Trust One Mortgage – *1700HB Series Conforming High Balance*

Product Type & Program Numbers:

- 1700HB: 30-year Fixed Conforming High Balance
- 1700HBIO: 30-year Fixed Conforming High Balance Interest Only (DU only, no manual underwrite)
- 1750HB – 30-year 5/1 LIBOR ARM Conforming High Balance
- 1750HBIO – 30-year 5/1 LIBOR ARM Conforming High Balance Interest Only (DU only, no manual underwrite)

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.

MAXIMUM LOAN LIMITS: The maximum Agency Jumbo loan amount is based on the property location (by city/county) and the number of units. The loan amount must be above the Conventional Conforming Loan Limits but not above the High Cost Loan Limits established by the Federal Housing Finance Agency (FHFA) and authorized by the American Recovery and Reinvestment Act (ARRA) of 2009. Below is a table of the general maximum, the permanent and temporary high balance maximum agency loan amounts. Loan limits vary by county. To look up the agency high cost loan limits by county, go to: https://entp.hud.gov/idapp/html/hicost1.cfm or see ARRA 2009 FHA Loan Limits in Chapter 16 or on the Trust One website.
Please note that certain MI Companies have placed maximum limits below the published limits.

Units	All States Except AK and HI			Alaska and Hawaii		
	General	High Balance Loans		General	High Balance Loans	
		Perm High Cost	Temp High Cost		Perm High Cost	Temp High Cost
One	$417,000	$625,500	$729,750	$625,500	$938,259	N/A
Two	$533,850	$800,775	$934,200	$800,775	$1,201,150	
Three	$645,300	$967,950	$1,125,250	$967,950	$1,451,925	
Four	$801,950	$1,202,925	$1,403,400	$1,202,925	$1,804,375	

The temporary high-cost area loan limits for all counties (or equivalents) in Alaska and Hawaii do not apply because these limits are lower than the maximum permanent high-cost area limits.

DU – All loans must receive an Approve/Eligible Finding; Available with 30 Year Fixed Rate fully amortized, Maximum LTV 80%)			
Purchase			
Type	**Units**	**LTV/CLTV/HCLTV**	**FICO**
Primary Residence	1-Fixed	90%/90%/90%	700
		75%/75%/75%	660
	1-ARM	75%/75%/75%	680
	2-4	75%/75%/75%	740
Second Home	1	65%/65%/65%	740
Investment Property	1-4	65%/65%/65%	740
Rate & Term Refinance			
Type	**Units**	**LTV/CLTV/HCLTV**	**FICO**
Primary Residence	1-Fixed ≤ $625,500	90%/90%/90%	700
		75%/75%/75%	660
	1-Fixed > $625,500	80%/80%/80%	700
		75%/75%/75%	660
	1-ARM	75%/75%/75%	680
	2-4	75%/75%/75%	740
Second Home	1	65%/65%/65%	740
Investment Property	1-4	65%/65%/65%	740
Cash Out Refinance			
Type	**Units**	**LTV/CLTV/HCLTV**	**FICO**
Primary Residence	1	60%/60%/60%	740
	2-4	N/A	
Second Home	N/A		
Investment Property	N/A		

DU Approve/Eligible. DU Approve/Ineligible, only if: Loan Amounts > Permanent High Cost Amount, the loan amount exceeds the current loan limit applied by DU (i.e., the permanent high-cost limit for the area in which the property is located). The loan amount cannot exceed the temporary high-cost limit applicable to the area in which the property is located.

Manual Underwrite - Interest Only ineligible and must be underwritten through DU, no manual underwriting allowed.			
Purchase			
Type	**Units**	**LTV/CLTV/HCLTV**	**FICO**
Primary Residence	1 - Fixed	90%/90%/90%	700
		75%/75%/75%	660
	1 - ARM	75%/75%/75%	680
	2-4	75%/75%/75%	740
Second Home	1	65%/65%/65%	740
Investment Property	1 – 4 purchase	65%/65%/65%	740
Rate & Term Refinance			
Type	**Units**	**LTV/CLTV/HCLTV**	**FICO**
Primary Residence	1 - Fixed ≤ $625,500	90%/90%/90%	700
		75%/75%/75%	660
	1 – Fixed > $625,500	80%/80%/80%	700
		75%/75%/75%	660
	1 – ARM	75%/75%/75%	680
	2-4	75%/75%/75%	740
Second Home	1	65%/65%/65%	740
Investment Property	1 – 4 purchase	65%/65%/65%	740
Cash Out Refinance			
Type	**Units**	**LTV/CLTV/HCLTV**	**FICO**
Primary Residence	1	60%/60%/60%	740
	2-4	N/A	
Second Home	N/A		
Investment Property	N/A		
Loans that have been submitted to DU and have received a Refer/Eligible recommendation may be approved using this process type but ONLY if the underwriter has fully evaluated the risk factors in a comprehensive manner and applied judgment in deciding which loans warrant approval. All "refer" reasons must be adequately addressed and documented; and the loan must meet all eligibility criteria and all documentation requirements for the process type indicated above. Compensating factors for referral reasons must be documented and may not include factors already considered in the DU analysis.			

INELIGIBLE TRANSACTIONS:

- Loan does not meet the credit score, LTV, or loan amount guidelines
- DU Refer findings on Interest Only Products (DU only)
- DU Refer with Caution findings (DU only)
- Borrowers with no FICO score
- Fannie Mae Flexible Mortgage
- MyCommunityMortgage
- Interest Only Products (manual underwrite)
- DU Expanded Approval
- Loan transaction is not eligible for mortgage insurance
- Community Lending, FHA, or VA products and programs.
- Community Seconds
- All products or programs not shown as eligible
- Texas 50(a)(6) loans
- Non-permanent resident alien (NPRA)
- Construction One-Time Close Transactions

ADJUSTABLE LOAN FEATURES:

- Index: Average rate for one year U.S. dollar denominated deposits in London markets based on quotations of major banks, also known as the London Interbank Offered Rate (LIBOR).
- Margin: See Rate Sheet.
- Interest Rate:
  - 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.
- Adjustment Frequency:
  - 5/1 ARM: The initial interest rate change occurs after the first 5 years and every 12 months thereafter.

APPRAISAL: 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 the lender 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.

- DU: The appraisal format recommended by DU may be used.
- Manual Underwrite: Full interior and exterior appraisal required.

A field review is required if the loan amount is > $625,500 and the LTV, CLTV, or HCLTV > 80%; or the property is valued at $1,000,000 or more and the LTV, CLTV, or HCLTV > 75%. The person performing the appraisal must be qualified to perform appraisals without oversight or supervision by a "supervisory" or "review" appraiser. Declining Markets requirements apply. Condominium Requirements: Two comparables must be from projects outside of the subject project. Condo Project Approval: Only Lender Full Review or Investor Expedited Review is permitted for attached units in both condominium and PUD projects. Limited project review is not permitted.

➢**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.

<u>**ASSETS/FUNDS TO CLOSE/DOCUMENTATION:**</u> 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.

➢**Employment History:** An employment gap exceeding 30 days requires written explanation.

➢ **Wage Earner Income:**

- <u>DU loans</u>: ≤ 80% LTV as per DU requirements. > 80% LTV follow Manual underwrite guidelines.
- <u>Manually underwritten loans</u>: A two-year employment history is required, as stated on the application. All pay stubs for the most recent 30-day period with YTD earnings. W-2 forms covering the most recent two tax years, regardless of the length of time with employer. Documented telephone verification of employment with the employer no more than 30 calendar days prior to the loan closing.

➢**Self-Employed Income:**

- <u>DU loans</u>: Income and employment verification ≤ 80% LTV as per DU requirements. > 80% LTV follow Manual underwrite guidelines.
- <u>Manually underwritten loans</u>: The business must have been in existence for at least two (2) years. Verification that the business has been in existence for at least two (2) years is required. <u>Individual:</u> Complete tax returns for the most recent 2 years, including all W-2's and schedules. <u>Business:</u> The most recent 2 years' business tax returns including all schedules. <u>Employment Verification:</u> Documented verification of the businesses existence through directory assistance no more than 30 calendar days prior to the loan closing.

➢**Other Income:**

- <u>DU loans</u>: ≤ 80% LTV as per DU requirements. > 80% LTV follow Manual underwrite guidelines.
- <u>Manually underwritten loans</u>: If the Borrower receives income from sources other than employment or self-employment, such as Social Security, trust, investments, etc, obtain one of the following: Written verification of the income, such as an award letter from Social Security, pension statement or IRS 1099; OR, The individual Borrower's complete federal income tax return for the most recent two years. <u>Length of Time Income Received:</u> If the income is required to qualify, the borrower must have a history of receiving the income regularly [usually two (2) years] and can demonstrate that the income can reasonably be expected to continue for three (3) years. <u>Alimony, child support or separate maintenance:</u> Verification of receipt of income and that it is expected to continue for the next 3 years is required. It can be verified by bank statements, tax returns, court documents, etc showing receipt for past 12 months. If the income can be verified for a period of 6-12 months, it can be used as long as it does not exceed 30% of total qualifying income. Less than six (6) months receipt can only be used as a compensating factor. Inconsistent or partial payments cannot be used to qualify or as a compensating factor.
- <u>Rental Income:</u> Whenever rental income is to be used in qualifying, the Borrower must have rent loss insurance on the investment property for at least 6 months of gross monthly rent.

➢**Down Payment:** Borrower must contribute 5% of their own funds regardless of LTV.

➢**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.

➢**Interested Party Contributions:**

- <u>DU:</u> As per DU requirements.
- <u>Primary Residences and Second Homes:</u> ≤ 75% - 9%. 75.01% to 90% - 6%.
- <u>Investment Properties:</u> Maximum 2%, regardless of LTV/CLTV.

➢**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.

➢**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.)

➢**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 ≥ 20% greater than the income documented on the IRS transcript, the following steps must be taken: <u>Wage Earner or Other Income:</u> 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; <u>Self-employed borrowers or borrowers who receive 1099 or commission income greater than 25% of their total earnings:</u> 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.

➢**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.

➢**Assets:**

- <u>DU:</u>
  - <u>Source of Funds:</u> Assets must be liquid, calculated, and documented. Large Deposits: An explanation is required if cumulative deposits are greater than one (1) month's gross qualifying income.
  - <u>Funds to Close:</u> LTV's > 80.00% must follow the criteria set forth for manual underwriting**.** LTV's ≤ 80.00% as per DU requirements.
- <u>Manual Underwrite:</u> The most recent month's depository or brokerage statement complete with all pages for each account included in the assets section of the application. If a portion of the Borrower's funds were to be saved by the Borrower between the date of loan application and the date of loan closing, then the Mortgage file documents should show that funds were accumulated prior to closing.
  - <u>Source of Funds:</u> Assets must be liquid, calculated, and documented. Large Deposits: An explanation is required if cumulative deposits are greater than one (1) month's gross qualifying income.
  - <u>Funds to Close:</u> Verification of funds is required on all purchase and refinances transactions. Primary Residence/Second Home: 2 months most recent bank statements. Investment Property: 3 months most recent bank statements.
  - <u>Large Deposits:</u> An explanation is required if cumulative deposits are greater than 1 month's gross qualifying income.
  - <u>Gift of Equity:</u> Gift of equity is permitted however borrower must contribute a minimum of 5% of their own funds regardless of their LTV. Note: Not permitted for investment property.
  - <u>Stocks & Other Securities:</u> All funds must be verified.

<u>ASSUMPTIONS:</u>

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

Trust One Mortgage – *1700HB Series Conforming High Balance*

BORROWER ELIGIBILITY: All borrowers must have social security number. Borrower may not be party to a lawsuit.
➢**Non-Occupant Co-Borrower:** ➢**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.
➢**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:

- Manual Underwrite: Maximum buydown 3% for Primary Residence and Second Home. Ineligible on Cash Out Refi and Investment Property.

CREDIT: Requires a 3-file merged report. All borrowers must have at least one FICO score. 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, lender 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. Written explanations are required for derogatory credit and late payments. The letters are to be signed by the borrowers at time of submission. 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.
➢**Credit Score:** See LTV matrices.
➢**Mortgage/Rental History:** A 12-month mortgage/rental payment history, if it exists, is required and must be disclosed and verified. A VOM or cancelled checks are required if the history is not on any bureau. The mortgage/rental payment may not be more than 0x60 days late on any mortgage or rental payment within the last 12 months.
➢**Outstanding Debt/Charge-Offs:** Unpaid charge-offs, collection accounts and past due accounts must be paid in full at or before loan closing. Derogatory Credit/Late Payments: Require an acceptable written explanation from borrower. Disputed/Unsatisfied Debts: Require an acceptable written explanation from the borrower. Bankruptcy & Foreclosures: Borrowers who have filed for bankruptcy or have been a party to a property foreclosure within the past 7 years are not eligible. No Exceptions.
➢**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.

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 the lender 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 the lender, 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 ≥ 30 days past due in the last 24 months.
- No installment or revolving debt payment ≥ 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.

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, 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. A lender 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.

MAXIMUM LOAN AMOUNT: Maximum loan amounts vary by location. A schedule of FHA mortgage limits for all areas is available at ARRA 2009 FHA Loan Limits in Chapter 16 or on the Trust One website.

MINIMUM LOAN AMOUNT: None

MORTGAGE INSURANCE: Minimum FICO for > 80% LTV: 700. MI may not be available for loans in excess of 85% LTV in declining markets as defined by the selected MI companies' declining markets list and policies. The MI Companies have various policies that differ from the policy set forth in this Product Description. Mortgage insurance is required for all LTVs over 80%. Acceptable MI insurers: MGIC, Radian, PMI, RMIC. Additional restrictions may be placed by the individual MI insurer and can be found on the websites 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:

- A FICO <700.
- Max DTI (Full Doc) is >41%.
- LTV >85% in declining markets as determined by the selected MI companies' declining markets list and policies.

➢DU: 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, except for Interest Only which must carry coverage as stated in the table above.

➢Manual Underwrite: Reduced MI coverage is not permitted.

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

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' PITI 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' PITI reserves on every other financed second home and investment property.
- **If the subject property is an investment property:** 6 months' PITI reserves on the subject property; and the borrower must also have 2 months' PITI 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.
- **Second Home:** 1-unit (Texas ineligible)
- **Investment Property:** 1- 4 unit. 1-2 unit on Interest Only loans. The borrower must have a 2-year history of managing rental property. (This requirement may be waived if the borrower is qualified with the full PITI payment for the subject investment property.) The borrower must have reserves equal to 6 months PITI for each rental property that has a mortgage on it. 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: Stated of Texas.

PREPAYMENT PENALTY: None.

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.

PROPERTY REQUIREMENTS:

➢**Eligible:**

- Single Family Residence
- Condominium: Condominium Limited Project Reviews with incomplete amenities are no longer available. Condominiums consisting of 2-4 units must be complete, established projects. For properties in attached condominium projects, the appraisal must contain two comparable sales from projects outside of the subject's project in addition to the current comparable sale requirements.
- PUD: 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.

➢**Ineligible:**

- Cooperatives
- Manufactured Housing.
- 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:

- <u>Current principal residence is pending sale but the transaction will not be closed (with title transferred to new owner) prior to the new transaction:</u> 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 PITI 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 PITI 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).
- <u>Conversion to a Second Home:</u> Both the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction; and 6 months of PITI for both properties is required to be in reserves. 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.
- <u>Conversion to an Investment Property:</u> 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 PITI for both properties is required to be in reserves.

Trust One Mortgage – *1700HB Series Conforming High Balance*

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.

➢**Qualifying Rate:**

Occupancy	Without Buydown	With Buydown
Primary Residence	Note Rate	Bought Down Rate[1]
Second Home	Note Rate	Note Rate

[1]For loans that are underwritten manually, a minimum FICO score of 660 for salaried borrowers and 680 for self-employed borrowers is required. Otherwise, the borrower must be qualified at the Note rate.

➢**Qualifying Ratios:**

- DU: > 80% LTV max 45% DTI ; ≤ 80% LTV determined by DU.
- Manual Underwrite: FICO < 720 = 40%; FICO ≥ 720 = 45%.

➢**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.

➢**Installment Loans:** Installment loans may be paid off or paid down to 10 months or less (leases excluded) to qualify. Installment loans paid at closing must have the monies sourced along with any other funds required at closing. Underwriters should use prudent judgment when qualifying a borrower who has paid down debt. Installment loans that have not been updated/reported on for 12 months or more do not have to be included in the DTI.

➢**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 post-close reserves sufficient to cover six months of PITIA on the current home.

➤**Subsidies:** Employer paid subsidies are permitted. The subsidy cannot be considered in qualifying the customer.

REFINANCE TRANSACTIONS: Use the DU Findings Report to determine underwriting and documentation requirements. Section 32 loans are not allowed. For Rate/Term and Cash-Out Refinances, loans must be seasoned at least six months' (i.e., 6 payments made) from the date of the most recent refinance or date of purchase. If the property was listed for sale in the past 6 months, the LTV for a cash-out refinance transaction is limited to 70% or the maximum allowed if less than 70%. Properties that were listed for sale must have been taken off the market on or before the application date. Policy related to properties Listed For Sale does not apply to DU Refi Plus loans.

➤**Rate/Term Refinance may include funds for the following:** The payoff of the outstanding unpaid principal balance of an existing first mortgage. The payoff of a purchase money second mortgage including any prepayment penalties that are associated with the payoff of the second (A copy of the HUD-1 from the original sale must be obtained to verify that the entire amount being paid off was used to purchase the subject property). 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. The payoff of a purchase money Community Lending Unsecured Installment Loan and/or down payment/closing cost assistance program is permitted. The financing of related closing costs and prepaid items. Cash back to the borrower that does not exceed the following: LTV/CLTV > 95%: The borrower may not receive any cash back at closing; or LTV/CLTV ≤ 95%: The lesser of 2% of the balance of the new mortgage or $2,000. Proceeds from a Rate/Term Refinance may be used for the following purposes, as long as the loan meets all other requirements for a Rate/Term Refinance: Buy out of a divorced spouse or domestic partner's ownership interest in the subject property; Payoff a Construction to Permanent loan transaction; Payoff an existing HELOC/fixed rate second as long as the amount being paid off (entire balance or partial balance) does not exceed the amount that was used to acquire the subject property, regardless of the amount of subsequent draws after the property was acquired. If the current balance is higher than the amount used to acquire the subject property, the transaction may be considered a Rate/Term Refinance provided the amount that exceeds the purchase money amount is re-subordinated to the new mortgage. **Note:** Loans that do not meet the Rate/Term Refinance criteria are considered Cash-Out Refinances. Principal curtailments are not permitted to correct cash out loans at closing. Correspondents must obtain written confirmation that the amount being paid off on an existing subordinate lien was used to fund part of the purchase price of the subject property in order to treat the transaction as a Rate/Term Refinance. A copy of the HUD-1 Settlement Statement or other documentation from the prior transaction, such as the contract of sale or title documentation, may be obtained and retained for this purpose. Correspondents must ensure that any Conventional Agency refinance loan submitted to DU is entered into the system with the appropriate refinance type, based on the new definition.

➤**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, DU Expanded Approval, 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 (15 and 30 year terms), LIBOR ARMs (5/1, 30-year terms). DU findings must indicate the loan is eligible as a DU Refi Plus loan, or, for loan sizes above the standard conforming limit, if it is eligible as an Agency Jumbo loan.
- 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), DU Expanded Approval, 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%.
- 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.
- 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:** Primary residence only. Any funds borrowed that exceed the above requirements for a rate & term refinance are considered cash out refinance. A cash-out refinance transaction enables a borrower to pay off his or her existing mortgage by obtaining a new first mortgage that is secured by the same property, or enables the property owner to obtain a mortgage on a property that does not already have a mortgage lien against it. A transaction that does not meet all of the criteria listed for a Rate/Term Refinance must be treated as a cash-out refinance and must meet all the LTV/loan amount restrictions. This includes payoff of any second mortgage that is not permitted as outlined in the Rate/Term Refinance section above, and the following:

- For all Agency Rate/Term Refinances, payoff of a Second Mortgage obtained for the purpose of taking equity out of the property is considered a cash-out refinance if only a portion of the subordinate mortgage was used to purchase the property and the entire loan will be paid off. In Texas, payoff of any Second Mortgage will make the new loan subject to Texas Section 50(a)(6) regulations. Loans that may be eligible for a Non-Agency Rate/Term Refinance but do not meet all of the eligibility criteria must be treated as cash out refinances.
- For all Agency Rate/Term Refinances, payoff of a Second Mortgage in which all or portions of the funds were used for home improvements is considered a cash-out refinance. A loan for the purpose of paying off a Texas qualified home improvement loan is not considered a Texas Section 50(a)(6) loan unless the loan being paid off is a Second Mortgage, but it must be coded as a cash-out refinance transaction. Loans that may be eligible for a Non-Agency Rate/Term Refinance but do not meet all of the eligibility criteria must be treated as cash out refinances.

- Transactions in which the loan proceeds exceed the maximum amount of funds that can be disbursed to the borrower per the rate/term refinance 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.

➢**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.

RESERVES: Monthly PITIA must be included in reserve calculations. Reserves must be verified. For Refinance transactions, use the most recent months' bank statements and/or other documents.

➢**DU:** Determined by DU.

➢**Manual Underwrite:** Purchase Transactions: Primary Residence - 2 months PITIA; Second Home - 2 months PITIA; Investment Property - 6 months PITIA.

➢**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.

➢**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:

- Use the DU Findings Report 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 cannot come from the builder/developer.

TRAILING CO-BORROWER INCOME: Ineligible.