

Trust One Mortgage – 1700 Series Conforming

Product Type & Program Numbers:

- 1700/1725/1715: 30, 25 & 15-year Conforming Fixed
- 1700IO: 30-year Conforming Fixed Interest Only; the initial interest only period is 10 years.
- 1730/1750/1770/1710 – 30-year 3/1, 5/1, 7/1, 10/1 LIBOR ARM
- 1730IO/1750IO/1770IO/1710IO – 30-year Interest Only 3/1, 5/1, 7/1, 10/1 LIBOR ARM; initial interest only period is 10 years.
- 1740: 40-year Conforming Fixed (LP ineligible)

Declining Markets: See Chapter 7 of the Program Summary Guide, or [Declining Market 1700](#) on the website, for all requirements regarding properties located in declining markets.

DU Matrix: All loans must be underwritten through DU. **Manual underwriting not allowed.** The DU Findings Report will determine underwriting and documentation requirements, unless otherwise stated in these guidelines.

Purchase		Fully Amortizing (1700/1725/1715/1740/1730/1750/1770/1710)			Interest Only (1700IO/1730IO/1750IO/1770IO/1710IO)	
Occupancy	Units	FICO	≤ 30-Year LTV/CLTV/HCLTV	40-Year LTV/CLTV/HCLTV	FICO	≤ 30-Year LTV/CLTV/HCLTV
Primary Residence	1	580*	95%/95%/95%	95%/95%/95%	620*	95%/95%/95%
	2	580*	95%/95%/95%	95%/95%/95%	620*	90%/90%/90%
	3-4	580	75%/75%/75%	75%/75%/75%	620	75%/75%/75%
Second Home	1	580*	80%/90%/90%	80%/90%/90%	620*	80%/90%/90%
Investment Property	1-2	580	80%/85%/85%	80%/85%/85%	620	80%/85%/85%
	3-4	580	75%/75%/75%	75%/75%/75%	N/A	
Rate & Term Refi		Fully Amortizing (1700/1725/1715/1740/1730/1750/1770/1710)			Interest Only (1700IO/1730IO/1750IO/1770IO/1710IO)	
Occupancy	Units	FICO	≤ 30-Year LTV/CLTV/HCLTV	40-Year LTV/CLTV/HCLTV	FICO	≤ 30-Year LTV/CLTV/HCLTV
Primary Residence	1	580*	95%/95%/95%	95%/95%/95%	620*	95%/95%/95%
	2	580*	95%/95%/95%	95%/95%/95%	620*	90%/90%/90%
	3-4	580	75%/75%/75%	75%/75%/75%	620	75%/75%/75%
Second Home	1	580*	80%/90%/90%	80%/90%/90%	620*	80%/90%/90%
Investment Property	1-2	580	75%/75%/75%	75%/75%/75%	620	75%/75%/75%
	3-4	580	75%/75%/75%	75%/75%/75%	N/A	
Cash Out Refi		Fully Amortizing (1700/1725/1715/1740/1730/1750/1770/1710)			Interest Only (1700IO/1730IO/1750IO/1770IO/1710IO)	
Occupancy	Units	FICO	≤ 30-Year LTV/CLTV/HCLTV	40-Year LTV/CLTV/HCLTV	FICO	≤ 30-Year LTV/CLTV/HCLTV
Primary Residence	1-2	580*	80%/85%/85%	80%/85%/85%	620*	80%/85%/85%
	3-4	580	75%/75%/75%	75%/75%/75%	620	75%/75%/75%
Second Home	1	580	75%/75%/75%	75%/75%/75%	620	70%/70%/70%
Investment Property	1-2	580	75%/75%/75%	75%/75%/75%	620	70%/70%/70%
	3-4	580	70%/70%/70%	70%/70%/70%	N/A	

*To obtain Mortgage Insurance for Loans with LTV > 80%, regardless of documentation process, the following criteria is generally now required by the MI companies: A credit score of 660 or greater for Full Amortization Loans (Primary Residence or Second Home; Purchase or Rate/term refinance); A credit score of 680 or greater for Interest-Only Loans; A credit score of 720 or greater for Cash-out Refinance Loans.

Properties listed for sale within the past 180 days are eligible for Cash-out refinance up to 70% LTV. Properties that were listed for sale must have been taken off the market on or before the application date. Cash-out not permitted if property was purchased within the prior 6 months. If property was listed for sale in the past 6 months, LTV for Cash out Refinance may not exceed 70%. If borrower has been on title for 6 months and has a lien on the property, but cannot demonstrate an acceptable continuity of obligation, the loan is considered a cash-out refinance, and the LTV is limited to 50% of current appraised value.

Loans on second homes or cash-out refinance transactions with LTVs greater than 80% must be purchased by 6/30/09.

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LP Matrix: All loans must be underwritten through LP. **Manual underwriting not allowed.** The LP Feedback Certificate will determine underwriting and documentation requirements, unless otherwise stated in these guidelines.

Purchase and Rate & Term Refi		Fully Amortizing (1700/1725/1715/1730/1750/1770/1710)			Interest Only ≤ 30 Years (1700IO/1730IO/1750IO/1770IO/1710IO)		
Occupancy	Units	FICO	LTV – No Subordinate Financing	≤ 30-Year LTV/CLTV/HCLTV	FICO	LTV – No subordinate financing	LTV/CLTV/HCLTV with subordinate financing
Primary Residence	1	580*	95%	90%/95%/95%	620*	95%	90%/95%/95%
	2-4	580	80%	75%/80%/80%	N/A		
Second Home	1	580	85%	80%/85%/85%	620*	85%	80%/85%/85%
Investment Property	1 Purchase	580	80%	75%/80%/80%	N/A		
	1 R & T	580	75%	70%/75%/75%			
	2-4	580	75%	70%/75%/75%			
Cash Out Refi		Fully Amortizing (1700/1725/1715/1730/1750/1770/1710)			Interest Only ≤ 30 Years (1700IO/1730IO/1750IO/1770IO/1710IO)		
Occupancy	Units	FICO	LTV – No Subordinate Financing	≤ 30-Year LTV/CLTV/HCLTV	FICO	LTV – No subordinate financing	LTV/CLTV/HCLTV with subordinate financing
Primary Residence	1 Fixed	580*	80%	80%/85%/85%	620*	80%	80%/85%/85%
	1 ARM	580*	80%	80%/85%/85%	620	75%	70%/75%/75%
	2-4	580	75%	70%/75%/75%	N/A		
Second Home	1 Fixed	580	75%	70%/75%/75%	620	75%	70%/75%/75%
	1 ARM	580	75%	70%/75%/75%	620	65%	60%/65%/65%
Investment Property	1	580	75%	70%/75%/75%	N/A		
	2-4	580	70%	65%/70%/70%			

*To obtain Mortgage Insurance for Loans with LTV > 80%, regardless of documentation process, the following criteria is generally now required by the MI companies: A credit score of 660 or greater for Full Amortization Loans (Primary Residence or Second Home; Purchase or Rate/term refinance); A credit score of 680 or greater for Interest-Only Loans; A credit score of 720 or greater for Cash-out Refinance Loans.

Properties listed for sale within the past 180 days are eligible for Cash-out refinance up to 70% LTV. Properties that were listed for sale must have been taken off the market on or before the application date. Cash-out not permitted if property was purchased within the prior 6 months. If property was listed for sale in the past 6 months, LTV for Cash Out Refinance may not exceed 70%. If borrower has been on title for 6 months and has a lien on the property, but cannot demonstrate an acceptable continuity of obligation, the loan is considered a cash-out refinance, and the LTV is limited to 50% of current appraised value.

Loans on second homes or cash-out refinance transactions with LTVs greater than 80% must be purchased by 6/30/09.

Flex 97 Conforming: 1700/1725/1715/1740

Program ^{3,4}	LTV	CLTV ¹
Flex with subordinate financing	≤ 95%	97%
Flex 97 ²	90% - 95% ²	90.01 - 95%
Flex 97 without subordinate financing	95.01% - 97%	97%

¹ Only fully drawn home equity lines of credit are permitted.

² Purchase only: if the borrower lacks 5% of the purchase price from their own funds DU will consider the loan a Flexible 97 expanded down payment transaction.

³ ARM products > 30 years ineligible.

⁴ Properties listed for sale within the past 180 days are eligible for Cash-out refinance up to 70% LTV. Properties that were listed for sale must have been taken off the market on or before the application date.

DU will apply flexible mortgage underwriting guidelines to: Purchase transactions with an LTV ≥ 90% up to 95% if the borrower does not supply 5% from their own funds; Loans with a CLTV > 95%, regardless of what the LTV is; and Loans where unsecured borrowed funds used as a source of the down payment, regardless of whether the borrower can supply 5% from their own funds.

The following transactions will not be considered flexible mortgages: Loans with an LTV < 90% and a CLTV ≤ 95% even if the borrower cannot supply 5% from their own funds without subordinate financing.

Note: Minimum 90% LTV for Flex 97 loans.

All loans must be underwritten through DU and receive an Approve/Eligible recommendation. The DU Findings Report will determine underwriting and documentation requirements, unless otherwise stated in these guidelines.

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Alt 97 Conforming: 1700/1725/1715

Program	LTV	CLTV/HCLTV
Freddie Mac Alt 97	90 - 95%	NA
Freddie Mac Alt 97 w/ Institutional 2nd	90%	95%

Note: Minimum 90% LTV. Minimum FICO of 580 required.

Must be underwritten through Loan Prospector (LP), and receive an LP Risk Classification of Accept. The LP Feedback Certificate will determine underwriting and documentation requirements, unless otherwise stated in these guidelines.

APPRAISAL: Trust One appraisal policy applies. Loan amounts \$1,000,001 to \$1,500,000, at minimum, one full appraisal is required in addition to one field review or two appraisals. (For the Field Review option, the review must be completed on a Fannie Mae or Freddie Mac approved report and must include the Reviewer's own opinion of value when there is a value conclusion difference.) Two full appraisals required if the loan amount > \$1,000,000 and the loan is located in the following zip codes: AZ (85253); CA (94539, 94705, 95646, 94506, 94507, 94526, 94549, 94556, 94563, 92384, 90010, 90020, 90024, 90049, 90067, 90069, 90077, 90210, 90211, 90212, 90265, 90266, 90272, 90274, 90275, 90293, 90402, 90403, 91011, 91108, 91302, 91436, 94904, 94920, 94939, 94940, 94941, 94946, 94964, 94965, 94970, 93920, 93921, 93953, 90742, 90743, 92625, 92651, 92657, 92660, 92661, 92662, 92663, 92861, 92014, 92037, 92067, 92118, 94108, 94114, 94115, 94117, 94118, 94123, 94129, 94133, 94010, 94025, 94027, 94028, 94062, 94074, 93108, 94022, 94024, 94040, 94301, 94304, 94305, 94306, 95014, 05030, 95032, 95070, 95120, 95480); CO (81611, 81615, 81656); CT (06820, 06830, 06831, 06840, 06870, 06878, 06103); ID (83353); MD (21056); NV (89011, 89413); OR (97819); WA (99105, 98039, 98040). Loan amounts > \$1,500,000 require 2 appraisals. Effective with appraisals dated on or after July 1, 2009, 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. The Market Conditions Addendum (1004MC) is intended to provide Trust One with a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood. The addendum must be provided with Forms 1004, 1004C, 1004D, 2055, 1073, 1075, 2090, 2095, and 1025.

➤ **Full Doc loans:** Refer to DU Findings Report or LP Feedback Certificate for guidelines.

➤ **Special appraisal requirements for reo or recently foreclosed properties:** Recent increases in property foreclosures have resulted in some real estate owned (REO) properties being neglected and/or sitting vacant for extended periods of time before they are sold to new owners. In these cases, exterior-only appraisals or property inspection reports do not provide an accurate assessment of the condition of the property. Effective 04/04/09 - For purchase transactions that are the result of the sale of an REO property, or the last transaction on the property being purchased was a foreclosure, a full interior/exterior appraisal inspection is required. Form 1004 is required for one-unit properties; Form 1073 is required for units in condominium projects; Form 2009 is required for units in cooperative projects.

➤ See **PROPERTY IMPACTED BY DISASTER** for additional guidelines.

➤ **HVCC:** FNMA and FHLMC, 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 with applications dated on or after May 1, 2009. Trust One must represent and warrant that any appraisal used in originating a conventional loan conforms to the requirements of FNMA and FHLMC 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. The following companies are eligible Appraisal Management Companies and must be contacted to set up an account for ordering appraisals:

- LandSafe Appraisal Services, Inc.; www.landsafe.com; Office: 877.572.5673; Fax: 800.476.9517.
- Collateral Appraisal Management, LLC, 108 Pacifica, Ste. 290, Irvine, CA 92618; www.CAManagement.net; Office: (949) 453-8284; Fax: (949)453-0035.

Additional eligible Appraisal Management Companies will be added at a later date.

ASSETS/FUNDS TO CLOSE/DOCUMENTATION: A loan that receives a Desktop Underwriter (DU) Expanded Approval recommendation may not be subsequently submitted to Loan Prospector (LP), or a loan that receives an LP Caution or A-Minus recommendation may not be subsequently submitted to DU, to see if it could receive a more favorable finding or recommendation from the other AUS system.

➤ **Full Doc:** The DU Findings Report or LP Feedback Certificate will determine documentation requirements and limits on seller contributions. The use of a written VOE (Verification of Employment) as the only documentation used to verify income and employment is no longer permitted, regardless of AUS finding. A pay stub showing YTD earnings or a W2 is also required. A verbal VOE must be still performed prior to the loan closing.

➤ **HUD1:** FNMA is now requiring that there is a fully executed HUD1 for each loan file. For a purchase transaction it must be signed by both buyer and seller. This can be accomplished in one of two ways: 1. The Estimated HUD1 (or HUD1a) can be fully executed and included in the file along with a FINAL HUD1 that is not executed; OR, 2. The FINAL HUD1 (or HUD1a) can be fully executed. In either case, the FINAL HUD1 must be stamped FINAL or say at the top that it is a Final HUD1.

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➤ **IRS Form 4506-T:** Effective for all loans registered on and after July 6, 2009, and regardless of income type or documentation method to be used in connection with the loan, Trust One is required to have signed and process an IRS Form 4506-T to obtain the borrower(s)'s tax return transcripts for the two years prior to the loan application date and verify the information provided by the IRS in response to the Form 4506-T as part of the underwriting process. Additionally, Trust One must provide a properly completed Form 4506-T for tax return transcript for the same period signed by the borrower at the closing. Separate Forms 4506-T must be signed for all borrowers both at application and at closing, regardless of DU or LP findings; only the form signed at application must be processed by Trust One. Both signed copies of the 4506-T must be included in the file upon closing package delivery. If a signed form (from either application or closing) is missing, the loan will not be purchasable. It is imperative that the Form 4506-T be completed fully, accurately and legibly to avoid delays and errors (refer to the IRS guidance and Fannie Mae 4506 policy). The top portion of the Form 4506-T must be completed exactly as the borrowers filed their tax returns and must request transcripts of their most recent two years tax returns. Any Form 4506-T that is submitted with incomplete, inaccurate or illegible taxpayer information will be rejected by the IRS and, therefore, by the Investor. Alternative forms such as the 8821 or 4506 will no longer be accepted as of July 6, 2009. The IRS Form 4506-T may be found at <http://www.irs.gov/pub/irs-pdf/f4506t.pdf>. If the income documentation provided by the borrower is $\geq 20\%$ greater than the income documented on the IRS transcript, the following steps must be taken: Wage Earner or Other Income: Underwriter should perform an in-depth review to determine if the increase in income seems reasonable and if additional steps need to be taken. At a minimum, a letter from the borrower explaining the difference must be obtained and retained in the loan file. Additional documentation to support the explanation or increase should also be requested if deemed necessary by the underwriter; Self-employed borrowers or borrowers who receive 1099 or commission income greater than 25% of their total earnings: Underwriter should perform an in-depth review to determine if the increase in income seems reasonable and if additional steps need to be taken. At a minimum the borrower's explanation for the difference must be obtained and retained in the loan file. Additional documentation to support the explanation or increase should also be requested if deemed necessary by the underwriter. Information reported on the tax transcripts should match information reported on the tax returns provided by the borrower. Note: All other current guidelines for analysis of self-employment income must also be followed.

➤ **Flex 97:** Income and asset documentation as required per the DU findings. IRS Form 4506-T as required per the DU findings.

Down Payment: For purchase transactions, the borrower is required to contribute at least 3% of the purchase price to the transaction. Funds may be applied to the down payment (if the LTV is $< 97\%$), closing costs, and prepaid items. For refinance transactions, the borrower is not required to make a similar contribution of 3% of the appraised value if the closing costs and prepaid items do not total 3%.

- **Source of Funds:** Eligible sources of funds for the borrower's minimum contribution, down payment (if applicable), closing costs, and prepaid items may come from the following sources: Borrower's own funds; Gifts; Grants; Unsecured loan from a relative, domestic partner or fiancé, employer, public agency, or non-profit organization; Loans secured by marketable assets; Closed-end second mortgage with a CLTV not to exceed 97%, and fully-drawn home equity line of credit with a CLTV/HCLTV not to exceed 97%. Eligible sources of funds for closing costs and/or prepaid items may come from the following sources: Interested Party Contributions. Premium Pricing: Eligible as long as the costs covered by the higher interest rate do not exceed 3% of the sales price. Premium Pricing may not be used to cover the borrower's minimum required contribution, and only for closing costs and prepaid items. Ineligible Sources of Funds: Unsecured debts except as indicated above; Seller-carried second mortgages; Home equity lines of credit that are not fully drawn at time of closing; Community Second subordinate liens.
 - **Gifts of Equity:** To be eligible as a source of funds for down payment, the following requirements must be met: The gift of equity must be provided by a relative (i.e., the borrower's spouse, child or other dependent, or any other individual who is related to the borrower by blood, marriage, adoption or legal guardianship), a fiancé, fiancée or domestic partner; and the donor may not be, or may not have any affiliation with, the builder, developer, real estate agent or any other interested party to the transaction; and gift letter explaining the type of gift is required; and Trust One must confirm that the borrower has contributed his or her own funds equal to at least 5% of the purchase price of the property if the gift of equity is less than 20% of the sales price. This requirement does not apply to Flexible Mortgages, or any scenario that otherwise permits gifts funds to be used to satisfy the borrower's down payment requirements; and the gift of equity must be identified in the Sales Contract; and the sales price of the property must be at a market rate; and the gift of equity must be transferred to the buyer as a credit in the transaction; the final equity exchange must be documented on the borrower's HUD-1. If the above requirements are met, the gift of equity from the seller of the property to a buyer who is related to the seller is not subject to interested party contribution requirements.
- **Alt 97:** LP determines the income and employment verification requirements based on the risk factors of the loan.
- **Interested Party Contributions:** Interested party contributions are permitted for the payment of closing costs that exceed the borrower's minimum contribution and/or down payment requirement. Interested party contributions are allowed up to a maximum of 3% of the lesser of the sales price or appraised value. Closing costs and pre-pays may be funded by premium pricing, and do not need to be included in the 3% contribution limit.
 - **Down Payment:** For purchase transactions, the borrower is required to contribute at least 3% of the lesser of the sale price of appraised value. The entire down payment, closing costs and prepaids may come from any of the "Source of Funds" listed below.

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- **Source of Funds:** Acceptable sources of funds include: The borrower’s own funds, including funds on deposit in a checking, savings, money market, certificate of deposit or, other depository account; A gift or unsecured loan from a relative. Gifts must be documented according to Freddie Mac’s guidelines. The donor may not be an interested party to the transaction, nor may the donor obtain the funds from an interested party to the transaction; A gift, grant, or unsecured loan from a non-profit agency; Funds from an Individual Development Account or Community Savings System; Employer-assisted housing funds, including an unsecured loan or grant. The employer may not require payment in full if the borrower no longer works for the employer; Sale of personal property; Secured borrowed funds, including proceeds of a loan fully secured by the borrower’s own assets.

- **Ineligible Source of Funds:** Cash on hand; HELOC loans; Sweat Equity; Credit card advances; Unsecured lines of credit.

➤ **Interested Party Contributions:** Maximum contributions are based on the lower of the sales price or appraised value. Financing Concessions are payments or credits for items related to acquiring the property or paying for financing terms, and are subject to interested party contribution limits. Sales Concessions are contributions for items that are not allowable Financing Concession items. Sales Concessions are not subject to interested party contribution limits, but their value must be deducted from the sales price before calculating LTVs and CLTVs. Financing Concessions may not be used to meet the borrower’s down payment or minimum borrower contribution requirements, or to meet reserve requirements for the transaction. Payment abatements are not permitted as interested party Financing Concessions. This includes transactions where the interested party is directly funding the abatement and/or if the funding for the abatement is flowing through another entity, such as a non-profit down payment assistance program. Maximum Interested party contribution limits are based on occupancy and LTV for loans without subordinate financing, or the CLTV for loans with subordinate financing.

Occupancy	LTV	Max Contribution
Primary Residence	≤ 75%	9%
Primary Residence	75.01% to 90%	6%
Primary Residence	> 90%	3%
Second Home	≤ 75%	9%
Second Home	75.01% to 90%	6%
Second Home	> 90%	3%
Investment Property	All	2%

➤ **Business Funds:** If Business Funds are used for down payment, closing costs and/or reserves, the following conditions must be met:

- Borrower must be the sole proprietor or 100% owner of the business; or
- Borrower must provide verification from the other owners of the business that s/he has access to the funds.
- The accountant for the business must comment on the impact that the withdrawal of the funds will have on the business. If the accountant states that there will be a negative impact, the use of the funds will not be permitted.
- Verification of funds in the account is required. (**Note:** Large deposits that are not in line with business revenue/income stream should be explained and verified.)

➤ **Tax Returns:** If tax returns are included in the loan file, the underwriter must review and consider in their credit evaluation even if the tax returns are not required for the documentation process used. The underwriter may not disregard data contained in the loan file.

➤ **Uniform Instruments Requirement:** The FNMA/FHLMC or 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 or FHLMC Uniform Instruments. Under no circumstances should the tagline be removed or altered.

ASSUMPTIONS:

- Fixed Rate: Not allowed.
- 3/1 ARM: Assumable anytime.
- 5/1 ARM, 7/1 ARM, 10/1 ARM: Assumable anytime after the initial fixed interest rate period.

BORROWER ELIGIBILITY: All borrowers must have social security number.

➤ **Non-Occupant Co-Borrower:** The income of a non-occupant co-borrower cannot be considered for qualifying purposes on a first mortgage with an LTV in excess of 90%. On a first mortgage with an LTV of 90% or less, the income of a non-occupying co-borrower may be considered for qualifying purposes, subject to the following additional criteria: The occupant borrower must provide 5% of the purchase price towards the down payment using their own funds (which must come from an acceptable source); The qualifying ratio for the occupying borrower cannot exceed 35%/43%. If the occupant-borrower does not meet the above requirements, then the loan must be registered and underwritten as an investment property. Properties where the borrowers are purchasing a property for the occupancy of others (sometimes known as “Kiddie Condos”), must be registered and underwritten as investment properties. This includes loans where the occupant is a loan applicant, but does not meet the down payment and total qualifying debt ratio guidelines applicable with a non-occupant co-borrower. Does not apply to loans that meet the policy for purchase of a primary residence for a special needs individual. Ineligible documentations: Flex 97; Alt 97.

➤ **Permanent Resident Alien:** Must be employed in the US. Source of income must be verified and expected to continue for 3 years. A 2-year credit and income history is required.

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- **Non-permanent Resident Alien:** Must currently reside in the US legally. Currently employed in the US and must be verified and expected to continue for 3 years. Must have 2-year work history, including their employment in a foreign country.
- **Non-arms length transaction:** A non-arms length transaction is one in which there is a relationship or business affiliation between the seller and the buyer of the property (e.g., family sale between parent and child, property in an estate, employee and employer, renter and landlord, of flip transactions, or direct sale without a third party (for sale by owner)). Non-Arms length transactions must be processed as Full Documentation. The appraiser must be informed of the non-arms length transaction and address whether or not the market value has been affected by the relationship of the parties.

BUYDOWNS:

- **Primary Residence:** Maximum 3%.
- **Second Home:** Maximum 3%.
- **Investment Property:** Not allowed.
- **Cash out refi:** Not allowed.
- **1730:** Primary 1-2 unit and Second Home all LTVs maximum 2%.
- **1750/1770/1710:** Primary and Second Home all LTVs maximum 3%.
- **1730IO/1750IO/1770IO/1710IO:** Not permitted.
- **Flex 97:** Primary Residence maximum 3%. DU will qualify buy down loans with LTVs greater than 95% at the note rate; buy down loans with LTVs = 95% will be qualified at 1% above the bought-down rate.
- **Alt 97:** Not allowed.

CREDIT: Requires a 3-file merged report. A minimum of two FICO scores for each applicant must be obtained. Choose the lower of two scores or the middle of three. Use the score from the applicant with the lowest representative FICO. The credit report must be reviewed to make certain that the data used by DU or LP to evaluate the loan was complete and accurate, since information not considered by the AUS may result in a different recommendation. If the AUS approval is based on authorized user (versus account owner) account trade lines, Trust One must confirm these accounts accurately reflect the borrower's credit history. If there are less than 4 trade lines, or the trade lines do not meet the required payment history requirements (i.e., one has been open a minimum of 24 months, the other 3 must be rated for at least 12 months) or if there is no credit, there is insufficient data to determine credit behavior—even if the report includes a credit score. **Unpaid charge-offs, collection accounts and past due accounts must be paid in full at or before loan closing.** Explanation for delinquent credit is not required. Recent credit inquiries must be explained. New credit reports may not be pulled unless the original credit report has expired, or if needed to reflect the removal of erroneous information. If DU or LP is being rerun, the original credit report must be used. If a new credit report is pulled to reflect removal of erroneous information, documentation regarding the erroneous information must be provided. A new credit report cannot be provided after the loan has closed.

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

➤ **Bankruptcy/Foreclosures/Deed-in-lieu of Foreclosure:** To be considered for a mortgage loan, the borrower must have re-established a satisfactory credit history and demonstrated the ability to manage financial affairs prudently. Generally a bankruptcy, foreclosure or deed-in-lieu should be fully discharged as specified in the applicable Documentation Process fact sheet (or for at least four years for a bankruptcy and deed-in-lieu and five years for a foreclosure if not specified in the fact sheet). Unless there are extenuating circumstances, the mortgage application may not be approved before the following time periods have elapsed from the date of the application:

- 4 years from the date the Chapter 7, 11, or 12 bankruptcy was discharged or dismissed;
- 4 years from the date a Chapter 13 repayment plan was dismissed;
- 5 years from the date of a foreclosure sale; or
- 4 years from the date a deed-in-lieu was executed.

Investor may consider two years an acceptable interval for having re-established a satisfactory credit record when:

- The previous action was a discharged Chapter 13 bankruptcy, regardless of the reasons that contributed to the previous bankruptcy.
- The previous action related to a foreclosure, deed-in-lieu or Chapter 7, 11 or 12 bankruptcy resulted from extenuating circumstances. (If the borrower cannot provide satisfactory documentation of the extenuating circumstances, four full years must have elapsed.)

Multiple Bankruptcy Filings: A 5-year time period must have elapsed from most recent dismissal or discharge date for borrowers with more than one bankruptcy filing within the past 7 years. A satisfactory credit record must be re-established. All bankruptcies must be either dismissed or discharged. Investor may consider 3 years an acceptable interval for having re-established a satisfactory credit record when the most recent bankruptcy filing was the result of documented extenuating circumstances.

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Deed-in-Lieu: After the required 4-year but less than 7-year elapsed time period:

- Borrower may purchase a property secured by a principal residence, second home, or investment property with the greater of 10 percent minimum down payment or the minimum down payment required for the transaction.
- Limited-cash-out and cash-out refinance transactions secured by a principal residence, second home, or investment property are permitted pursuant to the eligibility requirements in effect at that time.

Investor may consider 2 years an acceptable interval for having re-established a satisfactory credit record if the deed-in-lieu was the result of documented extenuating circumstances. The same requirements apply as outlined above.

Pre-foreclosure sale: The term pre-foreclosure sale indicates that the borrower has been delinquent on their mortgage and Trust One has agreed to accept a lesser amount to avoid foreclosure. A pre-foreclosure sale involves the sale of the property by the borrower to a third party for less than the amount owed to satisfy the delinquent mortgage, as agreed to by Trust One, investor, and mortgage insurer. A 4-year time period must have elapsed from completion date (or a 2-year time period due to extenuating circumstances).

Foreclosures: After the requisite 5-year elapsed time period:

- The borrower may obtain a new mortgage to purchase a principal residence with a minimum 10% down payment and a minimum credit score of 680.
- The borrower may obtain a limited cash-out refinance mortgage pursuant to our eligibility requirements in effect at that time.
- The borrower may not obtain a cash-out refinance or obtain a mortgage secured by a second home or investment property for seven years after the foreclosure action.

Investor may consider 3 years an acceptable interval for having re-established a satisfactory credit record when:

- The previous action was a foreclosure resulted from extenuating circumstances. (If the borrower cannot provide satisfactory documentation of the extenuating circumstances, 5 full years must have elapsed.)

If the foreclosure was the result of documented extenuating circumstances and the requisite 3 year elapsed time period has passed:

- The same requirements apply as outlined above, with the exception that the minimum credit score of 680 is not required.

Extenuating Circumstances: Extenuating circumstances are created by non-recurring events that are beyond the borrower's control. Events often result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations. However, extenuating circumstances cannot be defined solely by the event. The event, the severity of the resulting hardship, and the extent of the borrower's efforts to resolve the situation must also be considered.

Documentation Requirements: If a bankruptcy, foreclosure or deed-in-lieu has occurred in the last seven years, the borrower must provide a copy of the applicable bankruptcy documents (or a copy of the appropriate documentation needed to establish the date of the foreclosure or deed-in-lieu). The borrower must also submit a written statement explaining the circumstances that contributed to the action and, if applicable, provide documentation to support his/her claim of any extenuating circumstances. Examples of documentation include:

- A copy of a divorce decree, medical reports, or bills, notice of job layoff, job severance papers, etc.
- Insurance papers or claim statements, property listing agreements, lease agreements, tax returns (covering the periods prior to, during, and after a loss of employment), etc. illustrating factors that contributed to the borrower's inability to resolve the problems that resulted from the event.

Verifying Re-established Credit: Regardless of the reason, if the borrower's credit history includes a bankruptcy filing or foreclosure-related action, she or he must have re-established credit for at least four years (or as dictated by policy) for a bankruptcy and five years for a foreclosure and established a new payment record that illustrates a willingness and ability to manage his/her finances over time and if applicable, under different economic conditions. All accounts must be current as of the date of the mortgage application. In addition, the borrower's credit history must include:

- A minimum of four credit references, with at least one traditional credit reference and one housing-related reference, all of which must have a satisfactory payment history. Three of the four credit references (including any rental housing reference) must have been active for a full 24 months before the date of the mortgage application. Collections and charge off accounts may not be considered as a trade line to meet the minimum credit requirement regardless of whether or not the account is with the original creditor.
- No more than two installment or revolving debt payments \geq 30 days past due in the last 24 months.
- No installment or revolving debt payment \geq 60 days past due since the discharge or completion of the bankruptcy or the completion of the foreclosure-related action;
- No past due rental/mortgage payments since the discharge or completion of the bankruptcy or the completion of the foreclosure-related action; and
- No new public records containing bankruptcies, foreclosures, deeds-in-lieu, pre-foreclosure sales, unpaid judgments or collections, garnishments, liens, etc. since the discharge or completion of the bankruptcy or the completion of the foreclosure related action.
- In no instance, may credit from a non-traditional source be used to offset a delinquency for a traditional credit account.

➤ **Full Doc:** A copy of the credit report used by DU or LP to make the recommendation must be included in the closed loan package.

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➤ **Flex 97:** A 3-file merged report. A copy of the credit report used by DU to make the recommendation must be included in the closed loan package. DU has a minimum FICO score of 580 (DU 7.0), however, Interest Only loans MUST have a minimum FICO score of 620, regardless of DU findings and Borrowers who do not have a FICO score are not eligible for an Interest Only product. There are no exceptions.

➤ **Alt 97:** A 3-file merged report. A copy of the credit report used by LP to make the recommendation must be included in the closed loan package. Loans must have minimum FICO score of 580.

➤ **1700IO/1730IO/1750IO/1770IO/1710IO:** Minimum 620 FICO required regardless of AUS Findings. All borrowers must have a FICO score.

ESCROW (IMPOUNDS): LTV > 80%, require a monthly deposit of escrow funds for property taxes, hazard insurance, mortgage insurance, flood insurance, and other assessments, unless prohibited by applicable state law.

GEOGRAPHICAL RESTRICTIONS: Eligible states: AK (1730IO/1750IO/1770IO/1710IO ineligible), AZ, CA, CO, CT, GA, HI (Properties located in Lava Hazard Zones 1 or 2, as determined by the U.S. Geological Survey, are not eligible), ID, IN, MD, MI, MO, NV, NM, OK, OR, TX (Cash out refi ineligible), UT, VA, WA, WY.

Declining Markets: See Chapter 7 of the Program Summary Guide, or [Declining Market 1700 on the website](#), for all requirements regarding properties located in declining markets.

➤ See **PROPERTY IMPACTED BY DISASTER** for additional guidelines.

HAZARD INSURANCE: Hazard insurance coverage must be in an amount at least equal to replacement value, which is equivalent to 100% of the insurable value. The insurable value is established by the property insurer, not the principal amount of the loan. Each mortgage loan commitment specifies that evidence of insurance must be provided prior to or at loan closing. Property insurance for home mortgages must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The policy must provide coverage equal to or broader than those coverages provided under an Insurance Services Office (ISO) homeowner's form HO-3 for primary residences or DP-3 for second or investment homes. The coverage should be of the type that provides for claims to be settled on a replacement cost basis. Hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not accepted. Trust One should advise borrowers that they may not obtain hazard insurance policies that include such limitations or exclusions—unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions. The minimum amount of the hazard insurance coverage must be: 1-4 family properties - 100% of the insurable value, which is replacement value; Condominium & co-op projects - 100% of the insurable value, which is replacement value. More than the minimum required coverage is acceptable, but only at the borrower's discretion. A policy that provides for guaranteed replacement cost will always cover the required minimum insurance coverage amount. However, we do not require that the borrower provide a guaranteed replacement cost insurance policy. They may provide one only at their discretion. An existing hazard insurance policy on refinance transactions is acceptable provided that it remains in force for at least 60 days beyond closing and 30 days past the date the loan is purchased with the exception of a Condominium Master Policy. The Condominium Master Policy must be current however is not limited to a specific number of days beyond closing. Note: Properties in Hawaii that are located in Lava Hazard Zones 1 or 2, as determined by the U.S. Geological Survey, are not eligible for financing. In order to provide the closing agent with the minimum amount of hazard insurance coverage required, an insurer's determination of the Insurable Value (IV) of the property improvements must be obtained.

➤ **Condominium:** If the master or blanket insurance policy does not provide coverage of the interior of the unit, the borrower will be required to obtain a "walls in" coverage policy (commonly known as HO-6 policy). If required, the HO-6 insurance policy must provide minimum coverage of 20% of the unit's appraised value.

LIBOR ADJUSTABLE LOAN FEATURES:

- **Index:** The Index is the average of interbank offered rates for one-year U.S. dollar-denominated deposits in the London market ("LIBOR"), as published in The Wall Street Journal.
- **Margin:** See Rate Sheet.
- **Interest Rate:**
 - 3/1 ARM: Initial interest rate remains constant for first 3 years of loan. On the first interest rate adjustment date, the interest rate will be adjusted to equal the sum of the index plus the required margin, subject to an Initial Cap of 2%, a Periodic Cap of 2% and a Life Cap of 6%. The floor is the margin.
 - 5/1 ARM: Initial interest rate remains constant for first 5 years of loan. On the first interest rate adjustment date, the interest rate will be adjusted to equal the sum of the index plus the required margin, subject to an Initial Cap of 5%, a Periodic Cap of 2% and a Life Cap of 5%. The floor is the margin.

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- 7/1 ARM: Initial interest rate remains constant for first 7 years of loan. On the first interest rate adjustment date, the interest rate will be adjusted to equal the sum of the index plus the required margin, subject to an Initial Cap of 5%, a Periodic Cap of 2% and a Life Cap of 5%. The floor is the margin.
- 10/1 ARM: Initial interest rate remains constant for first 10 years of loan. On the first interest rate adjustment date, the interest rate will be adjusted to equal the sum of the index plus the required margin, subject to an Initial Cap of 5%, a Periodic Cap of 2% and a Life Cap of 5%. The floor is the margin.
- Adjustment Frequency:
 - 3/1 ARM: The initial interest rate change occurs after the first 3 years and every 12 months thereafter. The Note rate may not be lower than 3% below the fully-indexed rate.
 - 5/1 ARM: The initial interest rate change occurs after the first 5 years and every 12 months thereafter.
 - 7/1 ARM: The initial interest rate change occurs after the first 7 years and every 12 months thereafter.
 - 10/1 ARM: The initial interest rate change occurs after the first 10 years and every 12 months thereafter.

MAXIMUM LOAN AMOUNT:

➤ **Conforming limits:**

- 1-unit \$417,000
- 2-unit \$533,850
- 3-unit \$645,300
- 4-unit \$801,950

MINIMUM LOAN AMOUNT: None

MORTGAGE INSURANCE: Acceptable MI insurers: MGIC, Radian, PMI, RMIC. **Additional restrictions may be placed by the individual MI insurer and can be found on the website of the MI insurer.** Although market conditions and MI company requirements continue to fluctuate, the following is a *summary* of MI restrictions currently in place.

➤ MI is not available if the loan has any of the following:

- Loans with a FICO <660.
- Second Homes.
- Cash-Out Refinances.
- Interest Only transaction with FICO <680.
- Loans with an LTV >95% may have additional restrictions with regards to first time homebuyers, homebuyer education, median income, and down payment.

➤ **1700/1725/1715 (regardless of AUS Findings Report):** Reduced MI coverage options available through DU (where a lower percentage of coverage is permitted without a fee) are acceptable if they do not require a fee to the borrower. Lender-Purchased (“LPMI”) MI, Split Premium and Financed MI is not permitted.

LTV	≤ 20 years	≥ 20 years
90.01 ≤ 95%	25%	30%
85.01 ≤ 90%	12%	25%
80.01 ≤ 85%	6%	12%

➤ **1740/1700IO/1730/1750/1770/1710/1730IO/1750IO/1770IO/1710IO:** Reduced MI coverage options available through AUS (where a lower percentage of coverage is permitted without a fee) are acceptable if they do not require a fee to the borrower, but are ineligible for 40-year term loans and Interest Only loans. Lender-Purchased (“LPMI”) MI, Split Premium, and Financed MI is not permitted.

LTV	Coverage
90.01% to 95%	30%
85.01% to 90%	25%
80.01% to 85%	12%

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➤ **Flex 97:** Mortgage Insurance is required if the mortgage has an LTV greater than 80%. The standard MI requirement for Flexible 97 mortgages is 35%. The standard coverage for Flex loans with Subordinate Financing is 18%. DU may provide one or more mortgage insurance coverage options. “Lower Cost” MI coverage options are available for certain loans with additional loan-level price adjustments. For Lower Cost MI coverage, the option must be reflected in the DU findings. For all interest only products and mortgages with 40-year terms, 35% coverage is required, regardless of what is contained in the DU findings. Mortgage insurance may not be financed in the loan amount. Monthly MI, Lender-paid MI or Single Premium Up-Front Lender Purchased MI is permitted.

Flex Product	LTV	CLTV	MI Coverage
Flex 97	95.01% - 97%	95.01% - 97%	35% or 18% ^{1,2}
Flex 90-95	90.00% - 95%	≤ 95%	35% or 18% ^{1,2}
Flex w/subordinate financing (not a Community 2 nd)	80.01% - 95%	95.01% - 97%	18%
Flex w/subordinate financing (w/Community 2 nd)		N/A	

¹Mortgages with 40-year terms require 35% coverage.

²Lower Cost MI is not available for interest only products

➤ **Alt 97:** 35% coverage is required for all loans.

MULTIPLE PROPERTIES: There is no restriction on the number of properties a borrower can own when the subject property is a primary residence, however, if the subject property is a second home or investment property, the borrower may not have a combined total of more than four (4) residential properties financed (this applies to either a single lender or several different lenders, including the Investor) (Excludes DU Refi Plus. This guideline applies regardless of DU Findings Report or LP Feedback Certificate.

Reserve Requirements for 1-4 Financed Properties: Purchase, Rate/Term Refi & Cash-Out (Excludes DU Refi Plus): For second home and investment properties when the borrower has up to 4 financed residential properties, including the subject property, the following reserve requirements apply:

- **If the subject property is a second home:** 2 months’ PITIA reserves on the subject property (except if noted differently in the individual program fact sheets, then the higher amount is required); and the borrower must also have 2 months’ PITIA reserves on every other financed second home and investment property.
- **If the subject property is an investment property:** 6 months’ PITIA reserves on the subject property; and the borrower must also have 2 months’ PITIA reserves on every other financed second home and investment property.

NOTES: If the subject property is a primary residence, there are no additional reserve requirements for the other financed investment properties. The above reserve requirements apply to all loans underwritten manually or with Desktop Underwriter. These parameters do not apply to DU Refi Plus or loans processed via Loan Prospector. Borrowers having more than four financed residential properties are not permitted under current guidelines.

OCCUPANCY:

- **Primary Residence:** 1-4 unit; (1700IO 2-4 unit DU only. Flex 97/Alt 97 1-unit only and all co-borrowers must occupy the property).
- **Second Home:** 1-unit (Texas ineligible; Flex 97/Alt 97 ineligible).
- **Investment Property:** 1-4 unit (1700IO/1730IO/1750IO/1770IO/1710IO: 1-2 unit only, DU only). The customer must have rent loss insurance if the subject property is a 2-4 unit property, and rental income is used to qualify the borrower. This insurance covers the borrower for rental income losses incurred when the property is rendered un-rentable due to a direct physical loss, such as a fire. Coverage must be equal to a minimum of six months of gross monthly rent, and must be maintained as long as the mortgage is outstanding. Rent loss insurance may be designated in policies as “fair rental value” or “fair rental income” under the general heading of “loss of use” or “loss of rents”. Ineligible: State of Texas; Flex 97; Alt 97; Seller-carried 2nd TDs.

PREPAYMENT PENALTY: None.

PRINCIPAL CURTAILMENTS: During the initial fixed rate period, if the borrower makes a principal curtailment the payment will be automatically readjusted. ARM loans only.

PROPERTY IMPACTED BY DISASTER: Correspondents must ensure that all loans are secured by properties that have not been negatively impacted by a disaster and/or declared disaster areas by county, state or federal agencies. Correspondents represent and warrant that the properties securing all loans submitted for purchase are in good condition, and have not been negatively impacted by any disaster as of the date the Investor funds the loan. Correspondents also represent and warrant that the borrower's place of employment has not been negatively impacted by these events. If it is discovered a property was affected by a disaster that occurred prior to the purchase of the Loan, the correspondent is obligated to repurchase the loan. The Correspondent agrees to notify the Investor immediately upon discovery that a property has been negatively affected by any such disaster. At minimum, the Investor may require an appraiser’s certification, or re-inspection/appraisal of the damage to determine if the loan is eligible for purchase.

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PROPERTY REQUIREMENTS:

➤ **Eligible:**

- Single Family Residence
- Condominium. Properties must have a DU Approve/Eligible Findings Report, FNMA project approval, or Investor project approval, otherwise HOA must complete Investor Condo project questionnaire for Investor approval. Loans secured by attached units in all new condominium projects are no longer eligible for limited reviews. Limited Project Review for loans secured by established attached condominium units, AUS decisioned loans: Primary Residences max LTV/CLTV ≤ 90%/90%; Second Homes max LTV/CLTV ≤ 75%/75%; Investment Properties not eligible for limited reviews. Condominium Limited Project Reviews with incomplete amenities are no longer available. Condominiums consisting of 2-4 units must be complete, established projects. Flex 97 and Alt 97 ineligible.
- PUD. Attached PUD properties must have a DU Approve/Eligible Findings Report, FNMA project approval, or Investor project approval, otherwise HOA must complete Investor Condo project questionnaire for Investor approval. Project Review is required for all new or established attached dwellings in a Type E or F PUD. Project Review is not required for any detached PUD properties.
- Modular homes, Panelized homes (not eligible for Flex 97 or Alt 97 programs)

➤ **Ineligible:**

- Cooperatives
- Condo Hotels
- Timeshare units
- Manufactured housing/Mobile Homes
- Dome Homes
- Agricultural in nature: Farms, Orchards, Ranches, Properties with significant outbuildings or facilities for farm animals, etc.
- Geothermal Homes
- Commercial property
- Houseboats

➤ **Conversion of Principal Residence to Second Home or Investment Property:** In order to ensure that borrowers have sufficient equity and/or reserves to support both the existing and the new mortgage being originated, policies for qualifying borrowers purchasing a new principal residence and converting their existing principal residence to a second home or investment property are as follows:

- Current principal residence is pending sale but the transaction will not be closed (with title transferred to new owner) prior to the new transaction: Both the current and proposed mortgage payments must be used to qualify the borrower for the new mortgage loan. In addition, for LP loans minimum reserves of 6 months PITIA is required for both properties, however, a 2 month reduction is allowed if 30% equity in the existing principal residence is documented with a current appraisal (2055 or better), broker price opinion, or automated property valuation. The appraisal may not be dated more than 60 days prior to the note date. The PITIA for the current principal residence is not required to be used in qualifying the borrower as long as the 6 months of reserves (or 2 months with documented equity) for both properties are documented and the following additional documentation is provided: The executed sales non-contingent contract for the current residence; and Confirmation that any financing contingencies have been cleared. This may be satisfied with documented proof of the buyer's lender commitment letter; or An executed buyout agreement that is part of an employer relocation plan where the employer/relocation company takes responsibility for the outstanding Mortgage(s).
- Conversion to a Second Home: Both the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction; and 6 months of PITIA for both properties is required to be in reserves. The underwriter may consider reduced reserves of no less than 2 months for *both* properties if there is documented equity of at least 30% in the existing property (derived from an appraisal, automated valuation model (AVM), or an appraisal which must be a 2055 or better, minus outstanding liens). The appraisal may not be dated more than 60 days prior to the note date.
- Conversion to an Investment Property: If there is documented equity of at least 30% in the existing property (derived from an appraisal, AVM, or an appraisal which must be a 2055 or better, minus outstanding liens), then 75% of the rental income can be used to offset the mortgage payment in qualifying. The appraisal may not be dated more than 60 days prior to the note date. The rental income must be documented with: A copy of the fully executed lease agreement; and The receipt of a security deposit from the tenant and deposit into the borrower's account. If the 30% equity in the property cannot be documented, rental income may not be used to offset the mortgage payment. Both the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction; and 6 months of PITIA for both properties is required to be in reserves.

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QUALIFYING:

➤ **Monthly DTI:** Monthly DTI (debt-to-income) ratio is the sum of the monthly housing-to-income expense plus all of the following, divided by the gross monthly income.

Monthly housing (PITIA), which includes the following:

- Principal and interest for the mortgage that is secured by the borrower's principal residence.
- Monthly amounts for: Hazard insurance, Real estate taxes*, Mortgage insurance premium;

And when applicable...

- Monthly flood insurance premium.
- Home owner association dues.
- Optional Credit Insurance.
- Any owners' association dues (excluding any utility charges that apply to the individual unit).
- Any monthly cooperative corporation fee (less the pro rata share of the master utility charges for servicing individual units that is attributable to the borrower's unit).
- Leasehold payments (ground rent).
- Special assessments.

Note: When a mortgage is secured by a second home or an investment property, the monthly principal, interest, taxes, and insurance installment for the mortgage is not considered part of the borrower's monthly housing expense; rather, it is considered one of the borrower's monthly debt obligations.

➤ **Debt payoff/consolidation:** Installment loans may be paid off or paid down to 10 months or less to qualify, however the underwriter may not stipulate or otherwise condition the loan for the pay off or reduction of any other revolving debts for the purpose of qualifying the borrower. If all or any portion of the proceeds of the Mortgage is used to pay off or pay down existing debts (installment or revolving) in order to qualify for the Mortgage, payoff must be documented in the Mortgage file. Canceled checks, paid receipts and/or a copy of the HUD-1 form or other closing statement may be used to document the repayment. The borrower's history of credit use should be a factor in determining whether the appropriate approach is to include or exclude debt for qualification. As a rule of thumb: Installment loans that are being paid off or paid down to 10 or fewer remaining monthly payments generally do not have to be included in the borrower's long-term debt—as long as the payments do not impact the borrower's ability to handle the new mortgage payment during the early period of the loan. If a revolving or open account is to be paid off or paid down but not closed, a monthly payment on the current outstanding balance should generally be considered as long-term debt. To calculate the monthly debt, use the monthly payment that is currently being reported on the credit report. **Note:** Even if debt does not extend beyond 10 months, the Underwriter should review the borrower's debt to ensure that the size and/or number of remaining payments will not impact the borrower's ability to handle the new mortgage payment during the early period of the loan. A Borrower who increases debt and then periodically uses refinance or debt consolidation to reduce payments to a manageable level presents a higher risk and the qualifying ratios should be within guidelines.

➤ **Revolving Debt:** For revolving debts, the following must be included in the debt-to-income ratio: 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. If multiple account payments are not reported, and /or the borrower's ratios are at the maximum permitted for the process selected, the underwriter should obtain actual minimum payments from the borrower's account statements to qualify the borrower. Revolving debt is an arrangement for credit in which the borrower is granted a credit limit and can use any amount up to the limit. Repayment is usually at regular intervals but not for a specified amount or term. Credit cards are an example of revolving debt.

➤ **Open 30-Day Charge Accounts:** On all 30-day accounts, also referred to as open accounts (e.g., Diners Club, American Express and identified as "w/o" vs. "r" on the credit report), the payment is not counted. However, the balance should be considered when calculating available assets for cash to close. If the borrower does not have sufficient assets to cover the unpaid balance, or will not be reimbursed by their employer for the charges, the account must be paid off at closing and the source of funds must be provided.

➤ **Real Estate Obligations:** If the sale of the borrower's current home does not close prior to the subject property, the housing payment does not need to be included in the qualifying ratios provided the borrower: Provides a copy of the fully executed sales contract and, the sale of the current home closes simultaneous with the subject transaction; or If not closing simultaneously, provides a copy of the fully executed sales contract, lender's commitment letter to the buyer of the current home, and verification of post-close reserves sufficient to cover six months of PITIA on the current home; or If the borrower provides a signed lease agreement for the rental of their current residence, the full PITIA payment does not need to be included in the qualifying ratios. However, any applicable negative rental income must be included as a liability in the qualifying ratios. In addition, the borrower must have postclose reserves sufficient to cover six months of PITIA on the current home.

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➤ **1700/1725/1715:** Qualifying ratios 40% or as approved using DU or LP.

Qualifying Rate:

- Without Buydown: All occupancies – Qualifying rate determined by DU/LP.
- With Buydown: Primary Residence - Qualifying rate determined by DU/LP. Second Home - Qualifying rate determined by DU/LP. Investment Property – not permitted.

➤ **1700IO:** Qualifying rate as determined by eligible AUS. The qualifying payment is based upon the fully-amortizing monthly principal and interest payment based on the note rate and the term of the loan plus monthly amounts for taxes, insurance and other applicable housing expenses. Qualifying ratios as determined by eligible AUS.

➤ **1740:** Qualifying ratios 40% or as approved using DU.

Qualifying rate:

- Without Buydown: All occupancies – Qualifying rate determined by DU.
- With Buydown: Primary Residence - Qualifying rate determined by DU. Second Home - Qualifying rate determined by DU. Investment Property – not permitted.

➤ **1730/1750/1770/1710:** Qualifying ratios 40% or as approved using DU or LP. Qualifying rate will be determined by DU or LP.

➤ **1730IO/1750IO/1770IO/1710IO:** Qualifying rate is the greater of the Fully-Indexed Rate or Note Rate as determined by DU. Note rate may not be lower than 3% below the fully indexed rate. The qualifying payment is calculated using the fully-amortizing monthly principal and interest payment based on the higher of the Qualifying Rate or the note rate and the term of the loan plus monthly amounts for taxes, insurance and other applicable housing expenses. Qualifying ratio as determined by DU.

➤ **Flex 97:** Total obligations ratio as approved by DU. DU will qualify buy down loans with LTVs greater than 95% at the note rate; buy down loans with LTVs ≤ 95% will be qualified at 1% above the bought-down rate. For Primary Residences, minimum FICO of 660 is required for buy down option. Buy downs are permitted subject to seller contribution limits.

➤ **Alt 97:** Qualifying rate is the note rate. Acceptable qualifying ratios are determined by LP.

REFINANCE TRANSACTIONS: Alt 97 not allowed. If the subject property is currently listed for sale the loan is not eligible for a rate/term refinance or a cashout refinance. Policy related to properties Listed For Sale does not apply to DU Refi Plus loans. Properties that were listed for sale and taken off the market within the past 180 days are eligible for a refinance as follows: Loans are eligible for either a rate/term or cash-out refinance; Cash-out refinances are limited to 70% maximum LTV/CLTV/HCLTV; Properties that were listed for sale must have been taken off the market on or before the application date; Applies to loans approved via DU and LP as well as loans manually underwritten; Every effort should be made to verify the property is no longer listed for sale and the underwriter should give additional scrutiny to these transactions to ensure that refinancing the loan provides a benefit to borrower; This policy does not apply to the refinance of a property that was recently purchased within the past 90 days. The borrower(s) may not receive any cash back on a purchase transaction, unless the amount represents: Reimbursement for the borrower's overpayment of fees; Reimbursement for costs paid by the borrower in advance (e.g. earnest money deposit, appraisal, credit report fees, etc.); Legitimate pro-rated real-estate tax credit in locales where real estate taxes are paid in arrears. If the borrower receives cash back for any of the above reasons, the underwriter must confirm that the minimum down payment or required borrower contribution has been met.

➤ **Rate/Term Refinance may include funds for the following:** Only subordinate financing that was used, in its entirety, for the purchase of the property will be considered Rate & Term refinance. If the subordinate lien being paid off was originated for any other purpose, at any time, and was not used entirely for the purchase of the property, the transaction will be considered a Cash-out refinance. If the most recent transaction was a cash out refinance or if it combined a first and non-purchase money subordinate lien into a new first lien, any refinance of that loan within 6 months will also be considered a cash out transaction (calculate 6 months from note date to note date). Any refinance transaction within the past 6 months will require the previous HUD-1 Settlement Statement(s) to document the previous refinance was not a cash out refinance or combined a non-purchase money subordinate lien into a first lien. As a result, a Rate & Term Refinance may only include the following: The payoff of the outstanding principal balance of an existing first mortgage; the pay off of the outstanding principal balance of an existing subordinate mortgage that was used in whole to acquire the subject property; the financing of closing costs (including prepaid expenses); and cash back to the borrower in an amount no more than the lesser of 2% of the balance of the new refinance mortgage or \$2000.

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➤ DU Refi Plus:

- Loans must be underwritten through DU and receive an acceptable finding. Eligibility for DU Refi Plus is determined and identified in the DU Underwriting Findings Report. Available ONLY for loans with no Mortgage Insurance on the existing loan. If MI is required per DU findings, the loan is NOT eligible for purchase.
- DU cannot determine if the following requirement is met, so Trust One must represent and warrant that the borrower is receiving a benefit from refinancing in the form of either: A reduced monthly mortgage principal and interest payment; or A more stable mortgage product, such as Refinancing an ARM product to a Fixed Rate, Refinancing an Interest only product to a fully amortizing product, Refinancing a short-term ARM to a longer term ARM product (i.e., 3/1 to 5/1), Refinancing a 30-year term to a 15-year term, whereby amortization is accelerated and equity is built up faster, or Refinancing from a shorter term to a longer term (i.e., 30-year fixed to a 40-year fixed) would only be considered a benefit if there is also a payment reduction. The required borrower benefit must be noted in the Underwriter approval rationale on the 1008.
- Principal and interest payment for the new loan must be lower than the existing loan, unless the loan is being refinanced into a more stable product.
- Borrowers on the existing mortgage must match the borrowers on the new mortgage. Borrowers may not be removed in the new transaction. A new borrower may be added to the new loan, provided the existing borrower(s) is/are retained.
- Ineligible Existing Loans: Existing loan has mortgage insurance in place, Mortgage loans that are subject to any credit enhancement (e.g., full or partial recourse) other than borrower-paid mortgage insurance, Mortgage loans that are currently subject to any outstanding repurchase request from Fannie Mae, Reverse mortgage loans, Second mortgage loans, Government mortgage loans, Any loan not currently owned by Fannie Mae, Borrowers may not be sourced via marketing campaigns that expressly single out Fannie Mae loans for the purpose of refinancing existing loans, Loan has Lender-Purchased MI.
- Ineligible New Loans: Mortgage insurance is required on the new loan, Loans that were previously submitted to DU and received a DU Refi Plus finding are not eligible for manual underwriting, Flexible Mortgage Loans, MyCommunityMortgage® Loans, Bond Programs, Construction to Permanent, Cash-Out Refinance, Texas Section 50(a)(6), balloon loans, negatively amortizing ARM loans, Option ARM loans, HomeStyle Renovation loans, Loans with amortization terms greater than 30 years that have deed restrictions, Loans that do not meet the policies as outlined in these guidelines.
- Loan purpose: Rate/Term refinance which includes the payoff of the unpaid principal balance on the existing first mortgage (no cash out for pay off of subordinate financing); the financing of the payment of closing costs, prepaid items, and points; Cash back to the borrower is permitted up to a maximum of \$250 to allow for changes in closing costs. If changes exceed \$250, the loan amount must be adjusted. Principal curtailments are not permitted. **Note:** DU will not be updated until a later date. MI companies may have different guidelines for cash-back to borrower.
- Primary Residence, Second Home (1 unit only), Investment Property (excludes co-ops). 1-4 Unit, including condominiums, PUDs and co-ops. Ineligible property type: Manufactured homes, Condotels, Non-warrantable Condos. Multiple Mortgages - There is no limit on number of financed properties held by the same borrower.
- Eligible loan type: Fully Amortizing Fixed Rate (10, 15, 20, 25, 30 and 40 year terms), LIBOR ARMs (5/1, 7/1 and 10/1) (30-year terms)
- Ineligible loan type: Interest Only Fixed Rate, Interest Only ARM, FHA or VA products, ARM loans with initial fixed period less than 5 years (1/1 or 3/1), All other products not listed above as eligible.
- LTV/CLTV/HCLTV: The maximum LTV with no MI is 105%. There is no maximum CLTV or HCLTV.
- Declining Markets Policy does not apply to these loans.
- New subordinate financing is not permitted. Existing subordinate liens must be re-subordinated; they may not be paid off or paid down with the proceeds of the new mortgage. Trust One must represent and warrant that Community Seconds meet Fannie Mae requirements and approval guidelines.
- Buydowns not permitted.
- Escrow: The LTV must be 80% or less (unless state law dictates escrows are not required for mortgage loans with an LTV > 80%).
- Qualifying rate and debt ratios determined by DU. DU Refi Plus loans will continue to be subject to the maximum allowable total expense ratios currently applied to all DU loan case files. Loans that exceed the maximum will receive an Ineligible recommendation, which is not an acceptable recommendation. For loans on which the Investor is making a purchase underwriting decision prior to the closing date of the loan, the maximum DTI is 55%.

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- DU Decisions:
 1. Submission to DU: An accurate address is critical to determining if the subject property address on the loan casefile matches a subject property address for an existing Fannie Mae loan. Incomplete and/or inaccurate property address data may prevent a loan casefile from being underwritten according to DU Refi Plus underwriting guidelines. If DU is unable to match the borrowers and subject property address on the loan casefile with an existing eligible Fannie Mae loan, the loan casefile will be underwritten according to the standard DU eligibility and documentation requirements.
 2. Coding & Delivery Requirements: All new applications that receive a DU Refi Plus finding as of April 4, 2009, must be delivered as a DU Refi Plus loan. Pipeline loans with application dates prior to 4/4/09 that receive a DU Refi Plus finding upon resubmission to DU must be registered as DU Refi Plus loans in order to take advantage of any of the flexibilities offered by that program. (Note: Pipeline loans with application dates prior to 2/2/09 must be resubmitted to DU as new applications to have access to the DU Refi Plus program codes and pricing.)
 3. Underwriting Findings Report: DU will issue the following message when the loan is identified as being eligible for DU Refi Plus. Loans must receive this message to be eligible for this process type: *“This loan casefile was underwritten according to the DU Refi Plus expanded eligibility guidelines offered on certain limited cash-out refinance loan casefiles where the borrower’s existing loan is identified by DU as a Fannie Mae loan. This loan casefile must be delivered with Special Feature Code 147.”*
 4. DU Recommendations: Loans must receive one of the following recommendations: Approve / Eligible; Approve/Ineligible, with ineligibility due to Co-op with subordinate financing; Temporary Approve/Ineligible reasons: Until DU is updated May 2, 2009, loans that are DU Refi Plus-eligible that exceed DU standard eligibility parameters for LTV (not to exceed 105%), CLTV, HCLTV, and/or minimum FICO score will receive Ineligible recommendations. These are acceptable Approve/Ineligible recommendations. Loans that receive any recommendation from DU other than those listed above are not eligible for this program, and are not eligible for manual underwriting under a different process type.
 5. Flexible Mortgages: Prior to May 2, 2009, DU Refi Plus loans may also be identified by DU as Flexible Mortgages, but they should not be registered or underwritten as Flexible Mortgages.
 6. Resubmission Requirements: Standard DU resubmission guidelines apply.
 7. Validation Requirements: All requirements in the final DU underwriting findings report must be met.
- There are no exceptions to the requirements in this program. In addition to the requirements in the DU findings, the underwriter must confirm that all requirements in these guidelines are met. Rental income is not permitted for second homes. DU is not able to identify or message the following items, therefore special attention must be paid if any of the following are present on the loan: Non-taxable income; Trailing secondary wage earner income (Not an eligible income type); Deed Restrictions.
- A new merged credit report with the borrower(s) representative credit score is required. DU will determine if the Borrower meets mortgage payment delinquency, bankruptcy and foreclosure policies applicable for DU underwritten loans, based on information contained in the credit report. There is no minimum score requirement, however, FICO scores are required for pricing. Effective with the May 2, 2009 DU update, DU will not apply minimum credit scores to any DU Refi Plus loan. Prior to that update, DU will apply minimum credit scores to loans with LTVs > 80%, and Trust One must manually apply the DU Refi Plus flexibilities. DU Expanded Approval loans will not be accepted.
- Acceptable mortgage history will be as determined by DU. Underwriter must confirm all mortgage trade lines are included in the credit bureau report that was used by DU. If a mortgage trade line was not included in the credit bureau report used by DU, the Underwriter must obtain written confirmation to verify that the existing loan is current, with no 60-day late payments within the 12 months prior to the credit report date. The mortgage payment histories must be dated after the borrower’s application date but prior to the closing date.
- Reserves determined by DU.
- There is no minimum seasoning requirement for the existing mortgage.
- Loan Application: A new executed Uniform Residential Loan Application (Form 1003 or 1003(S)) from the borrower(s) with all information completed including borrower income, employment, and assets is required.
- Closing Documents: A new mortgage note, security instrument, and applicable riders and addenda are required.
- Wage earner: Determined by DU. DU minimum documentation, additional documentation may be required: Salary/hourly/bonus – one pay stub and a verbal VOE. Commission – one-year federal tax return. Use of a VOE (1005) as the only documentation is not acceptable.
- Self-employed: Determined by DU. DU minimum documentation, additional documentation may be required: Commission/Self-employed – one-year federal tax return. Other income and asset documentation determined by DU.
- 4506-T Required on all DU Refi Plus loans; must be signed at application and at closing. Note: The 8821 or 4506 may be accepted in lieu of the 4506-T.

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- Appraisal: Trust One must comply with the property fieldwork recommendation issued by DU, except in the case of waivers. For certain eligible loan casefiles, 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**.
- Condo/PUD Project Approval: Trust One will not be required to perform a project review for condominium, cooperative, or PUD projects, but Trust One must confirm that the property is not in a condominium or cooperative hotel or motel. Insurance Coverage: Although project approval is not required, evidence of required hazard/ liability/fidelity/flood insurance must be obtained to ensure the policies have not expired, or will not expire within 30 days from the date of the new loan.
- Note/delivery dates: Mortgage loans must close and have an original note date on or before June 10, 2010.

➤ **Cash Out Refinance:** Any funds borrowed that exceed the above requirements for a rate & term refinance are considered a cash out refinance. Follow FNMA guidelines. To be eligible for a cash-out refinance the borrower must have owned the subject property for a minimum of 6 months prior to the application date. There are no other seasoning requirements. (**Note:** There are no seasoning restrictions for doing consecutive cash-out transactions.) . A cash-out refinance of inherited property is permitted up to a maximum LTV of 80% or the maximum LTV permitted for the product/process/program selected, whichever is less. Cash out refi ineligible in Texas. Flex 97 ineligible

NOTE: The file must be fully documented to evidence that the second lien was used solely as purchase money. For example, the Correspondent may provide a copy of the HUD-1, Title Report or Sales Contract from the original purchase transaction. Depending on the situation, the aforementioned documents may or may not be appropriate.

Use the DU Findings Report or LP Feedback Certificate to determine underwriting and documentation requirements. Section 32 loans are not allowed.

➤ **Continuity of Obligation:** If there is an existing lien that will be satisfied via a refinance transaction (either a rate/term or cash-out refinance), there must be continuity of obligation as described below:

- There is at least one borrower obligated on the new loan who was also a borrower obligated on the existing loan being refinanced; or
- The borrower has been on title and residing in the property for 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; or
- The borrower has recently inherited or was legally awarded the property (e.g. divorce, separation).
- Note: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.

Loans that meet one of the above descriptions of continuity of obligation may be underwritten as rate/term refinance or a cash-out refinance. 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 still eligible but with additional restrictions. The loans must be underwritten as a cash-out refinance transaction with additional limits as listed below:

- No outstanding liens (e.g. purchased for cash or previous mortgage loans have been paid off): If the property was purchased within the 6 to 12 month period prior to the application date for the new financing, the LTV ratios will be based on the lesser of the original sales price/acquisition cost (documented by the HUD-1 Settlement Statement) or the current appraised value; If the property was purchased more than 12 months prior to the application date for new financing, the current appraised value may be used to calculate the LTV ratios.
- Outstanding liens with no continuity of obligation: If the borrower has been on title for at least 6 months but continuity of obligation does not exist, the maximum LTV ratios will be limited to 50% based on the current appraised value.
- If there is no existing loan on the property, the new refinance transaction must be treated as a cashout refinance.
- Note: The above policy applies to conventional loans approved via DU and manual underwriting; it does not apply to loans approved via LP. For LP loans, at least one of the current borrowers must be on the new loan.

RELOCATION: Ineligible for Stated Income loans, Interest Only loans, Flex97, Alt 97. Full Doc loans must be manually underwritten. DU and LP not allowed.

RESERVES: Monthly PITIA must be included in reserve calculations.

➤ **Full Doc:** Use the DU Findings Report or LP Feedback Certificate to determine underwriting and documentation requirements.

➤ **Flex 97:** Use the DU Findings Report. Must come from borrower's own funds.

➤ **Alt 97:** LP determines the required reserves based on the risk factors of the loan. All reserves entered into LP must be verified. Assets must be documented per LP findings.

➤ **Second Homes and Investment Properties – Multiple Properties:** For second home and investment property transactions when the borrower has more than one financed residential property, including the subject property, additional underwriting and reserve requirements apply. DU will calculate the required reserves for the subject property only in its risk analysis. If multiple second home and investment property loans are being processed for the same borrower and all of the loans will be sold to Fannie Mae, the borrower's liquid assets must be reduced by the amount of the reserves required for each of the second home and non-subject investment properties prior to submitting the loan to DU. DU is not able to determine the exact number of financed properties the borrower owns. The underwriter must manually apply the above reserve requirements.

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- **Principal residence being converted to a second home:** Six months of PITIA for both properties is required to be in reserves.
- **Principal residence being converted to an investment property:** Documented reserves equal to at least 6 months of PITIA for both properties.
- **Borrower's current principal residence that is pending sale but will not close prior to the new transaction:** A minimum reserve of 6 months PITIA is required for both properties. However, 2 months reserves are allowed if 30% equity in the existing principal residence is documented with a current appraisal (2055 or better).
- **Non-Resident Aliens:** Six months' PITIA. Funds must be liquid.

SECONDARY FINANCING: LTV/CLTV/HCLTV limits are found in Underwriting matrices. The following criteria must be met:

- For Full Doc use the DU Finding Report or LP Feedback Certificate to determine underwriting and documentation requirements.
- Must provide for regular payments of principal and interest, or regular payment of interest only.
- No NegAM allowed.
- No wraparound terms allowed.
- Fixed rate only.
- No maturity or balloon payment date of less than 5 years.
- No prepayment penalty allowed.
- Seller-carried 2nd TDs are ineligible on Investment Properties and Flex97, and cannot come from the builder/developer.
- Flex 97: Subordinate financing is permitted and must meet Fannie Mae guidelines. For a CLTV up to 97%, the subordinated lien may be a closed end institutional second, or a fully drawn home equity line of credit. Not Eligible: Community Seconds; Seller-carried second mortgages; Home equity lines of credit that are not fully drawn at closing.
- Alt 97: Subordinate financing is permitted. The subordinate lien must be an institutional fixed rate closed-end second mortgage. Community seconds and home equity lines of credit are not permitted.

TRAILING CO-BORROWER INCOME: Ineligible.