

**3/1 & 5/1 LIBOR INTEREST ONLY ARM (2) (9) (19)
PRIMARY & SECOND HOME**

**PRODUCT CODE: CAL330INT
CAL530INT**

		Purchase / RT Refinance Primary Residence	Purchase / RT Refinance (8) 2nd Home	Primary/ Refi / Cash Out
MAX LTV & LOAN	1 –4 UNITS	95%/95% to \$400,000 (1)	90% to \$250,000	70%/70% to \$650,000 (6)
	1 – 4 UNITS	90%/90% to \$500,000 (3)	80% to \$400,000	75%/75% to \$500,000 (6)
	1 – 4 UNITS	80%/80% to \$650,000 (3)	70% to \$500,000	65%/65% to \$750,000 (6)
	1 – 4 UNITS	75%/75% to \$750,000	65% to \$750,000	60%/60% to \$800,000 (6)
	1 – 4 UNITS	70%/70% to \$1MM		
	1 - 4 UNITS			55%/55% to \$1MM (6)
MINIMUM LOAN	1 – 4 UNITS	\$50,000	\$50,000	\$50,000
TERM		30 Year Only	30 Year Only	30 Year Only
SECONDARY FINANCING	(13)	Yes	No	Yes
PROPERTY (21)(5)	DETACHED	Yes	Yes	Yes
	TOWNHOUSE	Yes	Yes	Yes
	PUD (14)	Yes	Yes	Yes
	CONDO (14)	Yes	Yes	Yes
	NON-WARRANTABLE CONDO (13)	Yes	Yes	Yes
	MANUFACTURED	No	No	No
	LOG HOMES	No	No	No
	MAX LOANS (15)	No Limit	Four (20)	No Limit
GEOGRAPHIC RESTRICTIONS		Yes (12)	Yes (12)	Yes (12)
BORROWER	RES ALIEN (13)	Yes	Yes	Yes
	NON PERM RES	Yes (23)	No	Yes (23)
	CO/PART/TRUST	No	No	No
	NON-OCC CB (13)	Yes	Yes	Yes
	FOREIGN NATIONAL	No	No	No
QUAL RATE (10)		Note Rate	Note Rate	Note Rate
4506T (13)		Required	Required	Required
RATIOS		33/38	33/38	33/38
GIFTS/GRANTS (17)		Yes	No	N/A
CASH RESERVES (24)		6 Months ITT	6 Months ITT	6 Months ITT
SELLER CONCES		90.01 to 95 – 3%	N/A	N/A
		<=90% - 6%	6%	N/A
BUYDOWN		No	No	No
MTG INSURANCE	90.01% & above	30%	N/A	N/A
	85.01% - 90.00%	25%	25%	N/A
	80.01% - 85.00%	12%	12%	N/A
MIN CREDIT SCORE	Loan Amounts ≤ \$650,000	680 (4)	680 (4)	680 (4)
ASSUMABLE (18)		Yes	Yes	Yes
PREPAY		No	No	No
ALT DOC		Yes	Yes	Yes
TRAILING CB (16)		Yes	Yes	Yes
APPRAISAL		(22)	(22)	(22)
CONVERSION		No	No	No
CAPS (11)	3/1 Libor ARM	2/6	2/6	2/6
	5/1 Libor ARM	5/2/5	5/2/5	5/2/5
MARGIN		2.25	2.25	2.25

FLOOR		Margin	Margin	Margin
INDEX		1 Year Libor	1 Year Libor	1 Year Libor
(1) 95% LTV is only available on purchase transactions.				
(2) Interest only in the first 10 years of the loan term, payments revert to principal & interest over the remaining life of the loan.				
(3) With secondary financing, the maximum LTV cannot exceed 80%.				
(4) Loan amounts greater than \$650,000 minimum credit score of 700 for each borrower. See additional underwriting guidelines.				
(5) Properties currently listed for sale or listed within the past 6 months are not eligible for refinance.				
(6) Max cash out of \$350,000.				
(7) A new mortgage on a property owned free and clear is considered a cash-out refinance.				
(8) 1 Unit Only.				
(9) Loans may be traditionally underwritten or submitted through Fannie Mae's Desktop Underwriter (DU). This product cannot be underwritten by a Radian contract underwriter.				
(10) The borrower is qualified using the interest only payment. The front ratio will include the interest only payment, taxes, insurances, mortgage insurance, if applicable, homeowners' association fees, and any payments on secondary financing.				
(11) 3/1 Libor – fixed for first 3 years of the loan. After the initial 3 year period, the interest adjust in 12 months intervals with a 2% cap on the initial rate change and each annual change thereafter and a 6% cap on changes for the life of the loan. 5/1 Libor – fixed for the first 5 years of the loan. After the initial 5 year period, the interest adjust in 12 months intervals with a 2% cap on the initial rate change and each annual change thereafter and a 5% cap on changes for the life of the loan.				
(12) Program not offered on properties in Louisiana, Washington, DC, and Oklahoma. Cash out refinances are not allowed in Texas under this program.				
(13) See additional underwriting guidelines.				
(14) Must be Fannie Mae approved or warrantable. A certificate of project compliance must be completed for all warrantable condominium projects.				
(15) The investor will not finance more than 4 properties.				
(16) If trailing co-borrower income is used for qualification, the borrower is qualified at 2% over the note rate, regardless of the LTV. See additional underwriting guidelines.				
(17) The borrower must make a down payment of at least 5% of his own funds. If the down payment is 20% or greater, the borrower may use gift funds for the entire amount of down payment. See additional underwriting guidelines.				
(18) May be assumed if approved by end investor, assumption meets all requirements up to \$650,000.				
(19) Loans over \$650,000 must be sent to the investor for underwriting.				
(20) Only two (2) second homes allowed per borrower.				
(21) Rural properties are eligible provided that the appraiser is familiar with the area and can substantiate market value with suitable comparables. Max of 10 acres and 40% max land to value ratio.				
(22) Full appraisal is required on all loans exceeding conforming loan limit (i.e., \$417,001 and above) regardless of DU findings. Copy of the appraiser's license or certification must be attached to the appraisal. Loans over \$750,000 require two full appraisals.				
(23) Foreign nationals are not eligible. The maximum LTV/CLTV for non-permanent resident alien is 75% for non-conforming loan amounts. For conforming loan amounts follow regular LTV/CLTV chart. For cash out refinance only conforming loan amount are eligible. Not eligible for 2 nd home. See additional underwriting guidelines.				
(24) ITT – Interest, taxes, insurance.				

Additional Underwriting Guidelines

1. Refinance Transactions

Rate and Term

- Rate and Term refinance transaction amounts should be limited to the sum of the unpaid principal balance of the existing 1st mortgage, closing costs, discount, and prepaids.
- Subordinate loans that are more than 12 months old can also be paid if the borrower plans to satisfy them.
- Properties currently listed for sale are not eligible for refinance.
- The borrower cannot receive more than the lesser of \$2,000 or 2% of the loan amount in cash at closing.
- The LTV is based on the current appraised value, regardless of the length of ownership.
- On a construction-to-perm loan, the transaction must be considered a refinance if conversion – to permanent financing occurs more than 180 days after the property completion.

Note: If there is a non-occupant co-borrower who is on the current mortgage but the occupant borrower is not on the mortgage, the transaction is considered a CASH-OUT refinance.

Note: If the borrower is refinancing a property that was transferred to him/her but he/she is not on the current mortgage, the transaction is considered a CASH-OUT refinance.

Cash out Refinances

- The LTV is based on the lower of current appraisal value or acquisitions cost if current mortgage is less than 12 months old.
- A new mortgage on a property owned free and clear is considered a cash-out refinance.
- Procedures from cash out may be used for one of the following:
 - Pay off principal balance of existing mortgage
 - Pay off subordinate liens
 - Pay related closing costs and discount points
 - Disburse or provide cash to borrower
 - Place a mortgage on property owned free and clear by borrower

2. Secondary Financing Guidelines

- Must have original term of not less than 5 years unless fully amortizing.
- 2nd must allow for prepayment without a penalty.
- Negative amortization not allowed.
- Must be included in housing ratio.
- If secondary financing is not seasoned, it may be included in the refinance if the second lien was incurred at the original purchase of the property (evidenced by a copy of HUD-1 from the original purchase).

3. Permanent Resident Alien

- The borrower has 2-year credit, residence, and deposit history in the US.
- The borrower has stable and continuing employment with a minimum 2-year history in US.
- The borrower has sufficient and accessible reserves.
- All funds for closing are deposited in US financial institution prior to closing.

4. Non-Occupant Co-Borrower / Co-Signers

Non-occupant co-borrowers are eligible under the following guidelines:

- The maximum LTV IS 90%
- The occupant borrower must qualify at ratios of 35%/43%
- If the LTV is greater than 80%, the occupant borrower must provide the first 5% of the purchase price from their own funds.
- The non-occupant co-borrower's income may be used for qualifying purposes.
- The non-occupant co-borrower must be an immediate family member or a person who can demonstrate an established relationship with the borrower.
- The non-occupant co-borrower must sign the note, and may sign the security instrument and appear on the title, and
- The non-occupant co-borrower cannot have any interest in the sales transaction such as seller, builder, real estate agent, etc.

5. **Bankruptcies/Foreclosures/Deed in Lieu**

- Bankruptcies, foreclosures, or deeds-in-lieu must always be attributed to extenuating circumstances and must be discharged at least four (4) years before loan application. Chapter 13 bankruptcies must be discharged at least two (2) years before loan application. A shorter term of two (2) years may be considered if extenuating circumstances existed, as defined below:
- The following documentation must be provided from the borrower: copies of bankruptcy petition, schedule of debts, and discharge showing the schedule of debts discharged.
 - i. Evidence that all debts not satisfied by the bankruptcy have been paid
 - ii. Written statement from the borrower explaining the cause of bankruptcy and the extent of the borrower's efforts to resolve the situation, and
 - iii. Evidence that the borrower has re-established and maintained a satisfactory credit record.

6. **Judgments, Collections, Garnishments, or Liens**

- All judgments, collection accounts, garnishments, or liens must be paid in full prior to closing, or paid off at closing as evidenced by the HUD-1.
- The borrower must provide a satisfactory letter of explanation and have reestablished good credit (as evidenced by the residential mortgage credit report).

7. **Gift Funds**

- If a relative providing the gift has lived with the borrower for the last 12 months and will continue to do so, their gift may be pooled with the borrower's funds to satisfy the minimum 5% down payment requirement. The donor should provide appropriate documentation to demonstrate a history of shared residency (i.e., copy of driver's license, bill, bank statement, etc.) that shows the donor's address as being the same as the borrower's address.
- Gifts are eligible in purchase and refinance transactions of primary residences only
- A gift from a relative must meet the following guidelines:
 - Specify the dollar amount of the gift and the date the funds were transferred,
 - Indicate the donor's name, address, telephone number, and relationship to the borrower,
 - Indicate the location of the property being purchased,
 - Include the donor's statement that no repayment is expected, and
- If a relative's gift is being pooled with the borrower's funds to make up the required 5% minimum cash down payment, the gift letter should also include the donor's certification that they have lived with the borrower for the last 12 months and will continue to do so in the new residence.
- Verification must be provided that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account. The lender must obtain documentation to show the transfer of the gift funds from the donor's account (i.e., copy of donor's withdrawal slip and the borrower's deposit slip, copy of the donor's canceled check, etc.)

8. **Employment by relative or closely held family business.**

- 2 years signed personal tax returns will be required.
- Signed 4506T must be processed and confirmed prior to closing.

9. **Overtime and Bonus Income**

- Overtime and bonus income may be used to qualify the borrower if there is a two-year pattern of receiving it, and the employer confirms it is expected to continue.
- Determine qualifying income as follows:
 - Use average of last two years overtime and/or bonus income
 - Earnings trend must support overtime and/or bonus income
 - Annual earnings should be level or increasing (no decrease from prior year)

10. **Rental Income**

- The borrower must provide the previous year's Schedule E from Federal tax returns. If the subject property is not listed on Schedule E (i.e., was purchased or rented out after the tax year ended), copies of the current lease agreement(s) must be provided.
- Generally, rental income is determined from either the borrower's most recent Schedule E or their Federal tax return and/or current lease agreements.

- If using lease agreements, the borrower must have purchased the property after the most recent tax year and only 75% of the total monthly rental may be used to offset the mortgage payment on the property.

11. Trailing Co-Borrower Income

Eligible trailing co-borrowers as defined as:

- The primary wage earner's spouse, child, or other individual related by blood, marriage, adoption or legal guardianship (a relative),
- A person who shares a committed relationship with the primary wage earner in financial interdependence and who has (and will) reside in the same household (domestic partner), and
- Fiancé/fiancée engaged to the primary wage earner (do not have to currently live together but plan to in new location).

Trailing co-borrower income is eligible on purchase money transactions for owner-occupied primary residences ONLY. The reason for relocation must be an employee transfer. The following requirements apply:

- The maximum LTV is 90%
- Only single-unit primary residences,
- A copy of the relocation agreement must be provided, which outlines the reimbursement to the transferred employee for;
 - Moving expenses,
 - Closing costs on the new residence, and
 - Any reimbursement for the selling expenses of the prior residence,
 - Must provide copy of comparable relocation features such as
 - Buy-outs,
 - Relocation bonus, or
 - Housing cost reimbursement provisions
 - The trailing co-borrower must meet the following conditions:
 - Must be salaried, not self-employed,
 - Must have a minimum two (2) year history of continuous employment in the same line of work,
 - Must furnish a statement that they intend to work in the new location and must indicate the of occupation for which they intend to seek employment,
 - The new location must be geographically remote in time or distance from the prior location, and
 - The loan file must contain documentation that employment opportunities at the same level of compensation exist in the new location,
 - Six (6) months' PITI reserves are required after closing,
 - The maximum trailing co-borrower income is 100% if the trailing co-borrower's income does not exceed 33% of the total qualifying income,
 - If the trailing co-borrower's income exceeds 33% of the total qualifying income, a maximum 50% of the income may be used for qualification, and
 - If trailing co-borrower income is used, the borrower is qualified at 2% over the note rate.

12. Lender Credit

- Lender credit may not be applied to prepaid items (i.e., per diem interest, real estate tax escrows, hazard and other insurance premiums, and escrows and MI escrows).

13. Verification Rental Income

- When a lease or rental agreement is used in order to verify that the agreement is valid, the borrower must provide the cancelled check for the first month's rental payment on security deposit.

14. Credit Score

The credit report should show at least 3 standard credit tradelines or at least 4 non-credit payment references or a total of 4 tradelines and non-credit payment references. The non-credit payment references must have existed for at least 12 months.

15. DU Processing

All files up to \$650,000 may be processed through DU. Follow below items for submission and conditions. Note: Loans that exceed conforming loan size have additional restrictions, see below.

Conforming Size Loans:

Transactions eligible for processing through DU

- Approved/Eligible recommendation only. No levels and no LP.
- One (1) unit primary residence or second home (cash-out not allowed on second home)
- Conforming loan amount only
- LTV/TLTV limited to 90%/90% for purchase or limited cash-out refinance transactions
- LTV/TLTV limited to 70%/70% for cash-out refinance transactions

DU Data Input Requirements

- Amortization Type: ARM
- Income and Housing Screen: The proposed "first Mortgage" P&I should reflect the interest-only payment
- Repayment Type: Identify as "Interest-Only:
- ARM Plan: Identify as the "FM Generic 3 or 5 YR"
- ARM Qualifying Rate: Enter note rate

The DU Findings Report must identify that the loan was process as a FNMA InterestFirst mortgage.

Credit and Documentation Requirements for DU

- No additional credit requirements. The documentation as outlined in the DU Findings Report is acceptable.
- No maximum debt ratio or cash reserve requirement
- No minimum credit score.
- Reduced appraisal documentation is allowed per the DU Findings Report. Limited project review is allowed per the DU Findings Report.

Non-Conforming Size Loans:

Follow all items noted above for input and findings. Loans up to \$650,000 are eligible for processing through DU but have additional overlays beyond what is noted in Conforming section above.

Loans over Non-conforming loan limit must be underwritten by the end investor or by an approved MI company underwriter ONLY.

DU Overlays for Non-Conforming loans:

- Finding must be Approve/Eligible or Approve/Ineligible, with Ineligibility due only to loan amount or noted program variation.
- Minimum credit score of 680
- DTI <= 45%
- Full Appraisal required, regardless of DU findings
- Income verification requires minimum of a Verbal VOE **and** 1 Paystub or 1 Year Tax Return

16. Non-Permanent Resident Aliens – Conforming and Non-Conforming Loan Amounts

The following documentation is required for residence status and is required on all loans where traditional or AUS underwritten.

- Non-permanent residents must provide documentation to verify lawful U.S. residence status. Acceptable documentation includes a current passport with one of the following acceptable unexpired visas: E-1, E-2, H-1, H-4, L-1, L-2, TN, or TC NAFTA. Because H-1 and H-4 are temporary visas, borrowers with these visas must provide documentation of their intent to file for permanent residency status with proof of filing and letters from employers supporting application status. No other visas are acceptable.
- A Notice of Approval is sufficient evidence of lawful U.S. residency. This document **MUST** reference one of the acceptable visa classification types noted above. In addition, the visa must still be valid (i.e., **NOT EXPIRED**).
- If the petitioner (employer) on a Notice of Approval is different than the employer listed on the loan application for the borrower, the Notice of Approval is no longer valid.
- An application to change status is **NOT** sufficient evidence of lawful U.S. residency.
- Non-permanent residents must be employed in the U.S.
- Documentation must be provided to verify that the borrower's source of income can reasonably be expected to continue for three (3) years. Generally, if the acceptable visa is unexpired, such documentation is only required from the employer. However, if the visa will

expire within six (6) months of loan application and the borrower has not changed employers, documentation must also include a copy of the employer's letter of sponsorship for visa renewal. If the borrower is or has changed employers at or after loan application, a new visa must be obtained (pending applications for visas are NOT acceptable).

- Non-traditional credit histories may be used for borrowers without credit records if they cover a full two (2) year period.
- Credit references from a foreign country may be used to build a non-traditional credit history or supplement a U.S. credit report if they cover a full two (2) year period.
- If a non-permanent resident alien is borrowing with a U.S. citizen, it does NOT eliminate or reduce any visa or other non-permanent resident alien documentation requirements.
- Refugee borrowers are NOT eligible.

17. An IRS Form 4506T is required on all loans at closing.

In addition, a signed 4506T is required for all **self-employed** borrowers at the time of underwriting, and processed and reviewed by underwriting **prior to closing the loan**. Each borrower should sign a separate IRS Form 4506T.

18. Non-Warrantable Condominiums

Eligible and will be reviewed for underwriting approval using standard condominium guidelines with the following exceptions:

Note: All non-warrantable condominiums require an **additional pricing adjustment**.

The Homeowner's Association does **not** have to have been turned over to the homeowners at the time of closing, nor is there a specific time frame required for turn over.

Non-warrantable condominiums are only allowed if **all** of the following parameters are met:

- Maximum LTV:
 - 90% primary residence
 - 80% second home

Note: LTV must be reduced based on loan amount.

- Secondary Financing: Not allowed.
- Occupancy Guidelines: Only primary residence and second homes. No investor property.
- Property Guidelines:
 - A minimum of 50% of the units in the entire project must be completed.
 - The project must meet a minimum pre-sale requirement of 60%.
 - Investors cannot own more than 50% of the units sold within the project.
 - An individual entity cannot own more than 10% of the project.
- Mortgage Insurance Policy: Mortgage insurance is required on all primary residences with a LTV > 80%.
- Required Documentation: *Certification of Non-Warrantable Condo Projects for Portfolio ARMs*
- Appraisal Documentation:
 - Full Appraisal (Fannie Mae Form 1004), or
 - Fannie Mae Form 2055 (Quantitative Analysis Appraisal) **with both** an interior and exterior inspection.

Any guideline not specifically mentioned above must follow the general underwriting requirements for this product.

Note: Underwriters must call secondary to confirm all non-warrantable condominium **pricing** adjustments.