

# Trust One Mortgage

## Programs 1730J, 1750J and 1770J

### Product Type & Program Numbers:

1730J – 30-year 3/1 JUMBO LIBOR ARM

1750J – 30-year 5/1 JUMBO LIBOR ARM

1770J – 30-year 7/1 JUMBO LIBOR ARM

Underwriting Criteria – Full Doc		Units	Loan Amount	LTV/CLTV/HCLTV	Max Cash-Out	FICO <sup>3</sup>
Primary Residence	Purchase & Rate & Term refinance	1-2 unit	\$500,000	95%/95%/95%	N/A	See Credit Score matrix
			\$500,000 <sup>2</sup>	80%/100%/100%		
			\$1,000,000	80%/95%/95%		
			\$1,500,000	75%/75%/75%		
			\$3,000,000 <sup>4</sup>	75%/75%/75%		
		3-4 unit	\$700,000	80%/80%/80%	N/A	
	Cash Out refinance <sup>5</sup>	1-2 unit	\$500,000	80%/80%/80%	\$250,000	660
			\$500,000	80%/80%/80%	\$500,000	700
			\$700,000	70%/70%/70%	\$200,000	620
			\$700,000	70%/70%/70%	\$700,000	680
\$1,000,000			65%/65%/65%	\$500,000	620	
\$1,000,000			65%/65%/65%	\$700,000	680	
		\$1,500,000	50%/50%/50%	\$700,000	680	
2 <sup>nd</sup> /Vacation Home <sup>1,5</sup>	Purchase & Rate & Term refinance	1-unit	\$500,000	85%/90%/90%	N/A	660
			\$700,000	80%/85%/85%		660
			\$1,000,000	70%/75%/75%		660
			\$1,500,000	65%/65%/65%		680
	Cash Out refinance <sup>5</sup>	N/A	N/A	N/A	N/A	N/A

<sup>1</sup>Max LTV/CLTV/HCLTV must be reduced by 10% for properties located in Hawaii.

<sup>2</sup>Only available for loan amounts greater than the agency conforming limit.

<sup>3</sup>Score requirements apply to loan parameters only. If a higher score is required for the product, program, or documentation process, the higher score will apply.

<sup>4</sup>Loan amount > \$1,500,000 to \$3,000,000: Minimum FICO 720.

<sup>5</sup>Texas properties ineligible.

**Delegated Underwriting is allowed up to \$800,000 loan amount. Automated Underwriting receiving a DU Approve/Ineligible recommendation is allowed. Use the DU Findings Report to determine underwriting and documentation requirements. All other loans must be sent to the Investor for underwriting.**

Underwriting Criteria: Asset-Based Income Documentation		Units	Loan Amount	LTV/CLTV/HCLTV	Max Cash-Out	FICO
Primary Residence	Purchase & Rate & Term refinance	1-2 unit	\$400,000	85%/85%/85%	N/A	700
			\$500,000 <sup>1</sup>	80%/80%/80%		700
			\$700,000	70%/85%/85%		700
			\$1,000,000	70%/70%/70%		700
		3-4 unit	\$700,000	70%/70%/70%	N/A	700
	Cash Out refinance	1-2 unit	\$400,000	70%/70%/70%	\$100,000	700
			\$500,000	60%/60%/60%	\$150,000	700
\$700,000			55%/55%/55%	\$200,000	700	
\$1,000,000			50%/50%/50%	\$200,000	700	
		\$1,000,000	40%/40%/40%	\$300,000	700	
2 <sup>nd</sup> /Vacation Home <sup>2</sup>	Purchase & Rate & Term refinance	1-unit	\$400,000	75%/75%/75%	N/A	700
			\$500,000	70%/70%/70%		700
			\$700,000	60%/60%/60%		700
			\$1,000,000	50%/50%/50%		700
	Cash Out refinance	N/A	N/A	N/A	N/A	N/A

<sup>1</sup>Max LTV/CLTV/HCLTV must be reduced by 10% for properties located in Hawaii.

<sup>2</sup>Texas properties ineligible.

**Delegated Underwriting is allowed up to \$800,000 loan amount. Automated Underwriting is NOT ALLOWED. All other loans must be sent to the Investor for underwriting.**

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<b>Credit Score</b>			
	<b>LTV</b>	<b>Minimum FICO Primary Residence</b>	<b>Minimum FICO 2<sup>nd</sup>/Vacation Home</b>
DU with a finding of Approve/Ineligible, with a loan amount up to \$700,000	Up to 95.00%	680	680
Loan amount up to \$1,000,000	Up to 70.00%	620	660
	70.01% to 90.00%	660	660
	90.01% to 95.00%	720	660
Loan amount > \$1,000,000 up to \$1,500,000	All LTVs	680	680
Loan amount > \$1,500,000 up to \$3,000,000	Up to 75.00%	720	N/A

### APPRAISAL:

- Trust One appraisal policy applies.
- If mortgage is secured by 1-unit Principal Residence or 2<sup>nd</sup>/Vacation Home, Fannie Form 2055 may be used. Interior and exterior inspections still required.
- **Declining Markets:** Maximum financing terms are not available if the security property is located in a declining market. In such cases, the LTV ratio must not exceed an amount that is 5 percentage points less than the maximum LTV ratio allowed for the specific type of mortgage or product.

### ASSETS/FUNDS TO CLOSE/DOCUMENTATION:

- **Full Doc:** Bank or other asset account statements covering the most recent 2 consecutive months, and/or other documents as required. No verification required for refinance transactions.
- **Self-Employed Borrower:** Complete signed individual tax returns for most recent 2 years including all W-2 forms and schedules. Complete signed corporate or partnership tax returns for most recent 2 years including all schedules. A verbal VOE evidencing verification of the borrower's business must be obtained no more than 15 calendar days prior to loan closing.
- **Salaried Borrower:** 1 most recent paystub with year-to-date earnings. W-2 forms covering the 2 most recent years. A verbal VOE must be obtained no more than 15 calendar days prior to loan closing.
- **Asset-Based Income:** Automated underwriting not allowed. No gaps in employment are allowed. All pages of the most recent consecutive 3 months' asset statements and/or any other documents are required. Gift Funds/Proceeds from Sale of Home may not be used to support income.
- **Self-employed Borrower:** Verbal verification that the business is open and operating is required. Business must have been in existence 2 years. No verification of income is required. Income must be stated on the application and should be supported by asset statements reflecting a minimum balance of the lesser of 50% of the annual income or \$100,000. IRS Form 4506-T/8821 is required. It must be signed at application and closing by all borrowers and must cover the past 2 years for both business and individual.

- **Salaried Borrower:** Must have 2-year employment history listed on the application. No verification of income is required. Income must be stated on the application and should be supported by asset statements reflecting a minimum balance of the lesser of 50% of the annual income or \$100,000. Verbal verification of employment is required. IRS Form 4506-T/8821 is required. It must be signed at application and closing by all borrowers and must cover the past 2 years.
- **Other Sources:** The source or length of time does not need to be verified. Assets to support income may come from any combination of liquid assets – checking/savings, retirement, etc.
- **Contributions by others:** Maximum contributions are based on the lesser of the sales price or appraised value.
  - Primary Residence:
    - If LTV is 95.00% > 90%, maximum contribution 3%.
    - If LTV ≤ 90%, maximum contribution 6%.
  - Second/Vacation Home:
    - If LTV is 90.00% > 80%, maximum contribution 3%.
    - If LTV ≤ 80%, maximum contribution 6%.

### ASSUMPTIONS:

- 3/1 ARM: Assumable anytime.
- 5/1 ARM and 7/1 ARM: Assumable anytime after the initial fixed interest rate period.

### BORROWER ELIGIBILITY:

- **Non-Occupant Co-Borrower:**
  - Must be blood or legal relatives.
  - Occupant Borrower ratios – 35/43.
  - LTV > 80%, the occupant borrower must make the first 5% of the down payment.
- **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.

### BUYDOWNS:

- Purchase or Rate & Term refinance only. 3-4 units ineligible.
- **Primary Residence:**
  - 3/1 ARM, 5/1 ARM: ≤ 80% LTV 2%.
  - 7/1 ARM: ≤ 90% LTV 2%.
- **2<sup>nd</sup>/Vacation Home:** Max buydown 2% requiring an LTV ≤ 80%.

# Trust One Mortgage

## Programs 1730J, 1750J and 1770J

**CREDIT:** Frozen Credit is not allowed and non-traditional credit may not be used in place of Frozen Credit.

➤ **Credit Score Requirements:**

• 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.

➤ **Mortgage/Rental History:**

• Full Doc: Verification or documentation required for past 12 months. History no greater than 1X30 in the past 24 months.  
 • Asset-Based Income: Verification or documentation required for past 24 months. History no greater than 1X30 in the past 24 months.

➤ **Bankruptcy/Foreclosure:** Must have re-established credit record for elapsed time of 4 years. For Asset-Based Income Doc must have re-established credit record for elapsed time of 7 years.

➤ **Derogatory Credit:** All derogatory credit must be explained in writing. Any open liens, judgments, or garnishments must be satisfied prior to closing. Open collections or charge-offs greater than \$250 or more than \$1,000 total must be paid in full prior to closing.

**DISCLOSURES:**

**ARM Initial Program Disclosure** (signed at application; see end of chapter):

- 1730: MB3052 08/02
- 1750: MB3054 08/02
- 1770: MB4188 07/04

**Flood Insurance:** A life of loan flood certificate is required on all loans.

**ESCROW (IMPOUNDS):** LTV > 80.00% require a monthly deposit of escrow funds for property taxes, ground rents, hazard insurance, mortgage insurance, flood insurance, earthquake insurance, and other assessments, unless prohibited by applicable state law.

**GEOGRAPHICAL RESTRICTIONS:** Eligible States: Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawaii (3-4 unit ineligible), Idaho, Indiana, Maryland, Michigan, Nevada, Oklahoma, Oregon, Texas (Cash out refi, 2<sup>nd</sup>/Vacation Home and Non-Owner Occupied properties ineligible), Utah, Virginia, Washington.

**LIBOR 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:**

- 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.

- 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.

• **Adjustment Frequency:**

- 3/1 ARM: The initial interest rate change occurs after the first 3 years and every 12 months thereafter.

- 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.

**MINIMUM LOAN AMOUNT:** \$50 over the conforming loan size.

**MORTGAGE INSURANCE:** Acceptable companies are MGIC and PMI.

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

**MULTIPLE PROPERTIES:** If the subject property is a 2<sup>nd</sup>/Vacation Home or Non-Owner Occupied property, the borrower may not have more than 10 residential properties financed. This guideline applies regardless of DU Findings Report.

**OCCUPANCY:**

- **Primary Residence:** 1-4 units; 1-2 unit only in Hawaii.
- **2<sup>nd</sup>/Vacation Home:** 1-unit; Texas properties ineligible.

**PREPAYMENT PENALTY:** None.

**PROPERTY REQUIREMENTS:**

➤ **Eligible:**

- SFR (detached, semi-detached, attached)
- 2-4 unit
- Condominium or town home
- PUD
- Condominiums, town homes and PUDs must comply with Fannie Mae guidelines.

➤ **Ineligible:**

- Manufactured Housing

➔ **QUALIFYING:** Loans processed and approved through DU require max DTI of 50%.

➤ **Full Doc:** 40%; higher qualifying ratios may be appropriate in some cases. The file should contain documentation of the compensating factors and the underwriters rational to justify ratios in excess of the guidelines.

➤ **Asset-Based:** 38%.

➤ **Qualifying Rate:**

- Without Buydown: Initial Note Rate.
- With Buydown: Bought Down Rate.

# Trust One Mortgage

## Programs 1730J, 1750J and 1770J

### REFINANCE TRANSACTIONS:

➤ **Rate/Term Refinance:** The new loan amount is limited to: Payoff the outstanding unpaid principal balance of the existing first mortgage, regardless of the loan origination date; Financing of related closing costs and prepaid items; Payoff of a subordinate loan that was made more than 12 months ago, and if the a HELOC, the total amount of draws against the line during the past 12 months does not exceed \$2,000 (as documented by copies of home equity line statements); Payoff of a subordinate loan that was made within the last 12 months, and all of the proceeds were used to acquire the property (as documented by a copy of the HUD-1 settlement statement), and if a HELOC, the total amount of additional draws within the past 12 months may not exceed \$2,000 (as documented by copies of home equity line statements); Payoff of a subordinate loan that was made within the last 12 months, but all of the proceeds were used to improve the property and the subject property is a 1-unit primary residence or 2<sup>nd</sup>/Vacation Home and dollar-for-dollar adjustments for the improvements were not made on the appraisal, and borrower provides copies of home improvement contracts and canceled checks or paid receipts as documentation of the costs of the improvements, and documentation is provided to evidence borrower received no cash at closing, and if a HELOC, the total amount of additional draws within the past 12 months does not exceed \$2,000 (as documented by copies of home equity line statements); Funds disbursed to the borrower may not exceed 1% of the principal amount of the new mortgage.

➤ **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. Cash out refi ineligible in Texas.

➤ **Section 32:** Not Allowed.

**RESERVES:** Loan amount > \$700,000 and LTV > 70% requires 6 months PITI. Use the DU Findings Report to determine underwriting and documentation requirements. Asset-Based Income Program, 6 months PITI reserves are required.

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

- Use the DU Findings 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.

**TRAILING CO-BORROWER INCOME:** Not allowed.

# Trust One Mortgage

## Programs 1730JIO, 1750JIO and 1770JIO

**Prior guidelines apply if not specified below.**

**Product Type & Program Numbers:** 1730JIO – 30-year 3/1 JUMBO LIBOR ARM Interest Only  
 1750JIO – 30-year 5/1 JUMBO LIBOR ARM Interest Only  
 1770JIO – 30-year 7/1 JUMBO LIBOR ARM Interest Only

Underwriting Criteria – Full Doc		Units	Loan Amount	LTV/CLTV/HCLTV	Max Cash-Out	FICO <sup>3</sup>
Primary Residence	Purchase & Rate & Term refinance	1-2 unit	\$500,000	95%/95%/95%	N/A	680
			\$500,000 <sup>2</sup>	80%/100%/100%		
			\$1,000,000	80%/95%/95%		
			\$1,500,000	75%/75%/75%		
			\$3,000,000 <sup>4</sup>	75%/75%/75%		
	3-4 unit	\$700,000	80%/80%/80%	N/A		
Cash Out refinance <sup>5</sup>	1-2 unit	\$500,000	80%/80%/80%	\$250,000	680	
		\$500,000	80%/80%/80%	\$500,000	700	
		\$700,000	70%/70%/70%	\$700,000	680	
		\$1,000,000	65%/65%/65%	\$700,000	680	
		\$1,500,000	50%/50%/50%	\$700,000	680	
2 <sup>nd</sup> /Vacation Home <sup>1,5</sup>	Purchase & Rate & Term refinance	1-unit	\$500,000	85%/90%/90%	N/A	680
			\$700,000	80%/85%/85%		
			\$1,000,000	70%/75%/75%		
			\$1,500,000	65%/65%/65%		
Cash Out refinance <sup>5</sup>	N/A	N/A	N/A	N/A	N/A	

<sup>1</sup>Max LTV/CLTV/HCLTV must be reduced by 10% for properties located in Hawaii.

<sup>2</sup>Only available for loan amounts greater than the agency conforming limit.

<sup>3</sup>Score requirements apply to loan parameters only. If a higher score is required for the product, program, or documentation process, the higher score will apply.

<sup>4</sup>Loan amount > \$1,500,000 to \$3,000,000: Minimum FICO 720.

<sup>5</sup>Texas properties ineligible.

**Delegated Underwriting is allowed up to \$800,000 loan amount. Automated Underwriting receiving a DU Approve/Ineligible recommendation is allowed. Use the DU Findings Report to determine underwriting and documentation requirements. All other loans must be sent to the Investor for underwriting.**

**Credit Score:** Minimum 680.

**BUYDOWNS:** Not allowed.

**DISCLOSURES:**

**ARM Interest Only Initial Program Disclosure** (signed at application; see end of chapter): INTEREST ONLY LIBOR ARM DISCLOSURE-ARM 3/1, 5/1, 7/1 dated 8/19/2004.

**Flood Insurance:** A life of loan flood certificate is required on all loans.

**DOCUMENTATION:** Full Documentation or Asset-Based Income documentation allowed.

**OCCUPANCY:**

- Primary Residence: 1-4 unit
- 2<sup>nd</sup>/Vacation Home: 1-unit

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

**➔QUALIFYING:** To calculate qualifying payment use monthly interest-only amount, plus escrows for taxes and insurance if applicable. For qualifying rate use Initial Note Rate. Qualifying ratios generally 40%. Loans processed and approved through DU require max DTI of 50%.

**SECONDARY FINANCING:** Automated Underwriting not allowed.