

Trust One Mortgage – 800J Series JUMBO

Product Type & Program Numbers:

- 800J: 30-year Fixed Rate JUMBO
- 800JIO: 30-year Fixed Rate JUMBO Interest Only; Interest Only payment for first 10 years. (discontinued effective 6/7/10)
- 815J: 15-year Fixed Rate JUMBO
- 830J/850J/870J/810J: 30-Year 3/1, 5/1, 7/1, 10/1 LIBOR ARM
- 830JIO/850JIO/870JIO/810JIO: 30-Year Interest Only 3/1, 5/1, 7/1, 10/1 LIBOR ARM; Interest Only payment for first 10 years. (discontinued effective 6/7/10)

Interest Only Products (800JIO/830JIO/850JIO/870JIO/810JIO) will be discontinued effective for all loans locked or trades committed on and after June 7, 2010. Loan approvals on floats not meeting these new program requirements will become null and void if not locked before June 7, 2010. Loans locked or trades committed on and after June 7, 2010 must be resubmitted for underwriting approval and will be subject to the updated guidelines. All loans with applications locked or trades committed before June 7, 2010 under previous guidelines must be purchased or funded on or before August 31, 2010.

- **All loans must be sent to Investor for prior approval.**
- **All loans are to be underwritten manually to the product and policy guidelines indicated in this product summary.**
- **All loans must be submitted through DU to receive appropriate fraud alerts, and contributory messages prior to performing a manual underwriting review.** DU decision is not applicable to the loan review or underwriting decision. It is not acceptable to apply the level of documentation identified via the AU system for credit, income, assets or appraisal review.
- **All loans must be submitted to the Investor's Market Indicator Portal (declining market indicator) and if applicable, follow declining market policy restrictions.**

Declining Markets: If the Investor Market Portal tool delivers an A market designation, but the Appraiser notes in the appraisal report the subject property is located in a submarket which is declining, the A market must be downgraded to a B market reducing the LTV/CLTV by 5%. In addition, if the Investor Market Portal identifies the subject property is located in a B, C, or D market and the Appraiser indicates the subject property is located in a submarket which is declining, there is no further LTV/CLTV downgrade required.

Primary Residence				
Purchase and Rate & Term Refinance				
Units	Full Doc			Loan Amount
	LTV ¹	CLTV ¹	Credit Score	
800J/815J/830J/850J/870J/810J				
1 – 2 units	80%	80%	700	\$1,000,000
	80%	80%	720	\$2,000,000
3-4 units	70%	70%	700	\$1,000,000
	70%	70%	720	\$1,500,000
Interest Only: 800JIO/830JIO/850JIO/870JIO/810JIO (discontinued effective 6/7/10)				
1 – 2 units	80%	80%	720	\$1,000,000
	80%	80%	720	\$2,000,000
3-4 units	70%	70%	720	\$1,000,000
	70%	70%	720	\$1,500,000
¹ Declining Market Maximum LTV/CLTV: B Market: Reduce Max LTV/CLTV by 5% C Market: Reduce Max LTV/CLTV by 10% D Market: Reduce Max LTV/CLTV by 15% Market Upgrade of 5% LTV/CLTV permitted based on credit guidelines below: Must meet all criteria below-no exceptions. May not exceed Declining Market Maximums Minimum 720 FICO Maximum DTI 35% Single Family Residence, PUDs, Modular Home, Pre-Cut Home, Panelized Home and Site Condominiums (multi-family not permitted) Purchase and Rate/Term only Two Full Appraisals; Second appraisal must be ordered through LandSafe. Full Amortization – No IO Products Maximum Combined Loan Amount \$2 million				

All loans must be sent to Investor for prior approval. All loans must be submitted through DU to receive appropriate fraud alerts, and contributory messages prior to performing a manual underwriting review. DU decision is not applicable to the loan review or underwriting decision. It is not acceptable to apply the level of documentation identified via the AU system for credit, income, assets or appraisal review. All loans must be submitted to the Investor's Market Indicator Portal (declining market indicator) and if applicable, follow declining market policy restrictions.

Trust One Mortgage – 800J Series JUMBO

Primary Residence				
Equity Refinance ¹				
Units	Full Doc			Loan Amount
	LTV	CLTV	Credit Score	
800J/815J/830J/850J/870J/810J				
1 – 2 units	80%	80%	700	\$1,000,000
	80%	80%	720	\$1,500,000
3-4 units (discontinued effective 6/7/10)	70%	70%	700	\$1,000,000
	70%	70%	720	\$1,500,000
Interest Only: 800JIO/830JIO/850JIO/870JIO/810JIO (discontinued effective 6/7/10)				
1 – 2 units	80%	80%	720	\$1,000,000
	80%	80%	720	\$1,500,000
3-4 units	70%	70%	720	\$1,000,000
	70%	70%	720	\$1,500,000

Cash out limits:

- Max Cash Out for >65% and ≤80% LTV/CLTV is \$250,000.
- Max Cash Out for ≤ 65% LTV/CLTV is \$350,000.
- Max Cash Out 3-4 units is \$150,000.

Declining Market Maximum LTV/CLTV:

- B Market: Reduce Max LTV/CLTV by 5%
- C Market: Reduce Max LTV/CLTV by 10%
- D Market: Reduce Max LTV/CLTV by 15%

Cash out transactions are ineligible for a Market Upgrade.

3-4 unit Cash Out refinance transactions will be discontinued effective for all loans locked or trades committed on and after June 7, 2010. Loan approvals on floats not meeting these new program requirements will become null and void if not locked before June 7, 2010. Loans locked or trades committed on and after June 7, 2010 must be resubmitted for underwriting approval and will be subject to the updated guidelines. All loans with applications locked or trades committed before June 7, 2010 under previous guidelines must be purchased or funded on or before August 31, 2010.

All loans must be sent to Investor for prior approval. All loans must be submitted through DU to receive appropriate fraud alerts, and contributory messages prior to performing a manual underwriting review. DU decision is not applicable to the loan review or underwriting decision. It is not acceptable to apply the level of documentation identified via the AU system for credit, income, assets or appraisal review. All loans must be submitted to the Investor's Market Indicator Portal (declining market indicator) and if applicable, follow declining market policy restrictions.

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:
 - 3/1 ARM: 6%.
 - 5/1, 7/1, 10/1 ARM: 5%.
- Rate at Adjustment:
 - 3/1 ARM: Initial note rate is in effect for 36 months; thereafter, a 2% annual adjustment cap begins with the first adjustment. Rate is equal to the note margin plus index rounded to the nearest .125%. Subject to annual/life cap.
 - 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.
 - 7/1 ARM: Initial note rate is in effect for 84 months; initial adjustment is subject to the 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.
 - 10/1 ARM: Initial note rate is in effect for 120 months. The first interest rate adjustment is subject to the 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.

Trust One Mortgage – 800J Series JUMBO

APPRAISAL: Trust One appraisal policy applies. Maximum financing is not available on properties located in declining markets. Loan amounts and combined loan amounts < \$850,000 require one full appraisal. Loan amounts and combined loan amounts ≥ \$850,000 require two full appraisals by independent appraisal firms. Second appraisal must be ordered through LandSafe. Interior photos required. 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.

➤ **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.

➤ **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:** 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.

➤ **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.

➤ **Texas:** All properties in Texas require interior/exterior appraisal regardless of the DU recommendation.

ASSETS/FUNDS TO CLOSE/DOCUMENTATION: All loans must be sent to Investor for prior approval. All loans must be submitted through DU to receive appropriate fraud alerts, and contributory messages prior to performing a manual underwriting review. DU decision is not applicable to the loan review or underwriting decision. It is not acceptable to apply the level of documentation identified via the AU system for credit, income, assets or appraisal review. All loans must be submitted to the Investor’s Market Indicator Portal (declining market indicator) and if applicable, follow declining market policy restrictions. Known economic conditions, such as plant closings, furloughs, company bankruptcies, etc. that may affect the borrower’s income, must be taken into consideration.

➤ **Salaried:** The following documentation is required: W-2 Forms for the most recent two years and pay stubs for the most recent 30-day period or Written verification of employment for the most recent two years and pay stubs for the most recent 30-day period. 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.

➤ **Self-Employed:** The following documentation is required: Most recent two years personal tax returns with all schedules; Most recent two years business tax returns with all schedules (except for sole proprietorships); Income Analysis Worksheet Correspondent Funding Form F404.

➤ **Age of Documents:** All Employment and Income Documents, except as indicated below, must be dated no more than 90 days prior to the Note date for existing construction and 120 days for new construction.

➤ **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.

➤ **Assets:** Assets are disclosed and documented. Requirements for verification and seasoning of cash to close vary by loan program. Most loan programs require the borrower make a minimum down payment from his/her own cash. Specific requirements are detailed on the product summary. If asset documentation is required, deposit verification and seasoning by one of the following sources is required: Two months bank statements; Fannie Mae Verification of Deposit (Fannie Mae Form 1006). Reserves, when required, must come from borrower’s own cash. See product summary for reserve requirements.

Trust One Mortgage – 800J Series JUMBO

- **Borrower Investment:** A minimum down payment of 5% of the value for a primary residence must be paid from the Borrower's own funds. The balance may be paid from any of the acceptable asset sources including borrower's funds, gift funds or secondary financing.
 - **Seller Contributions:** Maximum contribution is 3%.
 - **Gifts:** Acceptable on loans up to \$1 million provided minimum borrower investment requirements are met. For verified income loans, the minimum borrower investment is waived on primary residences when gift reduces the LTV to $\leq 80\%$ and borrower pays own closing costs and no secondary financing exists. No gifts acceptable on loans over \$1 million.
 - **Retirement Account Funds:** Funds from Retirement Accounts must be reduced by the **Vested Amount less 50%**.
- **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.
- **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.
- **HUD1:** FNMA is now requiring that there is a fully executed HUD1 for each loan file. For a purchase transaction it must be signed by both buyer and seller. This can be accomplished in one of two ways: 1. The Estimated HUD1 (or HUD1a) can be fully executed and included in the file along with a FINAL HUD1 that is not executed; OR, 2. The FINAL HUD1 (or HUD1a) can be fully executed.
- In either case, the FINAL HUD1 must be stamped FINAL or say at the top that it is a Final HUD1.
- **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. Validated tax returns must be included in the initial submission package when submitting loan to the Investor for underwriting. Loans will not be forwarded to the underwriting department without the validated tax transcripts. 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, Tax transcripts must be obtained for the most recent two-year period preceding the loan application date.**
- 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 2007 and 2008 tax transcript, current paystub and 2009 W-2; For Self-Employed Borrowers: a 2007 and 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, Correspondent Clients must provide the 2008 and 2009 Tax Return Transcripts. If a borrower has filed an extension for 2009, 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: 2007 and 2008 tax transcripts, current paystub and 2009 W-2; For Self-Employed Borrowers: 2007 and 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.

Trust One Mortgage – 800J Series JUMBO

➤ **Proposed Rental Income:** When a borrower indicates on his or her initial application an intention to rent their current primary residence, the property being purchased must be of greater value or in another geographic location. Rental income must be calculated by the following methods: 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 retained property as evidenced by at least a 2055 exterior-only inspection, dated no more than 60 days prior to the Note Date. The rental income must be documented with a copy of the fully executed lease agreement and 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. A fair market rent letter may also be required, at the discretion of the Investor. If the 30% equity in the property cannot be documented, rental income may not be used to offset the mortgage payment. Both the retained and the proposed mortgage payments must be used to qualify the Borrower for the new transaction. Six months PITI reserves required for both the retained and subject properties. A Borrower provided report of value will not be accepted. The report establishing value must be requested by Trust One.

➤ **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.

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

➤ **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.

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

➤ **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.

Trust One Mortgage – 800J Series JUMBO

- **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 Rate 800J/800JIO/815J:** Not permitted.
- **LIBOR ARM 830J/850J/870J/810J:** Permitted only after the initial note rate ends and in accordance with the Due on Sale and Assumption qualifications. Credit worthy borrowers only.
- **Interest Only LIBOR ARM 830JIO/850JIO/870JIO/810JIO:** Permitted in accordance with the Due on Sale and Assumption qualifications. Credit worthy borrowers only. (discontinued effective 6/7/10)

BORROWER ELIGIBILITY:

➤ **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.

➤ **First-Time Homebuyer:** A First Time Homebuyer is defined as a borrower who has had no ownership interest in a residential property during the three-year period preceding the date of the subject Note or has a scheduled mortgage payment history of less than 12 months. Primary residence only. For all loans, verification of 12 months rental payments is required. The loan file must contain 12 months cancelled checks or bank statements to evidence eligibility for mortgage/housing history for the loan program under which the loan is submitted. Written verification of verification via the credit report is not permitted. Direct written verification of rent is acceptable in lieu of cancelled checks when the landlord is a large professional management company. First-Time Homebuyers require 12 months reserves. Borrower living rent free: payment shock measures not applicable, requires 12 months liquid reserves (excluding retirement accounts). This is to be used only when all borrowers are living rent free.

➤ **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. 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:** An established relationship with the Borrower exists. A party with an interest in the property sales transaction, (including but not limited to the builder, property seller, or real estate broker) is not eligible as a non-occupant Co-Borrower, guarantor, or co-signor. Primary residence. A non-occupant Co-Borrower, guarantor, or co-signor must provide verification of income. Maximum LTV/CLTV 1-2 units: 75%. Maximum LTV/CLTV 3-4 units: 70%. Qualifying total debt ratio for the occupant borrower may not exceed 45%. All individuals who hold title to the subject property are required to sign the security instruments (e.g., mortgage, deed of trust), but are not required to sign the application or the Note unless their income is used for qualifying purposes. For Cash-out Refinance transactions, Non-occupant Co-Borrowers who are not Borrowers on the current mortgage and do not hold title cannot be added as a means to qualify for the Loan. 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.

Trust One Mortgage – 800J Series JUMBO

➤ **Non-Permanent Resident Aliens:** Maximum LTV/CLTV 1-2 units: 75%. Maximum LTV/CLTV 3-4 units: 70%. Must provide a valid Social Security number. Must provide documentation to support that the Borrower is eligible to work in the U.S. as evidenced by an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigrations Services (USCIS). For further information, see www.uscis.gov. If the authorization for temporary residency status will expire within one year and a prior history of residency status renewals exists, continuation may be assumed. If there are no prior renewals, the likelihood of renewal must be determined, based on information from USCIS. Borrowers sponsored by a specific employer do not need an EAD. A valid passport, a letter from the employer/sponsor and an I-94 or I-797 form proving they may work in the U.S. are acceptable in lieu of the EAD. A Social Security card may not be used as evidence of eligibility of employment; the USCIS EAS must be used. An individual classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure or Humanitarian Parole is not eligible.

➤ **Permanent Resident Aliens:** Provide Alien Registration Card. Must provide a valid social security number.

BUYDOWNS:

- Maximum LTV: 1-2 unit 80%; 3-4 unit 70%.
- Maximum Rate discount of 3%.
- Maximum buydown term of 3 years.
- Maximum rate increase of 1% annual.
- Qualified based on the greater of the Note rate or the fully indexed rate (margin plus current index value).
- Interest Only loans ineligible.

CREDIT: 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 Documents:** The maximum age of credit documents, including income, employment, asset and credit documents, is 90 days from the date of the Note for existing properties and 120 days from the date of the Note for new construction.

➤ **Bankruptcy/Foreclosure:** None in past 7 years; Measured by discharge or dismissal date.

➤ **Consumer Credit Counseling:** Borrowers must provide a satisfactory explanation for participating in Consumer Credit Counseling. A Borrower is eligible while they are in Consumer Credit Counseling Service (CCCS) provided the following criteria are met: Credit Score requirements are met; Qualifying ratios must be calculated on the creditor's minimum monthly payment (per the credit report) versus the reduced CCCS payment; All accounts must be current; Verified income only; No cash in hand unless all accounts included in CCCS are paid.

➤ **Credit History:** All Loans require a Credit Score based on the following:

- 24 month credit history.
- 3 non-derogatory tradelines, each rated for at least 12 months. (all 3 tradelines need not be opened for 24 months)
- 1 active tradeline in the past six months, must be currently open and not be a collection or charge off
- 1 trade line with a credit limit of at least \$5,000.
- Authorized User accounts may not be used to satisfy the trade line requirements.

➤ **Credit Report:** A three repository, merged in-file report including credit scores is required from an independent credit-reporting agency. However, a two repository, merged in-file report will be accepted if that is the extent of the information that is available. 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.

➤ **Credit Scores:** Choose the lower score of two repositories or the middle score of three repositories. If there is more than one borrower, use the same formula for each borrower. Use the lowest selected Credit Score among all Borrowers. All Borrowers must meet the minimum Credit Score and all other credit evaluation requirements.

➤ **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.

➤ **Housing Payment History:** 0 x 30 mortgage/rental Delinquency in past 12 months; No 60+ mortgage/rental Delinquency in past 24 months; Subject mortgage must be current on delivery. Mortgage history and/or rental history must be verified for the most recent 12 months if this information does not appear on the credit report. Acceptable sources include VOM, VOR, cancelled checks or payoff statement. Client must obtain the current balance, current status, monthly payment amount, and payment history for the last 12 months. When the landlord is an interested party to the transaction (i.e., seller, broker, etc.) or a relative or employer of the Borrower, 12-months canceled checks reflecting a satisfactory payment history must be provided. In addition, a copy of the lease to verify the due date in lieu of a landlord reference must be provided. Payment history on any property (regardless of occupancy) is considered mortgage credit for grading purposes. Payments on a Manufactured Home, timeshare, or second mortgage are considered to be

Trust One Mortgage – 800J Series JUMBO

mortgage debt, even if reported as an installment loan. Additionally, any repossession or payment more than or equal to 120 days late on a Manufactured Home, timeshare, second mortgage, or even if shown as an installment loan, will be considered a foreclosure. Evaluate a 24-month housing payment history and the following documentation is required: If the credit report provides 12 or more months of housing payment history, this is sufficient to meet payment history requirements. The most recent 24 months of housing payment history will be used for grading purposes. If less than 12 months is provided on the credit report, the most recent 12 months housing payment history must be documented.

➤ **Non-Traditional Credit: Ineligible**

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

➤ **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, the loan must be re-underwritten with the new debt to ensure the loan is still eligible for purchase. 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. 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. 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, Trust One 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 Disaster Inspection Certification. The appraiser 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 appraiser's 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); 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 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.

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.

Trust One Mortgage – 800J Series JUMBO

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, Trust One MUST collect escrows for flood insurance. This is a federal requirement. Impounding not allowed for HO-6 “Walls-In” condominium insurance.

➤**Primary Residence:** Property tax and insurance escrows can be waived with the following criteria: 1-unit property only; ≤ 80% LTV for properties located in all states *except* California and New Mexico; ≤ 90% LTV for properties located in California; < 80% LTV for properties located in New Mexico; Minimum 700 credit score (all states *except* California).

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 (Equity refi ineligible, 50(a) (6) Homestead properties ineligible), UT, VA, WA, WY.

➤**Declining Markets:** The appraiser is required to indicate on the appraisal report if property values in that market are “increasing,” “stable,” or “declining.” Comparable sales used to establish value must be sold and closed within six months of the date of appraisal. Aged comparables may be an indication that the subject property is located in a market experiencing declining values. If any comparables are over six months old, the appraiser must comment on the reason for using aged comparable sales. If the property is located in a determined “C” or “D” market, the appraiser must use comparable sales that have been settled or closed within the last six months. The appraiser must comment on the reasons for using comparable sales that are more than three months old. If the appraiser does not have comparables that are within the last three months, the appraiser must provide two recent listings in addition to properly adjusted comparables that are older than three months. If the property is located in a determined A market by the Market Portal Indicator but the appraiser states the subject property is in a declining market, downgrade to a B market reducing the LTV/CLTV by 5%. However, the loan is eligible for a 5% market upgrade if all criteria are met.

➤**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.

MAXIMUM LOAN AMOUNT: \$2,000,000.

MINIMUM LOAN AMOUNT:

Units	Continental US	Alaska and Hawaii
	Minimum Loan Amount	Minimum Loan Amount
One	\$417,001	\$625,501
Two	\$533,851	\$800,776
Three	\$645,301	\$967,951
Four	\$801,951	N/A

MORTGAGE INSURANCE: Not applicable for Interest Only loans. [Additional restrictions may be placed by the individual MI insurer and can be found on the websites of the MI insurer.](#)

➤**Borrower Paid MI Option:** Required on all loans exceeding an 80% LTV. Acceptable Companies for loan amounts up to \$650,000: MGIC, PMI, Radian, RMIC. Acceptable Companies for loans amounts greater than \$650,000: MGIC, PMI. MI may be financed on primary residence purchase and rate & term refs. The mortgage amount and LTV, including the financed premium, may not exceed the limitations set forth in the program guidelines. MI coverage is based on LTV including the financed premium. MI may not be financed on Anchorage, Alaska loans.

Primary Residence	
LTV	Coverage
80.01% - 85%	12%
85.01% - 90%	25%
90.01% - 95%	30%

Mortgage Insurance ineligible on 2-4 units and Cash Out Refi.

Trust One Mortgage – 800J Series JUMBO

➤ **Acceptable BPMI Payment Options:**

- Monthly and Zero Monthly.
- Level Annual.
- Standard Annual.
- Split Premium (with or without options).
- Single Premium.

➤ **Lender Paid Single Policy (LPSP) MI Option:** Acceptable Companies: Radian, MGIC, PMI, RMIC.

MULTIPLE LOANS:

- Maximum 20% concentration in any one project or subdivision.
- A borrower may own a maximum of 4 properties, regardless of whether additional properties are financed by the Investor.
- A borrower may finance a maximum of 4 properties with the Investor, and the cumulative amount financed among all Investor loans cannot exceed \$2 million.
- 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. **3-4 unit Cash Out discontinued effective 6/7/10.**

PREPAYMENT PENALTY: None.

PROPERTY REQUIREMENTS:

➤ **Eligible:**

- SFR.
- Modular Home, Pre-Cut Home, Panelized Home.
- Multifamily (2 to 4 units).
- Site Condominium (1-unit): If the master or blanket insurance policy does not provide coverage of the interior of the unit, the borrower will be required to obtain a "walls in" coverage policy (commonly known as HO-6 policy). If required, the HO-6 insurance policy must provide minimum coverage of 20% of the unit's appraised value. The replacement cost can be used in lieu of the 20% if it can be verbally verified and documented, or it is on the certificate of insurance.
- Planned Unit Development (PUD).
- Condo/PUD Project Warranty Form: a required document for any transaction where the subject property is part of a condominium or PUD project.

➤ **Ineligible:**

- Assisted Living Projects
- Cantilevered Property
- Common Interest Apartments
- Condominium
- Condo-Hotel
- Co-ops
- Houseboats
- Investment Securities
- Manufactured homes
- Mixed use property
- 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-incidental 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 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.

Trust One Mortgage – 800J Series JUMBO

- Property without full kitchen
- Non-warrantable condominium
- Planned Unit Development (PUD) project with pending structural litigation
- Property with more than 10 acres
- Property without full utilities installed to meet all local health and safety standards: Continuing supply of potable water, Public sewer or certified septic system, Public electricity, Natural or LP gas.
- Property zoned and used for commercial or industrial purposes
- Rural properties outside the state 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.
- 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 (derived from an acceptable appraisal, AVM, or BPO, minus outstanding liens). 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.
- Reserve requirements for Pending Sale of Current Primary Residence or the Conversion of a Primary Residence to a Second Home or Investment Property: a minimum of six months liquid reserves is required for the retained property. In addition, the greater of six months liquid PITIA reserves or program requirements are required for the subject property.

QUALIFYING:

➤ **Qualify:**

- Fixed Rate: All eligible mortgage products qualified at Note rate using the fully amortized payment of principal, interest, taxes, and insurance (PITI).
- 3/1, 5/1 ARMs: Qualify using the greater of the fully indexed/fully amortizing rate or the Note rate + 2.0%.
- 7/1, 10/1 ARMs: Qualify at the higher of Note rate or fully- indexed rate using the, fully- amortized payment of principal, interest, taxes, and insurance.
- Temporary Buydowns: Qualified based on the greater of the Note rate or the fully indexed rate (margin plus current index value).

➤ **Ratios**

- Max DTI: LTV/CLTV ≤ 80% - 45%.

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

- Monthly housing expense.
- Revolving charges: If no balance payment is showing, use 5% of the outstanding balance.
- 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.
 - 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.

Trust One Mortgage – 800J Series JUMBO

- 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 of revolving or installment debt for qualification purposes is permitted. For all Loans, if debts are being paid off, the payoff must be documented and the source of funds verified. However, the paydown of revolving or installment debt is not permitted for qualification purposes.
- **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:** No seasoning of first mortgage. If owned less than 12 months, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required. If owned more than 12 months, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership. Reasonable and customary closing costs, prepaids and seasoned junior liens may be incorporated into the loan amount. Cash out not to exceed the lesser of 1% or \$2,000 of the principal amount of the new loan. One year seasoning on junior liens from funding unless documentation is provided to verify it was incurred as part of acquisition or for home improvements. This does not apply to draws of 1% or less of the new loan amount or a maximum of \$2,000 within the past 12-month period. Properties listed for sale in the last 6 months (on or before the application date) are not eligible for refinance transactions. 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).

➤ **Equity Refinance:** All borrowers must have held title to subject property for a minimum of 6 months (note date to application date). If owned less than 12 months, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required. If owned more than 12 months, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership. Properties listed for sale in the last 6 months (on or before the application date) are not eligible for equity refinance transactions. Primary residences located in Texas subject to Texas Section 50(a)(6) are NOT eligible. Cashout limitations includes payoff of unseasoned second mortgages, HELOCs and/or non-mortgage debt. **3-4 units discontinued effective 6/7/10.**

RESERVES: Must come from borrower's own funds. Must be verified PITI (inclusive of HOA fees, if applicable) reserves remaining after closing, exclusive of closing costs, cash out received, and proceeds from home equity transactions.

- Loan Amount/Combined Loan Amount \geq to \$1 million: Minimum 12 months liquid reserves (inclusive of HOA fee, if applicable) and exclusive of cash out funds, business assets (other than schedule C). Max 6 months of reserves permitted from 401K/SEP account at 50% of full vested amount.
- Loan Amount/Combined Loan Amount $<$ \$1 million:
 - DTI \geq 35%: Minimum 12 months liquid reserves (inclusive of HOA fee, if applicable) and exclusive of cash out funds, business assets (other than schedule C). Max 6 months of reserves permitted from 401K/SEP account at 50% of full vested amount.
 - DTI $<$ 35%: Minimum 6 months liquid reserves (inclusive of HOA fee, if applicable). Exclusive of 401k/SEP accounts, cash out funds, business assets (other than schedule C). See below for other Ineligible Reserves.
- Ineligible sources for reserves include: Business Assets (other than schedule C), Cashout Proceeds, Bridge Loans, Loans secured by other assets, Proceeds from the sale of non-real estate assets.
- First-Time Homebuyers require 12 months reserves. Borrower living rent free: payment shock measures not applicable, requires 12 months liquid reserves (excluding retirement accounts). This is to be used only when all borrowers are living rent free.
- Retirement Account Funds: Funds from Retirement Accounts must be reduced by the **Vested Amount less 50%**.
- Reserve requirements for Pending Sale of Current Primary Residence or the Conversion of a Primary Residence to a Second Home or Investment Property: a minimum of six months liquid reserves is required for the retained property. In addition, the greater of six months liquid PITIA reserves or program requirements are required for the subject property.

Trust One Mortgage – 800J Series JUMBO

SECONDARY FINANCING:

- When Secondary financing exists, the maximum LTV is 80%.
 - Mortgage cannot have a maturity or call option date of less than five years, unless it is fully amortizing.
 - 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.
 - If Secondary Financing involves graduated or variable payments, the following restrictions also apply: Secondary Financing must fully amortize during its term; The combined annual payments are graduated to increase not more than the lesser of a 2% interest rate increase or 8.5% payment increase (first and second mortgage).
 - 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: For an existing subordinate lien, if the current balance is zero and no draws will be used for the new transaction, a minimum payment need not be included in the qualifying ratio; If a balance appears on the line of credit or an advance will be part of the new transaction, calculate the housing payment by multiplying the total usable line of credit by the interest rate in effect at the time the Loan application is underwritten. Use the higher of the calculated payment or the payment reported on the credit report. For a simultaneous home equity line of credit (originated with a new first mortgage) calculate the housing payment by multiplying the total usable line of credit by 1.00%. Use the higher of the calculated payment or the obligated payment.
 - If a transaction has subordinate financing, the file must contain the terms and conditions of the second mortgage and must meet the 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.

TRAILING CO-BORROWER INCOME: Ineligible.