fixed and ARM**

<b>Purchase and Rate/Term Refinance</b>					
<b>Units</b>	<b>Minimum Credit Score</b>	<b>Max LTV</b>	<b>Max CLTV</b>	<b>Maximum Loan Amount</b>	<b>Maximum Cash Out</b>
<b>1-2 *</b>	<b>720</b>	<b>70</b>	<b>70</b>	<b>1,500,000</b>	<b>\$2k</b>
	<b>680</b>	<b>80</b>	<b>80</b>	<b>750,000</b>	
		<b>70</b>	<b>70</b>	<b>1,000,000</b>	
		<b>60</b>	<b>60</b>	<b>2,000,000</b>	
	<b>640</b>	<b>70</b>	<b>70</b>	<b>750,000</b>	
		<b>60</b>	<b>60</b>	<b>1,000,000</b>	
		<b>50</b>	<b>50</b>	<b>1,500,000</b>	
<b>Cash Out Refinance</b>					
<b>Units</b>	<b>Minimum Credit Score</b>	<b>Max LTV</b>	<b>Max CLTV</b>	<b>Maximum Loan Amount</b>	<b>Maximum Cash Out</b>
<b>1-2 *</b>	<b>720</b>	<b>75</b>	<b>75</b>	<b>750,000</b>	<b>NA</b>
		<b>65</b>	<b>65</b>	<b>1,500,000</b>	
		<b>55</b>	<b>55</b>	<b>2,000,000</b>	
	<b>680</b>	<b>70</b>	<b>70</b>	<b>750,000</b>	
		<b>60</b>	<b>60</b>	<b>1,000,000</b>	
		<b>50</b>	<b>50</b>	<b>2,000,000</b>	
	<b>640</b>	<b>65</b>	<b>65</b>	<b>750,000</b>	
		<b>55</b>	<b>55</b>	<b>1,000,000</b>	
		<b>45</b>	<b>45</b>	<b>1,500,000</b>	

\*2-unit 2nd homes must be in a recognized vacation area

## Investment Property Fixed and ARM

Purchase and Rate/Term Refinance					
Units	Minimum Credit Score	Max LTV	Max CLTV	Maximum Loan Amount	Maximum Cash Out
1-4	720	70	70	1,500,000	\$2k
	680	80	80	750,000	
		70	70	1,000,000	
		60	60	2,000,000	
	640	70	70	750,000	
		60	60	1,000,000	
50		50	1,500,000		
Cash Out Refinance					
Units	Minimum Credit Score	Max LTV	Max CLTV	Maximum Loan Amount	Maximum Cash Out
1-4	720	75	75	750,000	NA
		65	65	1,500,000	
		55	55	2,000,000	
	680	70	70	750,000	
		60	60	1,000,000	
		50	50	2,000,000	
	640	65	65	750,000	
		55	55	1,000,000	
		45	45	1,500,000	