

# Trust One Mortgage – 800 Series Conforming High Balance

## Product Type & Program Numbers:

- 800HB: 30-Year Fixed Conforming High Balance
- 815HB: 15-Year Fixed Conforming High Balance
- 850HB: 30-year 5/1 LIBOR ARM Conforming High Balance
- 850HBIO: 30-year Interest Only 5/1 LIBOR Conforming High Balance; initial interest only period is 10 years.
- High Balance loans are only eligible for the following terms listed above. All other terms are ineligible.

All loans must be submitted through DU 8.1 and receive an “Approve/Eligible” recommendation directly from the appropriate agency's AU system. Use of another lender's proprietary automated underwriting system to obtain findings is not permitted. The AU findings may not reference another investor's proprietary system. If Trust One obtains a DU findings report from another investor's portal, the original findings directly from DU must be obtained and included in the file submitted for purchase. LP and Manual underwriting ineligible. Approve/Ineligible findings allowed if the *only* reason for the ineligible recommendation is the loan amount exceeds the current loan limit applied by DU (i.e. 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. Refer/Ineligible findings not allowed. DU Refi Plus loans with LTV up to 125% are ineligible. Even if DU gives an approval up to 125%, Trust One Mortgage will only issue approval up to 105%.

**MAXIMUM LOAN LIMITS:** Maximum loan amounts vary by location. For each transaction you must go to the FHFA website to determine if your property is eligible for the higher loan limits: <http://www.fhfa.gov/Default.aspx?Page=185>.

Units	Continental US			Alaska & Hawaii		
	General	Permanent High-Cost HERA	Temporary High-Cost ARRA	General	Permanent High-Cost HERA	Temporary High-Cost ARRA
1	\$417,000	\$625,500	\$729,750	\$625,500	\$938,250	N/A
2	\$533,850	\$800,775	\$934,200	\$800,775	\$1,201,150	
3	\$645,300	\$967,950	\$1,129,250	\$967,950	\$1,451,925	
4	\$801,950	\$1,202,925	\$1,403,400	\$1,202,925	\$1,804,375	

The temporary high-cost limits for each specific county/area in Alaska, Guam, Hawaii, and the U.S. Virgin Islands are lower than the maximum permanent high-cost area limits.

## Fixed Rate 800HB/815HB:

Primary Residence					
Purchase and Rate & Term Refinance					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1	90%	85%	90%	90%	700
	75%	70%	75%	75%	660
2-4	75%	70%	75%	75%	740
Rate & Term Refinance loan amount ≤ \$625,500					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1	90%	85%	90%	90%	700
	75%	70%	75%	75%	660
2-4	75%	70%	75%	75%	740
Rate & Term Refinance loan amount > \$625,500					
1	80%	75%	80%	80%	700
	75%	70%	75%	75%	660
2-4	75%	70%	75%	75%	740
Cash Out Refinance – max cash out \$100,000					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1	60%	55%	60%	60%	740
2-4	N/A	N/A	N/A	N/A	N/A

Additional restrictions may be placed by the individual MI insurer and can be found on the websites of the MI insurer.

# Trust One Mortgage – 800 Series Conforming High Balance

## Fixed Rate 800HB/815HB:

Second Home <sup>1</sup>					
Purchase and Rate & Term Refinance					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1	65%	60%	65%	65%	740
Cash Out Refinance – N/A					
<sup>1</sup> Guidelines listed are for second homes suitable for year-round occupancy.					

## Fixed Rate 800HB/815HB:

Investment Property					
Purchase and Rate & Term Refinance					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1-4	65%	60%	65%	65%	740
Cash Out Refinance – N/A					

## ARM 850HB:

Primary Residence					
Purchase and Rate & Term Refinance					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1	75%	70%	75%	75%	680
2-4	75%	70%	75%	75%	740
Cash Out Refinance					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1	60%	55%	60%	60%	740
2-4	N/A	N/A	N/A	N/A	N/A

## ARM 850HB:

Second Home <sup>1</sup>					
Purchase and Rate & Term Refinance					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1	65%	60%	65%	65%	740
Cash Out Refinance – N/A					
<sup>1</sup> Guidelines listed are for second homes suitable for year-round occupancy.					

## ARM 850HB:

Investment Property					
Purchase and Rate & Term Refinance					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1-4	65%	60%	65%	65%	740
Cash Out Refinance – N/A					

## Interest Only ARM 850HBIO:

Primary Residence					
Purchase and Rate & Term Refinance					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1	70%	65%	70%	70%	720

## Interest Only ARM 850HBIO:

Second Home <sup>1</sup>					
Purchase and Rate & Term Refinance					
Units	LTV w/out 2 <sup>nd</sup> TD	LTV w/2 <sup>nd</sup> TD	CLTV w/2 <sup>nd</sup> TD	Max HCLTV	Credit Score
1	65%	60%	65%	65%	740
<sup>1</sup> Guidelines listed are for second homes suitable for year-round occupancy.					

# Trust One Mortgage – 800 Series Conforming High Balance

## **ADJUSTABLE LOAN FEATURES:**

- Index: London interbank offered rate for twelve month United States dollar-denominated deposits, as published in the Wall Street Journal (Libor).
- Margin: See Rate Sheet.
- Annual Adjustment Cap: 2%.
- Life Cap:
  - 5/1 ARM: 5%.
- Rate at Adjustment:
  - 5/1 ARM: Initial note rate is in effect for 60 months; The first interest adjustment is subject to life cap, thereafter, a 2% annual adjustment cap begins with the second adjustment. Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life caps.

**APPRAISAL:** Trust One appraisal policy applies. Provide an appraisal with an interior and exterior inspection, regardless of DU recommendation, FNMA Form 1004. In addition to FNMA Form 1004, a Field Review (One-Unit Residential Appraisal Field Review Report, Form 2000) is required if: The loan amount > \$625,500 and the LTV, CLTV, or HCLTV is > 80%, or the property is valued at \$1,000,000 or more and the LTV, CLTV, or HCLTV is > 75%. 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. Transferred or ported appraisals are not acceptable.

➤ **Age of Appraisal for Existing Properties:** The appraisal report must be dated within 90 days of the date of the Note. If the appraisal report is dated more than 90 days but less than 180 days from the date of the Note, the original appraiser must provide an appraisal update. The update must be completed on FNMA form 1004D and be dated within 60 days of the date on the Note. If the appraisal is dated more than 180 days from the date of the Note, a new appraisal is required. For loans purchased greater than 75 days after the closing (note date to purchase date), an appraisal update (FNMA Form 1004D or 2055 Exterior Only) or a new appraisal is required. The new appraisal or the appraisal update must be dated within 60 days of the date the loan is purchased.

➤ **Comparables for Condominiums in New Subdivisions, Condominiums or PUD Projects:** For properties in new subdivisions or for units in new (or recently converted) condominiums, or PUD projects, the appraiser should select one comparable sale from the subject subdivision or project and two comparable sales from outside the subject subdivision or project.

➤ **HVCC:** FNMA, in conjunction with the Federal Housing Finance Agency (FHFA), have adopted the Home Valuation Code of Conduct (HVCC) effective for all conventional (conforming and non-conforming) loans. Trust One must represent and warrant that any appraisal used in originating a conventional loan conforms to the requirements of FNMA and complies with Home Valuation Code of Conduct. Please review the additional details and/or guidance found in Chapter 28 of the Trust One Program Summary Guide, or on the Trust One website. All appraisals must be ordered on-line through an Appraisal Management Company. A listing of eligible Appraisal Management Companies can be found in the HVCC guidelines in Chapter 28 of the Trust One Program Summary Guide or on the Trust One website. Transferred or ported appraisals are not acceptable. Trust One must order the appraisal and their name must be reflected on the appraisal report.

➤ **Property Flipping:** If a property has sold in the last 12 months prior to loan application, and there has been an increase in value, a Field Review is required. If the value has increased by 15% or more all documents must reflect an explanation of the increase.

➤ **Texas:** All properties in Texas require interior/exterior appraisal regardless of the DU recommendation. All purchase and rate and term refinance transactions (excluding Texas Equity Refinance 50(a)(6)) located in the State of Texas will follow the DU or LP Appraisal findings when the following conditions are met: LTV is less than or equal to 80%, Occupancy is primary residence or second home, Property is not newly constructed.

➤ **Third Party Originator:** Generate an AVM and review as part of the underwriting process. Generate an AVM and review as part of the underwriting process; OR perform an enhanced desk review with 2 additional s; OR perform a drive-by appraisal. In addition to reviewing the valuation provided by the model, Client should focus on recent comparable properties that may not have been used by the appraiser. Trust One must order the appraisal and their name must be reflected on the appraisal report.

**ASSETS/FUNDS TO CLOSE/DOCUMENTATION:** May follow DU decision and documentation requirements for Approve/Eligible. Approve/Ineligible findings allowed if the *only* reason for the ineligible recommendation is the loan amount exceeds the current loan limit applied by DU (i.e. 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. Requires income verification for most recent 2 years. Explanations of employment gaps over 30 days must be provided for all loans. Known economic conditions, such as plant closings, furloughs, company bankruptcies, etc. that may affect the borrower's income, must be taken into consideration.

➤ **Salaries:** Most recent 2 years W-2 forms and paystubs for the most recent 30-day period. Most recent 2 years written verification of employment. A written VOE cannot be used as standalone documentation for Income verification. A pay stub with 30 days year-to-date income and W2 is required on all loans regardless of AU decision.

## Trust One Mortgage – 800 Series Conforming High Balance

- **Self-Employed:** Most recent 2 years personal tax returns with all schedules. Income Analysis Worksheet Correspondent Funding Form F404. Most recent 2 years business tax returns with all schedules (except for sole proprietorships); business tax returns may be waived when all of the following conditions are met: Individual income tax returns show an increase in income over the past 2 years; Funds used for down payment and closing costs are not coming from the business account; Borrower has been self-employed in the same business for at least 5 years.
- **Amended Tax Returns:** Tax returns that are amended and filed by the borrower with the IRS are acceptable in the following circumstances:
- **Tax Returns Filed Prior to the Loan Application Date:** Tax returns that are filed prior to application are acceptable for underwriting purposes. Both the original filed return and the amended return are required. If the file was amended 60 days or less prior to the application, evidence of payment must also be provided.
  - **Tax Returns Filed After the Loan Application Date:** Tax returns filed after the application date may be acceptable when accompanied by the following: a letter of explanation regarding the reason for the re-file, evidence of filing, payment (and the ability to pay the tax if the check has not cancelled) . The original tax return and the amended tax return will be closely examined for consistency with previous filings to determine whether or not the use of the amended return is warranted. In addition, if the borrower requires the amended income for qualification, an exception must be submitted and approved for the use of the amended income. A copy of the original and amended tax returns must be submitted with the exception. When using an amended return after application the underwriter must provide justification and commentary on the 1008 regarding its use.
- **Borrower Investment:** Primary residence and second homes require 5% from borrower's own funds. Investment property loans require 10% from borrower's own funds.
- **Business Funds:** If business funds are used for down payment and/or closing costs, the Borrower must be the sole proprietor or 100% owner of the business or provide verification from the other owners that the Borrower has access to the funds. The accountant must comment on what impact 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. The accountant may not be related to the borrower or be an interested party to the transaction. Business funds from a business other than a sole proprietor (Schedule C) are not an eligible source of funds for cash reserves.
- **Credit Card Financing:** It is acceptable to use a credit card to pay for certain costs that must be paid early in the application process (such as those for "lock-in" fees, credit reports, or appraisal reports). Since these charges do not represent extraordinary amounts, and credit card debt is considered in the Borrower's total monthly debt-to-income ratio, the costs for application "lock-in" fees can be charged to the borrower's credit card - as long as the total amount of such charges does not exceed 1% of the mortgage amount. The actual cost of a credit report or an appraisal, up to \$500, can also be charged to the credit card, and does not have to be considered in the 1% limitation. (The combined amount placed on the credit card may not exceed the lesser of 2% of the total loan amount or 1% of the loan amount plus \$500). When verifying the funds available for closing for a Borrower who paid for these application charges with a credit card, confirmation that the borrower has sufficient funds to cover these charges is required or the credit card payment must be recalculated to account for the new charges and included in the updated payment in the qualifying ratio calculation. However, the Borrower does not need to actually pay off these charges at closing. This policy must be manually applied until DU is updated.
- **Excessive Marketing Fees:** Total real estate commissions and marketing fee payouts (in cash or in kind) that exceed 8% of the sales price are considered excessive and must be deducted from the sales price for underwriting purposes. Total commissions/marketing fees include but are not limited to: marketing fees, finder's fees, referral fees, consulting fees, and assignment of sales fees. It is not permissible to omit these fees from the Settlement Statement.
- **First Time Homebuyer Tax Credits:** With regards to HUD Mortgagee Letter 2009-15, where ARRA provides for as much as an \$8,000 tax credit to qualified first-time homebuyers to be used for downpayment, this tax credit **IS NOT ELIGIBLE** for use on this series of programs.
- **Gifts:** Primary Residence and Second Homes, acceptable provided Borrower Investment is met. Investment Properties, gifts are not permitted.
- **HUD1:** FNMA is now requiring the final HUD-1 Uniform Settlement Statement (or HUD-1A, if applicable), or other closing statement evidencing all actual settlement costs paid by the borrower and seller, to be executed by the borrower and seller. Escrow States: If the buyer and the seller are signing a different set of instructions, the escrow instructions signed by the buyer must be identical to those escrow instructions signed by the seller. Should there be any changes to the Escrow Instructions, the Escrow Agent must send out an identical amendment to the Escrow Instructions and obtain signatures from both the buyer and the seller. The final HUD-1 Uniform Settlement Statement must be certified by the Escrow/Closing Agent and is not signed by the buyer and seller. The Escrow/Closing Agent may use different stamps when certifying the HUD-1 Uniform Settlement Statement. Stamps include but are not limited to: Final HUD-1, Certified HUD-1 or may be hard coded to state Final HUD-1. This policy must be manually applied until DU is updated.

# Trust One Mortgage – 800 Series Conforming High Balance

➤ **IRS Form 4506-T:** A completed and signed 4506-T form with acceptable results is required for all borrowers regardless of AUS findings. IRS Form 4506T must be processed and income validated for most recent 2 years (tax transcripts) or 1 year for AU loans requiring less than 2 years of income and employment verification. Information provided by the IRS in response to Form 4506T must be evaluated and any significant differences must be reviewed, resolved and detailed comments regarding the resolution must be documented on the 1008 by the underwriter. All loan files must include tax transcripts for the prior two years. The validated tax transcripts must be included in the file for purchase. The form must not expire before a reasonable time to allow processing, if needed. Section 5 which identifies the third party requesting the information from the IRS should be completed with Trust One's name and the following language "its successors or assigns". Box 6a should only be checked on all requests. In some circumstances and after completion of the loan review, the Investor may require Trust One to obtain a signed IRS Form 4506-T with Box 8 checked to obtain Form W-2 or Form 1099 series transcripts. This may be required when borrower was not required to file tax returns. In addition, the borrowers must sign a new IRS form 4506T at closing to allow for possible post funding QC, to be included in the closed loan delivery.

**Effective immediately, for loans receiving an Approve recommendation, obtain tax transcripts for the number of years of income documentation required on the DU Findings Report. Investor requires the most recent Tax Return Transcript for all borrowers.**

- For loans underwritten before June 15, 2010, if the borrower has filed their 2009 tax returns, and the tax transcripts are not yet available, the tax transcript request will be returned from the IRS and reflect "No Record Found", the following must be provided: 2009 Tax Transcript showing "No record or return filed"; and, Copy of the 2009 Tax Return; and, For Salaried Borrowers: a 2008 tax transcript, current paystub and 2009 W-2; For Self-Employed Borrowers: a 2008 tax transcript and a 2009 P&L. Please see below if borrower filed an extension.
- For loans underwritten on or after June 15, 2010, Trust One must provide the 2009 Tax Return Transcripts. If a borrower has filed an extension, the following must be provided: Evidence that the extension was filed and evidence of tax payment; and, A 2009 Tax Transcript showing "No record or return filed"; and, For Salaried Borrowers: a 2008 tax transcript, current paystub and 2009 W-2; For Self-Employed Borrowers: a 2008 tax transcript and a 2009 P&L.
- If a borrower is not required to file a 2009 tax return and the source of income cannot be validated through the 4506-T process, alternative documentation must be obtained. Examples of documentation include 1099 transcripts or an award letter with a bank statement.

➤ **Non-Taxable Income:** Non-taxable income may be shown on the borrower's tax return but is not taxed. All non-taxable income must be grossed-up, if disclosed on the residential loan application, when determining qualifying income. The factors used to gross up income is based on the type of non-taxable income the borrower receives and whether the borrower receives income from other sources subject to income tax depending on the borrowers adjusted gross income. If a borrower receives income from other sources, benefits will not be taxed until the total adjusted gross income is more than the base amount for the borrowers filing status. The following computation will determine if any of the borrower's income is subject to income taxation: Add one-half of the total non-taxable income received to all other income received, including any tax-exempt interest and other exclusions from income; Compare this total to the base amount for the borrowers filing status; If the total is more than the base amount, some of the benefits may be taxable. The borrowers other income received may be determined by one of the following: Annualizing the disclosed income provided by the borrower on the initial application; or, Obtain the first two pages of the borrowers income tax returns; or, Process the IRS form 4506-T.

- **Gross-Up Factors Based on Income Type:** 125% - Child Support Income, Disability Income - Workman's Compensation, Foster Care Income, Government Assistance Income, Military Income, VA Benefits.
- **Non-Taxable Income Not Listed Above:** 125% - If Base Annual Income/Filing Status is greater than the borrowers total adjusted gross income based on the above computation; 115% - If Base Annual Income/Filing Status is less than the borrowers total adjusted gross income based on the above computation.

➤ **Rental Income:** The following documentation is required:

- Subject Property Purchase - Net cash flow for the Mortgaged Premises must be calculated by the amount established by the appraiser in the Operating Income Statement (Fannie Mae form 216/Freddie Mac form 998). There must be evidence of rent loss insurance and a two-year rental property management history unless the Borrower qualifies with the full mortgage payment (PITIA).
- Subject Property Refinance - Net cash flow for the Mortgaged Premises must be calculated by the amount established by the appraiser in the Operating Income Statement (Fannie Mae form 216/Freddie Mac form 998). There must be evidence of rent loss insurance and a two-year rental property management history unless the Borrower qualifies with the full mortgage payment (PITIA). Non-Subject Property - For properties owned one or more complete tax years, net cash flow must be calculated by using Schedule E from IRS form 1040. For properties owned less than one complete tax year, net cash flow must be based on 75% of actual rent, established by copies of signed current annual leases. There must be evidence of rent loss insurance and a two-year rental property management history.

➤ **Retirement Accounts:** Funds from individual retirement accounts (such as 401K, IRA, Keogh accounts, etc.) may be used as the source of funds for the down payment, closing costs, or cash reserves. When funds from these sources are used for the down payment or closing costs, the funds must be withdrawn and proof of withdrawal must be provided. Subtract 40% from the vested amount to account for any applicable withdrawal penalties or income tax and any outstanding loans secured by the account, so that only the "net" withdrawal is counted. When funds from these sources are used to support the cash reserve requirement, it is not required that the funds actually be withdrawn from the account but the 40 % deduction rule still applies when calculating the amount of cash reserves. When retirement accounts only allow for withdrawal in connection with the Borrower's employment termination, retirement, or death, the vested funds should not be considered as reserves. The most recent retirement account statement identifying the Borrower's vested amount and the terms and conditions for fund withdrawals or Loans is required.

➤ **Savings Bond:** United States Savings Bonds may be used as a source of funds for the down payment, closing costs or cash reserves. Verification must include a statement from the financial institution confirming that a representative of the financial institution has seen the bonds, listing the serial numbers of the bonds, maturity date, type and amount of bond, and stating that the Borrower is the owner. There must be proof of the bond value from the appropriate U.S. Treasury Table. If the assets are required for closing, proof of liquidation is required.

➤ **Seller Contributions:** Basis for the limit is now based on CLTV ratio.

- Primary Residence and Second Homes: 3%
- Investment Properties: 2%

# Trust One Mortgage – 800 Series Conforming High Balance

- **Seller PITI Abatement Basis (DU only):** Limit is now based on CLTV ratio. Seller must be provider of abatement funds. Abatement period cannot exceed 6 months. Must be included in the total Seller Contribution limits. 1-2 unit Primary or Second Homes. Maximum 30 year term. Borrower is qualified at the total amount of the monthly payment. None of the funds for the loan transaction can be funded through premium pricing. Signed "Interest Payment Supplement Agreement". Maximum 6% contribution.
- **Short Sale:** Borrower, broker/lender or agent may not pay the difference on the seller's 2<sup>nd</sup> Trust Deed in the case of a short sale.
- **Termite/Pest Inspection:**
- **Purchase:** A termite report is always required if the appraiser notes damage or possible infestation on the appraisal. This requirement cannot be waived. A termite report is always required if called for in the purchase contract. This requirement cannot be waived unless the purchase contract is modified to eliminate requirement for termite report. A termite report is required on all other purchase transactions in areas of "very heavy" probability and "moderate to heavy" probability of termite infestation. This requirement can be waived by the Underwriter. A termite report is at the discretion of the underwriter for purchase transactions in "slight to moderate" or "moderate to none" probability areas. All requests to waive termite report must be made prior to docs. The request for waiver must be signed by the borrower(s) and notarized with loan docs. When Underwriter conditions for a termite report, only the Underwriter or Underwriting Manager can waive the termite report.
  - **Refinance:** A termite report is always required if the appraiser notes damage or possible infestation on the appraisal. This requirement cannot be waived.
- **Third Party Origination:** Clients must perform a Verbal Verification of Employment (VVOE) For all employed borrowers, independently obtain the employer's phone number (directory assistance, 411.com, etc) and confirm the borrower(s) employment within 72 hours of closing. For all self employed borrowers, independently verify the existence of the business (directory assistance, 411.com, etc.). Execute and validate the 4506T and compare to income documentation in file.
- **Uniform Instruments Requirement:** The FNMA/FHLMC, which contains the agency form name and number in the footer of the document, must be present on each page of the FNMA/FHLMC Uniform Instruments. Under no circumstances should the tagline be removed or altered.
- **Validation of Qualified Parties to the Transaction:** A loan will no longer be purchased where companies or individuals who are material parties to the transaction listed on the Investor's Exclusionary List, General Services Administration (GSA) Excluded Party List or the HUD Limited Denial or Participation List (LDP) were directly or indirectly involved in the transaction. The Exclusionary List contains confidential information and may not be distributed to third parties. Material parties include but are not limited to: Borrower, Seller, Processor, Underwriter, Listing/selling Realtors, Builder, Loan Officer, Trust One and any additional employees involved in the transaction, Title Agent/Title Company, Closing Attorney/Settlement Agent/Settlement Company, Notary, Appraiser/Appraisal Company. Regardless of the reason for the party being excluded, any party to the transaction included on any of the above lists will be ineligible for purchase.
- **Verbal Verification of Employment:** A verbal verification to confirm the borrower's current employment status is required for all Borrowers within 10 calendar days from the Note date for wage income and 30 days for self-employment income. If the Borrower is in the military, a military Leave and Earnings Statement (LES) dated within 30 days of closing is acceptable in lieu of a verbal verification. If using a third party service to verify employment (e.g., The Work Number), the date of request shown on The Work Number form must be within 10 calendar days of the Note date. The date that the employment was verified must be within 30 calendar days of the Note date.
- **Verbal Verification of Employment Requirements for Employment Income:** A verbal verification of employment must contain the following information: Date of verification; Borrower's date of employment; Borrower's employment status and job title Name, phone number and title of verifier; Name and title of person making the call.
  - **Self-Employed Verbal Verification of Employment Requirements:** A verbal verification of employment for a self-employed borrower must contain the following information: Verification of the existence of the borrower's business from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau; If contact is made verbally, document the source of the information obtained and the name and title of associate.
- To comply with a verbal verification of employment (or telephone confirmation) requirement, a phone number, and address for the Borrower's employer must be confirmed independently. This can be accomplished using a telephone book, directory assistance, or by contacting the applicable licensing bureau. Contact the employer and confirm the Borrower's current employment status within 15 Business Days of the closing date.
- **VOD:** A written VOD cannot be used as standalone documentation to support assets. At least one month's bank statement is required on all loans regardless of AU decision.

## ASSUMPTIONS:

- Fixed: Not allowed.
- ARM: Permitted after first interest rate adjustment period. Creditworthy borrowers only.

# Trust One Mortgage – 800 Series Conforming High Balance

## **BORROWER ELIGIBILITY:**

➤ **Co-Borrowers:** Co-borrower does not have to occupy subject to the following: Occupant borrower must qualify for loan; Non-occupant borrower must be on separate application; Occupant borrower must verify 5% investment from own funds.

➤ **Confirmation of Borrower's Identity:** Trust One will be required to confirm the identity of each borrower whose credit is material to the loan transaction prior to the extension of credit. Trust One must ensure that their Closing Agent, Notary Public or signing attorney, as appropriate, provide evidence in the file that the identification document included a photo and has been checked for each borrower.

➤ **Foreign Nationals:** Ineligible.

➤ **Non-ARMs Length Transactions:** If a direct relationship exists between any of the parties to a transaction, including the Borrower, Client, employer, lender, broker, appraiser, seller, or builder the transaction will be considered non-arm's length. Investment properties may not be Non-Arms Length transactions. These transactions are not intended to bail out a family member or current owner from an existing delinquent mortgage. When individuals wish to purchase or refinance property currently or recently owned by an individual with whom they have an Established Relationship, the following requirements apply:

- Purchases: Title Commitment may not evidence Foreclosure Proceedings or Notice of Default.
- Refinances: If the Borrower has been on title less than six months from date of application, payoff demand from the purchase transaction must reflect the mortgage was current at the time the Borrower purchased the property.

In purchase transactions where the seller is a corporation, partnership, or any other business entity, ensure the Borrower is not an owner of the business entity selling the subject property. In addition to the above guidelines, the borrower must have a minimum 5% of his or her own funds in the transaction. **Family sales and transfers are ineligible.**

➤ **Non-Occupant Co-Borrower, guarantor, and co-signor:** A non-occupant Co-Borrower is a credit applicant that has an ownership interest in the property securing the mortgage and who signs the Note but does not occupy the subject property. A Guarantor or co-signer is a credit applicant who does not have ownership interest in the property, but who signs the Note and thus has joint and several liability for the Note with the occupant Borrower, who is the owner of the property. All individuals who hold title to the subject property are required to sign the security instruments (i.e., mortgage, deed of trust), but are not required to sign the loan application or the Note unless their income is used for qualifying purposes. If the borrower is a cosigner or guarantor on a loan, that payment must be included in the DTI, unless documentation is provided to prove that the primary debtor has been making satisfactory payments for a minimum of 12 consecutive months and the account is current. Follow AUS guidelines.

➤ **Non-Permanent Resident Aliens:** Must be a legal resident of the U.S. as evidenced by social security number. Borrower must be employed in the U.S. Tax Identification Number (TIN) is not acceptable.

➤ **Permanent Resident Aliens:** Provide Alien Registration Card if borrower is not living in the U.S.

**BUYDOWNS:** Not permitted.

**CREDIT:** Credit is evaluated by DU. **Unpaid judgments, past due, collection and charge-off accounts must be paid in full at or before loan closing.** Satisfaction of tax liens is a condition of mortgage loan approval. When the credit report or title report shows federal or state tax liens, a letter of explanation and proof that the lien is paid are required.

➤ **Age of Credit Report:** The DU documentation for Age of Credit Documents will be updated to reflect a credit report expiration of 90 days from the date of the credit report for purchase and refinance transaction.

➤ **Bankruptcy/Foreclosure:** Measures by discharge or dismissal date. For a previous foreclosure, the new mortgage must be one of the following: A purchase transaction secured by a Primary Residence with a maximum LTV/CLTV/HCLTV OF 90% or a rate/term refinance which complies with standard guidelines. For a conveyance of a deed-in-lieu of foreclosure, the new mortgage must be one of the following: A purchase transaction with maximum LTV/CLTV/HCLTV of 90% or a rate/term of cash-out refinance which complies with standard guidelines.

- **Chapter 7 Bankruptcy:** A minimum of four years must have elapsed since the date of the discharge or dismissal of bankruptcy. A minimum of five years must have elapsed since the date of the most recent discharge or dismissal for more than one bankruptcy filing within the past 7 years.
- **Chapter 13 Bankruptcy:** A minimum of two years must have elapsed since the date of the discharge of bankruptcy. A minimum of four years must have elapsed since the date of the dismissal of the bankruptcy. A minimum of five years must have elapsed since the date of the most recent discharge or dismissal for more than one bankruptcy filing within the past 7 years.
- **Bankruptcy with Documented Extenuating Circumstances:** A minimum of two years must have elapsed since the date of the discharge or dismissal of bankruptcy (No exceptions to the two-year period for a Chapter 13 bankruptcy). A minimum of three years must have elapsed since the date of the most recent discharge or dismissal date for more than one bankruptcy filing within the past 7 years. The most recent bankruptcy filing must have been the result of extenuating circumstances.

# Trust One Mortgage – 800 Series Conforming High Balance

- **Foreclosure:** A minimum of five years must have elapsed since the date of foreclosure completion. Additional requirements apply after five years up to seven years following the date of the foreclosure completion.

Foreclosure Requirements		
Transaction Type	After 5 Years	After 3 Years with Extenuating Circumstances
Purchase	<ul style="list-style-type: none"> <li>• Primary Residence</li> <li>• Minimum 10% down payment</li> <li>• Minimum Credit Score 680</li> </ul>	<ul style="list-style-type: none"> <li>• Primary Residence</li> <li>• Minimum 10% down payment</li> </ul>
Rate & Term Refinance	Follow Standard Eligibility guidelines	
Cash Out Refinance	Ineligible	

- **Foreclosure with Documented Extenuating Circumstances:** A minimum of three years must have elapsed since the date of foreclosure completion. Additional requirements apply after three years up to seven years following the date of foreclosure completion.
- **Deed-in-Lieu of Foreclosure:** A minimum of two years must have elapsed since the date the deed-in-lieu was executed. Additional requirements apply after two years up to seven years following the execution of the deed-in-lieu.
- **Pre-foreclosure Sale:** Involves the sale of the property or pay off of the mortgage by the Borrower to a third party for less than the amount owed to satisfy the mortgage, as agreed to by the lender, the investor, and the mortgage insurer. A minimum of two years must have elapsed since the date of pre-foreclosure sale completion. Additional requirements apply after two years up to seven years following the dates of pre-foreclosure or short sale.

Pre-Foreclosure/Deed-in-lieu of Foreclosure Requirements		
	Waiting Period	LTV/CLTV/HCLTV
Financial Mismanagement	<ul style="list-style-type: none"> <li>• 2 years</li> <li>• 4 years</li> <li>• 7 years</li> </ul>	<ul style="list-style-type: none"> <li>• 80%</li> <li>• 90%</li> <li>• Within product guidelines.</li> </ul>
Extenuating Circumstances	<ul style="list-style-type: none"> <li>• 2 years</li> </ul>	<ul style="list-style-type: none"> <li>• 90%</li> </ul>

- **Bankruptcy or Foreclosure with Documented Extenuating Circumstances:** Extenuating circumstances are defined as non-recurring events that were beyond the Borrower's control, resulting in a sudden, significant, and prolonged reduction in income (extended illness, unemployment, and death of a spouse or Co-Borrower). They are not defined solely by one event. The severity of the hardship and the Borrower's efforts to resolve the situation must be considered. Documentation provided to support claims of extenuating circumstances should confirm the nature of the event that led to the bankruptcy or foreclosure and illustrate that the Borrower had no reasonable options other than to default on his or her financial obligations. Required Documentation: The Borrower's written statement, which must attribute the cause of the financial difficulties to factors beyond his or her control; The difficulties must not be ongoing or likely to recur; Supporting documentation to verify the extenuating circumstances, the supporting documentation must correlate to Borrower's explanation and confirm the events were an isolated occurrence, which resulted in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligation (Examples include documents that confirm the event, e.g., a copy of a divorce decree, medical reports or bills, notice of job layoff, job severance papers, etc); Supporting documentation establishing the date of the foreclosure or deed-in-lieu or a copy of the applicable bankruptcy documents to confirm the bankruptcy discharge date and identify any debts not satisfied by the bankruptcy; Supporting documentation indicating all debts are paid.

➤ **Credit Report:** For each Borrower the Loan file must contain the one of the following types of credit report: A three repository, merged in-file report including Credit Scores from an independent credit-reporting agency is preferred. However; a two repository, merged in-file report will be accepted if that is the extent of the information available. Note: If a merged in-file report is upgraded to a Residential Mortgage Credit Report, the original merged in-file report must remain in the file. Full Residential Mortgage Credit Report (RMCR), which conforms to all applicable Fannie Mae and Freddie Mac requirements.

➤ **Credit History:** The following minimum credit history and trade line requirements apply: A minimum of two years credit history; "Authorized User" accounts may not be used to satisfy the trade line requirements; A minimum of three rated trade lines; All trade lines must be rated for a minimum of 12 months; If the Borrower is an authorized user on the spouses account the Loan must be manually underwritten to ensure the authorized user tradelines are taken into consideration in the underwriting decision; If there is written documentation of the Borrower's monthly payments on the authorized user account, or if the Borrower is an authorized user of any account belonging to the Borrower's spouse and the spouse is not a Borrower on the mortgage transaction, then the payment history (particularly any late payments that are indicated) must be considered in the credit analysis and the monthly payment obligation must be included in the Debt-to-Income Ratio.

➤ **Credit Scores:** All borrowers must have a credit score. Select the Credit Score for each Borrower by using one of the following methods: The lower score of two repositories or The middle score of three repositories Use the lowest selected Credit Score among all Borrowers. All Borrowers must meet the minimum Credit Score and all other credit evaluation requirements. Effective 12/11/09, with the exception of DU Refi Plus, loan casefiles that are underwritten and submitted through DU Version 8.0 with a minimum representative credit score below 620 will receive an Ineligible recommendation.

➤ **Disputed Accounts:** Disputed accounts with supporting documentation and a written explanation from the Borrower may be considered as an exception. DU Approve/Eligible: Disputed accounts may remain open up to a maximum of \$500 with a written explanation from the Borrower and supporting documentation.

## Trust One Mortgage – 800 Series Conforming High Balance

➤ **Housing Payment History:** Mortgage history evaluated by AUS. Mortgage/Rental Delinquencies - Loans will be ineligible with the following:

- One or more mortgage/rental delinquency of 60, 90, 120,150 days or greater reported within 12 months of the date of the credit report.
- Short payoff related to a delinquent mortgage obligation within the last seven years.
- Participation in a restructure of the mortgage due to delinquency requires 48 month period to reestablish credit.

➤ **Non-Traditional Credit: Ineligible.**

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

➤ **Third Party Originator:** In addition to the credit report submitted by the Third Party Originator, clients must obtain an in-file credit report at or prior to underwriting and at a minimum check for: Undisclosed debt, Deterioration in FICO and/or credit ratings, and Red Flags including but not limited to employment and address history. Client should review MERS to identify undisclosed properties and include a screen print in the file.

➤ **Undisclosed Liabilities:** Trust One must determine that all debts of the borrower incurred during the application process and through loan closing of the subject mortgage are disclosed on the final loan application and included in the qualification for the subject mortgage. Processes to consider include but are not limited to: Retrieving a refreshed credit report just prior to the closing date and reviewing it for additional credit lines; Direct verification with a creditor that is listed on the credit report under recent inquiries to determine whether a prospective borrower did in fact enter into a financial arrangement with the creditors, which may not be listed on the loan application; Running a MERS report to determine if the borrower has undisclosed liens or another mortgage being established simultaneously. If additional liabilities or an increase on existing credit is revealed, the additional debts must be used to re-qualify the borrower(s). If additional debt has been incurred and the inclusion of the additional debt would increase the total expense ratio to a level outside the AU tolerances, the loan must be resubmitted to the AUS and the new findings must be followed. If a new credit report is run in lieu of a refresh report, the loan must be updated with the new credit report information, including the new credit score and the updated liabilities. Any new inquiries must be verified with the creditor that no new debt has been established. The loan must be resubmitted to the AUS regardless of the tolerance if a new score is returned. The updated credit score may impact the qualifying interest rate and pricing as well as the borrower's ability to qualify based on current guidelines. Form, Loan Applicant's Attestation, or like form must be submitted with the loan, warranting that the borrower(s) have not incurred additional debt.

**DISASTER AREAS:** When natural disasters occur, e.g., hurricanes, tropical storms, tornadoes, steps must be taken to ensure that the security on each Loan is protected. Once a disaster is declared, FEMA announces which counties are considered disaster areas under Designated Counties at [www.fema.gov](http://www.fema.gov). It is the responsibility of Trust One to monitor the FEMA web site and obtain the required re-certification when there is a Major Disaster Declaration that includes individual assistance. The following guidelines apply when a property is located in a Federally Declared Major Disaster Area as defined by FEMA:

**A. Properties Located in Federally Declared Major Disaster Areas:** In the event the subject property, on which an appraisal has been performed and the Loan has not yet funded, is located in an area that is declared a federal disaster area after the appraisal has been issued, Client must ensure that the property meets the collateral requirements set forth above and under the No Adverse Origination Circumstances section in Chapter 1C, Representations, Warranties, and Covenants, of the Investor Guide. If the property inspection was completed prior to the date the natural disaster was declared, a re-inspection or inspection will be required. These requirements apply to all Loans regardless of income documentation type or appraisal requirements. Regardless of whether or not the transaction requires an appraisal, an inspection will be required up to and including 90 days from the date the natural disaster occurred. There may be situations where a longer timeframe may be instituted.

**B. Inspection Requirements:** An appraiser must perform the property inspection. Photographs of the subject property must be attached to the Special Disaster Inspection Certification. The individual who performs the inspection should review the original appraisal report and be able to certify that his or her personal inspection of the building revealed no indications of significant disaster related damages. The inspector's Special Disaster Inspection Certification must address the physical condition of the site and improvements; it does not need to address value trends. If the condition of the subject property is acceptable, the value conclusion made prior to the disaster is acceptable.

➤ **Special Disaster Inspection Certification Alternatives:** The following forms may also be used for this certification along with a photograph of the subject property: Appraisal Update and/or Completion Report (Fannie Mae form 1004D or Freddie Mac form 442); Uniform Residential Appraisal Reports (Fannie Mae form 1004 or Freddie Mac form 70); Drive by appraisal (Fannie Mae or Freddie Mac form 2055). In any situation where the appraiser notes defects in the exterior inspection, a full Fannie Mae form 1004 or Freddie Mac form 70 appraisal report with an interior and exterior inspection is required; Individual Condominium or PUD Unit Appraisal Report (Fannie Mae form 1073 or Freddie Mac form 465); Special Disaster Inspection Certification may take the form of a letter on the qualified individual's letterhead bearing an original signature. The letter is required to contain the language indicated in the Special Disaster Inspection Certification Instructions; Standard form used by the property inspector providing it clearly identifies the name, address, and qualifications of the inspector, contains the information required in the Special Disaster Inspection Certification, and bears an original signature.

# Trust One Mortgage – 800 Series Conforming High Balance

**C. Properties with Significant Damage:** If a property was significantly damaged in addition to the appraiser the property must be re-inspected by a qualified home inspector or an engineer to assess the nature and degree of the damage. A significantly damaged property must be repaired before the Loan is sold if the damage affects the structural integrity or livability of the subject property, as determined by the inspector.

**D. Properties with Minor Damage:** Repairs will not be required for a property with minor damage not affecting the structural integrity or livability of the property, provided an adequate escrow is arranged to guarantee the completion of repairs. Based on the engineer or home inspector's damage estimate, an accurate escrow holdback account must be established to repair the damaged property.

**ESCROW (IMPOUNDS):** If a loan requires flood insurance and we escrow for ANY other item, we MUST collect escrows for flood insurance. This is a federal requirement.

➤ **Primary Residence and Second Home:** Property tax and insurance escrows can be waived with the following criteria: ≤ 80% LTV for properties located in all states *except* California and New Mexico primary residences; ≤ 90% LTV for properties located in California; < 80% LTV for primary residence properties located in New Mexico; Minimum 620 credit score (all states *except* California).

➤ **Investment Properties:** Property tax and insurance escrows can be waived with the following criteria: ≤ 80% LTV for properties located in all states *except* California; ≤ 90% LTV for properties located in California; Minimum 620 credit score (regardless of property state).

➤ **Condominium:** Effective with loan applications on or after August 9, 2010, the requirement for impounding HO-6 policies on conforming loans is no longer optional and is required per standard impound LTV requirements.

**FLOOD INSURANCE:** All Transactions closed on or after June 1, 2010: Flood insurance on properties located in a Flood Hazard Zone is required and loans without coverage are ineligible for purchase. Once the NFIP's authority to issue policies is restored and evidence of acceptable flood insurance is in the file, loans located in a Flood Hazard Zone will again be eligible for purchase.

## **GEOGRAPHICAL RESTRICTIONS:**

➤ **Eligible states:** AK, AZ, CA, CO, CT, GA, HI (properties located in Lava Zone 1 and Lava Zone 2 are ineligible), ID, IN, MD, MI, MO, NV, NM, OK, OR, TX (Cash Out refi ineligible, 50(a) (6) Homestead properties ineligible), UT, VA, WA, WY.

➤ **Disaster Areas:** See **DISASTER AREAS** section for specific guidelines.

➤ **Hawaii:** A permanent heating source may not be required for properties located in Hawaii if the following are met: Lack of permanent heat source must be common to the area; Appraiser must provide three comparables without a permanent heat source with same elevation; The subject property must be suitable for year-round occupancy. If the above guidelines are not met, the subject property must have an acceptable source of permanent heat.

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

Insurable value must be documented with one of the following:

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

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

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

Follow these rules for coverage requirements:

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

# Trust One Mortgage – 800 Series Conforming High Balance

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

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

**MORTGAGE INSURANCE:** Below guidelines supercede all other guidelines for LTV's >80% for the availability of MI. Required for all loans exceeding 80% LTV. 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. Reduced MI and Lower-Cost MI will no longer be offered with DU Version 8.0. Please note that the Investor will not participate in the simplified MI option.

LTV: 15 year	Coverage	LTV: 30 year	Coverage
80.01% - 85%	6%	80.01% - 85%	12%
85.01% - 90%	12%	85.01% - 90%	25%

- **Lender Paid Single Policy (LPSP) MI Option:** Acceptable Companies: Radian, MGIC, PMI, RMIC.
- **Credit:** Minimum 620 FICO required, regardless of DU recommendation and/or LTV .
- **Appraisal:** Full interior/exterior inspection (FNMA Form 1004), regardless of DU recommendation and/or LTV.
- **Ineligible for Mortgage Insurance:** 2-4 Units, Second Homes, Investment Property, Cash-Out Refinance, Interest-Only Products.

## MULTIPLE LOANS TO THE SAME BORROWER:

- Maximum 20% concentration in any one project or subdivision.
- Primary Residences: Up to 4 Investor financed mortgages to one borrower with a maximum \$2 million Investor exposure.
- Second Homes & Investment Properties: The total number of financed mortgages to one borrower is 4 with a maximum \$2 million Investor exposure.
- Fixed/ARM (850HB): 2 months PITIA if subject property is second home.
- Interest Only ARM (850HBIO): 24 months PITIA if subject property is second home.
- 6 months PITIA if subject property is investment property.
- 2 months PITIA on each additionally financed second home or investment property.
- Financed Properties are defined as 1-4 residential units. For all loans, the borrower's primary residence, subject property and any properties owned separately by a co-borrower must be included in the total. Partial or joint ownership is considered the same as total ownership in the property. Ownership in commercial or multifamily (more than four dwelling units) real estate is not included in the limitation.
- A borrower who holds a Limited Partnership interest in an organized Limited Partnership that has been formed for the purpose of real estate investment or development or is a General Partner who has personal liability and whose primary income is derived through the partnership's long-term investments, must take into consideration all properties owned and financed by that partnership.
- New multiple loans must be underwritten simultaneously

## OCCUPANCY:

- **Primary Residence:** 1-4 unit. 2-4 unit ineligible for Interest Only. The Borrower must occupy the property within 60 days of closing. All occupying Borrowers must certify via an Occupancy Certification that the borrowers will occupy the subject property and that the owner occupancy will continue for at least one year.
- **Second Home:** 1 unit.
- **Investment Property:** 1-4 unit. Trust One must obtain a comparable rent schedule on Form 1007 on all investment properties to document the monthly rent on the subject property regardless if the rental income was used in qualification. Non-Arms Length transactions ineligible. Interest Only ineligible.
- **Borrower Occupancy:** All occupying borrowers are required to certify that they will occupy the subject property within 60 days and will continue to occupy the subject property for at least one year when AUS issues an Occupancy Finding or at the underwriter's discretion. Additionally, borrowers may be required to certify occupancy for second homes at the underwriter's discretion.

**PREPAYMENT PENALTY:** None.

## PROPERTY REQUIREMENTS:

- **Eligible:**
  - 1-4 units
  - PUDs
  - Condos – Warrantable projects. Full project review required with 2 comps outside of project. Limited Project Review ineligible. FHA approved projects are not permitted for conventional loans.
  - Condo/PUD Project Warranty Form: a required document for any transaction where the subject property is part of a condominium or PUD project.
  - Leasehold Estates
  - Modular Pre-Cut/Panelized Housing

## Trust One Mortgage – 800 Series Conforming High Balance

➤ **Condominium:** Effective with loan applications on or after August 9, 2010, the requirement for impounding HO-6 policies on conforming loans is no longer optional and is required per standard impound LTV requirements. HO-6 (walls-in) insurance policies are required on all condominium loans where the master HOA policy does not provide coverage of the interior of the unit. HO-6 policies must cover the fixtures, equipment, and replacement of improvements and provide betterment coverage to include any improvements that the borrower may have made. If required, the HO-6 insurance policy must provide minimum coverage of 20% of the unit's appraised value. The 100% insurable value coverage for each condominium property within a designated Special Flood Hazard Area must be evidenced as follows: Residential Condominium Building Association Policy (RCBAP) coverage equal to 100%, or RCBAP coverage at least equal to 80% combined with a dwelling policy to provide a total of 100% coverage, or Dwelling policy coverage equal to 100%. The master policy should include the number of units covered so that a determination of coverage amount can be obtained.

➤ **Ineligible:**

- Assisted Living Projects
- Cantilevered Property
- Common Interest Apartments
- Non-Warrantable Condominium
- Condo-Hotel
- Cooperative
- Houseboats
- Investment Securities
- Manufactured homes/Mobile Home
- Multi-family dwelling with more than 4 units
- Multi-family condominium dwelling with ownership of > 1 unit evidenced by a single deed and mortgage (includes lock-out units).
- Projects with non-incident business operations owned or operated by the Homeowners Association such as, but not limited to, a restaurant, spa, health club, etc.
- Property or project with pending structural litigation. Non-structural litigation may be considered on a case-by-case basis.
- Property without full utilities installed to meet all local health and safety standards.
- Property that restricts the owner's ability to occupy the unit, have mandatory rental pools or guaranteed rent-backs.
- Property that represents a legal, but Non-Conforming use if zoning regulations prohibit rebuilding the improvements to current density in the event of full or partial destruction.
- Property without full kitchen
- Property used for commercial or industrial purposes
- PUD Hotel
- Rural properties outside of California.
- Tax-sheltered syndicate
- Time share units/projects
- Unimproved land
- Working farm, ranch or orchard

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

- Current primary residence is pending sale: When the Borrower has a pending sale of a current primary residence where the transaction will not close and title will not transfer to a new owner prior to the new transaction, comply with the following: Valid, signed Purchase Agreement; Both the current and the proposed mortgage payments must be used to qualify the Borrower for the new transaction. Reserves determined by DU.
- Conversion to a Second Home: Both the current and the proposed mortgage payments must be used to qualify the Borrower for the new transaction. Reserves determined by DU.
- Conversion to an Investment Property: Up to 75% of the rental income may be used to offset the mortgage payment to qualify, if there is documented equity of at least 30% in the existing property. A 2055 exterior only appraisal report is required when the borrower is retaining their current primary residence as an investment property, and evidencing 30% equity in order to use the proposed rental income to qualify. The rental income must be documented with a copy of the fully executed lease agreement and receipt of a security deposit from the tenant and deposit into the Borrower's account. A family member, individual with an established relationship with those involved in the transaction, or an interested party may not sign the lease agreement as the renter. At Investor's discretion, a fair market rent letter may also be required. 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. Reserves determined by DU. A Borrower provided report of value will not be accepted. The report establishing value must be requested by Trust One.

# Trust One Mortgage – 800 Series Conforming High Balance

## **QUALIFYING:**

### ➤ **Qualifying Rate:**

- **Fixed:** Qualify at note rate.
- **5/1 ARM:** Qualify using the greater of the fully indexed/fully amortizing rate or the Note rate + 2.0%.

### ➤ **Ratios:** Ratios evaluated by DU.

### ➤ **Liabilities:** Monthly debt obligation expenses include:

- Monthly housing expense.
- Revolving charges: All revolving debts with more than 10 monthly payments remaining. In the absence of a stated payment, 5% of the outstanding balance or a copy of the Borrower's monthly statement indicating the payment amount must be considered to be the required monthly payment.
- Installment debts or student Loans (including deferred Loans) are treated as follows: With more than 10 monthly payments remaining, the debt is counted in the DTI calculation; With 10 or less monthly payments remaining, the debt is counted in the DTI calculation unless documentation reflects that the debt does not increase the DTI by more than 5% and incremental reserves (sufficient to payoff the balance of the debt and any required program reserves) are documented. For Loans underwritten to DU, DU determines whether to include installment debts with less than 10 monthly payments remaining. Deferred loans are always included.
- All auto lease payments, regardless of the number of remaining monthly payments.
- Principal and/or interest on short-term Notes.
- Principal and/or interest payments on balloon Notes.
- Mortgage payments and related expenses on any non-income producing real estate. This includes mortgage payments and related expenses on any property which is currently a pending sale (not closing prior to subject transaction), or property retained as a second home or investment property.
- Aggregate net negative rental income from all rental properties.
- Current rental payment (when Borrower is currently renting and purchasing a second home or investment).
- Divorced and separated Borrowers' joint obligations will be considered.
- Alimony, child support, and maintenance payments with over 10 months remaining; voluntary payments need not be included.
- The payoff or paydown of revolving or installment debt for qualification purposes is permitted. For all Loans, if debts are being paid off or paid down, the payoff or paydown must be documented and the source of funds verified.
- **Liabilities Paid by the Business: When a Borrower indicates on the Loan application that certain liabilities are paid by the business, a minimum of 12 months evidence documenting that the debt is paid by the business is required.**

**REFINANCE TRANSACTIONS:** For all refinance transactions, loan file must contain a payoff statement on mortgage(s) being paid off and must match final HUD 1. For refinance transactions it is no longer required that hazard and flood insurance premiums previously paid by the borrower or a third party be itemized on the HUD-1 or HUD-1A as P.O.C. (Paid Outside of Closing).

### ➤ **Rate/Term Refinance:**

- HUD-1 settlement statement(s) required from any transaction within past 6 months. If previous transaction was a cash-out or if it combined a first and non-purchase money subordinate into a new first, loan to be coded cash out. If new transaction combines a first and non-purchase money subordinate into a new first loan, it is considered cash out. Pay off of the existing first mortgage. Pay off existing subordinate liens that were used in whole to acquire the subject property. Closing costs and prepaids. Cash out limited to the lesser of 2% of the principal amount of the new loan or \$2000. Properties that have been listed for sale within the last six month are eligible with the following restrictions: Property has been taken off the market on or before the application date; Borrower provides written confirmation of the intent to occupy if a primary residence.
- **Primary Residence properties located in Texas:** If the first or second Texas Section 50(a)(6) loan is being paid off, regardless of whether the borrower is getting any cash back, the loan is restricted to the Texas Home Equity product. If the first mortgage is not a Texas Section 50(a)(6) loan and the second mortgage is a Texas Section 50(a)(6), the second lien may be subordinated and is considered a rate and term refinance. Borrower cannot receive any cash back from first mortgage transaction. If a Texas Section 50(a)(6) second lien is being paid off, the loan is restricted to the Texas Home Equity product. The title policy will reference Texas Section 50(a)(6).

### ➤ **DU Refi Plus:**

- Loan must be underwritten via Fannie Mae DU Version 7.1 submission and receive eligibility findings for DU Refi Plus Program. DU must state eligibility for this program. Manual underwriting is not allowed.
- Loan must be funded between April 1, 2009 through June 10, 2010 (based on date the Mortgage Note is executed) and delivered on or before October 10, 2010. Date of note is a mandatory delivery field to the Agencies.
- Temporary buydowns not permitted.
- Qualify at note rate. Ratios evaluated by DU. Effective 12/11/09, DU Refi Plus loan casefiles submitted to DU Version 8.0 will continue to be subject to the maximum allowable total expense ratio currently applied to DU Version 7.1 DU Refi Plus loan casefiles.

## **Trust One Mortgage – 800 Series Conforming High Balance**

- **Rate & Term Refinances:** Pay off of the existing first mortgage. Closing costs, prepaid costs and discount points. The borrower may receive cash back at closing of no more than \$250. Any excess cash representing the difference between the estimated and the actual payoff of the original loan amount plus closing costs and prepaid fees that is more than \$250 must be applied as a principal curtailment to the new mortgage (or a reduction in the actual loan amount). Borrower must receive a benefit in the form of reduced monthly payment or more stable product selection (Note: Increasing the term alone is not considered a more stable product).
- **Owner occupied properties located in Texas:** For loans in Texas that were previously subject to Texas Section 50(a)(6), maximum 80% LTV and CLTV, one-unit Principal residence only, new full appraisal is required, and title insurance requirements for Texas Section 50 (a)(6) loans must be met. If the first or second Texas Section 50(a)(6) loan is being paid off, regardless of whether the borrower is getting any cash back, the loan is restricted to the Refinance product. If the first mortgage is not a Texas Section 50(a)(6) loan and the second mortgage is a Texas Section 50(a)(6), the second lien may be subordinated and is considered a rate and term refinance. The second lien must be subordinate to the Investor first mortgage and a subordination agreement must be executed. Borrower cannot receive any cash back from the first mortgage transaction. If a Texas Section 50(a)(6) second lien is being paid off, the loan is restricted to the Texas Refinance product. The title policy will reference Texas Section 50(a)(6).
- **Max LTV 105%.** DU Refi Plus loans with LTV up to 125% are ineligible. Even if DU gives an approval up to 125%, Trust One Mortgage will only issue approval up to 105%.
- **Subordination of existing junior liens permitted without maximum CLTV limitations.** Eligible Subordinate Financing Terms: Mortgages with negative amortization; Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five ; Subordinate financing that restricts prepayment (i.e., subordinate liens with prepayment penalties). Subordinate liens may not be paid via DU Refi Plus transaction. New subordinate liens may not be added to subject transaction. Subordination of existing current (0x30 days late in the past 12 months) Investor Home Equity Line of Credit or Closed End Loan will be permitted as follows: Investor to Investor with an existing Investor Home Equity (Piggyback); Non-Investor to Investor with an existing Investor Home Equity (Piggyback); Investor to Non-Investor; Non-Investor to Non-Investor.
- **Eligible Property Types:** 1-4 units; Second Homes limited to 1 unit; PUD; Condos; No project review required for Condominium and PUD; however, satisfactory verification must be provided verifying subject project is not a Condo Hotel and confirmation of hazard, flood, liability and fidelity insurance coverage is required. Modular Pre-Cut/Panelized Housing.
- **Ineligible Property Types:** Condo Hotel; Co-op.
- **Primary Residence, Second Homes, Investment Properties.**
- **Assumptions:** Not Permitted. If existing loan was assumed, current borrowers must have been qualified as per FNMA Selling Guide.
- **Escrow Waivers:** Are permitted when all of the following criteria are met: Investor to Investor Refinance where existing escrows are waived; One unit; The PITI for the new loan is  $\leq$  the PITI of the existing loan; Minimum Credit Score of 620; Primary Residence or Second Home; For LTV's  $> 80\%$  in states other than California (California  $> 90\%$ ) a system override may be required.
- **Borrower Eligibility:** An existing borrower may be removed from the transaction provided: Permit the removal of borrowers for any reason, not solely due to death or divorce; Require that the remaining borrower(s) demonstrate that they have been making the payments from their own funds for the most recent 12 months prior to the application of the new mortgage. This 12-month payment history must be on the existing mortgage, and may not be satisfied using multiple consecutive first mortgages; Require that the borrower being removed is also removed from the deed (or provide evidence of death, as applicable). If the borrower is being removed due to death, the 12-month payment history is not required; however, the remaining borrower must provide evidence of the deceased borrower's death; and Provide additional flexibilities through DU Refi Plus for borrowers being removed due to death (no 12-month payment history required). A borrower may be added to the new loan, provided an original borrower remains. Permanent Resident Aliens: Provide Alien Registration Card if borrower is not living in the U.S. Non-Permanent Resident Alien: Must be a legal resident of the U.S. as evidenced by social security number. Must be employed in the U.S. Tax Identification Number (TIN) is not acceptable.
- **Co-Borrowers:** DU Approve and Expanded Approval I loans. Co-borrower does not have to occupy the property subject to compliance with standard agency non-occupant co-borrower guidelines as follows: Occupant borrower must qualify for loan; Non-occupant borrower must be on separate application.
- **Credit:** DU Approve and Expanded Approval I recommendations. Credit report required. No minimum Credit Score requirement; DU will evaluate eligibility. Mortgage Payment History evaluated by DU. Bankruptcy/Foreclosure: Measures by discharge or dismissal date. For a previous foreclosure, the new mortgage must be a rate/term refinance which complies with standard guidelines. For a conveyance of a deed-in-lieu of foreclosure, the new mortgage must be a rate/term refinance which complies with standard guidelines.
- **Assets:** Document as determined by DU.
- **No limit on multiple loans to the same borrower.**

## Trust One Mortgage – 800 Series Conforming High Balance

- 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**.
  - Mortgage Insurance: If original transaction LTV was  $\leq 80\%$ , mortgage insurance is not required on the subject refinance. If original transaction LTV was  $> 80\%$  and mortgage insurance was previously cancelled or terminated in accordance with Fannie Mae guidelines, mortgage insurance is not required on the subject refinance. If the mortgage insurance on the original transaction was LPMI it is not eligible under this program. If current LTV  $> 80\%$ : New mortgage insurance certificate is required subject to acceptable MI company guidelines. Modification of the original MI certificate is ineligible. No exceptions. Minimum 620 FICO required, regardless of DU recommendation and/or LTV. Full interior/exterior inspection (FNMA Form 1004), regardless of DU recommendation and/or LTV. Ineligible for Mortgage Insurance: 2-4 Units, Second Homes, Investment Property.
- **Cash Out Refinance:** Maximum cash out \$100,000. All borrowers must have held title (ownership) to the subject property for a minimum of six months. Properties that have been listed for sale are eligible with the following restrictions: LTV  $\leq 70\%$  if a property has been listed for sale within the six months preceding the application date; Property has been taken off the market on or before the application date. Primary Residence properties located in Texas subject to Texas Section 50(a)(6) are NOT eligible. Paying off loans that are not Texas Section 50(a)(6) but are defined as a cash out refinance based on agency guidelines are eligible for this product. Borrower cannot receive any cash back from the transaction. Interest Only ineligible.
- **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 with zero late payments or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor; or
  - The existing loan being refinanced and the title have been held in the name of a natural person or an LLC as long as the borrower was a member of the LLC prior to transfer. Title must be transferred to borrower and recorded prior to date of application, and may not be transferred back to LLC after funding. If LLC consists of more than one person, provide a statement from all owners verifying any payment due, if applicable.
  - Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.
  - The borrower has recently inherited or was legally awarded the property (e.g. divorce, separation).
- Loans that meet one of the above descriptions of continuity of obligation may be underwritten, priced and delivered 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 an outstanding lien against the property, the loan is still eligible but with additional restrictions. The loans must be underwritten, priced and delivered 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; OR, 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. If property was purchased within 6 months prior to application date, loan is not eligible for cash out refinance.
  - 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.

**RESERVES:** Must be verified PITIA reserves remaining after closing, exclusive of closing costs, cash out received, and proceeds from home equity transactions. Assets must be fully documented and seasoned.

➤ **DU Approval:**

- Fixed/ARM 850HB: Comply with conditions of Approve/Eligible recommendation. If either the borrower's primary residence is for sale, but the sale will not close before the Note Date of the Mortgage on the new primary residence, or the borrower is converting his/her primary residence to a second home or Investment property, reserves determined by DU.
  - Interest Only ARM 850HBIO: 24 months PITIA. Additional reserves may be required by DU based on Risk. If either the borrower's primary residence is for sale, but the sale will not close before the Note Date of the Mortgage on the new primary residence, or the borrower is converting his/her primary residence to a second home or Investment property, reserves determined by DU.
- **Second Homes (all transaction types):**
- Fixed/ARM 850HB: 2 months PITIA.
  - Interest Only ARM 850HBIO: 24 months PITIA.
- **Investment Properties (all transaction types):** 6 months PITIA.

# Trust One Mortgage – 800 Series Conforming High Balance

➤ **Retirement Accounts:** Funds from individual retirement accounts (such as 401K, IRA, Keogh accounts, etc.) may be used as the source of funds for cash reserves. When funds from these sources are used to support the cash reserve requirement, it is not required that the funds actually be withdrawn from the account but the **Vested Amount less 40 %** deduction rule still applies when calculating the amount of cash reserves. When retirement accounts only allow for withdrawal in connection with the Borrower's employment termination, retirement, or death, the vested funds should not be considered as reserves. The most recent retirement account statement identifying the Borrower's vested amount and the terms and conditions for fund withdrawals or Loans is required.

➤ **Savings Bond:** United States Savings Bonds may be used as a source of funds for the cash reserves. Verification must include a statement from the financial institution confirming that a representative of the financial institution has seen the bonds, listing the serial numbers of the bonds, maturity date, type and amount of bond, and stating that the Borrower is the owner. There must be proof of the bond value from the appropriate U.S. Treasury Table. If the assets are required for closing, proof of liquidation is required.

**SECONDARY FINANCING:** Mortgage cannot have a maturity date or a call option date of less than five years, unless it is fully amortizing. This will be waived if the subordinate debt is minimal relative to the Borrower's financial assets and/or credit profile. Monthly payments on Secondary Financing must be included in housing and debt ratio analysis. Scheduled payments under the Secondary Financing must be due on a regular basis, e.g., monthly, quarterly, or semi-annually, but no less than semi-annually and must be at least sufficient to meet the interest due. Requires interest at a market rate (no more than 2% below the posted net yield in effect for second mortgages at the time of closing for closed end Loans) although if provided by the property seller, may be at below market rate. If Secondary Financing is a home equity line of credit, the following restrictions also apply. For qualification purposes, the monthly housing payment is calculated as follows: Monthly interest only payment is based on the current balance and is included in the Borrower's monthly housing obligations. If the line has a zero balance, no payment is used when qualifying the Borrower. If a transaction has subordinate financing, the file must contain the terms and conditions of the second mortgage and must meet Investor guidelines for subordinate financing. While a subordination agreement is required, it does not have the information necessary to confirm the subordinate financing meets eligibility requirements. Generally the NOTE is required to confirm eligibility requirements.

➤ **Ineligible Transactions:** The following types of subordinate financing are not acceptable:

- Subordinate mortgages subject to an interest rate buydown plan.
- Subordinate mortgages that allow negative amortization.
- Subordinate mortgages that have wraparound terms.
- Secondary Financing held by the property seller.
- Tax and judgment liens.
- Subordinate mortgages that have a prepayment penalty.
- Community Second Mortgage/Down Payment Assistance Programs.

**TRAILING CO-BORROWER INCOME:** A trailing/relocating Co-Borrower is a Borrower other than the relocating employee who, resides with the relocating employee, was employed at a previous location, and intends to seek new employment at the new location. Trailing Co-Borrower income is the amount received from employment at the previous location, and must be verified and documented in order to use for qualification purposes.

➤ **Using up to 50% to qualify:** A maximum of 50% of the trailing/relocating Co-Borrower's income may be used for qualification purposes if the following requirements are met:

- The transferring Borrower must have a documented corporate relocation program offered by the employer.
- Purchase transactions only.
- Trailing/relocating Co-Borrower is a spouse, domestic partner, fiancée or fiancé of the primary wage earner.
- Trailing/relocating Co-Borrower was employed as a wage earner in the same profession for the last two years and is not self-employed.
- A written statement indicating his or her intention to obtain employment in the new location.
- Document a reasonable employment market for the positions that are the same or similar to the secondary wage earner's previous position.
- A minimum six month PITI cash reserve is verified.
- If subject to a Temporary Buydown, the Borrower must be qualified using the Note rate.

➤ **Using 100% to qualify:** To use 100% of the trailing/relocating Co-Borrower income for qualification purposes, in addition to the above, the following requirements must be met:

- Trailing/relocating Co-Borrower's income cannot exceed 33% of the total qualifying income.
- Maximum 28/36 ratios.
- Minimum 680 Credit Score.
- Minimum six months PITI and total debt obligation for reserve.