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PORTFOLIO ARM CLOSED END 2ND TD



| PROGRAM CODES | <ul style="list-style-type: none"> • PA30CE2ND | | | | | | |
|-----------------------------|---|----------|----------|------------------------|--------------------------|------------------------|-----------------------|
| PRODUCT OVERVIEW | <ul style="list-style-type: none"> • Portfolio Adjustable second trust deed • Purchase/Cash Out • 30 year amortization • Adjustment Caps: (Fixed for 5 years) <ul style="list-style-type: none"> ○ Annual Maximum: 3% ○ Lifetime Maximum: 6% ○ Lifetime Floor: Start Rate • Minimum Loan amount \$50,000 • Max Loan amount \$250,000 • Owner Occupancy/Second Home ONLY | | | | | | |
| PRODUCT SUMMARY | <p>Prime + varies by CLTV</p> <ul style="list-style-type: none"> • Index : Prime • Note/Start Rate Fixed for 5 years = index + margin (See *QUALIFYING RATE) • 1ST change date will be index + margin and will Adjust every 12 months thereafter, Max cap of 3% annually. • Buy up margin from Rate Sheet will increase your Start Rate • Maximum Cap (Start Rate+6%) for the life of the loan • Margin 1.5% <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">CASH OUT</th> <th style="width: 50%; text-align: center;">PURCHASE</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">70% CLTV MAX \$250,000</td> <td rowspan="3" style="text-align: center; vertical-align: middle;">MAX 80% CLTV - \$250,000</td> </tr> <tr> <td style="text-align: center;">75% CLTV MAX \$150,000</td> </tr> <tr> <td style="text-align: center;">80% CLTV MAX \$75,000</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Payments: 30 year amortization calculated at index plus margin. No Negative Amortization. • Admin fee \$495 for Stand Alone's only • No prepayment penalty | CASH OUT | PURCHASE | 70% CLTV MAX \$250,000 | MAX 80% CLTV - \$250,000 | 75% CLTV MAX \$150,000 | 80% CLTV MAX \$75,000 |
| CASH OUT | PURCHASE | | | | | | |
| 70% CLTV MAX \$250,000 | MAX 80% CLTV - \$250,000 | | | | | | |
| 75% CLTV MAX \$150,000 | | | | | | | |
| 80% CLTV MAX \$75,000 | | | | | | | |
| DOCUMENTATION | <ul style="list-style-type: none"> • Full income and asset verification is required based on Agency Guidelines | | | | | | |
| UNDERWRITING | <p>All loans must be manually underwritten and fully documented.</p> <ul style="list-style-type: none"> • Agency underwriting guidelines apply unless otherwise stated in these guidelines. • The 2nd TD loan amount must be calculated into CLTV and the payment into the DTI for the First Mortgage calculations for underwriting. • The most restrictive guidelines must be used for underwriting. • No Corporate 2nd signature required • Exceptions considered with Corporate approval | | | | | | |
| QUALIFYING RATE | <p>Index (Prime) + Margin = Start Rate</p> <ul style="list-style-type: none"> ○ Start Rate + 3% = Qualifying Rate | | | | | | |
| BORROWER ELIGIBILITY | <p><u>Eligible Borrowers</u></p> <ul style="list-style-type: none"> • Individuals who are citizens or lawful residents of the United States • Revocable Living Trust (prior approval by a Sr. Underwriter or Corporate Administrator) • Permanent Resident Aliens • First Time Home Buyers • All borrowers must have a social security number <p><u>Ineligible Borrowers</u></p> <ul style="list-style-type: none"> • Corporations • Non Permanent Resident Aliens • Partnerships | | | | | | |

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| APPRAISAL | <p>FULL APPRAISAL REQUIRED - Refer to Standard Appraisal Guidelines</p> <ul style="list-style-type: none"> • Property Inspection Waiver (PIW) not allowed, regardless of DU or LPA findings on 1st Mortgage <p><u>Eligible Property</u></p> <ul style="list-style-type: none"> • 1 unit family dwelling • 1-2 unit family dwelling • Rural Properties-common for the area/Max 5 acres • Warrantable Condo or PUD <p><u>Ineligible Property</u></p> <ul style="list-style-type: none"> • Agricultural Use Properties • Manufactured Homes • 3 – 4 units • New projects that do not have FNMA project approval • Unique Properties (mixed use) • 2-4 unit properties located in a Condo or PUD • Commercial Zoned or Industrial use prop. |
| APPRAISED VALUE CALCULATIONS | <p>For properties owned less than 12 months the following will apply:</p> <ul style="list-style-type: none"> • The lower of the Purchase Price or Appraised value will be used to calculate the maximum loan amount. • A copy of the Final HUD-1 will be used to determine the Purchase Price and will be verified by the appraiser. <p>(Note: Improvements made by the borrower since the initial purchase can be added to the Purchase Price when verification can be provided. Obtain receipts, permits and confirmation by the appraiser.)</p> |
| AUTOMATED UNDERWRITING | <ul style="list-style-type: none"> • Not allowed on this program. |
| CASH RESERVES | <ul style="list-style-type: none"> • 2 months PITI |
| CONCESSIONS / SELLER CONTRIBUTIONS | <p>Concurrent Transactions: Must comply to restrictions of 1st TD</p> <p><u>Owner Occupied/Second Home Purchase</u></p> <ul style="list-style-type: none"> • 75.01 – 80% LTV/CLTV 6% maximum • ≤ 75% LTV/CLTV 9% maximum <p><u>Stand Alone 2nd TD</u></p> <ul style="list-style-type: none"> • Concessions/Seller Contributions not applicable |
| CREDIT | <p><u>Regardless of documentation type – Minimum Credit Requirements as follows:</u></p> <ul style="list-style-type: none"> • A minimum of 3 trade lines, with 1 seasoned account for a minimum of 24 months and \$3,500 high credit. The account must have “As Agreed” payment history. A mortgage can be included as one of the required trades. • 12 months consecutive mortgage payment or rental history is required. No lates within the last 12 months and rolling lates are unacceptable. Rolling mortgage/rental delinquencies and/or mortgage loans past due are not eligible. • All judgments and liens appearing as a matter of record on title must be paid off and/or discharged. • All Federal/State tax liens, collections & charge-offs must be paid in full prior to close or at closing. • Borrowers must meet the minimum credit score requirements • Follow standard Agency Guidelines for Bankruptcy, Foreclosure, and Short Sales • Disputed accounts and Authorized user accounts must meet Agency requirements. |

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| CREDIT SCORES | FICO | MAX CLTV |
| | 700 | 80 |
| | <ul style="list-style-type: none"> Use the middle of three or lower of two scores for each qualifying borrower, then select the lowest score of all borrowers’. RMCR or 3 file Merge A minimum of two credit scores are required | |
| DEBTS/LIABILITIES | <ul style="list-style-type: none"> The borrower’s liabilities include all installment loans, revolving charge accounts, real estate loans, negative income from rental properties, stock pledges, child support and all other debts of continuous nature. Present housing expense must be verified for past 12 months. Cancelled checks are the only acceptable form of rental verification where the landlord is the borrower’s relative. <p><u>Contingent Liabilities</u> Monthly payment will not be included as long as:</p> <ul style="list-style-type: none"> There is documented proof that the payments for the past 12 months were paid by the primary obligor; and there is not a history of delinquent payments for that debt. <p><u>Installment Debts</u></p> <ul style="list-style-type: none"> Payments on installment debts that extend beyond ten months must be included in the total obligation ratio All auto lease payments must be included in calculation of DTI regardless of remaining months or balance <p><u>Revolving accounts</u> Payment calculation for revolving accounts are:</p> <ul style="list-style-type: none"> Payment amount stated on credit report or, Greater of 5% of the outstanding balance or \$10 per month regardless of remaining balance If a revolving account balance is to be paid off at or prior to closing, a monthly payment on the current outstanding balance does not need to be included in the borrower’s long-term debt, i.e. not included in the debt-to-income (DTI) ratio. Such accounts do not need to be closed as condition of excluding the payment from the DTI ratio. | |
| DEBT-TO-INCOME RATIO | <p>MAXIMUM DTI: <u>Stand alone 2nd:</u></p> <ul style="list-style-type: none"> 43% <p>Note: If the loan is a 1st/2nd Combo, the maximum DTI is based on the AUS approval not to exceed 45.00%</p> | |
| MULTIPLE FINANCED PROPERTIES | <ul style="list-style-type: none"> If the subject property is the borrower’s <u>principal residence</u> there is no limitation on the number of properties that the borrower can currently be financing. Maximum number of financed properties is 4, if the subject property is a <u>Second Home</u>. | |
| EMPLOYMENT & INCOME REQUIREMENTS | <p><u>Full Doc</u></p> <ul style="list-style-type: none"> Standard Agency criteria | |
| ELIGIBLE FIRST MORTGAGES | <p><u>Eligible First Mortgages</u></p> <ul style="list-style-type: none"> Conventional conforming, non-conforming and jumbo loan amounts Fixed or adjustable rate mortgage VA or FHA loans (Stand-alone transactions only) <p><u>Ineligible First Mortgages:</u></p> <ul style="list-style-type: none"> Contract for deed, contract for purchase or land contracts. (Including CAL-VET Contracts) Private party first liens (unless serviced by an institutional lender or servicing company) Loans that provide for future advances. Negatively Amortizing First Mortgages Prohibiting placement of additional liens on property Balloon loan without a reset or refinance feature | |

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| ELIGIBLE FIRST MORTGAGES CONTINUED | <ul style="list-style-type: none"> Reverse mortgages Interest Only Mortgages without a recast provision (Balloon) | | | | | | | | | | | | | | | | | | | | |
|--|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-------------------|------|----------|----------|-------------------|--------|----------------------------|----------|-----------------------|-------|----------------------------|--------|------------------|-------|----------|----------|
| ESCROW | <ul style="list-style-type: none"> An Escrow or Sub-escrow must be opened on all loans. | | | | | | | | | | | | | | | | | | | | |
| FIRST MORTGAGE PAYMENT CALC FOR DTI | <ul style="list-style-type: none"> Arms: Qualify the borrower at the greater of the note rate or the index plus the margin. Negatively Amortizing 1st Mortgage: Not allowed under this program Temporary Buydowns: Not allowed under this program Interest Only: Not allowed under this program. | | | | | | | | | | | | | | | | | | | | |
| FIRST MORTGAGE RESTRICTIONS | <ul style="list-style-type: none"> Maximum First Mortgage: \$750,000 | | | | | | | | | | | | | | | | | | | | |
| FLOOD CERTIFICATION | <ul style="list-style-type: none"> A standard flood hazard determination form must be included in each file. On Piggyback transaction, separate certifications are required. | | | | | | | | | | | | | | | | | | | | |
| GIFT FUNDS | <ul style="list-style-type: none"> Primary residence or Second Home Immediate family member only Verification of the transfer of funds from the donor to the applicant is required or directly into escrow from donor. Gifts from a family member who has resided with the borrower for at least 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 12 months. | | | | | | | | | | | | | | | | | | | | |
| LIEN POSITION | <ul style="list-style-type: none"> First or Second lien position | | | | | | | | | | | | | | | | | | | | |
| SOFT MARKET AREA RESTRICTIONS | <ul style="list-style-type: none"> None | | | | | | | | | | | | | | | | | | | | |
| LOAN FEES | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Allowable Fees</th> <th style="text-align: center;">Piggyback</th> <th style="text-align: center;">Stand Alone 1st lien</th> <th style="text-align: center;">Stand Alone 2nd lien</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Branch Fee</td> <td style="text-align: center;">0.00</td> <td style="text-align: center;">\$495.00</td> <td style="text-align: center;">\$495.00</td> </tr> <tr> <td style="text-align: center;">Escrow Fee</td> <td style="text-align: center;">300.00</td> <td style="text-align: center;">See service provider chart</td> <td style="text-align: center;">\$500.00</td> </tr> <tr> <td style="text-align: center;">Lenders Policy</td> <td style="text-align: center;">00.00</td> <td style="text-align: center;">See service provider chart</td> <td style="text-align: center;">495.00</td> </tr> <tr> <td style="text-align: center;">Recording</td> <td style="text-align: center;">75.00</td> <td style="text-align: center;">\$175.00</td> <td style="text-align: center;">\$175.00</td> </tr> </tbody> </table> | Allowable Fees | Piggyback | Stand Alone 1 st lien | Stand Alone 2 nd lien | Branch Fee | 0.00 | \$495.00 | \$495.00 | Escrow Fee | 300.00 | See service provider chart | \$500.00 | Lenders Policy | 00.00 | See service provider chart | 495.00 | Recording | 75.00 | \$175.00 | \$175.00 |
| Allowable Fees | Piggyback | Stand Alone 1 st lien | Stand Alone 2 nd lien | | | | | | | | | | | | | | | | | | |
| Branch Fee | 0.00 | \$495.00 | \$495.00 | | | | | | | | | | | | | | | | | | |
| Escrow Fee | 300.00 | See service provider chart | \$500.00 | | | | | | | | | | | | | | | | | | |
| Lenders Policy | 00.00 | See service provider chart | 495.00 | | | | | | | | | | | | | | | | | | |
| Recording | 75.00 | \$175.00 | \$175.00 | | | | | | | | | | | | | | | | | | |
| TAXES | <ul style="list-style-type: none"> All property taxes must be current or paid current at closing. Real estate taxes must reflect "not yet due and payable". If taxes are delinquent, they must be paid current either from loan proceeds or from the borrowers own funds. Proof that all taxes, including any outstanding supplemental taxes, have been paid will be required. | | | | | | | | | | | | | | | | | | | | |
| EMPLOYEE LOANS | <ul style="list-style-type: none"> NOT PERMITTED | | | | | | | | | | | | | | | | | | | | |

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| TITLE INSURANCE | <p>A full ALTA policy is required regardless of loan amount. Title report date must be not greater than 60 days from the date of funding.</p> <ul style="list-style-type: none"> • Short Form policy on Standalone 2nd unless second is in the 1st lien position. | | | | | | | | | |
| UNDERWRITING EXCEPTION | <p>Loans that do not meet the standard criteria may be submitted to Corporate Underwriting for exceptions.</p> <p>NOTE: No Exceptions will be granted for <u>DTI exceeding product guidelines</u>.</p> | | | | | | | | | |
| PROPERTIES WITH SOLAR PANELS | <p>All Solar Leases and Power Purchase Agreements must be reviewed by Corporate</p> <ul style="list-style-type: none"> • If the property owner is the owner of the solar panels, standard eligibility requirements apply (for example, appraisal, insurance and title). • If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar arrangement, the following requirements apply: <table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">Requirements for Properties with Solar Panels that are Leased or Covered by a Power Purchase Agreement</td> </tr> <tr> <td>The solar panels may not be included in the appraised value of the property</td> </tr> <tr> <td>The property must maintain access to an alternate source of electric power that meets community standards. For example, properties utilizing leased solar panels must also remain connected to traditional electrical power services to ensure uninterrupted access to electricity in the event the solar panels become non-functioning or are removed</td> </tr> <tr> <td>The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation unless the lease is structured to: <ul style="list-style-type: none"> • Provide delivery of a specific amount of energy at a fixed payment during a given period, and • Have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period. Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio. </td> </tr> <tr> <td>The lease or power purchase agreement must indicate that any damage that occurs as a result of the installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home).</td> </tr> <tr> <td>The owner of the solar panel agrees: <ul style="list-style-type: none"> • Not to be named loss payee (or named insured) on the property owner's property insurance policy • As an alternative the underwriter may verify that the owner of the solar panels is not named a loss payee </td> </tr> <tr> <td>In the event of foreclosure <ul style="list-style-type: none"> • PBM may terminate the lease/agreement and require the third-party owner to remove the equipment; • PBM has the right to become the beneficiary of the borrower's lease/agreement with third party without charge; or • PBM has the right, but not the obligation, to enter into a new lease/agreement with the third party, under terms no less favorable than the prior owners. <p>Note: any lease/agreement in which PBM is a party in connection with a foreclosure (whether as beneficiary or direct party), must also be assignable to a subsequent purchaser of the realty from PBM. In addition, PBM must also have the right to terminate the lease/agreement and require removal of the equipment (for example, if the third party places restrictions on the assignment to a purchaser).</p> </td> </tr> <tr> <td>Title exceptions with respect to the solar panels (for example, easements, notice of contract) may be present on the title provided the interest is not superior to the first lien position.</td> </tr> <tr> <td>The title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to first lien position.</td> </tr> </table> | Requirements for Properties with Solar Panels that are Leased or Covered by a Power Purchase Agreement | The solar panels may not be included in the appraised value of the property | The property must maintain access to an alternate source of electric power that meets community standards. 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