

**ALT-A ARM Full/Alt Doc (9)(11)(22)**  
**3/6 – 5/6 Month Libor ARM**

**Product Code:**

**CAL 3/6                    CAL 5/6**  
**CAL 3/6PP                CAL 5/6PP**  
**CAL 3/6INT                CAL 5/6INT**  
**CAL 3/6 INTPP            CAL 5/6INTPP**

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**Fixed Rate**

**C30AA                      C15AA**  
**C30AAPP                  C15AAPP**  
**C30AAINT**  
**C30AAINTPP**

		Primary Purchase Rate/Term	2 <sup>nd</sup> Home Purchase Rate/Term (1) (7)	Primary/Refi Cashout (5)	Investor Purchase Rate/Term (7)
<b>MAX LTV &amp; LOAN (3)(23)</b>	1 Unit Only	97/97 to \$375,000 (18) (27) (30)			
	1 – 4 Units	95/100 to \$500,000	95/100 to \$500,000	95/100 to \$500,000 (21)	90/90 to \$500,000
	1 – 4 Units	95/100 to \$650,000 (27)	95/100 to \$650,000 (27)	95/100 to \$650,000 (21)(27)	90/100 to \$650,000 (27) (24)
	1 – 4 Units	90/100 to \$1,000,000 (27)	90/100 to \$1,000,000 (27)	90/100 to \$1,000,000 (21) (27)	85/100 to \$1,000,000 (27) (24)
	1 – 4 Units	75/100 to \$1,500,000 (27)	75/100 to \$1,500,000 (27)	80/100 to \$1,000,000 (27)(4)	80/100 to \$1,000,000
	1 – 4 Units	75/80 to \$2,000,000 (27) (31)	75/80 to \$2,000,000 (27) (31)	75/100 to \$1,500,000 (4) (27)	75/100 to \$1,500,000 (27)
	1 – 4 Units	70/100 to \$2,000,000	70/100 to \$2,000,000	75/80 to \$2,000,000 (4) (27) (31)	75/80 to \$2,000,000 (27) (31)
	1 – 4 Units			70/100 to \$2,000,000 (4) (27)	70/90 to \$2,000,000 (27)
<b>TERM</b>		30 Years (28)	30 Years (28)	30 Years (28)	30 Years (28)
<b>MINIMUM LOAN</b>		\$40,000	\$40,000	\$40,000	\$40,000
<b>SECONDARY FINANCING</b>		Yes (14)	Yes (14)	Yes (14)	Yes (14)
<b>PROPERTY (13)</b>	Detached	Yes	Yes	Yes	Yes
	Townhouse	Yes	Yes	Yes	Yes
	PUD	Yes	Yes	Yes	Yes
	Condo (12)	Yes	Yes	Yes	Yes
	Non-Warrantable Condos	Yes (7)	Yes (7)	No	Yes (7)
	Maximum # Loans	(16)	(16)	(16)	(16)
	Maximum Acres	10 Acres	10 Acres	10 Acres	10 Acres
	Geographic Restrictions	Yes (5)	Yes (5)	Yes (5)	Yes (5)
	Log homes	No	No	No	No
	Modular/ Prefabricated	Yes	Yes	Yes	Yes
	Rural	(17)	(17)	(17)	(17)
	Manufactured	No	No	No	No
<b>BORROWER</b>	Resident Alien (7)	Yes	Yes	Yes	Yes
	Non Perm Res	Yes (20)	No	Yes (20)	No
	Foreign Nationals	No	Yes (7)	No	Yes (7)
	First Time Homebuyers	Yes (10)	N/A	N/A	No
	Non-Occ CB (19)	Yes	Yes	Yes	N/A
	Co/Part	No	No	No	No
	Trust	Yes	Yes	Yes	Yes
<b>QUAL RATE</b>		Initial Rate	Initial Rate	Initial Rate	Initial Rate
<b>RATIOS (25)</b>		55%	55%	55%	55%
<b>GIFTS/GRANTS (7)</b>		Yes, FNMA (26)	Yes, FNMA (26)	N/A	No
<b>CASH RESERVES (26)</b>		2 Months	2 Months	2 Months	6 Months
<b>SELLER CONCES</b>		Yes (2)	Yes (2)	Yes (2)	Yes (2)
<b>BUYDOWN</b>		Yes (15)	Yes (15)	N/A	Yes (15)



<b>MTG INSURANCE (18) (28) (29) (32)</b>	95.01% & above	30 yr=35% / 15 yr= 30%	N/A	N/A	N/A
	90.01% - 95.00%	30 yr=30% / 15 yr= 25%	30 yr=30% / 15 yr= 25%	30 yr=30% / 15 yr= 25%	N/A
	85.01% - 90.00%	30 yr=25% / 15 yr=12%	30 yr=25% / 15 yr=12%	30 yr=25% / 15 yr=12%	30 yr=25%/ 15 yr=12%
	80.01% - 85.00%	30 yr=12% / 15yr= 6%	30 yr=12% / 15yr= 6%	30 yr=12% / 15yr= 6%	30 yr=12% / 15yr= 6%
<b>MIN CREDIT SCORE (7) (32)</b>		620	620	620	620
<b>4506T</b>		Yes	Yes	Yes	Yes
<b>ASSUMABLE</b>		No	No	No	No
<b>PREPAY</b>		Yes (3)	Yes (3)	Yes (3)	Yes (3)
<b>INTEREST ONLY FEATURE</b>	<b>30 Year term only</b>	Yes (8)	Yes (8)	Yes (8)	Yes (8)
<b>TRAILING CB</b>		No	No	No	No
<b>APPRAISAL</b>		(7)	(7)	(7)	(7)
<b>CONVERSION</b>	<b>ARM Only</b>	No	No	No	No
<b>CAPS (ARM only)</b>	3/6	2/1/6	2/1/6	2/1/6	2/1/6
	5/6	5/1/5	5/1/5	5/1/5	5/1/5
<b>MARGIN</b>	<b>ARM Only</b>	225	225	225	225
<b>FLOOR</b>	<b>ARM Only</b>	Margin	Margin	Margin	Margin
<b>INDEX</b>	<b>ARM Only</b>	6 Month Labor	6 Month Labor	6 Month Labor	6 Month Labor

- (1) One Unit Only
- (2) Primary and Second Home: CLTV > 90% maximum contribution is 3%. CLTV 75.01% - 90% maximum contribution is 6%. CLTV ≤ 75% maximum contribution is 9%. Investment Property: Maximum contribution is 3%, regardless of CLTV.
- (3) 3 year prepayment option available. Available in Delaware, District of Columbia, Virginia, Pennsylvania, Tennessee, and Florida. Prepayment is assessed if greater than 20% of original principal balance is paid within any consecutive 12 month period for first 3 years; penalty is hard, and will be assessed even if property is sold, for first 12 months; then is soft for remaining 2 years.
- (4) Unlimited maximum cashout
- (5) If the property has been owned less than 12 months and the CLTV ≥ 75%, the lesser of current appraised value or the original purchase price plus documented cost of improvement is used to calculate LTV/CLTV. If CLTV < 75%, the current appraised value may be used to determine value. See additional cash out guidelines for 2<sup>nd</sup> home and investor cash out. Primary: cash out is not limited when LTV ≤ 80.00%; limited to \$200,000 if LTV > 80% unless applicable mortgage insurer allows a higher amount. Follow FNMA guidelines for cash out refis, (see footnote 23.) Cash out refinances on primary residences not allowed in Texas.
- (6) 3 – 4 units: LTV & loan amount the same as 1-2 units above.
- (7) See additional underwriting guidelines.
- (8) Interest only feature available for 10-year term. To determine debt to income and payment should use interest payment and escrow payment.
- (9) Product allows manual underwriting or DU/LP recommendations. If utilizing DU or LP following requirements apply: \* Recommendations must be DU approve/eligible or approve/ineligible or LP accept or accept plus. Ineligible rating may be due to LTV and/or loan amount only. \* DU and LP Findings will not override a minimum Credit Score of 620 for all loans \* Reduced levels of mortgage insurance not allowed. \* Maximum DTI of 55%. \* Full 2 years verification of employment and income required on full documentation files. \* Full 12-month mortgage or rental history is required and may not be waived. \*See appraisal section for requirements, full appraisal is required. If loan amount over \$650K requires 2<sup>nd</sup> tier approval by corporate. Exception requests will be processed through corporate.
- (10) Defined as borrowers who have never owned property or have not owned property within the last 3 years. Borrowers qualify same as any other borrower, including credit, funds required, and minimum 12 mo. Housing history.
- (11) Salaried Employee: Completed signed and dated 1003, written verification of employment or most recent paystub covering 30 day period with YTD earnings. W-2 from all employers in past 2 years, verbal VOE within 10 calendar days of closing, VOD with 2 month average balance or most recent 2 months bank statements. Non-Salaried Borrower: Completed, signed dated 1003, 2 years tax returns, including all schedules, signed 4506T, verbal VOE within 10 calendar days of closing, written VOD with 2 months average balance or most recent 2 months bank statements. Limited documentation allows 12 months bank statements to verify income for sole proprietors only (pricing adjustment required). Lite documentation allows 6 months bank statements to verify income for sole proprietors only (pricing adjustment required).
- (12) FNMA or Freddie Mac Warrantable Condos. Non-Warrantable Option Available. See additional underwriting guidelines. Condominiums over 8 stories must be typical to the area. Detached 1unit site condos are allowed for owner occupied only.
- (13) Properties less than 600 square feet are not allowed. Refinance transactions on properties listed for sale within the last 6 months prior to the loan application are not eligible. Properties currently listed for sale are not eligible. Rehab properties owned less than 12 months are not allowed. Industrial, commercial, and agricultural zoning is unacceptable. Unique properties are not acceptable under this program.
- (14) A copy of 2<sup>nd</sup> lien note required. Loans with seller-held or privately held subordinated financing are not eligible for purchase. A financial or government institution must hold subordinate financing. Credit score requirements may be higher for secondary financing program chosen. Verify credit score requirements for BOTH first and second lien programs.
- (15) Max CLTV 95%; max term 3 years; max rate discount 3% with yearly increase 1%. LTV 80.01% & greater qualify at the maximum note rate that could be imposed at first changed date; LTV 80% & below qualify at 1<sup>st</sup> year rate.
- (16) If borrower is financing multiple properties, must be arm's length transaction. Borrower must reflect ability to manager properties. Aggregate total # of loans to investor is limited to \$2.5 MM, but no limit on number of properties currently being financed. No more than one MI-insured property per borrower allowed by investor. Maximum number of loans to Foreign Nationals is one.
- (17) Must be common for area & not agricultural in nature. Land to value is limited to 40%, limited to 10 acres, be accessible from a publicly maintained road,

and have adequate sewage, water, & utilities.
(18) Reduced levels of MI not allowed even if approved through DU/LP. MI required for 97% LTV.
(19) Must be immediate family member; verification of relationship required. Should add strength to the transaction by exhibiting stability, good credit history and strong asset base, must have sufficient liquidity to assist the occupant borrower should the need arise. Note & security instruction must be signed by both occupant and non-occupant borrowers. LTV/CLTVs >80% owner-occupant must make the first 5% of down payment from his/her own funds. Co-signer/guarantor not allowed. Total Debt to Income must meet overall DTI requirements for the program.
(20) Documented evidence of residency, a current H-1, L-1, E-1, or G Series Visa. Minimum 2 years employment history with US based employer. Income for qualifying purposes must be from US, must be able to verify probability of continued US employment with current employer for 3 years, single family detached primary residences only, minimum 2 years U.S. credit history, 2 year minimum established asset base in US. Must meet minimum credit score requirements.
(21) Cash out limited to \$200,000.
(22) If not referenced, please default to Fannie Mae guides.
(23) Limited cash-out (rate/term) refinances are defined as the payoff of the outstanding principal balance of an existing 1 <sup>st</sup> lien, plus financed closing costs, and cash back to the borrower not to exceed lesser of 2% of the balance of the new loan or \$2,000., plus either a. (if non-conforming loan balance) the payoff of any existing subordinate mortgage loan that is more than 1 year old, as of the date of the new refinanced mortgage loan, or b. (if conforming loan balance), the payoff of any existing subordinate mortgage lien that was used in whole to acquire the subject property. See Seasoning Requirements in Additional Underwriting Guidelines.
(24) Minimum Credit Score is 660.
(25) Payment shock must be considered as part of prudent underwriting.
(26) Gifts may not fulfill reserve requirements. For LTV of 80% or less, the entire down payment may be a gift.
(27) Maximum DTI is 50%.
(28) 15 yr. Term options only available on Fixed Rate product; not available under ARM program.
(29) No MI option is available for owner occupied primary residence and second homes only. No non-owner occupied or non-occupant co-borrowers. Single unit, detached, attached, PUD, or warrantable condos only. Maximum loan amount \$1MM. Minimum credit score equal to program requirements. Restrictions on seller contributions to 3%. No gifts and down payment must be borrower's own funds. See rate sheet for pricing adjustment.
(30) Minimum Credit Score 640 for 97% LTV. Mortgage Insurance is required. "No MI" option not available.
(31) Minimum Credit Score 600.
(32) When Mortgage Insurance is required, the mortgage insurer may impose a higher minimum credit score on some programs.

## **Additional Underwriting Guidelines**

### **1. Second Home Cash Out Refinance – Full documentation only**

LTV	1 Unit CLTV	Max Loan Amount	Cash-out Amount *	Minimum Credit Score	DTI
95	100	500,000	\$200,000	620	55
95	100	650,000	\$200,000	620	50
90	100	1,000,000	\$200,000	620	50
80	100	1,000,000	Unlimited	620	50
75	100	1,500,000	Unlimited	620	50
75	80	2,000,000	Unlimited	600	50

- See footnote (5) for restrictions.

### **2. Investment Cash-out Refinance - Full documentation only**

LTV	1 – 4 CLTV	Max Loan Amount	Cash-out Amount *	Minimum Credit Score	DTI
90	90	500,000	200,000	640	55
90	100	650,000	200,000	660	50
85	100	1,000,000	200,000	660	50
80	100	1,000,000	Unlimited	620	55
75	100	1,500,000	Unlimited	620	50
75	80	2,000,000	Unlimited	600	50
70	90	2,000,000	Unlimited	620	50

- \* See footnote (5) for restrictions.

### 3. Credit Overlays for DU/LP findings.

- Minimum credit score regardless of findings of 620
- Maximum debt to income ratio may not exceed 55%
- Full appraisal is required on all loans
- Full 2 years verification of employment and income required on all loans classified as full documentation.
- Self-employed borrowers require two (2) years tax returns, including all schedules; a Year-to-date P&L statement, and Signed IRS Form 4506-T
- Where borrower down payment is required, the source of funds must evidence minimum 60 days seasoning prior to closing.
- 12-month mortgage or rental history is required and may not be waived.
- See "Assets/Source of Funds" section 22.

### 4. Non-Arms Length Transaction

Occurs when there is a direct relationship between the borrower and any party to the transaction, including but not limited to the employer, broker, realtor, developer, builder, closing agent, seller, appraiser, renters buying from landlord (see lease with option to purchase section below), property trades w/seller, employed by family member.

The following restrictions apply to all non-arms length transactions:

- Only allowed on full doc, SIVA, and no ratio (Verified asset programs only.)
- Loans made to principals or employees of the Broker, Ivanhoe or service provider (appraiser, settlement agent, Title Company, etc.) cannot directly or indirectly provide these services on their own property.
- In the case of a family transfer, a 12-month history of the mortgage payments is required to ensure the loan is not a foreclosure bailout.
- Refinances require 2 full appraisals if loan amount > \$650,000.
- Relationships are disclosed on the initial loan submission.
- Additional risk factors are not present. Examples include but are not limited to distressed sales, high amount of seller contributions and selling assets for down payment.

Lease with Option to Purchase

- If the contract is less than twelve (12) months old, use the lesser of appraised value & purchase price to calculate the LTV
- The appraiser must provide evidence of Fair Market Rents
- If the borrower has occupied the property & paid on the contract for twelve (12) months or more, use the appraised value to calculate the LTV
- Cash-out to the borrower is not permitted
- Cancelled rent checks or bank statements to verify rental payment history are required

### 5. Investment Property

Investment property is not occupied by the borrower and is owned for the purpose of generating a positive cash flow. Property that generates a negative cash flow solely because of the vacancy factor will be allowed on loans with Verified Assets sufficient to compensate for the negative cash flow, generally equal to 6 months PITI. No exceptions to credit guidelines are allowed on a file with negative cash flow. For 2-4 unit properties, the market rents established in the Operating Income Statement (Form 216) should be sufficient to generate a positive net cash flow.

Cash flow is calculated by one of the following methods:

Properties owned less than one (1) year or Purchase:

Seventy-five percent (75%) of the lesser of 1) actual rents or 2) market rents

- Properties owned one (1) or more tax years:  
Ninety percent (90%) of actual rents or, 1040 tax returns Schedule E [Note: If borrower owns more than 6 properties owned one of more tax years, 1040 tax returns Schedule E is required.]

To establish actual rents, copies of signed lease agreements or tax returns are required. To establish market rents, Operating Income Statement (Form 216) is required. Form 216 will not be required if no rental income is being used to qualify the borrower. Rent loss insurance on the subject property is required unless no rental income is being used to qualify the borrower.

## 6. Landlord Experience

The number of properties a borrower owns and the length of time the properties have been owned must be taken into consideration during the underwriting review. Borrowers who demonstrate a rapid acquisition (acquired within the most recent 24-month period) of investment property will be reviewed cautiously. Ivanhoe reserves the right to request documentation to evidence the borrower had the funds required to purchase any property and/or sufficient verified assets to provide 6 months reserves for the investment portfolio.

Loans made to borrowers owning multiple investment properties must meet the following guidelines:

- Documented evidence of a minimum of two (2) years' experience managing multiple investment properties, **or**
- If less than 2-years experience, the Borrower is still eligible if the Borrower has purchased or is in the process of purchasing a maximum of (including subject property) of either,
  - Two or less investment properties within the last six (6) months; and/or
  - Four or less investment properties within the last two (2) years.

All financed 1-4 unit investment properties regardless of the source of financing will be considered in the above eligibility.

## 7. Chain of Title

- All purchase and refinance transactions require 12 months chain of title from the Title Insurer.
- Chain of Title must evidence sales price at time of transfer.
- This requirement is waived on new construction.

## 8. Payment Shock

Payment shock is not restricted on verified asset loans, however prudent underwriting requires this risk factor to be considered when analyzing the loan. Borrower's ability to meet a larger monthly housing debt must be considered with other risk elements such as credit score, CLTV, asset base, length of employment and property value. Payment shock is not considered on second home or investment; however, investment property must evidence cash flow sufficient to cover debt service of the property, if required.

## 9. Seasoning Requirement

- For cash out refinances the value is determined as follows:  $CLTV \leq 75\%$ , the current appraised value may be used to determine value. If the property is owned less than 12 months and the  $CLTV > 75\%$ , the lesser of the current appraised value or original sales price plus documented cost of improvements will be used to determine LTV.
- Rehab properties must have at least 12 months of seasoning before any refinance.

## 10. Permanent Resident Aliens

- Must hold acceptable evidence of permanent residency issued by the U.S. Immigration and Naturalization Services (I.N.S.).
- Documented evidence of permanent residency must be provided per standard requirements.

## 11. Foreign Nationals

- Maximum 80% CLTV for Full/Alt Doc. Maximum 75% CLTV on all other documentation types.
- 2<sup>nd</sup> home or investment property only.
- Borrowers with diplomatic immunity are not eligible.

- All borrowers are required to have either a Social Security Number or an ITIN# prior to closing. Certificate of Foreign Status (IRS form W-8BEN) with ITIN # completed is required.
- Copy of Passport and appropriate VISA is required.
- Taxes and insurance impounds required unless prohibited by law.
- Acceptable Credit report or a minimum of three (3) credit letters from lending institution in home country (in English). A credit score is not required.
- Maximum of one loan to foreign nationals.
- Note: Pricing Adjustment of .50% required with a foreign national; contact Secondary to confirm at time of underwriting.

## 12. Credit Standards

Verification of Mortgage or rental history is required on all loans. Borrowers who are unable to provide complete 12 month housing history are limited to owner occupied primary residence only (1 – 4 units), with verified assets and reserves of 6 months PITI for CLTV > 90% or 2 months PITI reserves if CLTV is ≤ 90%, and housing history must evidence 0x30 for previous 12 months or for whatever portion of 12 months they have. Exceptions are not allowed to mortgage/rental history and verification requirements.

### Length of Credit History

- An established credit history is defined as a minimum of 3 active traditional credit references that have been opened for at least 24 months and have been active during that time period.
  - For borrowers who do not use the conventional credit system may use alternative credit histories, as follows:
    - \* A minimum of three alternative sources should be verified directly with the creditor, or with 24 months cancelled checks showing no late payments over the past 24 months.
    - \* Alternative sources include housing payments, utility payments, and telephone payments.
    - \* Alternative sources that are payroll-deducted are not acceptable.
    - \* Alternative credit must appear on credit report.
- Note: A borrower with no credit score requires price adjustment.

### Determining Representative Credit Score

Investor uses the following methods of determining the representative score:

- One borrower with one credit score – use the score.
- One borrower with two credit scores – use lower score.
- One borrower with three credit scores – use middle score.
- Multiple borrowers with one credit score – use the score of the primary wage earner (> 50% of combined income).
- Multiple borrowers with 2 credit scores – use lowest score of the primary wage earner (>50% of combined income).
- Multiple borrowers with three credit scores – use middle score for the primary wage earner (>50% of combined income).
- When a borrower wage earner cannot be determined (i.e., NINA loans), the middle score of each borrower is noted and the lowest of those scores will be used as the representative credit score.
- When borrower has 3 scores and 2 of them are identical, one of the identical scores is considered the middle score.
- Borrowers with no credit score are priced at 620 score. (underwriter must contact secondary for pricing)

## 13. Debt

- Include all revolving monthly obligations regardless of the number of payments remaining.
- Accounts must be current at the time of closing.
- Verification of mortgage/rental is required on all loans. Current balance, current status, and payment amount must be verified. The mortgage/rental history must reflect 0 x 30 in the previous twelve (12) months.

- For recent purchase, a combination of payment performance from a prior property or rental payments may be used to complete the 12-month history. A gap in mortgage/rental payment history of up to 6 months is allowed by obtaining the most recent 18-month history.
- No rolling lates on mortgage history and mortgage must be current at time of closing.
- Copies (front & back) of 12 months consecutive (1 payment per month) rental payment canceled checks. This is the only form of acceptable verification if the landlord is a relative.
- HELOC Debt – The greater of 1% of the current balance, or the payment per credit report is used for qualifying purposes.

#### 14. Public Records, Judgments, Liens and Collections

- Borrower must provide satisfactory explanation of any delinquent credit.
- Borrower must pay off all delinquent credit – including delinquent taxes, judgments, charged-off accounts, tax liens, and mechanics or materialmen's liens – that has the potential to affect lien position or diminish the borrower's equity.
- Collection account or charged off accounts do not need to be paid off if the balances of an individual account is less than \$250 or if the total balance of all accounts is \$1,000 or less.
- Borrowers who have a strong credit profile and meaningful financial reserves who also have collection accounts or charged-off accounts with balances in excess of \$1,000 would not be required to pay off if documentation can be provided to substantiate that the accounts pose no threat to our first mortgage lien and are not likely to affect the borrower's equity position.

#### 15. Bankruptcies & Foreclosures

- Bankruptcies discharged two (2) years with no late payments or derogatory credit over the prior 24 months and minimum 3 active trade lines more than 24 months old. Borrowers with prior bankruptcies that do not meet the re-established criteria are **not** eligible.
- The age of the foreclosure is calculated from the date reported or the date of the most recent 120+ mortgage late. The definition of foreclosure includes any 120+ mortgage lates within the last 24 months, notice of default, settlement on a real estate secured trade line, deed-in-lieu, and foreclosure agreement. Borrowers with foreclosures within the past three (3) years are **not** eligible.

#### 16. Appraisals

##### All files require a full appraisal on the applicable FNMA URAR form.

- An AVM will be ordered on all loans at Ivanhoe's expense
- Form 2055 Interior and Exterior will be allowed provided all the following conditions are met:
  - \* Single family detached
  - \* Owner occupied primary residence
  - \* Loan does not exceed current Fannie Mae conforming loan amounts.
- Form 1004 interior/exterior appraisal required unless DU allows 2055 & loan meets the three (3) rules referenced above. Form 1025 for 2-4 family or income properties, or 1073 for condominiums.
- DU and LP limited scope appraisals not acceptable (i.e., PIW, 2075 & 2065).
- Form 216 Operating Income Statement required on all investment properties when rental income is being used to qualify the borrower.
- Form 1007 Single Family Comparable Rent Schedule required if rental income is being used to qualify borrower.
- Form 442 completion required on all files appraised subject to completion or repairs.
- Loans up to \$1,000,000 require one full appraisal by a state licensed appraiser. If secondary financing is present, interior photos are required if combined loan amount  $\geq$  \$650,000.
- Loans  $\geq$  \$1,000,000 require one full appraisal plus interior photos. We reserve the right to order an AVM, review appraisal or additional appraisal to support the value if necessary.

- Land Value – Land value should not exceed 40% of the property value. If the land value exceeds 40%, the appraiser must include the reasons, whether the land value is consistent with other homes in the area, and show evidence in the comparable properties.
- Appraisals must be less than 120 days old at closing; recertification of value is acceptable up to 12 months.
- Adjustments and comparables must be reasonable.

## 17. Continuity of Obligation - Refinances

If individuals hold title, continuity of obligation must be established on the part of or at least one of the borrowers. If the current title is vested in a company name, the continuity of the obligation must be established for all borrowers. The following chart is intended as a guideline regarding the acceptability of proposed borrowers on refinance transactions and investor's requirements for each. "Owned <12 months" means the borrower is to have been on title and solely making payments for minimum of 12 months. A copy of the recorded deed and 12 months-cancelled checks verifies this obligation.

Borrowers on Current Loan	Proposed Borrowers on New Loan	Doc Type
Co-owners/husband and wife/life partners	Co-owners/Husband and wife/life partners	All
Co-owners/husband and wife/life partners	One of the current owners	Owned < 12 months – Full Owned > <u>12 months</u> – All
Property owned free and clear by co-owners	One of the current owners	Owned < 12 months – Full Owned > <u>12 months</u> – All
Company or LLC owned by one person	Owners (Individual)	All
Company, partnership or LLC	One of the owners (individual)	Owned < 12 months – Full Owned > <u>12 months</u> – All
Company, partnership or LLC	All corporate owners (as individuals)	All

## 18. Non-Warrantable Condominiums

- A total of fifty percent (50%) or more of the total available units must have been sold or under contract for sale. For projects subject to additional phasing that are more than forty percent (40%) complete, pre-sale requirements will be applied to individual phases. For two (2) units properties completed less than six (6) months, the pre-sale requirement is waived.
- At least fifty percent (50%) of the total units in the project must have been conveyed (or under contract to be sold) to owner-occupant residents. Ivanhoe restricts our total exposure to 20% of the total project.
- No single entity (individual, corporation, investor group, etc.) may own more than ten percent (10%) of the total units sold in the project.
- The units within the project must have separate and individual gas and water meters.
- Insurance coverage must meet or exceed Fannie Mae requirements. The bylaws must contain a binding arbitration agreement and must not be involved in pending litigation.
- A letter from the condominium association must verify the above information.
- Condotels are not allowed.
- Cash out Refinance is not allowed.
- Project is limited to a minimum of 10 units or more. (Projects with fewer units may be considered on a case-by-case basis.)
- Concentration limited to 20 % of total project.

## 19. Condominiums (Warrantable)

- Fannie or Freddie types acceptable.
- High-rise condos (> 8 stories) will be reviewed on a case-by-case basis and must be typical for the area.
- Projects with fewer than 10 units will be considered on a case-by-case basis; additional limitations apply.

### Conversions: (must be warrantable)

- i. Primary/Second homes purchases only. Cash out refinance not allowed.
- ii. Must be fully completed including all common elements.
- iii. Minimum 70% of total units must have been conveyed or under contract as owner occupied primary residences.
- iv. No single entity owns more than 10% of project.
- v. Other standard condo requirements apply, including fee simple (no leasehold) ownership, no leased common facilities, adequate applicable insurance coverage, budget, and management.
- vi. Ivanhoe's total exposure restricted to 20% of total project.

Site condos (owner occupied, single family detached only) may be considered as single family detached, even though zoned as condominiums. Appraisal must clearly indicate the property as a detached single family with condo zoning. Non-owner occupied properties are not allowed.

Condotels are not allowed.

20. **APR tolerance** must be verified to not exceed 0.125% (1/8th of one percentage point) for all Fixed and ARM loans. Understated Finance Charge tolerance is \$100 on all files except for owner occupied refinances, which are limited to \$35.

## 21. Manual Underwriting.

Manual underwriting is allowed with the following requirements:

- Minimum credit scores apply.
- All loans are expected to meet sound and prudent underwriting practices and Guidelines.
- Exceptions to these guidelines must be documented and will be submitted to the investor on a case-by-case basis.
- Fannie Mae guidelines should be used if Underwriting Guidelines do not address an issue.

## 22. Assets and Source of Funds

### Sourcing and Seasoning of Down Payment

- When the borrower is required to make a down payment, the source of assets must be seasoned for at least sixty (60) days **before the date of the loan application**.
- Funds needed for closing must be verified as required by documentation type.
- Source of substantial increases in account balances or funds on deposit less than sixty (60) days must be verified.
- For loans with verified assets and a required down payment, the borrower must contribute a minimum of five percent (5%) or a minimum of three percent (3%) for 97% LTV of the purchase price. Gift funds may be used as noted below for the remaining down payment.

### Gift Funds

- Funds must come from an immediate family member or other appropriate relation.
- For loans with an LTV of eighty percent (80%) or less, the entire down payment may be in the form of a gift.

- Gifts from a family member, who has resided with the borrower for at least twelve (12) months, and who will reside in the subject property, can be considered the same as the borrower's funds.
- Documentation must be obtained to verify that the family member has resided with the borrower for at least twelve (12) months.
- In all cases, the donor must execute a gift letter stating the donor's name and address, relationship to the borrower, amount of gift and that no repayment is expected.
- Verification of the transfer of gift funds is required.
- Gift funds may not be used to satisfy reserve requirements.

#### Gift of Equity

- Must come from an immediate family member or other appropriate relation.
- Allowed on owner occupied primary residence.
- Donor must execute a gift letter.
- HUD-1 Settlement Statement must reflect the gift of equity.
- Contract of sale must also indicate the gift of equity.
- If a free & clear property is gifted within the most recent twelve (12) month period, the maximum LTV/CLTV is sixty percent (60%).

#### Reserves

- Two months PITI for owner occupied primary residences and second homes.
- Six months PITI for investment properties.
- Gift funds may not be used to satisfy reserve requirements.
- Source of reserves must be verified.

Borrowers can use business funds for reserves only if the borrower is sole owner of a corporation (verified via CPA letter and/or public records) or owner of sole proprietorship. Also required is a letter from the firm's CPA confirming that withdrawal of funds will not impact the viability of the company. Absent the above documentation, borrowers may not use business funds for reserves.

#### IRS 1031 Exchange

An IRS 1031 Exchange allows a borrower to place proceeds from the sale of a property into an escrow account until they are ready to purchase another like-kind property with the proceeds. The following documentation must be provided:

- New property must be of greater or equal value to the relinquished property
- HUD-1 from the relinquished property
- Copy of the exchange agreement
- Statement from Accommodator verifying the available funds