

3/1, 5/1 Libor ARMs (1)(10)

OWNER/SECOND HOME/INVESTMENT CONFORMING LOAN AMOUNT

PURCHASE / RATE TERM / CASH OUT

PRODUCT CODE:

CAL330CW

CAL530CW

CAL330INTCW

CAL530INTCW

		Purchase / RT Refinance Primary Residence	Purchase / RT Refinance (3) 2 nd Home	Primary/ Refi / Cash Out	Investment/ Purchase/ RT Refinance
MAX LTV/CLTV/HCLTV (2) (5) (6)	1 UNIT	100%/100% (7)	95%/95%/100%		
	1 –2 UNITS	95%/95%/100%		90%/90%/95%	90%/90%/95%
	3 –4 UNITS	80%/80%/85% (19)		75%/75%/80% (19)	75%/75%/80%
	1 UNIT CASH OUT		90%/90%/95%		
	1 –2 UNIT CASH OUT				85%/85%/90%
	3 –4 UNIT CASH OUT				70%/70%/75%
	1 UNIT INTEREST ONLY	90%/90%		70% (17)	
MINIMUM LOAN	1 – 4 UNITS	\$30,000	\$30,000	\$30,000	\$30,000
TERM		30 Year	30 Year	30 Year	30 Year
SECONDARY FINANCING	SEE CLTV / HCLTV	Yes	Yes	Yes	Yes
PROPERTY (14)	DETACHED	Yes	Yes	Yes	Yes
	TOWNHOUSE	Yes	Yes	Yes	Yes
	CONDO (FNMA)	Yes	Yes	Yes	Yes
	PUD (FNMA)	Yes	Yes	Yes	Yes
	MODULAR / PREFABRICATED	Yes	Yes	Yes	Yes
	MAX LOANS	4	4	4	4
	UNIQUE / LOG HOMES	No	No	No	No
	MANUFACTURED	No	No	No	No
BORROWER (4)	PERM RES ALIEN (FNMA)	Yes	Yes	Yes	Yes
	NON PERM RES	Yes	Yes	Yes	Yes
	TRUST (6)	Inter Vivos	Inter Vivos	Inter Vivos	Inter Vivos
	NON-OCC CB	No	No	No	No
QUAL RATE		Note Rate	Note Rate	Note Rate	Note Rate
RATIOS		DU	DU	DU	DU
GIFTS/GRANTS (12)		Yes	Yes	N/A	Yes
CASH RESERVES (8)		2 Months	2 Months	2 Months	6 Months
SELLER CONCES		Yes, FNMA	Yes, FNMA	N/A	Yes, FNMA
BUYDOWN (11)		Yes, buydown rate	Yes / note rate	No	No
MTG INSURANCE (9)	95.01% – 100%	35%	N/A	N/A	N/A
	90.01% - 95%	30%	30%	30%	30%
	85.01% - 90.00%	25%	25%	25%	25%
	80.01% - 85.00%	12%	12%	12%	12%
MIN CREDIT SCORE		Per DU	Per DU	Per DU	Per DU
ASSUMABLE (13)		Yes	Yes	Yes	Yes
PREPAY		No	No	No	No
ALT DOC		Yes	Yes	Yes	Yes
TRAILING CB		Yes	No	No	No
APPRAISAL (16)		DU	DU	DU	DU
INTEREST ONLY (18)		Yes (1 Unit)	No	Yes (1 Unit)	No
CONVERSION		None	None	None	None

CAPS	3/1 Libor ARM	2-2-6	2-2-6	2-2-6	2-2-6
	5/1 Libor ARM	5-2-5	5-2-5	5-2-5	5-2-5
MARGIN	3/1 Libor ARM	2.25%	2.25%	2.25%	2.25%
	5/1 Libor ARM	2.25%	2.25%	2.25%	2.25%
FLOOR		Margin	Margin	Margin	Margin
INDEX (15)		1 Yr Libor	1 Yr Libor	1 Yr Libor	1 Yr Libor

- (1) Loan must get an approve/eligible through DU, no exceptions. Full/Alt Documentation. Select 1-year LIBOR ARM with correct caps for product selected.
- (2) All 3-4-unit properties are considered investment properties for both purchase and refinance purposes. Follow DU finding recommendations.
- (3) One unit only.
- (4) Loans may be made under same terms as to US Citizens. Permanent Resident Aliens: provide copy of current Alien Registration Card (Green Card.) Non-Permanent Resident Aliens: non-US citizens who have no valid evidence of permanent residency, but have valid visas. Acceptable are: H-1, H-2, H-2B, H-3, L-1, E-1, O-1 and G-series. Borrower must show proof of legal residency, with US source of income that can be expected to continue for at least 3 years. Copy of valid work permit required.
- (5) HCLTV is HELOC CLTV. If the secondary financing is a HELOC, the loan amount plus the draw amount cannot exceed the CLTV and the loan amount plus the total line amount cannot exceed the HCLTV.
- (6) 2-4 unit investment property held in an inter vivos trust is limited to maximum 70% LTV.
- (7) Only eligible for 5/1 ARM. See additional underwriting guidelines.
- (8) DU may give an accept recommendation with a lesser reserve requirement.
- (9) 3/1 ARMs – ARM coverage is required. 5/1 ARMs – Fixed rate coverage is required. Any loan with a Buydown requires ARM coverage.
- (10) 3/1 Libor – The interest rate is fixed for the first 36 months; thereafter, the interest rate will adjust annually. The maximum interest rate change at any one adjustment period is 2%, which will not cause deferred interest with a life cap of 6%. 5/1 Libor – the interest rate is fixed for the first 60 months. The maximum interest rate adjustment at the first adjustment is 5%. Thereafter the interest rate will adjust annually with a maximum interest rate change of 2%, which will not cause deferred interest, with a life cap of 5%.
- (11) Buydowns not allowed on 3-4 units. 620 minimum credit score, if self-employed minimum credit score of 680. Buydown not allowed on interest only product.
- (12) Primary residence: from a relative, domestic partner, financee/fiancée or non-profit organization; minimum 5% down payment must be from borrower's own funds, unless LTV/CLTV is 80% or less, then the entire down payment may be a gift. Second Home: gift from relatives only; minimum 5% down payment must be from borrower's own funds unless LTV/CLTV is 80% or less, then the entire down payment may be a gift. Investment: from a relative only; Max LTV 70%; minimum 20% down-payment must be from borrower's own funds, remaining 10% can be gift; Restricted to 1 Unit/SFD Condo/PUD.
- (13) 3/1 ARM – Assumable at any time, subject to credit approval. 5/1 ARM – Not allowed during the interest-only or fixed rate period. Assumable during the ARM period only and subject to borrower qualification.
- (14) For loan identified in soft markets, the maximum LTV must be reduced by 5%. Defined as any area that shows evidence of declining property values, and over supply of property and/or a marketing time of more than 6 months. Non-ARMs length transactions not allowed. Condotels not allowed. Non-warrantable condominiums not allowed.
- (15) One year Libor is the average of the interbank offered rates for twelve-month US dollar – denominated deposits in the London market as published in the Wall Street Journal.
- (16) FNMA property Inspection Waiver not allowed. Limited appraisal forms through DU are acceptable.
- (17) Secondary Financing is not allowed on interest-only cash out refinance transactions.
- (18) The borrower pays interest only during the initial fixed period term (3 or 5 years). The loan is then fully amortized over the remaining 30 year term as an adjustable rate mortgage. Maximum LTV/CLTV with Interest Only option is limited: Purchase & Rate/Term Refi 90/90% with pricing adjustment if secondary financing; Cash Out Refi 70% LTV, with no secondary financing allowed. Trailing co-borrower spot relocation not allowed on interest-only loans. Appropriate Interest-Only Disclosure must be provided to borrowers at application, with a signed copy included in the file when submitted for underwriting.
- (19) 3 & 4 unit owner occupied residences require executed occupancy declaration.

Additional Underwriting Guidelines

1. Loans greater than 95% LTV/CLTV

- Eligible only for 1 unit owner occupied purchases or rate/term refinance.
- Loans must be underwritten through DU to Fannie Mae Flex guidelines and must receive an approve/eligible recommendation. DU certification must also state under the Verification Messages/Approve Conditions:

"This case was processed according to the Desktop Underwriting Flexible mortgage guidelines. It must also meet all the terms of the program as specified in the Guide to Underwriting with Desktop Underwriter as modified by subsequent Release Notes."

- **Secondary Financing:** Subordinate financing may be provided by an institutional second lien (closed-end second or HELOC) or an approved Affordable Community Second loan. Seller-carried back seconds are not allowed. Purchases with Secondary financing have no minimum LTV.
- **Minimum LTV:** Purchases with no secondary financing have 90% minimum LTV.
- **Down Payment:** Required on loans less than 100/100% LTV/CLTV.
- **Borrower Contribution:**
The borrower must contribute a minimum amount based on one of the following two options:
 - LTV's less than or equal to 95%: The borrower must contribute a minimum of 3% of the purchase price to be applied towards the closing costs and/or prepaid items. Any amount of the borrower's contribution in excess of the amount needed to pay closing costs and/or prepaids must be applied towards the down payment. The borrower's contribution may come from any of the sources noted under "Acceptable Sources of Funds."
 - Or**
 - LTV's greater than 97%: The borrower must contribute a minimum amount from one of the following two options:
 - \$500 cash from their own funds. These funds must be on deposit with acceptable sources only from checking, savings, certificate of deposit, Individual Development Account (IDA), or other depository accounts.
 - Minimum 3% of the purchase price. Funds may come from any of the sources noted under "Acceptable Sources of Funds." Any amount of the borrower's contribution in excess of the amount needed to pay closings costs and/or prepaids must be applied towards the down payment.
- **Acceptable Sources of Funds:**
 - Borrower's own funds (checking, savings, and so on).
 - Proceeds from loans secured by borrower's own assets, such as 401(k) loan.
 - Gift or unsecured loan from relative, domestic partner, or fiancé/fiancée.
 - Non-profit grants that do not require repayment.
 - Unsecured loans from a non-profit organization, government agency, or borrower's employer.
- **Sales and Financing Contributions:** Maximum 3% of the lesser of the purchase price or appraised value may be contributed from an interested party to be applied towards closing costs and/or prepaid items.
Note: May not be applied towards the borrower's minimum required 3% contribution.
- **Mortgage Insurance:** Required for LTV's greater than 80%.
- **Qualifying Ratios:** Determined by DU. Generally may not exceed 33/41%.
- **Cash Reserves:** Determined by DU. Generally two months reserves are required.
- **Spot Relocation:** Not allowed.

2. Seasoning Requirements

Rate & Term Refinance:

- The amount refinanced may not include subordinate liens seasoned less than one year. Principal balance of existing first lien and/or junior liens that were used for the original purchase of the home may be included in rate/term refinance regardless of the age of the lien.

Cashout Refinances:

- Subordinate liens may be paid off regardless of their age.

3. Secondary Financing:

Allowed up to maximum CLTV.

- Pricing Adjustment may apply.
- Community Seconds not allowed, except on greater than 95%LTV loans.

4. Borrower Qualifications:

Qualifying Ratios

- Usual maximum ratios 28/36%
- Higher ratios acceptable as approved by DU.

Credit Score

- Minimum representative score 620
- Lower credit score acceptable as approved by DU.

Derogatory Credit

Following items must be addressed by underwriter and may require letter of explanation, regardless of credit score or DU findings:

- Any Bankruptcy, Foreclosure, Deed-in-lieu or short sale noted in credit history
- Judgments, collections, charge-offs, or tax liens (underwriter must address, even if they indicate insignificant.)

Assignment of Contract

- Not allowed
- Borrowers must be named on original sales contract