

**Loan Program:** Conventional Conforming Fixed Loans

**Loan Program Code:** CCF30, CCF25, CCF20, CCF15, CCF10

**Max LTV & Loan Amount for Loans underwritten by DU version 8.0. (Case numbers submitted after Dec 11, 2009)**

**All DU version 7.1 cases must be closed by Feb 12, 2009**

**Loans >80% are still subject to the declining market policies of the mortgage insurer. Please contact your underwriter for your specific scenario.**

**Owner Occupied**

Units	Maximum Loan Amount	Transaction Type					
		Purchase & Rate/Term			Cash-Out Refinance		
		Min Fico Score	LTV	CLTV/HCLTV	Min Fico Score	LTV	CLTV/HCLTV
1	\$417,000	620	95%	95%	680	85%	85%
2	\$533,850	620	80%	80%	620	75%	75%
3	\$645,300	620	75%	75%	620	75%	75%
4	\$801,950	620	75%	75%	620	75%	75%

**Second Home**

Units	Maximum Loan Amount	Transaction Type					
		Purchase & Rate/Term			Cash-Out Refinance		
		Min Fico Score	LTV	CLTV/HCLTV	Min Fico Score	LTV	CLTV/HCLTV
1	\$417,000	680	90%	90%	620	75%	75%

**Non-Owner Occupied**

Units	Maximum Loan Amount	Transaction Type					
		Purchase			Rate/Term & Cash-Out Refinance		
		Min Fico Score	LTV	CLTV/HCLTV	Min Fico Score	LTV	CLTV/HCLTV
1	\$417,000	620	80%	80%	620	75%	75%
2	\$533,850	620	75%	75%	620	70%	70%
3	\$645,300	620	75%	75%	620	70%	70%
4	\$801,950	620	75%	75%	620	70%	70%

**The following subordinate structures require price adjustments. Please refer to the RATE SHEET.**

LTV	CLTV/HCLTV
>65% and <=75%	>90% and <=95%
>75% and <=90%	>76% and <=90%
>75% and <=95%	>90% and <=95%

<b>Loan Program:</b>	Conventional Conforming Fixed Loans												
<b>Loan Program Code:</b>	CCF30, CCF25, CCF20, CCF15, CCF10												
<b>Index/Caps/Margin:</b>	n/a												
<b>Eligible States:</b>	CT												
<b>Term:</b>	30, 25, 20, 15, 10												
<b>Min/Max Loan Amount:</b>	<p>Minimum loan amount is \$40,000</p> <p>Maximum loan amount - FNMA limits</p> <table border="0"> <tr> <td>1 Unit</td> <td>\$417,000</td> <td></td> </tr> <tr> <td>2 Unit</td> <td>\$533,850</td> <td></td> </tr> <tr> <td>3 Unit</td> <td>\$645,300</td> <td></td> </tr> <tr> <td>4 Unit</td> <td>\$801,950</td> <td>as of 1/1/10</td> </tr> </table>	1 Unit	\$417,000		2 Unit	\$533,850		3 Unit	\$645,300		4 Unit	\$801,950	as of 1/1/10
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3 Unit	\$645,300												
4 Unit	\$801,950	as of 1/1/10											
<b>Purpose:</b>	Purchase, Rate & Term or Cash-Out Refinances												
<b>Occupancy:</b>	<ul style="list-style-type: none"> <li>• Owner Occupied</li> <li>• 2<sup>nd</sup> Home (max # of mortgaged properties limited to 4, includes primary) Non Arm length transactions are not eligible for 2<sup>nd</sup> homes</li> <li>• Non-Owner Occupied (max # of mortgaged properties limited to 4, includes primary). Rent loss insurance required if using rental income. Second Appraisal is required if AV or Sales price is less than \$100,000. Operating Income Statement and Comparable Rent Schedule is required regardless if rental income is used or not used for qualifying. Non Arms length transaction are not eligible for Non Owner Occupied properties.</li> <li>• Also see Identity of Interest/Non ARM's length transaction</li> <li>• Conversion of a primary residence to a second home or investment property has additional requirements per Fannie announcement 08-16. Please contact your underwriter. HVCC applies to second appraisal.</li> </ul>												
<b>Eligible Properties:</b>	<p>1 Unit</p> <p>2-4 Units. 6 mos rent loss insurance is required if using rental income.</p> <p>Approved Condos and PUDs</p> <p>Manufactured &amp; Leasehold properties NOT Eligible</p> <p>See Appraisal requirements for REO properties</p>												
<b>AUS:</b>	Fannie Mae DU Approve/Eligible only												
<b>Delegated U/W:</b>	Yes												
<b>Mortgage Insurance:</b>	<p>Required LTV's above 80%.</p> <p>Lower Cost, Custom or Financed MI is NOT allowed</p>												
<b>Qualifying Rate:</b>	Note Rate												
<b>FICO Requirements:</b>	See LTV grid												
<b>Lock Period:</b>	60, 45 and 30 Days												
<b>Eligible Borrowers:</b>	<p>Per DU</p> <p>(also see Identity of Interest/Non ARM's length transaction)</p>												
<b>Temporary Buydown:</b>	Allowed for owner occupied purchases or rate/term refinances on fully												

amortized loans.

Qualify at bought down rate if FICO  $\geq$  660 (680 if self-employed) otherwise must be qualified at note rate.

**Prepayment Penalty:**

None

**Secondary Financing:**

See attached LTV Matrix and rate sheet for price adjustments

**Price Adjustments:**

See rate sheet for price adjustments

**Ratios:**

Maximum 45% DTI. DU may allow up to 50% DTI for certain case files depending on compensating factors.

HELOC calculation – current interest rate on the full line regardless of current outstanding balance.

**Down Payment:**

5% borrower own funds required regardless of LTV. 3/2 option is not available.

**Seller Contribution/  
Sales Contract:**

>90% LTV Maximum 3%  
<=90% LTV Maximum 6%

Re-negotiated purchase agreements that increase the sales price AFTER the original appraisal has been completed are not acceptable if:

- The Appraised Value is higher than the contracted sales price provided to the appraiser, **and**
- The new purchase agreement and/or addendum used to modify the sales price is dated AFTER the appraisal is received, **and**
- The only change to purchase agreement is an increase in sales price.

If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the LTV will be based on the lower of the original purchase price or the appraised value, unless:

A re-negotiation of only seller paid closing costs occurs (if common/customary for the market) and supported by the comparables, **or**

An amended purchase agreement for a new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal must be obtained to verify the value of modifications.

**Reserves:**

**If subject property is PRIMARY RESIDENCE**

Maximum Borrower financed properties: FOUR

1-unit only	0 months or per DU
2-4 Unit	6 months on subject property or per DU. If rental income is used 6 months PITI required regardless of DU feedback.
<p>PLUS If Borrower has</p> <p>Current Principal Residence — Pending Sale</p> <p>Current Principal Residence — Converting to Second Home</p> <p>Current 1-4 unit Principal Residence — Converting to Investment Property</p> <p><b>Please refer to Departure of Primary Residence section for more information</b></p>	<p>If 30% equity or more on previous principal residence based on appraisal:</p> <p>2 months on subject AND 2 months on previous primary</p> <p>If less than 30% equity on previous principal residence:</p> <p>6 months on subject AND 6 months on previous primary</p> <p><b>Reserves cannot be gifted</b></p>

**If subject property is SECOND HOME**

Maximum Borrower financed properties: FOUR

1-unit only	2 months on subject property PLUS 2 months on each other financed second home or investment property. Must be calculated outside DU and documented for loan case files.
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**If subject property is INVESTMENT PROPERTY:**

Maximum Borrower financed properties: FOUR

1-4 Units	6 months on subject property regardless of DU PLUS 2 months on each other financed second home or investment property. Must be calculated outside DU and documented for loan case files.  <b>Reserves cannot be gifted.</b>
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**Escrows:**

Escrows can be waived if LTV <= 80%. See ratesheet for price adjustment.

**Credit Requirements:**

Per DU/Fannie Mae  
Borrowers with previous Bankruptcy, Foreclosure, Short Sale, Deed in lieu must follow Fannie Mae updated requirements per announcement 08-16. Please contact your underwriter.

A signed 4506T is required on all loans. Lending will obtain transcripts from the IRS.

Assets- 70% of Stocks, Bonds or mutual funds may be used for reserves. 60% of vested value for retirement accounts may be used for reserves.

**Appraisal Requirements:**

Full appraisal required. Transfer of conventional appraisals from other companies will not be accepted regardless of any written assurance or certification deemed eligible within Section III.A. of the Home Valuation Code of Conduct.

**Two full appraisals required for the following scenarios:**

- Investment properties with Appraised value or Sales price less than \$100,000 require 2<sup>nd</sup> appraisal. All investment property appraisals must include operating income statement Form 216 and Form 1007 (single family)
- REO properties
- Family sale or identity of interest properties
- Departing properties when converting to second home or investment property and documenting 30% equity if departing property is a condo or 2-4 unit. See "Departing Properties"

**Declining Market Policy:**

Loans >80% are subject to the declining market policies of the mortgage insurer. Please contact your underwriter for your specific scenario.

In order to ensure the appraiser has properly analyzed property trends and overall market conditions to ensure value is adequately supported the following additional appraisal review should be followed for areas that are deemed "declining" by the appraiser or DU feedback.

**Additional Appraisal Review:**

In order to determine that the property value is supported, especially for properties located in a declining area, the following criteria is required:

- At least two of the comparable sales must have been closed within three months of the appraisal
- At least one additional comparable that is a pending sale from the immediate neighborhood.

If the appraiser is unable to provide this data, the appraiser must provide supportive comments identifying why this information cannot be supplied and whether there is any impact on value or marketability of the property as a result.

Maximum Age of Appraisal: Existing 120 days, New Construction 120

At closing obtain an update from the appraiser indicating that the property value has not declined since the original Appraisal date if any of the following occur:

The appraisal is older than 120 days

**Documentation  
Requirements:**

Full Doc regardless of DU feedback  
Credit Documents must be no more than 90 days old at time of closing on

existing properties and no more than 120 days old at time of closing on new construction.

**Refinance Requirements:**  
(see also Helpful Hint section)

**When in a Flat or Rising rate environment the underwriter should understand the motivation and benefit to the borrower of any refinance.**

**Title changes:** If the original borrower(s) will not be the same with the new refinance please contact your underwriter to review the scenario.

**Loan Churning:** Loan churning identified by the rapid refinance or transfer of a property is not eligible for sale to most investors or agencies. Any third refinance within the last consecutive 12 months period requires documentation of the financial benefit to the borrower.

**Ineligible:**

- Properties listed within 6 months of application are ineligible for refinancing.
- Short refinances or restructured debt on subject property are not eligible.

**Seasoning Requirements:**

- Six month seasoning will be required for cash out refinances (note to note date calculation)
- To be eligible for a rate/term refinance when the most recent transaction on the subject property was a cash out refinance within the last 6 months, the new mortgage must be treated as a cash out transaction (note to note date calculation is used)

**LTV Calculation for refinances seasoned less than 1 year:**

If the first lien being paid off was a purchase transaction, and the original purchase price, as stated on the application, is less than the new appraised value the file should contain documentation supporting the increase in value (e.g. appraisal indicates increasing values for the market, appraisal comparables support increasing values, documented home improvements, or a copy of the original appraisal showing the original appraised value higher than the original sales price).

If the increase in value is unsupported, the underwriter should use the **lower** of the original purchase price or the new appraised value to determine LTV/TLTV/CLTV.

If the underwriter has knowledge that the first lien being paid off was a cash-out refinance transaction with an LTV greater than 80%, the new Loan will not be eligible for rate/term refinance parameters.

**LTV Calculation for refinances paying off construction-permanent financing:**

When a limited cash-out refinance transaction or a cash-out refinance transaction is used in connection with a lot that the borrower **acquired 12**

**or more months** before applying for the construction financing, the loan-to-value ratio is determined by dividing the unpaid principal balance of the construction-to-permanent mortgage by the current appraised value for the property (both the lot and the improvements).

If the borrower acquired the lot **within the 12 months** preceding the date of the application for the construction financing, the loan-to-value ratio is determined by dividing the unpaid principal balance of the construction-to-permanent mortgage by the lesser of (1) the current appraised value for the property (both the lot and the improvements) or (2) the total acquisition costs (which are the sum of the costs of the improvements and the sales price of the lot).

**Limited Cash-out Refinance includes:**

- Pay off of the outstanding principal balance of an existing first mortgage
- Payoff of the outstanding principal balance of any existing subordinate mortgage that was used in whole to acquire the subject property
- The financing of closing costs, including prepaid expenses
- Cash back to the borrower in an amount no more than the lesser of 2% of the balance of the new refinance mortgage or \$2000

To be eligible for a rate/term refinance when the most recent transaction on the subject property was a cash out refinance within the last 6 months, the new mortgage must be treated as a cash out transaction (note to note date calculation is used)

**Cash-Out Refinance** allows the payoff of subordinate liens that were not used in whole to purchase the subject property including home improvement, HELOC and second mortgages, or cash back to the borrower in excess of 2% of the balance or more than \$2000.

Six month seasoning will be required for cash out refinances (note to note date calculation)

**Continuity of Obligation**

Refinance transactions include an eligibility requirement of continuity of obligation to address borrower's that are may be on the title and not obligated on the original note. An acceptable continuity of obligation exists when:

- There is at least one borrower obligated on the new loan who was also a borrower obligated on the existing loan being refinanced.
- The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor.
- The existing loan being refinanced and the title have been held in the name of a natural person or an LLC as long as the borrower was a member of the LLC prior to transfer. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement
- The borrower has recently inherited or was legally awarded the property (divorce, separation).

If the borrower is currently on title but is unable to demonstrate an acceptable continuity of obligation, or there is no outstanding lien against

the property, the loan is still eligible but with additional restrictions. The loans must be underwritten and priced as a cash-out refinance transaction with these additional limits:

- **No outstanding liens (e.g. purchased for cash or previous mortgage loans have been paid off)** If the property was purchased within the 6 to 12 month period prior to the application date for the new financing, the LTV ratios will be based on the lesser of the original sales price/acquisition cost (documented by the HUD-1 Settlement Statement) or the current appraised value. Standard Selling Guide or DU eligibility will apply, as applicable; or
- **Outstanding liens with no continuity of obligation** - If the borrower has been on title for at least 6 months but continuity of obligation does not exist, the maximum LTV ratios will be limited to 50 percent based on the current appraised value.

**Identity of Interest/Non  
ARMs Length transactions:**

Definitions:

**Non Arm's Length Transaction** is one where the parties to the transaction are related – such as family members or employer/employee.

**Identity of Interest Transaction** involves persons who are not related or closely tied but may have a greater vested interest in the transaction such as realtor selling their own property or a builder also acting as the realtor.

Both of these types of transactions involve increased risk therefore additional precautions must be taken to evaluate and prudently underwrite for that risk. On a case by case basis, non arm's length OR identity of interest may be considered when the borrower is purchasing the property as a primary residence. **Loans for Investment or Second Homes are not eligible for either scenario.** Please call your underwriter to review your scenario. Family sales that involve a gift of equity will require that the borrower has saved 5% of their own funds.

**Departure of Primary  
Residence:**

If the current principal residence is pending sale but the transaction will not be closed (with title transfer to a new owner) prior to the new transaction both the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction.

If the current principal residence is a conversion to a Second Home:

- Both the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction; AND
- 6 months of PITI for both properties is required to be in reserves. Lender may consider reduced reserves of no less than 2 months for both properties if there is documented equity of at least **30 percent** in the existing property (derived from an appraisal, or automated valuation model (AVM) minus outstanding liens). If the departing property is a 2-4 unit or condo, a full appraisal must be used to document the 30% equity.
- Reserves cannot be from a gift.

If the current principal residence is a conversion to an Investment Property:

- Fannie Mae will continue to permit up to 75 percent of the rental income to be used to offset the mortgage payment in qualifying if there is documented equity of at least **30 percent** in the existing property (derived from an appraisal or AVM minus outstanding liens). If the departing property is a 2-4 unit or condo, a full

- appraisal must be used to document the 30% equity.
- 6 months of PITI for both properties is required to be in reserves. Lender may consider reduced reserves of no less than 2 months for both properties if there is documented equity of at least **30 percent** in the existing property (derived from an appraisal, or automated valuation model (AVM) minus outstanding liens). If the departing property is a 2-4 unit or condo, a full appraisal must be used to document the 30% equity.
  - The rental income must be documented with a copy of the fully executed lease agreement, the receipt of a security deposit from the tenant and proof the security deposit has been deposited into the borrower's account.
  - If the 30 percent equity in the property cannot be documented, rental income may not be used to offset the mortgage payment.
  - Reserves cannot be from a gift.

**Closing/Legal Documents:** Standard agency documentation

**Loan Program:** Conventional Conforming Fixed Loans

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**Mortgage Insurance Coverage:**

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

Reduced or Financed MI not allowed.