



SPECIAL PROGRAM NOTES: Note: Please note that Mortgage Insurance may not be available for properties located in a declining/ distressed market. Please check with your MI provider for eligibility on properties located in Stable and/ or distressed/ declining markets.

SECTION 1: CODING

PROGRAM CODES:	Term	Program Codes	Interest Only Program Codes
	3/1 ARM	2300-00	2302-00
	5/1 ARM	2400-00	2402-00
	7/1 ARM	2200-00	2202-00
	10/1 ARM	2500-00	2502-00

Temporary Buydown program codes:

Term	Lender Pd. 2/1	Lender Pd. 1/0	Seller Pd. 2/1	Seller Pd. 1/0
3/1 ARM	2319L-00	2320L-00	2319S-00	2320S-00
5/1 ARM	2419L-00	2420L-00	2419S-00	2420S-00
7/1 ARM	2219L-00	2220L-00	2219S-00	2220S-00
10/1 ARM	2519L-00	2520L-00	2519S-00	2520S-00

Second Lien Program Codes: Not applicable

SECTION 2: LTV/CLTV/LOAN AMOUNTS BY DOC TYPE

FULL DOCUMENTATION: Purchase & Rate/Term Refinance:	LTV	CLTV	OCC.	PROPERTY	COMMENT
	95%*	95%	Owner	1 Unit	DU only
	80%	80%	Owner	2 Units	DU only – fully amortizing only
	75%	75%	Owner	2-4 Units	DU only
	95%*	N/A	Owner	1 Unit	LP only
	90%*	95%	Owner	1 Unit	LP with secondary financing
	80%	N/A	Owner	2-4 Units	LP only
	75%	80%	Owner	2-4 Units	LP with secondary financing
	90%*	90%	2 nd Home	1 Unit	DU only
	85%	N/A	2 nd Home	1 Unit	LP only
	80%	85%	2 nd Home	1 Unit	LP with secondary financing
	80%	80%	Non-Owner	1 Unit	DU purchase only
	75%	75%	Non-Owner	1 Unit	DU rate/term refinance only
	75%	75%	Non-Owner	2-4 Units	DU only
	80%	N/A	Non-Owner	1 Unit	LP purchase only
	75%	80%	Non-Owner	1 Unit	LP purchase with secondary financing
	75%	N/A	Non-Owner	1 Unit	LP rate/term refinance only
	70%	75%	Non-Owner	1 Unit	LP rate/term refinance with secondary financing
	75%	N/A	Non-Owner	2-4 Units	LP only
	70%	75%	Non-Owner	2-4 Units	LP with secondary financing

* Maximum LTV 90% for loans in AZ, CA, FL & NV. Minimum 720 credit score for LTV > 80% in AZ, CA, FL & NV

See the interest only section below for LTV/CLTV requirements for transactions with interest only payments.

Note: Condos are not permitted in Florida.

Cash-out Refinance:	<u>LTV</u>	<u>CLTV</u>	<u>OCC.</u>	<u>PROPERTY</u>	<u>COMMENT</u>
	80%	85%	Owner	1 Unit	DU only
	75%	75%	Owner	2-4 Units	DU only
	80%	N/A	Owner	1 Unit	LP only
	75%	80%	Owner	1 Unit	LP with secondary financing
	75%	N/A	Owner	2-4 Units	LP only
	70%	75%	Owner	2-4 Units	LP with secondary financing
	75%	75%	2 nd Home	1 Unit	DU only
	75%	N/A	2 nd Home	1 Unit	LP only
	70%	75%	2 nd Home	1 Unit	LP with secondary financing
	75%	75%	Non-Owner	1 Unit	DU only
	70%	70%	Non-Owner	2-4 Units	DU only
	75%	N/A	Non-Owner	1 Unit	LP only
	70%	75%	Non-Owner	1 Unit	LP with secondary financing
	70%	N/A	Non-Owner	2-4 Units	LP only
	65%	70%	Non-Owner	2-4 Units	LP with secondary financing

**Note: Condos are not permitted in Florida.
 Interest only not permitted on cash out transactions.**

CONFORMING LOAN LIMITS:

<u># of Units</u>	<u>Continental US</u>	<u>Hawaii</u>
1 Unit	\$417,000	\$625,500
2 Units	\$533,850	\$800,775
3 Units	\$645,300	\$967,950
4 Units	\$801,950	\$1,202,925

SECTION 3:

PROGRAM PARAMETERS

MINIMUM LOAN AMT:

\$40,000.

ALLOWABLE TERMS:

All ARM programs have a 30-year term.

CASH PROCEEDS:

No limit

SPECIAL PROGRAM REQUIREMENTS:

Not applicable

ARM ADJUSTMENTS:

The index is the LIBOR, the average of interbank offered rates for one year US dollar denominated deposits in the London market as published in the Wall Street Journal. The ARM programs adjust as follows:

<u>ARM</u>	<u>Fixed Period</u>	<u>First Adjustment</u>	<u>Periodic Adjustment</u>	<u>Life Cap</u>
3/1	36 months	2.00%	2.00% / year	6.00%
5/1	60 months	5.00%	2.00% / year	5.00%
7/1	84 months	5.00%	2.00% / year	5.00%
10	120 months	5.00%	2.00% / year	5.00%

- All ARM programs are fixed for the initial period above, then after the initial adjustment, adjust annually for the remainder of the 30-year term.
- The floor is equal to the margin.
- Conversion option not available.
- The 3/1 ARM is assumable at any time subject to investor approval. The 5/1, 7/1 & 10/1 programs are assumable after the fixed period is over, subject to investor approval.
- On the 3/1 and 5/1 ARMs borrowers are qualified based on the greater of the note rate or the fully indexed rate. (Index + margin).
- The 7/1 & 10/1 ARM programs are qualified based on the note rate.
- **Refer to the ARM Plan Decoder Matrix for DU in Loan Programs/Program Matrices.**

INTEREST ONLY OPTION:	<ul style="list-style-type: none"> • The borrower may make interest only payments for the first 10 years of the loan. • After the interest only period the loan is re-amortized and the borrower makes payments that include both principal and interest for the remaining 20-year term. • Only permitted on loans with the 30-year term. Not permitted on loans with 10, 15, 20 or 25 year terms. • Permitted on owner occupied primary residence only. (including SFR, PUD, Condo) • Not permitted on cash out refinance. • Not permitted on 2-4 units. • Maximum 90% LTV/CLTV on a 1 unit primary residence purchase and rate/term refinance. • Not permitted on 2nd home or non-owner occupied properties. • The minimum required credit score is 620. • Temporary buydowns and non-occupant co-borrowers are not permitted. • Borrowers are qualified at the greater of the fully indexed rate (index + margin) or the note rate + taxes, insurance and any other applicable housing expenses. • Interest only loans must be underwritten through DU.
TEMPORARY BUYDOWNS:	<ul style="list-style-type: none"> • Lender and seller paid buydowns are permitted. • Allowed on purchases and rate/term refinances on owner occupied properties and second homes. • Not allowed on cash out refinances or on non-owner occupied properties. • Maximum buydown term is 2 years. • Increases cannot exceed 1% per year. • Not permitted on interest only loans. • Qualify at the higher of the note rate or the fully indexed rate. • See coding section above for buydown program codes.
PREPAYMENT PENALTY:	Not applicable
SECTION 4: BORROWER ELIGIBILITY	
FIRST TIME HOMEBUYER:	Allowed, no restrictions.
NON-OCCUPANT CO-BORROWER:	<ul style="list-style-type: none"> • Only allowed on full doc primary residences. • Non-occupant co-borrower income may be used for qualifying to 90% LTV. • Non-occupant co-borrowers may be family members or someone who has an established relationship to the occupant borrower. • The occupying borrower must contribute 5% from their own funds, unless the LTV/CLTV is ≤80%, then the entire down payment may come from a gift. • The owner occupant must qualify at 35%/43% ratios unless higher ratios are approved by DU. • When using LP (Freddie Mac Loan Prospector), the maximum DTI for the occupying borrower is 43% regardless of AUS. • The non-occupant borrower should not be a party to the transaction such as the seller, builder or real estate broker.
PERMANENT RESIDENT ALIEN:	<ul style="list-style-type: none"> • Allowed under the same terms as US citizens. • Permanent resident aliens must provide proof of their residency (i.e. green card). • The Permanent Resident Alien certification must be completed and included in the loan file.
NON-PERMANENT RESIDENT ALIEN:	<ul style="list-style-type: none"> • Borrowers are eligible for financing under the same terms as a US citizen. • Borrowers must provide proof they can legally live and work in the US. • Acceptable VISA types are: H-1, L-1, E-1, G-1, G-2, G-3, G-4, TN NAFTA or TC NAFTA.
FOREIGN NATIONAL:	Not eligible.

NON-ARMS LENGTH TRANSACTIONS:

- A non-arms length transaction is defined as a direct relationship between any of the parties to the transaction including, buyer, seller, employer, lender, broker, appraiser, etc.
- Non-arms length transactions may be acceptable provided there is adequate verification the borrower is making the required minimum down payment from their own funds, there is an executed sales contract, the appraisal supports the value and the appraiser comments on whether the market value is affected by the relationship of the parties.
- Non-arms length transactions that are specifically “at-interest transactions” involve persons who are not closely tied or related but may have a greater vested interest in the transaction, such as a party who plays more than one role in the same transaction (selling/listing agent and mortgage broker, for example). At-interest transactions carry increased risk due to the greater vested interest in the transaction by one of the parties.
- Second home and investment property transactions are not permitted for non arms length or at interest transactions.

NUMBER OF OTHER PROPERTIES:
Number of financed properties:

- For Owner Occupied properties, there is no limit to the number of financed properties that the borrower may own.
- For second homes, the borrower may not own more than four 1 to 4 unit properties that are financed, including the subject property.
- For non-owner occupied properties, a borrower who owns more than one financed non-owner occupied property, may not own more than four 1 to 4 unit properties that are financed, including the subject property.

Note: Exceptions are not permitted.

Number of properties Stearns will finance:

- STEARNS LENDING will finance up to 3 properties per borrower:
 - ❖ One owner occupied property and one second home and one non-owner occupied property OR
 - ❖ One owner occupied property and 2 non-owner occupied properties
- Borrowers cannot have acquired any properties (including owner occupied, second home or non-owner) in the last 90 days AND no more than 2 non-owner occupied properties in the last 12 months. An exception can be made if the subject transaction is an owner occupied rate/term refinance with the following:
 - The recently purchased properties are **clearly** documented as investment or 2nd homes with substantially lower values, in different locations, and there is no cash out in the transaction. Other scenarios must still be approved by corporate support.
- Stearns will make loans totaling \$4,000,000 on primary residences and second homes. The maximum total amount for non-owner occupied loans is \$1,000,000.

SECTION 5:
UNDERWRITING:
CREDIT CRITERIA
Automated Underwriting:

- All loans **must** be underwritten through Freddie Mac’s Loan Prospector (LP) or Fannie Mae’s Desktop Underwriter (DU) version 7.1 and receive an Accept or Approve/Eligible recommendation. As of applications dated 12/12/09, new submissions must be submitted through DU 8.0.
- **Loans may be documented per the DU/LP findings report with the exception of the appraisal.**
- A verbal VOE must be completed by the underwriter, the funder or the QC department for all borrowers including self-employed. The business phone number must be retrieved from 411 (directory assistance) or similar directory. The business phone number **MUST** be listed.
- Interest only loans must be underwritten by DU. LP is not permitted.
- Loans with the interest only option must be identified as interest only and the appropriate loan plan must be chosen per agency AUS guidelines.
- **Ratios are determined by DU or LP, however, for all loans that have ratios $\geq 50\%$, a 2nd signature by a delegated 2nd signer is required. For new submissions after 12/18/09, the maximum DTI is 50% regardless of previous DU 7.1 approval or LP approval. Note: running LP simply due to ratios being high is not acceptable.**

CREDIT SCORES:

- A 3 bureau merged in-file report must be obtained that contains at least 2, preferably 3 credit scores for each borrower.
- **A “representative score” (lower of 2, middle of 3) will be chosen for each borrower on the loan. Then, the lowest of all the borrower’s “representative scores” will be the score used for qualifying.**
- The minimum credit score for DU loans is 580 regardless of the AUS recommendation. Beginning with DU 8.0 submissions on or after 12/12/09, 620 score will be required.
- **All borrowers must have credit scores. Co-borrowers with no scores are not permitted regardless of AUS.**
- Minimum **620** credit score required for all borrowers regardless of AUS for all new files submitted **after 12/18/09**, even if previously approved under DU 7.1.
- Interest only, non owner occupied loans, and all 3-4 unit properties require a minimum 620 credit score regardless of the automated approval.
- **Loans in AZ, CA, FL & NV with LTV > 80% require 720 credit score.**

CREDIT REQUIREMENTS:

- Per DU/LP recommendation
- Mortgage/rental history must be 0x60 in the last 12 months, regardless of AUS.
 - Foreclosures: More than 5 years, within 7 years: Owner occupied purchase only will be permitted to a maximum LTV of 90%, minimum credit score of 680.
 - Deed in lieu of foreclosures: More than 4 years, within 7 years: Owner occupied purchase only will be permitted to a maximum LTV of 90%, minimum credit score of 680. Within 4 years will be ineligible.
 - Bankruptcy: Chapter 13 discharged in the last 24 months, dismissed within the last 48 months, or filed but neither discharged nor dismissed within the last 48 months are ineligible. Non-chapter 13 bankruptcies that were filed, discharged or dismissed within the last 48 months are ineligible.
 - Short sale requirements: At least 4 years must have elapsed since completion in the event of financial mismanagement. At least 2 years must have elapsed since completion in the event of extenuating circumstances (defined as documented circumstances beyond the borrower’s control such as loss of job, extended unemployment, death of a spouse, major medical) with no prior derogatory credit.

RATIOS:

- Ratios are determined by DU or LP, however, for all loans that have ratios $\geq 50\%$, a 2nd signature by a delegated 2nd signer is required.
- Effective with DU 8.0 (12/12/09), the maximum DTI will be 45% with some flexibilities up to 50%.
- **For new submissions after 12/18/09, the maximum DTI is 50% regardless of previous DU 7.1 approval.**

QUALIFYING:

- On the 3/1 ARM and 5/1 ARM, borrowers are qualified based on the greater of the note rate or the fully indexed rate. (Index + margin)
- The 7/1 & 10/1 ARM programs are qualified based on the note rate.
- **For interest only loans** borrowers are qualified at the higher of the note rate or fully indexed (index + margin) fully amortizing payment for the entire term of the loan.
- **On loans with buy downs**, the qualifying rate is the higher of the note rate or the fully indexed rate.
- **Child support/alimony** payments with ≤ 10 payments remaining are not included in the DTI.
- Loans secured by a liquid asset (i.e. 401K) are not included in the debt calculation.
- **Deferred student loans will be included** in the DTI regardless of the length of the deferment.
- **For revolving debt payment**, use the minimum payment from statement or credit report; or \$10 or 5% of the current balance, whichever is greater, if no payment is stated on the credit report.
- **Paying revolving debt** off to qualify is permitted provided it is allowed on the automated findings report, the borrower has the funds in verified assets to pay the account(s) and the payoff is documented (HUD-1).
- **Lease payments** will be included in the DTI regardless of the number of payments remaining in the lease.

QUALIFYING: (cont'd)

- **Co-signed obligations** will not be included in the DTI if there is evidence the primary borrower has made payments as agreed for the last 12 months (copies of canceled checks, front and back). A copy of the note must also be provided to show that the person making the payments is also an obligor on the note. Being placed on title is not sufficient.
- **Contingent liabilities** (i.e. property settlement "buy-outs" or court-ordered assignment of debt) will not be included in the DTI if there is proof the debt belongs to another person. A copy of a court order, divorce decree or property settlement may provide proof of the contingent debt.
- **Loans with HELOC as subordinate financing:** To Qualify a borrower for a new piggyback HELOC or to subordinate an existing HELOC secured by the subject property, use 1% of the total line amount (proposed or the line amount to be subordinated). To debt service an existing HELOC secured by other than the subject property, use the payment amount shown on the credit bureau. If there is no payment shown, or, if there is a HELOC on the application that does not show on the bureau, use 1% of the total line amount.
- Payments on **bridge loans** will not be included in the debt ratio.
- Existing negative amortization loans (on other properties held by the borrower) should be qualified at the fully indexed rate, fully amortized payment at the current loan balance.
- If rental income is used to qualify, 6 months rent loss insurance coverage is required regardless of AUS findings. This includes rental income on 2-4 unit owner occ properties.

Primary Residence that has not been sold or is being converted to a second home or non-owner property:

Scenario	Required Action
Current primary residence is pending sale, but will not close prior to the new transaction.	Both the current and proposed mortgage payments must be used to qualify the borrower for the new transaction AND 6 months PITI required for reserves on both the new & current properties. Reserves of 2 months PITI for the retained property and the required reserves for the program for the subject property may be considered if there is documented equity of at least 30% in the existing property as determined by a 2055 appraisal minus outstanding liens. Note: Appraisal must comply with HVCC.
Conversion to second home	Both the current and proposed mortgage payments must be used to qualify the borrower for the new transaction AND 6 months PITI required for reserves on the current property AND the greater of 6 months PITI or the maximum required for the program is required on the new property. OR Reserves of 2 months PITI for the retained property and the required reserves for the program for the subject property may be considered if there is documented equity of at least 30% in the existing property as determined by a 2055 appraisal minus outstanding liens. Note: Appraisal must comply with HVCC.
Conversion to Non-owner occupied property	Up to 75% of the rental income may be used to offset the mortgage payment in qualifying if there is documented equity of at least 30% in the existing property as determined by a 2055 appraisal minus outstanding liens. Note: Appraisal must comply with HVCC. The rental income must be documented with a copy of a signed lease agreement AND the receipt of a security deposit from the tenant and deposit into the borrowers account. A family member, individual with an established relationship with those involved in the transaction or an interested party may not sign the lease agreement as the renter. At the discretion of the underwriter, a "fair market rent" letter may also be required. If the borrower does not have at least 30% equity in the property both the current and proposed payments must be used to qualify for the current transaction AND 6 months PITI is required for reserves on both properties.

****Note: A 2055 Appraisal must be obtained for the property to determine the equity. Appraisal must comply with HVCC. ****

**CALCULATING
LTV/CLTV/VALUE:**

- For purchase transactions, the lesser of the purchase price or appraised value will be used to determine the LTV/value.
- For refinance transactions, the current appraisal is used to calculate LTV/value, regardless of the purchase date.

Re-negotiated purchase agreement policy:

- Stearns will not accept re-negotiated purchase agreements that increase the sales price after the appraisal has been completed if:
 - The appraised value is higher than the contracted sales price provided to the appraiser, and
 - The new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and
 - The only change to the purchase agreement is an increase in sales price.
- If the purchase agreement is re-negotiated after the completion of the appraisal, the loan to value will be based on the lower of the original purchase price or the appraised value, unless:
 - A re-negotiation of seller paid closing costs and/or pre-pays occurs if customary for the market and supported by comparables, not to exceed standard seller contributions, or
 - An amended purchase agreement for a new construction property is obtained due to improvements that impact the value. In the event of such changes, an updated appraisal must be obtained to verify the value of the modifications.

SEASONING:

- For a cash-out refinance the borrower must own the property for at least six months. Measured from HUD-1 date to application date.
- Hud-1 settlement statement(s) are required from any transaction within past 6 months. If the previous transaction was a cash-out or if it combined a first and non-purchase money subordinate into a new first, the new loan will be considered cash out. If the new transaction combines a first and non-purchase money subordinate into a new first loan, it is considered cash out.

REFINANCES:

Properties may not be currently listed or listed for sale within 6 months prior to the application date. ***An exception may be permitted on an Owner Occupied Property with a second signature from corporate support.***

Continuity of Obligation:

- On any refinance transaction where there is an outstanding lien that will be satisfied, at least one of the borrowers obligated on the new loan must also be obligated on the existing loan being refinanced.
- An acceptable continuity of obligation exists when one of the following exists:
 - ❖ At least one borrower obligated on the new loan was also a borrower obligated on the existing loan being refinanced.
 - ❖ The borrower has been on title and living in the property at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor.
 - ❖ The existing loan being refinanced and the title have been held in the name of a natural person or LLC (Limited Liability Company) as long as the borrower was a member of the LLC prior to transfer.
 - The applicant(s) must be 100% owners of the LLC, otherwise the property must be considered investment property.
 - If the transaction is owner occupied, at least 6 months of occupancy prior to the transaction must be established.
 - Cash out is not permitted.
 - Payoff of joint owners of the LLC is not permitted.
 - Caution should be used when there are several members of an LLC with small percentages of ownership, especially when the borrower owns a smaller overall percentage than the majority of the owners.
 - Transfer of ownership from a corporation (such as an S corporation or a C corporation) to an individual does not meet the continuity of obligation requirement.

**REFINANCES:
(cont'd)**

- ❖ The borrower has recently inherited or was legally awarded the property. (divorce, separation)
- Loans with an acceptable continuity of obligation are considered either a rate/term or cash-out refinance based on the criteria below.
- “Buy outs” from a divorce settlement or property inheritance will be considered rate/term refinances if the criteria below is met.
- If the borrower is currently on title, but is unable to demonstrate an acceptable continuity of obligation, or there is no outstanding lien against the property, the loan is eligible for financing as a cash-out refinance with the following additional restrictions:
 - ❖ If the property has no outstanding liens (e.g. was purchased for cash or prior loans have been paid off): If the property was purchased within 6-12 months prior to the application for new financing, the LTV will be based on the lesser of the sales price/acquisition (documented on the HUD-1) or the current appraised value. If the property was purchased >12 months prior to the application date for new financing, the current appraised value may be used to calculate the LTV.
 - ❖ If the borrower has been on title at least 6 months but continuity of obligation does not exist, the maximum LTC will be limited to 50% based on the current appraised value.

A rate/term refinance may include:

- Paying off the outstanding balance of the existing first mortgage, including any prepayment penalty.
- Paying off any subordinate lien used solely for the acquisition (purchase) of the property.
- Financing of closing costs, including pre-paid items.
- Cash back to the borrower not to exceed the lesser of 2% of the balance of the new loan amount or \$2,000.
- The payoff of any subordinate lien that doesn't meet the definition above will be considered a cash-out refinance, regardless of seasoning.
- When a subordinate lien is being paid off, there must be evidence the lien was used to purchase the property (HUD-1) or the loan will be classified as a cash-out refinance.
- Hud-1 settlement statement(s) are required from any transaction within past 6 months. If the previous transaction was a cash-out or if it combined a first and non-purchase money subordinate into a new first, the new loan will be considered a cash out. If the new transaction combines a first and non-purchase money subordinate into a new first loan, it is considered cash out.
- A rate/term refinance must provide some benefit to the borrower, including but not limited to the following:
 - Decreased PITIA payments or overall monthly obligations
 - Shorter term
 - Fixed rate from balloon, ARM, neg am or interest only
 - Payoff of purchase money 2nd lien
- Some states require Net Tangible Benefit or Benefit to Borrower calculation – please see State Guidelines. For other states, there is a Statement of Borrower Benefit in J:\Operational Tools\FORMS\Underwriting that may be used as a tool.
- Caution should be used when borrowers refinance in a very short time, to avoid “churning” of loans for the benefit of the originator rather than the borrower.

Buyouts of an ex-spouse or joint owner may be treated as a rate/term refinance if the following conditions are met:

- The property has been owned and occupied for the previous 12 months by the borrower and joint owner, except in the case of an inheritance.
- The borrower's income, assets and debts are fully verified.
- The file contains documentation of the divorce property settlement or estate disposition.
- The loan proceeds must be disbursed directly to the ex-spouse or joint owner (or his/her authorized agent) and not to the borrower.

Cash-out Refinance:

- A cash-out refinance is any refinance transaction that does not meet the requirements above.
- A short term refinance that combines an existing first mortgage and non-purchase money subordinate lien into a new first mortgage is considered a cash-out refinance. In addition a refinance of this loan within 6 months will also be considered a cash-out refinance.

SUBORDINATE FINANCING:

- Allowed per the LTV/CLTV limits stated above.
- The junior lien may not amortize or mature <5 yrs from the note date.
- The subordinate financing may **not** come from the developer or realtor.
- Seller subordinate financing is permitted as long as agency requirements below for subordinate lien are met. A review appraisal, or AVM is required to confirm the property value.
- Builder subordinate financing is permitted if the builder is the seller of the property. Note that extra diligence should be used when reviewing the seller concessions and the value of the property should be well supported.
- If the subordinate lien has a variable payment, other than a HELOC, the monthly payment must remain constant for at least 12 months and cannot have more than a 1% increase in the interest rate.
- The payments must cover at least interest only and cannot provide for neg am.
- The subordinate lien must allow for repayment at any time (prepayment penalties are not permitted).
- HELOCs with “early termination fees” as a flat fee not to exceed \$500 (fee as a percentage of loan amount is not permitted) allowed per FNMA announcement 09-19: HELOCs or closed-end second mortgages that pay for some or all of the borrower’s closing costs with terms that allow the lender to recoup the closing costs paid on behalf of the borrower if the borrower pays the HELOC or second mortgage off early. This cost is not considered a prepay penalty, although it may be called a prepayment fee in the verbiage. However, state guidelines must be adhered to.
- If the first lien has a buydown feature, the subordinate lien must have fixed payments.
- A copy of the subordinate lien note AND subordination agreement must be obtained for the loan file.
- Secondary financing provided by any type of DAP/Community 2nd program, regardless of its source, is unacceptable at this time.

EMPLOYMENT/INCOME:
Income/employment may be documented per DU/LP.
Notes:

- A verbal verification of employment is required for salaried **and** self-employed borrowers. The business phone number must be retrieved from 411 (directory assistance) or similar directory. The business phone number **MUST** be listed. A printout of the information should be provided in the file.
- A written VOE or pay stub may not replace a verbal VOE. In addition, a year to date paystub and W2 is required regardless of AUS findings.
- A salaried borrower’s employment/income is verified with their current employer. A self-employed borrower’s employment/income is verified by obtaining the business number through directory assistance and through the borrower’s CPA, business license or professional organization. A printout of the information should be provided in the file.
- Tip income can only be used in qualifying income if they are included in 2 years taxable income. UW should develop an average income trend over the past 2 years, and the employer must indicate that the tip income will in all likelihood continue.
- If rental income is used to qualify, 6 months rent loss insurance coverage is required regardless of AUS findings. This includes rental income on 2-4 unit owner occupied properties.
- If rental income from the subject property is used to qualify:
 - Net cash flow must be calculated by the amount established by the appraiser in the Operating Income Statement (FNMA 216/FHLMC 998)
 - 2 year rental property management history only needs to be evidenced if required by AUS findings.
- Income from accessory or “in-law/granny” units is not permitted. Income may only be used if the property is taxed as a 2 unit property, and is not permitted if classified as an SFR with accessory unit.
- A signed 4506-T will be processed by Stearns regardless of AUS findings. Regardless of AUS results, if there is a variance of greater than 10% between the income returned on the 2 years 4506T transcripts, additional income documentation will be required.
- Trailing spouse income is no longer permitted, regardless of AUS findings.

EMPLOYMENT/INCOME:

(cont'd)

- **Retirement Income:** Per FNMA guidelines, retirement and/or pension income must be verified by one of the following: letters from the organizations providing the income, copies of retirement award letters, copies of signed tax returns, W-2 or 1099 forms, or copies of the borrowers' 2 most recent bank statements and retirement account statements showing **regular distributions**. If retirement income is paid in the form of a monthly distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least 3 years after the application date.

ASSETS:

Assets documented per DU/LP

- Liquid assets include checking accounts, savings accounts, CD's, gifts, money market, mutual funds, stock, trust funds, net equity, bridge loans, bonds, secured borrowed funds, etc.
- Funds from personal assets that are sold prior to closing are acceptable as long as the individual purchasing the asset is not a party to either the property sale transaction or the mortgage financing transaction.
- Must document ownership of the asset, the value of the asset, provide a bill of sale and proof of receipt of funds.
- Stocks, bonds and mutual funds: 70% of the value may be used as reserves
- Retirement accounts (IRA, 401K, etc): 60% of the vested value may be used as reserves
- Stock options and non-vested restricted stock are not eligible for use as reserves.
- Two consecutive monthly bank statements **OR** a verification of deposit **AND** one most current previous month's bank statement is the minimum documentation required to document the Borrower's assets. A written verification of deposit alone is not acceptable in documenting the borrower's assets. At least one month's most current previous bank statement is required to cross-validate the information if a verification of deposit is used.

CASH RESERVES:

Reserves may be documented per DU or LP.

Gift funds may not be used for reserves

- Investment property transactions require 6 months' reserves, regardless of AUS.
- Second home transactions require 2 months' reserves, regardless of AUS.
- When the subject property is an investment property or second home, and the borrower owns one to four financed properties, 2 months reserves are required on each additional financed second home or investment property.

Reserve calculation must include all of the components of the monthly housing expense (PITIA): principal and interest; hazard, flood and MI premiums (as applicable); real estate taxes; ground rent; special assessments; any HOA dues (excluding any individual unit utility charges); and any subordinate financing payments on mortgages secured by the subject property.

GIFTS/ DOWN PAYMENT:

Down Payment:

- On an owner occupied property borrowers must make a minimum 5% down payment from their own funds. If the LTV is $\leq 80\%$ and there is no subordinate financing, the entire down payment may come from a gift.
- For second homes and non-owner occupied properties, the initial down payment must come from the borrowers own funds.

Gifts may be documented per DU/LP:

- Gifts are permitted on primary residence purchase transactions after the borrower has made the initial down payment from their own funds. (see down payment requirements above)
- Gift funds will be permitted on second home transactions if the LTV is $\leq 80\%$ **and** the borrowers are bringing in at least 20% of the down payment from their own funds.
- Gifts are not permitted on non-owner occupied properties.
- Gifts must come from a relative, domestic partner or fiancé.
- A gift letter must include the name, address and telephone number of the donor, the relationship to the borrower, state the dollar amount of the gift and that no repayment is expected or required.
- If the gift funds are not already in the borrowers account, transfer of the gift funds to the borrowers account or to escrow (or the closing agent) must be documented.

**GIFTS/DOWN PAYMENT:
(cont'd)**

Gifts of Equity:

- A gift of equity is permitted for a primary residence purchase. The seller agrees to donate a portion of the equity in the subject property in lieu of all or a portion of the down payment. No cash changes hands. Gifts of equity must meet the following requirements:
 - ❖ The gift must be provided by a relative or any other person related by blood, marriage, adoption or legal guardianship, fiancé or domestic partner.
 - ❖ The donor may not have any affiliation with the builder, developer, real estate agent or any other interested party to the transaction.
 - ❖ If the LTV is >80% at least 5% of the down payment must come from the borrowers own funds
 - ❖ Gift letter is required.
 - ❖ The gift of equity must be identified on the sales contract and the sales price of the property must be at current market rate.
 - ❖ The gift of equity must be transferred to the borrower as a credit in the transaction and must be documented on the HUD-1.

1031 Exchange:

- Permitted on investment properties only.
- Escrow instructions required on both the relinquished and acquired properties.
- Closing must be handled by a qualified intermediary. (Accommodator)
- 1031 exchange agreement required.
- HUD-1 required for both properties.
- Verification of receipt of funds by the accommodator or exchange holder from the property being relinquished and credit of those funds to subject property.
- Exchange must be in individual's name
- Relinquished property must close before or at same time. Reverse exchanges are not permitted.
- Appraisal required
- Statement of borrowers equity required: Calculated at lower of sales price from sales contract OR gross trade value from sales contract less sum of transfer fees and all lien balances on currently owned property and transfer fees on new property OR appraised value of borrowers currently owned property plus any new transfer fees on new property.

**DOCUMENTATION
TYPES:**

Loan applications on this program must be fully documented. Income, employment and assets are fully verified.

For all transactions:

- A verbal VOE is required for all types of employed borrowers prior to closing, including for self-employed borrowers.
- Regardless of AUS findings, a year to date paystub and W2 is required, a written VOE may not replace a paystub and W2
- The salaried borrower's employment/income is verified with their current employer.
- The self-employed borrower's employment/income is verified by obtaining the business number through directory assistance and through the borrower's CPA, business license or professional organization. A printout of the information should be provided in the file.
- A signed 4506-T will be processed by Stearns regardless of AUS findings. Regardless of AUS results, if there is a variance of greater than 10% between the income returned on the 2 years 4506T transcripts, additional income documentation will be required.
- **Age of credit documentation:** The maximum age of all credit documents (including credit report, employment, income and asset documents) is **60 days at the time of underwriting, 90 days at the time of funding**, regardless of AUS requirements. **No exceptions will be permitted.**

SECTION 6:	PROPERTY/APPRAISALS
<p>ELIGIBLE PROPERTIES:</p>	<p>Eligible Properties are attached & detached SFRs, 2-4 units, warrantable condo and PUD units, rural properties and modular homes.</p> <p>Condition of Property: For all real estate transfers (purchase transactions). All properties must be habitable and all appliances, plumbing, electrical, etc. must be functional and in good working condition. A stove is not required in the case where a stand-alone appliance can be placed. If the kitchen has built in appliances, a stove/oven must be installed. The lack of a stove or oven can not pose any health or safety hazard, otherwise installation is required prior to closing.</p> <p>Agency Warrantable condo projects allowed. See condo section for more info.</p> <p>2nd Homes must be suitable for year round occupancy. Timeshares, condotels, mandatory rental pools and properties with recreational leases are not allowed. Multi-units and mixed-use properties are not eligible for second homes.</p> <p>Modular Housing is acceptable. Modular housing is prefabricated, panelized or sectional housing that assumes the characteristics of a site built home, meets all local and state building codes, is permanently affixed to the land and is legally classified as real estate. At least one comparable sale must be of a modular home.</p> <p>Leaseholds permitted. The term of the lease must extend at least 5 years beyond the term of the loan. All other FNMA requirements must be met.</p> <p>Listed Properties/Refinance Transactions: Properties may not be currently listed at the time of application.</p> <ul style="list-style-type: none"> • The property listing agreement must be cancelled a minimum of 1 day prior to the application date. • A copy of the cancelled/expired listing must be included in the file. • In addition, a search of the MLS must be conducted to verify that the property is not listed by another agency. • For owner occupied transactions, the borrower must confirm the intent to occupy the property. • For cash out refinances where property has been previously listed, the maximum LTV/CLTV/HCLTV is 70% (or the maximum per the program guidelines). <p>Property Flipping: If the owner (individual or entity other than the Mortgage holder) sells a property within 90 days after the date of acquisition, that property is not eligible for financing.</p> <p>Rural Properties:</p> <ul style="list-style-type: none"> • No maximum acreage, but must have a size that is common & customary for the market, that can be supported by the appraisal and comparables. • Land value should typically not exceed 30% of the total property value • Property and subject neighborhood must be residential in nature • Conform to the existing zoning with any residential use permissible under zoning and land use regulations, and be typical to the market area • Properties must be readily accessible by roads that meet local standards, and must have adequate utilities
<p>INELIGIBLE PROPERTIES:</p>	<p>Ineligible properties: condotels, timeshares, cooperatives, commercial properties, unimproved land, manufactured housing; income producing properties or farms, properties with deed restrictions, properties on Indian leased land.</p> <ul style="list-style-type: none"> • FHA approved (FNMA Type U) condos not permitted. All projects must meet FNMA/FHLMC requirements. <p>Re-negotiated purchase agreement policy:</p> <ul style="list-style-type: none"> • Stearns will not accept re-negotiated purchase agreements that increase the sales price <u>after</u> the appraisal has been completed if: <ul style="list-style-type: none"> ▪ The appraised value is higher than the contracted sales price provided to the appraiser, and ▪ The new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and ▪ The only change to the purchase agreement is an increase in sales price.

INELIGIBLE PROPERTIES:
 (cont'd)

- If the purchase agreement is re-negotiated after the completion of the appraisal, the loan to value will be based on the lower of the original purchase price or the appraised value, unless:
 - A re-negotiation of seller paid closing costs and/or pre-pays occurs if customary for the market and supported by comparables, not to exceed standard seller contributions, or

An amended purchase agreement for a new construction property is obtained due to improvements that impact the value. In the event of such changes, an updated appraisal must be obtained to verify the value of the modifications.

STATE RESTRICTIONS:

- Loans allowed in the 48 contiguous states, the District of Columbia and the state of Hawaii.
- Properties located on the island of Hawaii and located in Lava Flow Hazard Zones 1 or 2 as determined by the US Geological Survey are not eligible for purchase.
- **Condos are not permitted in Florida.**
- Cash-out refinances are not permitted in Texas.
- A full interior/exterior appraisal is required for all properties in Texas regardless of AUS.

CONSTRUCTION/PERM:

Construction to perm financing is defined as providing financing for a long-term mortgage for the purpose of replacing the interim construction financing that was used to construct the property.

Note –investment properties are not permitted.

Construction to Perm loans may be classified as a purchase or refinance:

Purchase:

- The transaction must occur within 180 days after completion of the construction, the borrower may not receive any cash out and the acquisition cost is documented.
- The borrower may not receive any cash proceeds unless they are used to reimburse the borrower for documented costs (paid receipts) paid outside of closing.
- If the purpose of the long-term mortgage is to make a single disbursement to a builder/contractor, the transaction is considered a purchase.
- A minimum 5% down payment is required.
- The LTV is determined based on how long the borrower has owned the land.
 - ❖ If the borrower has owned the land <12 months, the LTV is based on the lesser of the current appraised value OR the sales price of the land plus any documented improvement costs.
 - ❖ If the borrower has owned the land for at least ≥12 months, or the land was received as a gift, the LTV is based on the lesser of the current appraised value OR the appraised value of the land plus any documented improvements.

Refinance:

- May be a cash-out or no cash out transaction.
- There is no time limitation on a refinance transaction. If the transaction occurs >180 days after the construction is completed, it will be considered a refinance.
- If the proceeds from the permanent loan are used to pay off all construction financing, allowable closing costs AND the borrower received no cash back, the transaction will be considered a rate/term refinance.
- If the borrower has owned the land for at least 12 or more months, the LTV is based on the current appraised value of the property.
- If the borrower has owned the land <12 months, the LTV is based on the lesser of the current appraised value OR the sales price of the land plus any documented improvement costs.
- If the land was received as a gift, the LTV is based on the lesser of the current appraised value OR the appraised value of the land plus any documented improvements.

General Requirements:

- Borrowers must have title to the lot AND be the primary obligor on the construction financing. The construction financing must be obtained through a legitimate financial institution. The borrower must be on the note for the permanent financing.
- Appraisal and credit documents cannot be >180 days old as of the note date.

APPRAISAL:

- As determined by DU or a minimum 2075 drive-by appraisal is required on all files. **A full interior/exterior appraisal (1004/1073 as applicable) is required for all LTVs > 80% regardless of AUS requirements.**
- A full appraisal (1004/1073 as applicable) is required when the transaction is a result of the sale of an REO property, or if the previous transaction on the property was foreclosure, regardless of AUS determination
- A full interior/exterior appraisal is required for all properties in Texas regardless of AUS.
- 1007 (Single-Family Comparable Rent Schedule) is required for all one-unit investment properties regardless of AUS findings.
- A 216 (Operating Income Statement) is required for all one-unit investment properties **and for all 2-4 unit properties** (including owner occupied), regardless of AUS findings. This is required even when income is not being used to qualify.
- All appraisals with an effective date on or after April 1, 2009 will require Form 1004MC Market Conditions Addendum to the Appraisal Report
- All appraisals for loans with an initial application date on or after May 1, 2009 must be HVCC (Home Value Code of Conduct) compliant.
- Appraisals may be no older than 90 days at funding. If the appraisal is older than 90 days a new appraisal must be obtained.
- **Condition of Property: For all real estate transfers (purchase transactions).** All properties must be habitable and all appliances, plumbing, electrical, etc. must be functional and in good working condition. A stove is not required in the case where a stand-alone appliance can be placed. If the kitchen has built in appliances, a stove/oven must be installed. The lack of a stove or oven can not pose any health or safety hazard, otherwise installation is required prior to closing.
- All appraisals with an effective date on or after April 1, 2009 will require Form 1004MC Market Conditions Addendum to the Appraisal Report
- If a supervisory appraiser signs the appraisal report on behalf of an appraiser, the supervisory appraiser must have performed the inspection of the property.
- Recommendations that require a fee (no appraisal option) are not allowed.
- A 3-year sales history for the subject property is required. The appraiser must also report any existing sale or option contracts on the subject property. If the estimated value of the property "as is" varies by >5% from the sale or option contract amount, the appraiser should explain the difference.
- The cost approach is no longer required on all appraisals, but the site value must be completed.
- Note: **For all transactions**, the underwriter must pull additional comps if the comparable sales on the appraisal are older than 90 days from the date of the appraisal, at the time or underwriting **OR** are located >1 mile from the subject property for urban & suburban properties and > 5 miles away for rural properties. The additional comps must support the appraised value. If the comps do not support the appraised value an AVM must be obtained. The value on the AVM must be within 10% of the appraised value. If the AVM is not within 10% of the appraised value, an enhanced desk review must be obtained and must support the appraised value. If the enhanced desk review does not support the appraised value, the value must be reduced, or a field review obtained through our AMC portal.

CONDO PROJECTS:

- **Condo projects are not permitted in Florida.**
- Agency warrantable (FNMA/FHLMC) condo projects are permitted.
- FHA approved (FNMA Type U) condos not permitted. All projects must meet FNMA/FHLMC requirements.
- Manufactured homes not permitted in condo projects.
- Low and high-rise projects are permitted. Low-rise projects have ≤4 stories, high rise projects have >4 stories.
- Site condos are eligible as long as the project consists of detached SFRs and have no common improvements other than greenbelts, private streets and parking areas.
- "Walls In" (HO-6) hazard insurance coverage for condos: If the blanket insurance policy does not provide coverage of the interior of the unit, the borrower will be required to obtain "walls in" coverage. See hazard insurance section below for details.

**CONDO PROJECTS:
(cont'd)**

- **Ineligible condo projects** are timeshare or segmented ownership projects, own your own property, houseboat project, kiddie condos, project with non-conforming zoning, projects in litigation or condotels.
- Note: Condo projects in litigation may be eligible for an exception from corporate:
 - Litigation can not be structural/defect construction litigation.
 - Slip and fall/nuisance lawsuits, HOA dues suits may be acceptable
 - Provide HOA documents with file to corporate support for review
- New projects where the seller is offering sale/financing structures in excess of FNMA's eligibility policies for individual loans are ineligible. These excessive structures include, but are not limited to builder/developer contributions, sales concessions, HOA or principal abatements and interest payment abatements, and/or contributions not disclosed on the HUD-1.
- **Condo projects** where a single owner may hold a single deed evidencing ownership of more than one unit is an ineligible project type.
- **FNMA Limited Review** may be permitted for attached condos based on the LTV and occupancy. Limited review is only permitted on established projects that meet the following requirements:

Occupancy	AUS Approve recommendation
Primary Residence	≤90%
Second Home	≤75%
Non-owner	Not permitted

- ❖ The project must meet the warranty requirements in the seller guide.
- ❖ The project may not be an ineligible project.
- ❖ All units, common area and facilities must be 100% complete and cannot be subject to additional phasing.
- ❖ The project must be covered per agency insurance requirements.
- **Site/detached condos/PUDS** are permitted for new or existing detached condos/PUDS. Permitted on primary residences and second homes. There are no pre-sale or occupancy requirements for the project. Completion is only required for the subject unit.
- **Full Lender Review for New and Established Projects:** please refer to the matrices located in the shared J drive/Operational Tools/Underwriting/Condominiums, for documentation that is required for the Full Lender Review.
- **2-4 Unit projects** must meet the following requirements:
 - ❖ Small projects must be typical for the market area and this must be supported by the appraisal.
 - ❖ All but one unit in the project must be sold as a primary residence or second home. Only one unit may be non-owner occupied.
 - ❖ No single entity may own more than one unit in the project.
 - ❖ All units, common elements and facilities must be 100% complete and the project may not be subject to any additional phasing or annexation.
 - ❖ The unit owners must have the sole ownership interest in and rights to the use of the project facilities, limited common elements and common elements.
 - ❖ Each unit must be separately metered.
 - ❖ The project must be covered by all applicable insurance.
 - ❖ The projects legal documents must contain an arbitration agreement for dispute resolution.

SECTION 7:	INSURANCE								
MORTGAGE INSURANCE:	<p>Standard MI Coverage:</p> <table border="0"> <tr> <td>LTV</td> <td>30 yr.</td> </tr> <tr> <td>90.01 - 95%</td> <td>30%</td> </tr> <tr> <td>85.01 - 90%</td> <td>25%</td> </tr> <tr> <td>80.01 - 85%</td> <td>12%</td> </tr> </table> <ul style="list-style-type: none"> • Reduced MI, Lower Cost MI, and Custom MI are not permitted on ARM programs. • Minimum Coverage MI options offered by DU with LLPAs are not offered at this time. • Minimum 720 credit score is required for LTV > 80% for loans in AZ, CA, FL & NV (max 90% LTV). • Financed single premium MI is permitted for 1 unit primary residence and second home, purchase and rate/term refinance transactions. The LTV without the financed MI may not exceed 90%. The required MI coverage is based on the LTV without the financed premium. The LTV for program eligibility and pricing is always based on the total loan amount including the financed premium. • Lender paid MI is not permitted. <p>Approved MI companies are: Radian and MGIC. PMI is available for Retail ONLY (No TPO)</p> <p>Note: Investment properties are ineligible for Mortgage Insurance.</p> <p>Note: Some mortgage insurance companies will continue to impose the declining/distressed market policy. Please check with your MI provider for eligibility.</p> <p>Refer to the Mortgage Insurance Restrictions Matrix in J:/Loan Programs /Product Matrices for the mortgage insurance providers restrictions.</p>	LTV	30 yr.	90.01 - 95%	30%	85.01 - 90%	25%	80.01 - 85%	12%
LTV	30 yr.								
90.01 - 95%	30%								
85.01 - 90%	25%								
80.01 - 85%	12%								
SELF-INSURED OPTION:	Not permitted								
HAZARD INSURANCE:	<ul style="list-style-type: none"> • Hazard insurance is required for each property. • The amount of hazard insurance coverage must be the lesser of 100% of the insurable value of the improvements as established by the property insurer OR the unpaid principal balance as long as it equals at least 80% of the insurable value of the improvements. • "Walls In" (HO-6) hazard insurance coverage for condos: If the blanket insurance policy does not provide coverage of the interior of the unit, the borrower will be required to obtain "walls in" coverage. The HO-6 policy must provide coverage in an amount that is no less than 20% of the condo unit's appraised value. • HO-6 "walls in" will also be required on PUDs in cases where the master policy does not include interior unit coverage, including replacement of interior improvements and betterment coverage to insure improvements that the borrower may have made to the unit. • For properties located in California, lenders may not require hazard insurance in an amount exceeding the replacement value of the improvements on the property. • The maximum deductible may be up to 5% of the amount of the policy. 								
FLOOD INSURANCE:	<ul style="list-style-type: none"> • A flood hazard determination is required for all loans. • Flood insurance is required if the property is located in a special flood hazard area or flood zone. • Flood insurance is required on properties located within the following special flood hazard area zones: A, AE, AH, AO, A1-30, A-99, V, VE, V1-30 • The maximum amount of flood insurance required is the lowest of: 100% of the replacement cost of the dwelling, calculated as appraised value minus land value OR the unpaid principal balance of the mortgage OR the maximum insurance available under the National Flood insurance program. (Currently \$250,000 per dwelling.) • The deductible for 1-4 unit properties may not exceed a maximum of \$5,000 unless a higher deductible is required by state law. 								
RENT LOSS INSURANCE:	If rental income is used to qualify, 6 months rent loss insurance coverage is required regardless of AUS findings. This includes rental income on 2-4 unit owner occupied properties.								

IMPOUNDS:	<ul style="list-style-type: none"> • Required if LTV > 80% unless state law supersedes. • In California, impounds are required on 1 unit, primary residences when the LTV is $\geq 90\%$ and are required on second homes and non-owner occupied properties when the LTV is >80%. • Loans with MI must have an escrow account to pay monthly premiums. • This includes impounds for "walls-in" HO-6 policy premiums. 								
SECTION 8:	TITLE/CLOSING AGENTS								
TITLE DOCUMENTATION:	<p>Title History Review Policy: The preliminary title report must reflect a minimum 6-month title history.</p> <p>Title Insurance: A full ALTA title policy is required.</p>								
PLAT/SURVEYS:	<ul style="list-style-type: none"> • Surveys are required in some areas. See Stearns state lending information for survey requirements. • If surveys are not commonly required in the area where the property is located an ALTA 9 endorsement or its equivalent should be provided. • If it is not customary to supply either a survey or an endorsement, the title policy must not have a survey exception. 								
INTER VIVOS REVOCABLE TRUSTS:	Not eligible								
SECTION 9:	FEES/MISCELLANEOUS								
FEE LIMITATIONS:	<ul style="list-style-type: none"> • Agency/HOEPA Rule: The borrower may not pay >5% in fees that affect the APR on any loan. • Loans where the "points and fees" or "annual percentage rate" exceed the maximum thresholds described under HOEPA (Section 32) are not eligible for purchase. This applies to all types of mortgages (Purchases and refinances) except second homes, non-owner occupied properties or HELOC. • Reminder: Section 32 (HOEPA) thresholds are: APR that exceeds the yield on the Treasury securities for the same term of the loan by >10% OR the total points and fees paid by the borrower exceeds the greater of 8% or the maximum dollar amount set annually by the Federal Reserve. • For a purchase transaction the maximum real estate commission cannot exceed 8% of the sales price. • Broker compensation is limited to a maximum of 4% of the loan amount. 								
SELLER/INTERESTED PARTY CONTRIBUTIONS:	<p><u>Owner occupied and second homes:</u></p> <table border="0"> <thead> <tr> <th><u>CLTV</u></th> <th><u>% Contributions</u></th> </tr> </thead> <tbody> <tr> <td>>90%</td> <td>3% max.</td> </tr> <tr> <td>75.01-90%</td> <td>6% max.</td> </tr> <tr> <td>$\leq 75\%$</td> <td>9% max.</td> </tr> </tbody> </table> <p><u>N/O/O:</u> All CLTV 2% max.</p> <p>Note: Seller/interested party contributions may be used for closing costs and pre-paids. HOA subsidies are not permitted. HOA fees due at closing may be paid with interested party contributions; however, payments due after closing can not be paid in advance through interested party contributions.</p> <p>Please see the LTV/CLTV/value and Ineligible Properties sections above for instances where a re-negotiated purchase agreement is issued after the appraisal is completed.</p>	<u>CLTV</u>	<u>% Contributions</u>	>90%	3% max.	75.01-90%	6% max.	$\leq 75\%$	9% max.
<u>CLTV</u>	<u>% Contributions</u>								
>90%	3% max.								
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