

Trust One Mortgage – 100 Conforming

Product Type & Program Numbers:

- 100 30-Year Conforming Fixed
- 100HB 30-Year High Balance Conforming Fixed
- 150 – 30-year 5/1 LIBOR ARM
- 150IO – 30-year Interest Only 5/1 LIBOR ARM; initial interest only period is 10 years.
- 150HB – 30-year 5/1 LIBOR ARM Conforming High Balance
- 170 – 30-year 7/1 LIBOR ARM
- 170IO – 30-year Interest Only 7/1 LIBOR ARM; initial interest only period is 10 years.
- 170HB – 30-year 7/1 LIBOR ARM Conforming High Balance

Effective December 14, 2009, all loans must be submitted through DU 8.0 and receive an “Approve/Eligible” recommendation. The final date to purchase loans with the following characteristics is February 26, 2010:

- DU 7.1 loans with credit scores less than 620.
- DU 7.1 loans underwritten under previous two-unit owner-occupied interest-only LTV guidelines.
- DU 7.1 with Lower-Cost MI or Reduced MI options.
- DU 7.1 AUS approved DTI.

Fixed Rate and Fixed-Period ARM (100/150/170)						
Purchase and Rate & Term Refinance						
Occupancy	Primary Residence		Second Home		Investment Property	
Type	Maximum LTV/CLTV	Minimum Credit Score ⁴	Maximum LTV/CLTV	Minimum Credit Score ⁴	Maximum LTV/CLTV	Minimum Credit Score ⁴
1 unit (SFR/PUD/Condo)	95/95%	Determined by AUS	90/90%	Determined by AUS	Purchase: 85/85% Refinance: 75/75%	Determined by AUS
2 units	80/80%	Determined by AUS	N/A		75/75% ³	Determined by AUS
3-4 units	75/75% ²	Determined by AUS			75/75% ³	Determined by AUS
Cash Out Refinance						
Occupancy	Primary Residence		Second Home		Investment Property	
Type	Maximum LTV/CLTV	Minimum Credit Score ⁴	Maximum LTV/CLTV	Minimum Credit Score ⁴	Maximum LTV/CLTV	Minimum Credit Score ⁴
1 unit (SFR/PUD/Condo)	85/85%	Determined by AUS	75/75% ¹	Determined by AUS	75/75%	Determined by AUS
2 units	75/75%	Determined by AUS	N/A		70/70% ³	Determined by AUS
3-4 units	75/75% ²	Determined by AUS	N/A		70/70%	Determined by AUS
<p>All loans must be submitted through DU 8.0 and receive an “Approve/Eligible” recommendation. LP or Manual underwriting not allowed. DU Refi Plus loans with LTV up to 125% are ineligible. Even if DU gives an approval up to 125%, Trust One Mortgage will only issue approval up to 105%. The DU Findings Report will determine underwriting and documentation requirements, unless otherwise stated in these guidelines.</p> <p>LandSafe review is required for all loans, no exceptions, unless the appraisal is provided through LandSafe Appraisal Services.</p>						

²Eligible only with an Approve/Eligible DU certificate and executed Occupancy Declaration.

³2-4 unit investment properties held in an inter vivos trust are limited to maximum 70% LTV.

⁴The minimum credit score is determined by the AUS but must not be less than 620.

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Fixed Rate and Fixed-Period ARM, Interest Only (150IO/170IO)						
Purchase and Rate & Term Refinance						
Occupancy	Primary Residence		Second Home		Investment Property	
Type	Maximum LTV/CLTV	Minimum Credit Score ²	Maximum LTV/CLTV	Minimum Credit Score ²	Maximum LTV/CLTV	Minimum Credit Score ²
1 unit (SFR/PUD/ Condo)	95/95%	Determined by AUS	90/90%	Determined by AUS	Purchase: 85/85% Refinance: 75/75%	Determined by AUS
2 units	75/75%	Determined by AUS	N/A		75/75%	Determined by AUS
3-4 units	75/75%	Determined by AUS	N/A		N/A	
Cash Out Refinance						
Occupancy	Primary Residence		Second Home		Investment Property	
Type	Maximum LTV/CLTV	Minimum Credit Score ²	Maximum LTV/CLTV	Minimum Credit Score ²	Maximum LTV/CLTV	Minimum Credit Score ²
1 unit (SFR/PUD/ Condo)	85/85%	Determined by AUS	70/70%	Determined by AUS	70/70%	Determined by AUS
2 units	75/75%	Determined by AUS	N/A		70/70%	Determined by AUS
3-4 units	75/75%	Determined by AUS	N/A		N/A	
<p>All loans must be submitted through DU 8.0 and receive an “Approve/Eligible” recommendation. LP or Manual underwriting not allowed. DU Refi Plus ineligible. The DU Findings Report will determine underwriting and documentation requirements, unless otherwise stated in these guidelines.</p> <p style="text-align: center;">LandSafe review is required for all loans, no exceptions, unless the appraisal is provided through LandSafe Appraisal Services.</p>						
<p>²The minimum credit score is determined by the AUS but must not be less than 620.</p>						

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High Balance Fixed Rate and High Balance Fixed-Period ARM (Interest Only loans ineligible) (100HB/150HB/170HB)						
Purchase and Rate & Term Refinance						
Occupancy	Primary Residence	Minimum Credit Score	Second Home	Minimum Credit Score	Investment Property	Minimum Credit Score
1 unit (SFR/PUD/ Condo ³)	90/90% ¹ (Fixed)	700	65/65%	740	65/65%	740
	75/75% (Fixed)	660				
	75/75% (ARM)	680				
2-4 unit	75/75%	740	N/A		65/65%	740
Cash Out Refinance ²						
Occupancy	Primary Residence	Minimum Credit Score	Second Home	Minimum Credit Score	Investment Property	Minimum Credit Score
1 unit (SFR/PUD/ Condo ³)	60/60%	740	N/A		N/A	
<p>Loan limits vary by county. For each transaction you must go to the FHFA website to determine if your property is eligible for the higher loan limits: http://www.fhfa.gov/Default.aspx?Page=185. The temporary high-cost loan limits in Alaska and Hawaii do not apply because these limits are lower than the existing maximum potential high-cost area limits.</p> <p>Please note that certain MI Companies have placed maximum limits below the published limits.</p> <p>All loans must be submitted through DU 8.0 and receive an Approve/Eligible or Approve/Ineligible recommendation. DU “Approve/Ineligible” decisions will be permitted if the only reason for ineligibility is the maximum allowable loan limit. LP or Manual underwriting not allowed. Maximum qualifying ratios are determined by the AUS.</p> <p style="text-align: center;">LandSafe review is required for all loans, no exceptions, unless the appraisal is provided through LandSafe Appraisal Services.</p>						
<p>¹Rate- and- Term Refinances: Maximum 80/80% LTV/CLTV for loan amounts greater than \$625,500.</p> <p>²Borrower must have owned the property for at least six months to be eligible for cash-out. Seasoning is calculated from the date the existing loan was closed to the application ate of the new loan.</p> <p>³Standard condo project approval review processes are allowed. Appraisal must contain 2 comparable sales located outside the subject's project.</p> <ul style="list-style-type: none"> • A field review is required for LTV/CLTV > 75% and property value > \$1.0 Mil OR LTV/CLTV > 80% and loan amount > \$625,500. The lesser of the original appraised value, the Field Review value, or the sales price must be used to calculate the maximum LTV/CLTV. 						

ADJUSTABLE LOAN FEATURES:

➤**Margin:** LIBOR Index: See Rate Sheet.

➤**Life Floor:** The life floor will never be lower than the margin.

➤**Life Cap:** 5% over the Note Rate.

➤**Interest Rate Adjustment Cap and Date:**

- 5/1 ARM: The interest rate is fixed for the first 60 months. The maximum interest-rate adjustment at the first adjustment date is 5% maximum first-time adjustment. Thereafter the interest rate adjusts annually with a maximum interest rate change of 2%, which will not cause deferred interest, and a life cap of 5%.
- 7/1 ARM: The interest rate is fixed for the first 84 months. The maximum interest-rate adjustment at the first adjustment date is 5%. Thereafter, the interest rate adjusts annually with a maximum interest-rate change at any one- adjustment date of 2%, which will not cause deferred interest.

➤**LIBOR Index:** The average of interbank offered rates for one year in U.S. dollar denominated deposits in the London market (LIBOR) as published in *The Wall Street Journal*.

➤**Payment Adjustment Date:** The first payment change date will be the first of the month following the interest-rate adjustment, and every 12 months thereafter.

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APPRAISAL: LandSafe review is required for all loans, no exceptions, unless the appraisal is provided through LandSafe Appraisal Services. Trust One appraisal policy applies. The March 2009 version of the Fannie Mae/Freddie Mac form 1004MC, “Market Conditions Addendum to the Appraisal Report” must be included with all conventional (including rural housing) appraisals. A full appraisal is required on all purchase transactions of REO properties and all purchases of properties whose most recent transaction was a foreclosure sale. This is required on all conventional loans regardless of the AUS findings.

➤ **Appraisal Age Requirements:** If the appraisal report is more than 120 days old (180 days if the transaction involves construction completed after the loan application), either a new appraisal or a Form 1004D/442 is required. If a Form 1004D/442 is being used, it must include: A determination on whether or not the property value has declined (Note: If the appraiser determines that the value has declined, a new appraisal is required and the loan must be re-underwritten using the new value); An indication there has been an exterior inspection of the property; Comments on any market changes. If an appraiser other than the original appraiser, for example, a “substitute” appraiser, completes the re-inspection: The file must contain documentation specifying the reason why the original appraiser was not used, and the substitute appraiser must review the original appraisal and comment on whether the original appraiser’s opinion on market value was reasonable on the date of the original report.

➤ **High Balance:** A field review is required for LTV/CLTV > 75% and property value ≥ \$1,000,000 or LTV/CLTV ≥ 80% and loan amount > \$625,500. If the Field Review results in a different value than the appraisal, the lowest of the original appraised value, the Field Review value, or the sales price must be used to calculate the loan-to-value ratios. For properties in attached condominium projects, the appraisal must contain at least two comparable sales from projects outside of the subject project in addition to standard current comparable sale requirements.

➤ **HVCC:** FNMA, in conjunction with the Federal Housing Finance Agency (FHFA), have adopted the Home Valuation Code of Conduct (HVCC) effective for all conventional (conforming and non-conforming) loans. Trust One must represent and warrant that any appraisal used in originating a conventional loan conforms to the requirements of FNMA and complies with Home Valuation Code of Conduct. Please review the additional details and/or guidance found in Chapter 28 of the Trust One Program Summary Guide, or on the Trust One website. All appraisals must be ordered on-line through an Appraisal Management Company. A listing of eligible Appraisal Management Companies can be found in the HVCC guidelines in Chapter 28 of the Trust One Program Summary Guide or on the Trust One website. Trust One requires ordering an appraisal through LandSafe Appraisal Services or Collateral Appraisal Management. Ordering an appraisal through an Appraisal Management Company other than LandSafe or Collateral Appraisal Management runs the risk that the appraiser may be on the Investor’s Review Appraiser list. Further Field Reviews or second appraisals may be necessary. Trust One will not be liable for any lock extensions or additional costs related to this. Field reviews or LARA’s do not need to be given to the borrower unless there is change in value. Then, documentation of the date and method of delivery of the appraisal to the borrower must be documented in the loan file.

➤ **Property Flipping:** 90 day property flipping is ineligible. If a property has sold in the 90 days prior to loan application, it is ineligible for financing. For a property sold greater than 90 days and less than 12 months prior to loan application, a Desk History Review or Field History Review is required, which have all the attributes of the Field or Desk review with the addition of analyzing chain of title for potential anomalies for “flip” indicators. They provide a comprehensive research into sales history of the subject and comps. Under some circumstances, value conclusion may be indeterminate. Assesses value only; does not validate that the subject meets program guidelines.

ASSETS/FUNDS TO CLOSE/DOCUMENTATION: Documentation in the loan file must verify that the borrowers have sufficient cash, equity, or assets to cover the down payment, closing costs, Prepaid items, including interest (if allowed), taxes, hazard insurance, mortgage insurance, and escrows, financing costs, and required reserves. Large deposits on bank statements, assets which are not liquid and /or cannot be accessed require additional information.

➤ **Asset Verification:** The following are acceptable source of funds verifications for all owner-occupied purchases and refinances and second homes, subject to program requirements: An original Verification of Deposit (VOD) form; Depository, stock, and/or securities account statements for the most recent 2 months; If a sale of assets was involved, a signed settlement statement or other evidence of conveyance and transfer of funds.

➤ **Business Funds:** Business funds cannot be used for down payment or closing costs, only for reserves at the underwriter’s discretion on a case by case basis. Borrower must be 100% owner of the business.

➤ **Employment Verification:** If an employer will not provide verbal verification of employment, a written verification of employment request must be sent to the employer.

- Verbal VOE requirements for hourly, salary and commission income are: Trust One must contact the employer, verbally or in writing, and confirm the borrower’s current employment status within 10 days prior to the closing date. Trust One must independently obtain a phone number and, if possible, an address for the borrower’s employer. This can be accomplished by using a telephone book, the Internet, or directory assistance, or by contacting the applicable licensing bureau. If the contact is made verbally, the conversation must be documented. It should include the name and title of the person who confirmed the

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employment, the date of the call, and the source of the phone number. The written documentation should also include the name and title of the person who performed the verification for Trust One. If the verbal verification is obtained from a third party vendor, the 10 day timeframe is measured from the date of Trust One’s request to the vendor, not the date the information was updated in the vendor’s database. However, the information must have been updated within the past 35 days.

- Verbal VOE requirements for self-employed income are: Trust One must verify the existence of the borrower’s business within 30 days prior to the closing date from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, if possible, and by verifying a phone listing and address for the borrower’s business using a telephone book, the Internet, or directory assistance. If the contact is made verbally, the lender must document the source of the information obtained and the name and title of the lender’s employee who obtained the information. Closing date is defined as the date the note is signed by the borrower(s).

➤**First Time Homebuyer Tax Credits:** With regards to HUD Mortgagee Letter 2009-15, where ARRA provides for as much as an \$8,000 tax credit to qualified first-time homebuyers to be used for downpayment, this tax credit **IS NOT ELIGIBLE** for use on this series of programs.

➤**Gifts:**

Type	Primary Residence	Second Home	Investment Property
Source	Relatives, Domestic partner, Fiancé Fiancée, Church, Municipality, Non-profit organizations	Relatives Only	Not Allowed
Percentage of Borrower’s Funds	Minimum 5% down payment must be from the borrower's own funds. Note: If the LTV/CLTV is less than or equal to 80%, the entire down payment may be a gift.	Minimum 5% down payment must be from the borrower's own funds. Note: If the LTV/CLTV is less than or equal to 80%, the entire down payment may be a gift.	

➤**Homeowners’ Association Subsidy:** Loans with Homeowners’ Association (HOA) subsidies are no longer eligible. This includes advance payment of HOA fees made on behalf of the borrower by the builder, property seller or any other interested third party even if within the allowable interested party contribution limits or if treated as a sales concession and deducted from the sales price. Interested parties, including builders and property sellers, may still contribute any fees charged to the borrower at closing to set up or administer an HOA account, provided the combined contributions from interested parties do not exceed specified limits.

➤**HUD1:** A final HUD-1 Settlement Statement (or HUD-1A if applicable), or other closing statement evidencing all settlement costs paid by the borrower and seller, is required to be executed by the borrower and seller (if applicable) and be provided in the loan file delivered for purchase.

- **Escrow States:** In escrow states where a final HUD-1 is not available at closing, an estimated HUD-1 or closing (escrow) instructions should be presented to the borrower and property seller (if applicable) to sign. The document must evidence final fees (with fee name and corresponding fee amounts on each line). Fees on the final HUD-1 issued after settlement should not have any fee changes to those fees. Borrower and property seller (if applicable) signatures may be provided on separate copies of the eligible documents. The estimated HUD-1 or closing (escrow) instructions signed by the borrower and property seller (if applicable) at closing in addition to the certified final HUD-1 from the closing agent must be included in the loan package. If there is a change in fees after the signing by the borrower and property seller (if applicable) at closing, only the parties affected by the fee changes are required to re-sign the final HUD-1.
- **Non-Escrow States:** In non-escrow states, a final HUD is still required to be signed by the borrower and property seller (if applicable) and submitted with the loan file.

➤**Income Verification and Analysis for Self-Employed Borrowers:** A steady decrease in business income for the previous two or three years may not be acceptable. This requirement is effective even if the borrowers' current ratios conform to program requirements—unless it can be verified that profitability has stabilized or if strong compensating factors, such as low loan-to-value coupled with far below maximum debt ratios or substantial liquid assets, are present.

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➤ **Interested Party Contributions:** The total of all contributions, as a percentage of sales price or appraised value, whichever is less, is limited to:

Occupancy	Standard Loans	High Balance Loans	Max Contributions
Primary Residence	>90%	N/A	3%
	≤ 90% and > 75%	≤ 90% and > 75%	6%
	≤ 75%	≤ 75%	9%
Second Home	>90%	N/A	3%
	≤ 90% and > 75%	N/A	6%
	≤ 75%	≤ 65%	9%
Investment Property	All LTVs/CLTVs	≤ 65%	2%

Cash or items of value, such as giveaways, passed to the buyer by the seller to encourage the buyer to purchase the property and excessive interested party contributions are considered sales concessions. If there is a sales concession present, the LTV/CLTV is calculated using the lower of the reduced sales price (after the reduction for all sales concessions, including excess financing contributions) or the appraised value.

➤ **IRS 4506-T:** A completed and signed 4506-T form with acceptable results is required from all borrowers at application and closing regardless of AUS findings. Both 4506-Ts must be provided in the loan file delivered for purchase. The 4506-T signed at application and closing must include authorization for transcripts for the most recent two years. It is highly recommended that IRS transcripts be obtained prior to closing, to validate the income documentation used to underwrite the loan, and this practice will be required in the future. Files are required to include IRS transcripts dated prior to the closing date. In all instances, the transcript requirements apply to borrower personal returns (1040s). IRS form 4506-T is valid for 120 days from the signature date.

➤ **Mortgage Broker Fee Agreement:** A completed *Mortgage Broker Fee Agreement* form will be a required document in the loan package for broker originated loans. Use this form to fully disclose fees paid to the mortgage broker by the borrower and lender in connection with the loan. This form is available to underwriters to provide to brokers in Data Trac under REPORTS, UND, #245. It is required in the initial disclosure set, plus it must be updated each time broker revenue amount increases. A fully executed copy that will match docs must be there when docs are ordered.

➤ **Real Estate Commission:** Any aggregate real estate commission including a “bonus” greater than 8% is considered a sales concession and that commission and/or bonus amount over 8% must be deducted from the sales price. The appraiser is required to disclose whether the purchase contract was reviewed and, if so, comment on any excessive sales commission. Any excessive sales commission should be taken into consideration when arriving at the final value.

➤ **Salary and Hourly Income:** The following documentation is required for salary and hourly income:

- Written VOE covering the most recent 2 years; Or,
- Most recent year to date paystub documenting at least 30 days of income and W-2s for the most recent 2 years.

➤ **Short Sale:** Borrower, broker/lender or agent may not pay the difference on the seller’s 2nd Trust Deed in the case of a short sale.

➤ **Tip Income:** Tip income may be used to qualify the borrower if: Trust One verifies the borrower has received tip income for the last two years and the employer indicates the tip income will, in all probability, continue. Trust One must develop an average of the past two years’ tip income to determine the amount of income that may be considered in qualifying the borrower.

➤ **Title Policy:** Title commitments, title insurance policies, or Insured Closing Protection Letters with no reinsurance requirement are once again accepted from the following companies: Commonwealth Land Title Insurance Company, Lawyers Title Insurance Corporation, LandAmerica NJ Title Insurance Company, and United Capital Title Insurance Company. If not referenced above, any former LandAmerica title companies remain ineligible. Attorney’s Title Guaranty Fund, Inc. is reinstated as an eligible title insurer.

➤ **Uniform Instruments Requirement:** The FNMA/FHLMC tagline, which contains the agency form name and number in the footer of the document, must be present on each page of the FNMA/FHLMC Uniform Instruments. Under no circumstances should the tagline be removed or altered.

ASSUMPTIONS:

- Fixed Rate: Not allowed.
- ARM: Not assumable during the fixed-rate period. At the end of the fixed-rate period, assumable subject to credit approval.

BORROWER ELIGIBILITY: Borrowers must have a valid Social Security number.

➤ **Maximum Number of Borrowers:** Effective with loan applications dated on or after October 15, there will be a maximum of four borrowers allowed on a transaction.

➤ **Permanent Resident Alien:** Loans available under same terms as US Citizen.

➤ **Non-Permanent Resident Alien:** Must have valid visas or other proof of legal residency. Acceptable visas include but are not limited to E-1, H-1B, H-2A, H-2B, H-3, L-1, G series and O-1. Should be underwritten using the same criteria as United States citizens. However, documentation must be provided showing that the borrower is a legal resident with a U.S. source of income that can be expected to continue for three years. Obtaining a copy of a valid work permit satisfies both requirements.

➤ **Foreign Nationals:** Not allowed.

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➤**Non-Arm’s Length Transactions:** A non-arm’s length transaction occurs when a personal or business relationship exists between the borrowers and the builder or seller. These transactions include: Family sales or transfers; Corporate sales or transfers; Mortgagors employed in the real estate or construction trades who are involved in the construction, financing, or sale of the subject property; Some transactions involving principals or a seller or other vendor (such as an appraiser, settlement agent, title company, and so on) who is involved in the lending process of the subject property. Note: Non-arm’s length transactions may require additional documentation depending on the underwriter’s assessment of risk. *Purchasing From a Builder:* If borrowers are purchasing a property from a builder who is purchasing the borrowers’ existing residence, it is considered a non-arm’s length transaction and is not permitted. *Transactions With Non-Family Members:* Non-arm’s length transactions with non-family members will be considered only if they are bona fide sales transactions and the borrowers will occupy the property as their primary residence.

➤**Non-Occupant Co-Borrower:** Non-occupant co-borrowers are ineligible on CLTVs greater than 95% and interest-only loans. If there is a non-occupant co-borrower, the owner-occupant must meet the following requirements: **Purchase Transactions** – If the LTV is greater than 80% and the non-owner occupant’s income is used to qualify, the owner-occupant must have 5% of the purchase price in his own funds; **Qualifying Ratios** – The owner-occupant must qualify at 35%/43% maximum ratios, regardless of the LTV; **Maximum LTV** – 90%.

BUYDOWNS:

Fixed Rate, Program 100 (High Balance loans ineligible)			
Occupancy	Eligible Finance Type	Eligible Plan ³	Qualifying Rate
Primary Residence	Purchase and Rate & Term Refinance	3-2-1, 2-2-1, 2-1, 1-1-1, 1-1, 1, 2.0-1.5-1.0-.5	Note Rate ¹
Second Home	Purchase and Rate & Term Refinance	3-2-1, 2-2-1, 2-1, 1-1-1, 1-1, 1, 2.0-1.5-1.0-.5	Note Rate

Effective 2/12/2010, Temporary Buydowns will no longer be eligible for Investment Property loans. The last day to lock loans under current guidelines is February 12, 2010. The last day to purchase loans under current guidelines is March 29, 2010.

1-2 unit Investment Property ²	Purchase Only	1	Note Rate ²
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¹Trust One must manually apply this qualification method.

²Investment properties are subject to the following additional restrictions: Maximum 70% LTV, May not be subject to any subordinate financing or property seller contributions.

³Primary Residence and second home transactions are eligible for buydown plans that allow for increases of 0.5 percent at six-month intervals with a maximum buydown plan period of two years.

ARM, Program 150/170 (Interest Only and High Balance loans ineligible)			
Occupancy	Eligible Finance Type	Eligible Plan ⁴	Qualifying Rate
Primary Residence 1-4 units	Purchase and Rate & Term Refinance	3-2-1, 2-2-1, 2-1, 1-1-1, 1-1, 1, 2.0-1.5-1.0-.5	The greater of the Note rate or the fully indexed rate. ¹
Second Home	Purchase and Rate & Term Refinance	3-2-1, 2-2-1, 2-1, 1-1-1, 1-1, 1, 2.0-1.5-1.0-.5	

¹Trust One must manually apply this qualification method.

Effective 2/12/2010, Temporary Buydowns will no longer be eligible for Interest Only loans. The last day to lock loans under current guidelines is February 12, 2010. The last day to purchase loans under current guidelines is March 29, 2010.

Interest Only ARM, Program 150IO/170IO (High Balance loans ineligible)			
Occupancy	Eligible Finance Type	Eligible Plan	Qualifying Rate
Primary Residence 1-2 units ²	Purchase and Rate & Term Refinance	2-1	The greater of fully indexed rate or Note Rate.
Second Home	Purchase and Rate & Term Refinance	2-1	The greater of fully indexed rate or Note Rate.

²Buydowns are not allowed on 3-4 units.

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CREDIT: All borrowers must have a credit score and traditional credit history. Credit score(s) will be determined by the AUS. The minimum credit score(s) will never be lower than 620. Credit requirements will be determined by AUS. Late payments are considered accounted for in the credit score. However, the following items are subject to individual evaluation, no matter how high the credit score: Bankruptcy, foreclosure, deed-in-lieu, preforeclosure, and short sale, judgments, collections, charge-offs, tax liens. [Unpaid charge-offs, collection accounts and past due accounts must be paid in full at or before loan closing.](#)

➤ **Age of Credit Documents:** The maximum age of credit documents is 90 days for existing construction and 120 days for new construction. Credit documents include credit reports and employment, income, and asset documentation. The age of the documents is measured from the date of the document to the date the note is signed.

➤ **Credit Report Requirements:** Obtain at least 1, and preferably 2 or 3, credit scores for each borrower. The scores must be obtained from major repositories, such as Equifax, Experian®, and TransUnionSM. Each credit score must be clearly attributable to its respective repository.

➤ **Selecting Credit Score:** If a total of 3 scores are obtained for a borrower, the designated score for that borrower shall be the middle score. If a total of 2 scores are obtained, the lower score will be the designated score for that borrower. If there are co-borrowers on the loan, the credit score applicable to the loan itself will be the lowest of the respective borrowers' scores. If only one score is available from all three repositories, the one score will be designated as the loan score.

➤ **Minimum Credit History:** All borrowers must have a credit score and traditional credit history. If the borrower has a credit score, the length of credit history and the number of tradelines is not applicable. If one or two of the credit repositories do not contain any credit information for the borrowers who have traditional credit, the credit report is still acceptable as long as: Credit data is available from one repository; A FICO score is obtained from that repository; The Seller originally requested a three-file merged credit report.

➤ **Mortgage History:** 1x30 in the last 12 months, 0x60 in the last 24 months.

➤ **Bankruptcy:**

- **Chapter 7:** 48 months since discharge/dismissal.
- **Chapter 13:** 48 months since discharge/dismissal.
- **Borrowers w/ multiple BK filings:** 60 months since most recent discharge/dismissal.

➤ **Foreclosure:** 60 months or more since completion.

➤ **Deed-in-Lieu:** 48 to 84 months.

➤ **Restructured loans, Loan modifications, Short pay and Short refinances:** Ineligible.

DISASTER AREAS: Refer to the Investor's [Disaster Areas](#) for a comprehensive list of Presidentially declared areas subject to the disaster-area policy. Once an area is Presidentially declared for Individual Assistance and published by FEMA, one of three classifications of appraisal and re-inspection requirements is required.

➤ **Standard Procedures:**

- **Performed On or Before Incident Period End Date for Disaster:** Property must be re-inspected by the original appraiser or acceptable inspection source (such as, a nationally recognized field company or local professional licensed inspector). The appraiser/property inspector must provide the following commentary/evidence: Property is free from damage and the disaster had no affect on value or marketability; If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the Investor's purchase of the loan.
- **Standard Appraisal Performed After Incident Period End Date for Disaster (Appraisal report forms 1004, 1004C, 1025, 1073, 2090):** If the property is free from damage: Preferably, all comparables should be post-disaster; however, if sufficient comparables are not available, the appraiser must provide current photos of the subject property and comparables. Multiple Listing Service (MLS) photos or photos used for previous appraisals are not acceptable. If the appraisal indicates damage: The extent of the damage must be addressed; Completion of repairs is required evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the Investor's purchase of loan.

➤ **Expanded Procedures:**

- **Appraisal Performed On or Before Incident Period End Date for Disaster:** Property must be re-inspected by the original appraiser or, if not available, another licensed appraiser. No exceptions. The appraiser must provide the following commentary/evidence: Property is free from damage and the disaster had no affect on value or marketability; If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the Investor's purchase of the loan; The completion of the Catastrophic Disaster Area Inspection form is not required; however, the appraisal must include a minimum of three comparable sales, post-disaster; Photos are provided of interior, exterior, and neighborhood; The Employment Verification Certification form is not required; however, standard divisional procedures still apply.

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- **Standard Appraisal Performed After Incident Period End Date for Disaster (Appraisal report forms 1004, 1004C, 1025, 1073, 2090):** Appraisal must include written certification by the appraiser that: Property is free from damage and the disaster has had no affect on value or marketability; If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, with photos, prior to the Investor's purchase of the loan; The completion of the Catastrophic Disaster Area Inspection form is not required; however, the appraisal must include a minimum of three comparable sales, post-disaster; Photos are provided of interior, exterior, and neighborhood; The Employment Verification Certification is not required; however, standard divisional procedures still apply.
- **Suspended from Purchase/Lending Activities:** These areas are identified as having damage significantly above and beyond common disaster situations. The damage suggests pervasive problems with housing values as a result of the disaster. Until further notice, loans secured by properties located in these areas will not be purchased by the Investor.

ESCROW (IMPOUNDS): An impound/escrow account must be established for all loans, regardless of the LTV or the state in which the loan was originated. Impounds are required for the following as applicable: Taxes; Borrower-paid insurances (Mortgage, Hazard, Flood insurance. Impound/Escrow accounts are not required for Home Owners Association (HOA) dues. Exceptions: LTVs ≤ 80%, the purchase price for the loan will include an adjustment to the price; LTVs < 90% for CA, the purchase price for the loan will include an adjustment to the price; Authorization for Impound Account Form required to be signed and included in the loan file for CA loans with LTVs < 90%.

GEOGRAPHICAL RESTRICTIONS: Eligible states: AK (Properties built prior to June 1992 and located outside of the city limits of Fairbanks but located in the surrounding communities require a clear engineering report OR evidence that the property meets the Alaska Housing Finance Agency property inspection requirements), AZ, CA, CO, CT, GA, HI (Big Island: Properties located in lava flow zones #1 and #2 are not eligible), ID, IN, MD, MI, MO (St. Louis, Green Jade Estates Subdivision: Financing is not allowed), NV, NM, OK, OR, TX (Cash out refi ineligible, 2nd TD not allowed, 50(a) (6) Homestead properties ineligible), UT, VA, WA, WY.

➤ **California:**

- **Big Rock Mesa Area (Malibu) and Castellamare Area (Pacific Palisades):** Due to earth slippage and land slides, the following conditions apply: Verify soil engineer's report stating soil is stable and not subject to future expansion, slippage or slide activity; Verify structural engineer's report confirming dwelling and any outbuildings or garages have not been affected by soil expansion, slippage or land slides and are in, at least, good condition; Homes on septic systems are not acceptable; Borrowers must sign a Borrower Property Indemnification Certificate.
- **La Conchita Area (San Buena Ventura):** This area is known to have experienced earth slippage and landslide problems. All of the following conditions apply to any loan if the security property is located in these areas: Clear soil engineer's report stating that the subject soil is stable and not subject to future expansion, slippage, or slide activity; Clear structural engineer's report confirming that the subject dwelling and any outbuildings, garages, etc. have not been affected by soil expansion, slippage, or landslides and are in at least good condition; Borrowers are required to sign the La Conchita Area (San Buena Ventura) Borrower Property Condition Indemnification Certificate; The properties located on the following streets in the La Conchita area are subject to all three conditions above: Vista Del Rincon Drive, West Surfside Street, San Fernando Avenue, Carpinteria Avenue, Zelzah Avenue, Santa Paula Avenue, Bakersfield Avenue, Santa Barbara Avenue, North Sunland Avenue, Fillmore Avenue, Ojai Avenue Oxnard Avenue.
- **Oakley, Contra Costa County:** Purchase only - If the property is within one mile of the boundary of the DuPont Chemical Plant, the borrower must sign a Notice to Prospective Buyer of Properties form acknowledging the property is in the vicinity of a source of potential hazard.

HAZARD INSURANCE: Must obtain documentation from the insurer of a) insurable value and b) how insurable value was determined. Typically insurance companies use the Marshall & Swift / Boeckh (MS/B) guide to determine values based on input describing size, baths, type of construction, etc.

Insurable value must be documented with one of the following:

- Guaranteed replacement cost policy endorsement to the policy, OR
- Written evidence from the insurer that the coverage equals the insured value and how the insured value was determined; OR
- Documentation from the appraiser of the replacement cost of the improvements.
- Condominium Requirements: Insurance should cover 100% of the insurable replacement cost of the project improvements, including the individual units in a condominium project.
- Coverage does not need to include land, foundations, excavations, or other items that are usually excluded from insurance coverage.

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An insurance policy that includes either of the following endorsements will assure full insurable value replacement cost coverage:

- Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance); OR
- Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the property's insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

Follow these rules for coverage requirements:

If total of all liens is:	Required Coverage is:
Greater than 100% of insurable value	100% of insurable value
From 80% to 100% of insurable value	Total of all liens
Less than 80% of insurable value	80% of insurable value

The maximum ever required is 100% of insurable value. The minimum ever required is 80% of insurable value. Require total of all liens if that is greater than 80% of insurable value and less than 100% of insurable value.

Examples of required coverage:	Insurable Value is:	Required Coverage is:
Total of all liens is \$330,000	\$200,000	\$200,000
Total of all liens is \$185,000	\$200,000	\$185,000
Total of all liens is \$100,000 (less than 80% of Ins Val)	\$200,000	\$160,000
Replacement cost from Appraisal is \$250,000	\$200,000	\$200,000
Guaranteed Replacement Cost Endorsement	\$200,000	Whatever policy is.

MAXIMUM LOAN AMOUNT:

Number of Units	48 contiguous states		Alaska & Hawaii	
	Standard	High Balance ¹ Temporary Loan Limits	Standard	High Balance ¹ Permanent Loan Limits
1 unit	\$417,000	\$729,750	\$625,500	\$938,250
2 units	\$533,850	\$934,200	\$800,775	\$1,201,162
3 units	\$645,300	\$1,129,250	\$967,950	\$1,451,925
4 units	\$801,950	\$1,403,400	\$1,202,925	\$1,804,375

¹Loan limits vary by county. For each transaction you **must** go to the FHFA website to determine if your property is eligible for the higher loan limits: <http://www.fhfa.gov/Default.aspx?Page=185>. The temporary high-cost loan limits in Alaska and Hawaii do not apply because these limits are lower than the existing maximum potential high-cost area limits. **Please note that certain MI Companies have placed maximum limits below the published limits.**

MINIMUM LOAN AMOUNT:

- **Conforming limits:** None.
- **High Balance Loan limits:** Must be greater than the standard loan limits.
 - Continental US: \$417,001
 - AK and HI: \$625,501

MORTGAGE INSURANCE: Additional restrictions may be placed by the individual MI insurer and can be found on the website of the MI insurer.

➤ **Fixed-Rate and Interest Only:** Financed single premium MI (FSPMI) is allowed, but may not be available for all program options, including occupancy and property types. Exception: Two- to four-unit properties, investment properties, cash-out refinance transactions and the Split Premium plan will continue to be ineligible for purchase with the Financed Mortgage Insurance option. Mortgage insurance coverage requirements are listed in the table below.

➤ **High Balance:** FSPMI is permitted; however, the maximum gross loan-to-value (after the inclusion of the financed premium) cannot exceed 90 percent. Additionally, the maximum gross loan amount may not exceed the county limit. Exception: Two- to four-unit properties, investment properties, cash-out refinance transactions and the Split Premium plan will continue to be ineligible for purchase with the Financed Mortgage Insurance option.

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➤ **Reduced MI and Lower Cost MI:** Ineligible. Minimum Mortgage Insurance Coverage option with associated loan level pricing adjustments will not be accepted by the Investor and all DU 8.0 loans (requiring mortgage insurance) are required to meet the Standard Coverage requirements as set forth in the table below:

Standard Mortgage Insurance Coverage		
LTV Ranges	15-Year	30-Year
90.01% - 95.00%	25%	30%
85.01% - 90.00%	12%	25%
80.01% - 85.00%	6%	12%

MULTIPLE PROPERTIES: Primary Residence: No limit to the maximum number of financed properties. Second Home and Investment Property: the borrower(s) can have no more than four properties financed including the subject property. The maximum number of first lien mortgages financed with the Investor and permitted to one borrower is four. For example: One owner-occupied primary residence; One second home; Two investment properties. The number of first lien mortgages the Investor will extend to one borrower may increase to eight if the transaction meets the following criteria: 1-unit, fixed rate, purchase or rate & term refi; 60% LTV. These guidelines apply regardless of DU findings.

OCCUPANCY:

➤ **Primary Residence:** 1-4 unit. 2-4 unit ineligible on High Balance Loans. The borrower(s) must occupy the subject property within 30 days of close of escrow but never later than 60 days of the Note date.

• **2-unit primary residence.** Borrowers may not own any other residential property of equal or greater value in the same area in which the units are located. The mailing address and property address must be verified as the same; if this cannot be done, it must be treated as an investment property.

• **All 3-4 unit properties** are considered investment properties for both purchase and refinance purposes unless the loan has received an Approve/Eligible DU certificate. California: Must be delivered with an Approve/Eligible DU Certificate. Loans secured by 3-4 unit owner-occupied properties must include an Occupancy Certificate in the loan file delivered for purchase.

➤ **2nd/Vacation Home:** 1-unit. A single-family property that the borrower occupies in addition to a primary residence. When a property is classified as a second home, rental income from the subject property may not be used to qualify the borrower or for the subject property. However, income from other properties owned by the borrower may be applied. The property should not be rented on an on-going basis. Incidental income not to be in excess of 14 days for the entire year with no significant amount shown on Schedule E for the property. The property must be in such a location as to function reasonably as a second home and generally should be located in a resort or vacation area. It should be remote in distance or in time of travel from the borrower's primary residence. The property must be available for the borrower's exclusive use and enjoyment and must not be subject to any rental pools or agreements that require the borrowers to either rent the property or give a management firm control over the occupancy of the property. The property must not be subject to any timesharing arrangement. The property must be suitable for year-round occupancy. The borrower may not own another second home or investment property in the same area or locale. The hazard insurance policy may not contain any coverage for loss of rent insurance. When financing a second home, the borrower must also meet guidelines for maximum number of financed properties.

➤ **Investment Property:** 1-4 unit. 2-4 unit ineligible on High Balance Loans. Gift funds not allowed. **Effective 2/12/2010, Temporary Buydowns will no longer be eligible for Investment Property loans. The last day to lock loans under current guidelines is February 12, 2010. The last day to purchase loans under current guidelines is March 29, 2010.**

The borrower must have a two-year history of managing rental properties. Verification must be provided through the most current two years of tax returns. **Exception:** The two-year history managing rental properties may be waived if the loan meets one of the following requirements: The borrower qualifies for the mortgage based on the full payment (PITI) for the subject property without having to rely on the rental income **Or** Purchase or rate-and-term refinance with a LTV less than or equal to 75% **Or** Cash-out refinance with a LTV less than or equal to 70%. Trust One must obtain a comparable rent schedule on Form 1007 on all investment properties to document the monthly rent on the subject property regardless if the rental income was used in qualification. In addition, on 2-4 unit properties, an Operating Income Statement on Form 216 or a similar cash flow and operating income statement is required for investment properties, including 2-4 unit properties in which the applicant will occupy one unit as a principal residence (regardless if the rental income was used in qualification). This is a requirement set forth by Federal Housing Finance Agency (FHFA).

➤ **Rent Loss Insurance:** Effective February 16, 2010, borrowers using rental income to qualify will be required to obtain rent loss insurance for 1-4 unit investment properties and 2-4 unit owner-occupied properties. Rent loss insurance covers rent losses incurred following a casualty for a minimum of six months during the rehabilitation of the property. As not all automated underwriting systems may not be updated to condition for this requirement, Trust One must manually apply this guideline. The last date to lock loans under current guidelines is February 16, 2010. Last day to purchase loans under current guidelines is March 31, 2010.

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PREPAYMENT PENALTY: Not allowed.

PROPERTY REQUIREMENTS:

➤ **Eligible:**

- Attached and Detached SFRs and PUDs.
- Condos.
- 2-4 Units.
- Rural properties eligible in California only.

➤ **Ineligible:**

- Factory Built Housing (includes modular, panelized, and prefabricated).
- Non-Warrantable Condos.
- Manufactured and Mobile Housing.

➤ **Condominium:**

- Insurance: HO-6 (walls-in) insurance policies are required on all condominium loans where the master HOA policy does not provide coverage of the interior of the unit. HO-6 policies must cover the fixtures, equipment, and replacement of improvements and provide betterment coverage to include any improvements that the borrower may have made. If required, the HO-6 insurance policy must provide minimum coverage of 20% of the unit's appraised value. The 100% insurable value coverage for each condominium property within a designated Special Flood Hazard Area must be evidenced as follows: Residential Condominium Building Association Policy (RCBAP) coverage equal to 100%, or RCBAP coverage at least equal to 80% combined with a dwelling policy to provide a total of 100% coverage, or Dwelling policy coverage equal to 100%.
- Low-Rise Condos/High-Rise Condos. High Balance: For properties in attached condominium projects, the appraisal must contain at least two comparable sales from projects outside of the subject project in addition to standard current comparable sale requirements. Non-Warrantable Condos ineligible.
- Condos/PUDS: For all condominium and attached PUD loans, thoroughly review the Home Owners Association (HOA) certification, budget, appraisal report, and legal documents to adequately determine if condotel-like features are evident. Additionally, perform an Internet search of the condominium project to determine if short-term or seasonal rentals are marketed by the HOA or individual unit owners.
- Non-Warrantable Condos ineligible.
- Investment Property Condo, Conforming and High Balance: Limited Review is ineligible. Project must be FNMA approved.
- High Balance loans: Condominium projects must be approved using the following review types only: Lender Full Delegated Review Established Projects; 2-4 Units Lender Full Delegated Review (New and Established); Fannie Mae CPM Expedited Review; with a minimum 51% presale requirement; Investor project approval with a minimum 51% presale requirement; Limited project review is eligible for new and established detached projects only.
- Effective with loan applications taken on or after February 1, 2010, FHA approved condominium projects are no longer eligible as a project approval type (Type U).

➤ **Primary Residence Conversion to Investment Property:** If the current primary residence is converting to an investment property upon purchase of a new primary residence, use the following to qualify:

- Existing properties with 30% documented equity: 75% of the gross rental income may be used to offset the mortgage payments for qualifying purposes, and Standard reserve requirements. The 30% equity in the existing property must be documented using an appraisal or AVM performed by LandSafe.
- Existing properties without 30% documented equity: Rental income cannot be used to offset the mortgage payment, and Both the current mortgage payment and the proposed mortgage payment must be used to qualify the borrower for the new transaction, and Reserves of six months PITI for both properties are required.

The rental income from the conversion of the primary residence must be documented with the following: Copy of the fully executed lease agreement, and the receipt of a security deposit from the tenant(s) and documentation of deposit into the borrower's account. When calculating rental income and 30% equity cannot be documented, Clients must ensure the AUS is using both the current and proposed mortgage loan payment amounts when calculating the total expense ratio. If the mortgage is identified as a rental property on the borrower's application, Clients must enter a negative net rental income equal to the current monthly PITI payment. For example, if the current PITI payment is \$1,000, Clients must input a negative net rental income of \$1,000.

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➤ **Primary Residence Conversions to Second Homes or a Pending Sale:** If the current residence is converting to a second home upon the purchase of a new principal residence or pending sale, but will not close prior to the new transaction (for instance, title transfer to the new owner) qualify the borrower(s) using the following:

- Both the current and proposed mortgage payments, and
- Six months PITI reserves for both properties are required (or as determined by AUS).
- Clients must ensure the AUS is using both the current and proposed mortgage loan payment amounts with calculating the total expense ratio. Mortgages associated with the current residence should not be marked “Paid at Close” or “Omit” in the liabilities section of the online loan application. If there is documented equity of at least 30% in the existing property, reduced reserves of two months PITI for both properties is required. The 30% equity in the existing property must be documented using an appraisal or AVM performed by LandSafe.

Note: For pending sales on existing properties, provide the following documentation to qualify without the existing property PITI payment: The executed sales contract for the current primary residence, and Confirmation that any financing contingencies have been cleared, and Evidence of PITI reserves as outlined above.

QUALIFYING: The maximum DTI ratio allowed for loans underwritten using DU 8.0 is 45%, with flexibility offered up to 50% when approved by DU.

- **Fixed-Rate:** When income, from non-occupant co-borrowers, is used to qualify on owner-occupied properties, the following additional restrictions apply: Occupant borrower ratios cannot exceed 35/43%; Maximum 90% LTV; If the LTV is greater than 80%, the owner-occupant co-borrower must make the first 5% of the down payment from his or her own funds.
- **High Balance:** Qualifying ratios are determined by the AUS certificate.
- **5/1 ARM (150/150IO/150HB):** Borrowers must be qualified using the greater of the Note rate or the fully indexed rate.
- **7/1 ARM (170/170HB):** Borrowers must be qualified using the greater of the Note rate or the fully indexed rate.
- **Interest Only 7/1 ARM (170IO):** Qualify at the greater of the Note rate or the fully indexed rate assuming a fully amortizing repayment schedule.
- **Co-Signed Obligations:** Co-signed obligations, for mortgages and installment loans, can be excluded from recurring monthly expenses if all of the following documentation is provided: 12 months of canceled checks that show payments have been made by another party. If the account or loan has been in existence for less than 12 months, the full payment of the co-signed account is considered a liability and must be used in calculating the debt ratio. Verification that there have been no delinquencies on the account during the most recent 12 months.
- **Installment Debts:** Payments on all installment debts with more than 10 months of payments remaining. The only exception to this policy is that payments on all automobile and non-automobile leases, regardless of the remaining number of payments, must be included in the calculation of recurring monthly expenses. Installment debts being paid off do not need to be included in the total debt ratio. Verification that the debt has been paid must be provided by one of the following: A copy of the HUD-1, A supplemental credit report, Verification from the creditor.
- **Revolving Debts:** Monthly payments (or 5% of the outstanding balance if a monthly payment is not provided) on revolving accounts, open accounts, and unsecured lines of credit (all considered to be open-ended) regardless of the balance unless instructed to be handled otherwise per the applicable AUS decision. If any portion of the loan proceeds is being used to pay off debts for qualification purposes, the underwriter must count a minimum \$10 per month payment for revolving debts and include these debts in the total debt ratio.
- **HELOC:** When calculating the total housing expense ratio, the payment for any HELOC must be included. Calculate the monthly payment using 1% of the total line amount. If the documented payment is less than 1% of the line - the borrower should be qualified at 1% of the line. If the documented payment is greater than 1% of the line - the borrower should be qualified at the documented payment. For HELOCs with written evidence of a line modification, the modified limit is used to calculate the 1% monthly payment. The HELOC calculation payment applies to the subject property and for any properties with HELOC's where the mortgage payment does not appear on the credit report.

REFINANCE TRANSACTIONS: Payoff demand statements are required on all refinance transactions. The payoff demand statement must reflect that the loan is not more than 30 days delinquent, does not contain charges associated with default/forbearance, does not indicate a curtailment of principal/interest (e.g. short pay), and meets mortgage derogatory requirements as detailed in these guidelines. Refinances are not allowed on properties listed for sale in the last 6 months. These guidelines will be enforced regardless of the AUS approval.

➤ **Alaska:** Effective July 1, 2008: Owner-occupied and second home refinances, if the prior loan is within 12 months of the refinance, must include the Client's documented benefit to the borrower in file delivered for purchase. Cash Out: The maximum allowable LTV is the lesser of 85% or as allowed by the individual loan program guidelines.

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- **Colorado:** All refinance loans must include the Colorado state-specific tangible benefit worksheet.
- **Maryland:** All refinance loans must include the Maryland state-specific tangible benefit worksheet.
- **Virginia:** All refinances, if the prior loan is within 12 months of the refinance, must include the Client’s documented benefit to the borrower in file delivered for purchase.
- **Rate/Term Refinance:** A rate-and-term refinance is a new mortgage loan that pays off in full the sum of the following liens: It is acceptable to include closing costs, discount points, prepayment penalties, and any prepaid items, such as hazard insurance and property taxes for the current year, as part of the transaction. Non-purchase money second liens, including reconveyance and similar fees, must be paid off prior to close for a transaction to be considered a rate & term refinance. If these liens and fees are not paid off prior to close, the transaction will be considered a cash-out refinance, even if the funds are provided from the borrower at closing. Delinquent property taxes or HOA dues cannot be included in the loan amount on a rate-and-term refinance. Unpaid principal balance of an existing first lien And/Or Junior liens (closed-end seconds and HELOCs) that were used for the original purchase of the home. Other than payment of the first and second liens and closing costs, incidental cash back may not exceed the lesser of 2% of the principal amount of the new mortgage or \$2000. Restrictions apply for rate-and-term refinances originated in the state of Texas. Loan proceeds from a Texas rate-and-term refinance transaction originated under a conforming loan program may not be used to payoff a home equity (a)(6) lien or home improvement loan unless the home improvement loan is a legitimate (a)(5) loan and the borrowers will receive no cash back. Incidental cash back is not allowed on any rate-and-term refinance loan originated in the state of Texas.
- **DU Refi Plus:** DU Refi Plus program is a rate-and-term refinance program for loans already owned or guaranteed by Fannie Mae. DU Refi Plus findings of “Approve/Eligible” decisions are eligible. DU “Approve/Ineligible” findings on DU Refi Plus loan case files with temporary high-cost limits are eligible as long as the only reason given for ineligibility is the loan amount exceeds the current loan limit. DU Refi Plus decisions are identified by the presence of the following message on the certificate: “This loan case file was underwritten according to the DU Refi Plus expanded eligibility guidelines offered on certain limited cash-out refinance loans case files where the borrower’s existing loan is identified by DU as Fannie Mae loan. This loan case file must be delivered with Special Feature Code 147.” Trust One may only deliver the loan under DU Refi Plus if the DU Refi Plus message is issued on the final submission to DU. Updating the DU certificate after close may not be an option as DU may not view the transaction as DU Refi Plus eligible.

Loans must meet the following eligibility requirements:

- DU Refi Plus transactions must provide a benefit to the borrower in the form of either: Reduced monthly mortgage principal and interest payment, or More stable loan product.
- Loans originated with DU Refi Plus findings must be delivered as DU Refi Plus.
- Borrowers on the DU Refi Plus transaction must be the same as the borrowers on the current loan being refinanced.
- Lenders are prohibited from specifically targeting borrowers whose mortgages are owned or securitized by FNMA, for a refinance.
- Appraisal: Trust One must comply with the property fieldwork recommendation issued by DU, except in the case of waivers. For certain eligible loan case files, DU will waive the requirements of an appraisal or exterior only property inspection. A [DU Refi Plus Property Inspection Waiver \(PIW\)](#) or [waivers for appraisals or exterior only property inspections](#) are **not eligible**. Refinances of properties where the most recent transaction was an REO sale are not eligible for a Property Inspection Waiver. An interior and exterior inspection is required in these cases. For DU Refi Plus loan case files that condition for a Property Inspection Waiver, the borrower must provide appropriate evidence or sign an affidavit stating their property has not been listed for sale within the past 6 months.
- Cash back to Borrower: No more than \$250 allowed.
- Occupancy: Primary Residence, Second Home, Investment Property.

LTV/CLTV			
Units	Primary Residence	Second Home	Investment Property
1 unit	105% LTV/ Unlimited CLTV	105% LTV/ Unlimited CLTV	105% LTV/ Unlimited CLTV
2 units	105% LTV/ Unlimited CLTV	N/A	
3-4 units	105% LTV/ Unlimited CLTV		

- DU Refi Plus loans with LTV up to 125% are ineligible. Even if DU gives an approval up to 125%, Trust One Mortgage will only issue approval up to 105%.
- Maximum Loan Amount: Standard conforming loan limits are allowed for 1-4 unit properties. Agency High Balance loan limits are allowed for 1- 4unit properties.

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- Credit Score: Loans currently serviced by Investor: determined by DU. Loans not currently serviced by Investor: minimum 620 credit score required.
 - Additional Credit Requirements for Loans Currently not Serviced by Investor: Mortgage History, Minimum 12 month mortgage payment history is required reflecting 0 x 30 for the past 12 months; Multiple mortgages (existing mortgage plus any previous mortgages if existing mortgage is less than 12 months old) may be used for the minimum 12 month payment history. Bankruptcy, 48 month seasoning from discharge date; Borrowers with multiple Bankruptcies within 84 months not allowed; Foreclosure, 84 month seasoning from discharge date; A payoff demand is required in the file to document the current servicer.
 - Escrow/Impound Waivers: Escrow/impound accounts on DU Refi Plus loans may be waived in the following instances: Loans with LTVs > 80% where the loan being refinanced had an LTV ≤ 80% and an escrow/impound account was not established; Loans with LTVs > 90% (secured by a property wherein state law prohibits requiring an escrow/impound account for LTVs < 90%) where the loan being refinanced had an LTV < 90% and an escrow/impound account was not established. Escrow/impound account waivers are only permitted if the borrower is current on taxes and insurance.
 - Subordinate financing: New subordinate financing not allowed. Re-subordination of existing subordinate financing allowed with no maximum CLTV limits. Pay-off of existing subordinate financing with loan proceeds is not allowed. Pay-off of existing subordinate financing with borrower's own funds is allowed.
 - Condo/PUD: Project reviews are not required, but confirmation that the property is not a Condo or Co-Op, hotel or motel is required.
 - Ineligible DU Refi Plus loans: Refinances of mortgages delivered to Fannie Mae on or after March 1, 2009. Loans with new subordinate financing or payoff of existing subordinate financing (re-subordination of existing financing is acceptable with DU approval). Interest-only programs. Loan subject to temporary interest rate buydowns. Adjustable rate mortgage programs with fixed-rate periods less than five years. Balloon Mortgages. MyCommunityMortgage loans. Rural Housing Loans. Loans approved with Mortgage Insurance requirements. HomeStyle Renovation mortgage loans. Expanded Approval recommendations. Loans subject to any outstanding repurchase request from Fannie Mae. DU Refi Plus loans delivered with MI coverage where the DU certificate issued the following message: *Mortgage insurance is not required for this DU Refi Plus loan case file.*
 - DU Refi Plus loans requiring Mortgage Insurance (MI) are no longer allowed. When mortgage insurance is required for any rate/term refinance transaction, Trust One must enter "Standard LCOR" in the product description field on DU to avoid the DU Refi Plus eligibility message.
- **Cash Out:** A cash-out refinance involves a new mortgage loan in which the cash back exceeds the lesser of 2% of the new mortgage principal balance or \$2,000 and is used to pay off the unpaid principal balance of the existing first mortgage and the amount required to satisfy any outstanding subordinate mortgage liens, no matter how old. Any additional cash back received may be used by the borrowers for any purpose. It is acceptable to include closing costs, discount points, prepayment penalties, and any prepaid items, such as hazard insurance and property taxes (current and previous year), as part of the transaction. If the borrower purchased the property less than six months prior to application date, the borrower is ineligible for a cash-out refinance transaction.
- **Section 32:** Not Allowed.
- **Continuity of Obligation:** An acceptable continuity of obligation exists with any of the following situations:
- At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.
 - The borrower must have been on title and residing in the subject property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (for example, immediate relative or domestic partner) with the current obligor. An immediate relative is defined as the borrower's spouse, child, or other dependent, or any individual related by blood, marriage, adoption, or legal guardianship. Cancelled checks are required for payment verification.
 - The existing loan being refinanced and the title have been held in the name of a natural person or LLC, as long as the borrower was a member of the LLC prior to transfer. Transfer of ownership from a corporation to a borrower does not meet the continuity of obligation requirements. LLCs are not acceptable forms of title for the new loan transaction.
 - The borrower recently inherited or was legally awarded the property (for example, divorce or separation).
- Loans with acceptable continuity of obligation may be underwritten and priced as rate-and-term or cash-out refinances according to the standard definitions as described in this section. 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 must be underwritten and priced as a cash-out refinance transaction. The following restrictions also apply:
- LTV Calculation for loans with no outstanding liens: Use the lesser of the original sales price/acquisition cost (documented by the HUD-1 Settlement Statement) or the current appraised value for properties purchased within six to 12 months prior to the application date for the new loan transaction. Use the current appraised value for properties purchased more than 12 months prior to the application date for the new loan transaction.

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- Loans with outstanding liens but with no continuity of obligation: At least one borrower must have been on title for at least six months, and The maximum loan-to-value (based on the current appraised value) is 50%. Note: The borrower must meet the standard 12 month verification of payment history requirement.

➤ **Properties Listed for Sale:** Refinances on properties listed for sale are not permitted.

- Rate and Term Refinances: For rate and term refinances of properties recently listed for sale, the listing agreement must be cancelled at least one day prior to the date the application is taken.
- Cash Out Refinances: On cash out refinances, listing agreements on the subject property must be cancelled six months prior to the application date or the loan is subject to a maximum loan-to-value of 70%. In all circumstances, listing agreements must be cancelled at least one day prior to the loan application.

This guideline needs to be applied to loans regardless of whether an AUS condition is present. Place a copy of the canceled listing in the file and perform a current multiple listing service search to verify that the property is not currently listed by a different agency.

RESERVES: Cash reserves listed for primary residence properties are generally used but the reserve requirement is determined by the AUS. Reserves listed for second home and investment properties are required regardless of the AUS determination.

Primary Residence	Second Home	Investment Property
2 months	2 months	6 months

Second home and investment property transactions: 2 months reserves are required for each additional second home and investment property owned by the borrower regardless of the AUS decision.

The following calculations should be used when determining the value of the asset being used for reserves:

- Stocks, bonds, and mutual funds: 70% of the value may be used as reserves.
- Retirement accounts: 60% of the vested value may be used as reserves.
- In addition, stock options and non-vested restricted stock are no longer eligible for use as reserves.

SECONDARY FINANCING:

➤ **Eligible:**

- Community Seconds.
- The term of the loan cannot be less than 5 years, unless the financing fully amortizes prior to that time.
- The loan term must provide for regular payments of principal and interest, or interest only.
- If the loan has a fixed rate, the terms may not be more than 2% below the market rate for FNMA second mortgages at the time of origination.
- If the loan has a variable rate, the monthly payment must remain constant for each 12-month period over the term of the loan.
- When calculating the total housing expense ratio, the payment for the secondary financing must be included. For HELOCs, calculate the monthly payment using 1% of the total line amount. For HELOCs with written evidence of a line modification, the modified limit is used to calculate the 1% monthly payment. The HELOC calculation payment applies to the subject property and for any properties with HELOC's where the mortgage payment does not appear on the credit report.
- For HELOCs use the maximum line amount to calculate the CLTV.
- For conforming HELOCs, the repayment terms must provide for regular monthly payments that require, at a minimum, the monthly interest due paid so that negative amortization will not occur.

➤ **Ineligible:**

- The subordinate mortgage has wraparound terms, combining the indebtedness of the first mortgage with the subordinate mortgage.
- The subordinate mortgage does not provide for either regular monthly payments of principal and interest, or interest only.
- The subordinate mortgage allows negative amortization.
- **Multiple junior liens.**

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SPOT RELOCATION:

- Self-employed borrowers are not eligible.
- Purchase transactions only.
- Interest Only not allowed.
- First and second mortgages allowed.
- Owner-occupied primary residence only.
- One unit SFRs, PUDs, and condos only.
- Existing employee transfers and new hires.
- LTV > 80%: The new residence must be at least 100 miles from the prior principal residence.
- LTV ≤ 80%: There are no distance requirements.
- Maximum LTV: The lesser of 90% or the maximum LTV as shown in the individual loan program.
- Reserves: Borrowers must have cash reserves after closing of at least: Six months principal, interest, tax and insurance payments for the mortgage **Or** Three months principal, interest, tax and insurance payments for the mortgage with strong compensating factors, such as: Significantly lower debt-to-income ratios; Significantly lower LTVs; Significantly higher credit scores.
- Buydowns: Allowed.
- Qualifying Ratios: 28% / 36%. Higher qualifying ratios may be used when strong compensating factors exist. Exceptions to Qualifying Ratios: To omit the PITI or bridge loan payments from the qualifying ratios, document using one of the following two options: Executed buyout agreement indicating that the employer/relocation company takes responsibility of the outstanding mortgage **Or** All of the following are required: Executed purchase/sales contract for current primary residence; Lender's loan commitment to buyer of current primary residence or the relocation contract stating a cash sale; Six months PITI reserves on current primary residence and bridge loan payment (if applicable).
- Relocation Program Contributions: Contributions in connection with an employer's relocation program may include: Coverage of moving expenses, closing costs on the new primary residence, and selling expenses on the previous primary residence **Or** The equivalent amount equal to the lower of: \$5,000, or 10% of the borrower's gross salary, or 3% of the mortgage amount consisting of one or more of the following: A buydown or subsidy of the interest rate; Payment of the borrowers' non-recurring closing costs, including discount points and origination fees on the new or previous residence; Funding of a below market rate or no interest bridge loan; Payment of the difference between property tax and/or mortgage interest rate obligation on the employee's previous primary residence and new primary residence.
- Trailing Wage Earner Credit and Income: Not eligible.
- LTVs of 80.01% to 90.00%:
- The following additional documentation is required in loans submitted for purchase: Written proof that the relocation is in connection with a corporate relocation program offered by the primary wage earner's employer's relocation contract. The Transmittal Summary (1008) must document that the borrower meets the eligibility requirements of a relocation loan.