Program Eligibility Guide
Portfolio Conforming/Jumbo Products:

Conforming PA51, PA71
Jumbo PA51J, PA71J

Table of Contents

1. **Portfolio Conforming/Jumbo Product Matix and Product Codes** **3**
2. **General Information** **4**
3. **Products** **5**
4. **Documentation** **6**
5. **Underwriting** **6**
6. **RESPA** **7**
7. **TILA** **7**
8. **Borrower Eligibility** **15**
9. **Transactions** **18**
10. **Financing** **21**
11. **Assets** **22**
12. **Credit** **24**
13. **Employment** **26**
14. **Property** **36**
15. **Title and Closing** **38**
16. **Request for LPMI** **41**
17. **Booking Sheet** **42**

PBM PORTFOLIO CONFORMING/JUMBO PRODUCT CODES:

Portfolio Conforming/Jumbo Product Matrix

Product Codes:

Conforming =<$424,100 – PA51, PA71
Jumbo =>$424,101- PA51J, PA71J

PRIMARY RESIDENCE: PURCHASE					
Property Type	**Maximum LTV/CLTV**	**Maximum Loan Amount**	**Minimum Loan Amount**	**Minimum FICO Score**	**Maximum DTI**
• 1-2 units • PUD • Condo	90%[1,3]	$850,000	PA51 - $100,000 PA51J - $424,101 PA71- $100,000 PA71J- $424,101	690[4]	43%
	80% [2,3]	$1,000,000		690[4]	43%
	70%	$1,500,000		700	43%

PRIMARY RESIDENCE: RATE & TERM REFINANCE					
Property Type	**Maximum LTV/CLTV**	**Maximum Loan Amount**	**Minimum Loan Amount**	**Minimum FICO Score**	**Maximum DTI**
• 1-2 Units • PUD • Condo	90% [1,3]	$850,000	PA51 - $100,000 PA51J - $424,101 PA71- $100,000 PA71J- $424,101	700	43%
	80%[2,3]	$1,000,000		700	43%
	70%	$1,500,000		700	43%

PRIMARY RESIDENCE: CASH OUT REFINANCE						
Property Type	**Maximum LTV/CLTV**	**Maximum Loan Amount**	**Minimum Loan Amount**	**Maximum Cash Out**	**Minimum FICO Score**	**Maximum DTI**
• 1-unit • PUD • Condo	70%	$1,000,000	PA51 - $100,000 PA51J - $424,101 PA71- $100,000 PA71J- $424,101	$250,000	720	43%

1. **Acceptable MI companies are Radian, Essent, United Guaranty, National and MGIC. No reduced coverage allowed. Both have pricing for LTV's up to 90%LTV to $850,000.**
2. **Mortgage Insurance for LTV's 75.01% to 80% will be handled by corporate. See page 4 for branch procedures.**
3. **When transaction has new or existing subordinate financing max LTV for first is 75%.**
4. **Adjustment to price for FICOs below 700. See Rate Sheet for cost.**

GENERAL INFORMATION

This Guide describes Provident Bank Mortgage program eligibility and underwriting requirements. In addition to the program eligibility and prudent underwriting, Provident Bank Mortgage requires all loans meet the Ability to Repay (ATR) rules established by the Consumer Financial Protection Bureau (CFPB).

The ATR rule requires that the originator make a reasonable, good-faith determination before or when the loan is consummated and that the consumer has a reasonable ability to repay the loan. The origination lender must consider the eight underwriting factors established by the CFPB and the loan file must be documented accordingly.

1. The borrower's current or reasonably expected income or assets;
2. The borrower's current employment status;
3. The borrower's monthly payment on the covered transaction;
4. The borrower's monthly payment on any simultaneous loan;
5. The borrower's monthly payment for mortgage-related obligations;
6. The borrower's current debt obligations, alimony and child support;
7. The borrower's monthly debt-to-income ratio or residual income; and
8. The borrower's credit history.

By submitting a loan for purchase, Mortgage loan originator certifies that: (i) Mortgage loan originator has made, or is making its own credit decision with respect to the loan to the Borrower, regardless of whether Provident Bank Mortgage purchases or declines to purchase the loan;(ii) none of Provident Bank Mortgage, its directors, officers, employee's, agents, or contractors, or any of its affiliates has influenced, or will influence Mortgage Loan Originators credit decision with respect to the loan to the Borrower by (a) indicating whether it will purchase the loan if the Mortgage Loan originator, originates and closes the loan, or (b) any other action or statement; and (iii) if the Mortgage Loan Originator has closed, or in the future does close the loan to the Borrower, Mortgage Loan Originator did, or will, fund the closing of the loan with funds from a source other than Provident Bank Mortgage or any of its affiliates.

1. Products

A. Products Offered

The following jumbo balance products are eligible

- 5/1 LIBOR ARM 30-Year Term Fully Amortizing
- 7/1 LIBOR ARM 30-Year Term Fully Amortizing

Qualifying Rate

- 5/1 LIBOR ARM Greater of the fully indexed rate* or the Note Rate + 2.0%

* Fully indexed rate = Index + Margin

- 7/1 LIBOR ARM Note Rate

B. Ineligible Products/Attributes

- Interest Only
- Negative Amortization
- Graduated Payments
- Temporary Buydowns
- Balloon Payments
- Loans with Prepayment Penalties

C. ARM Summary

Interest rate adjustment caps	**5/1:** • Initial: 2% up/down • Subsequent: 2% up/down • Lifetime: 5% up **7/1:** • Initial: 5% up/down • Subsequent: 2% up/down • Lifetime: 5% up
Margin	2.75
Index	1-Year LIBOR (London InterBank Offer Rate)
Interest rate floor	Start Rate
Change dates	**5/1 ARM:** • The first Change Date is the 60th payment due date. Subsequent Change Dates are every twelve (12) months thereafter. **7/1 ARM:** • The first Change Date is the 84th payment due date. Subsequent Change Dates are every twelve (12) months thereafter.
Conversion option	None available
Assumption	Assumable during ARM period
MI Requirements	• Mortgage Insurance will be required down to

	80.01% LTV. 80.01% to 90% LTV follow standard MI requirements for non-delegated "No upfront" monthly (borrower paid or "up front" One Time Premium (borrower paid). 80.01% to 85% LTV at 12% coverage. • 85.01% to 90% LTV at 25% o LTV 80.01%- 90.00% allows the borrower to buy up the interest rate in-order to use the LPMI. • See rate sheet for Monthly LPMI rates for LTV's greater than 80%. o LPMI Monthly **ONLY**. ▪ No One Time Available ▪ LPMI (monthly) does not get entered into Empower. Just order the Cert. • For LTV's at 75.01% to 80% at no cost to the borrower. o An LPMI request (exhibit A, to these guidelines) must be sent with the items listed on the exhibit to Corporate Administration. o 75.01% to 80% LTV 6% coverage.
Booking Sheet	• Funders **MUST** complete Booking Sheet form at funding for **ALL** loans with the "Lender Paid MI" Option. • A copy of the Booking Sheet form can be found on the last page of these guidelines **OR** o Quick Look Manual=Policy Procedures=Forms

2. Documentation

Full income and asset verification is required. In an effort to fully document the borrower's ability to meet their obligations, borrowers should disclose and verify all liquid assets (in addition to minimums required specifically by the program).

3. Underwriting

All loans must be manually underwritten and fully documented. No waivers based on Agency AUS decisions are permitted. Unless otherwise addressed below, Fannie Mae underwriting guidelines should be followed. In some cases, exceptions to underwriting guidelines or product eligibility may be acceptable when strong compensating factors exist to directly address the issue and offset the risk.

- Manual Underwrite **ONLY** by Provident Bank Mortgage Branch Underwriter

Turn Time goal is two (2) days; however, turn time is based on current volumes

- **Corporate Admin Prior Approval for loan amount ≥ $750,000**
- ▪ A copy of loan file must be sent to Corporate for 2nd Signature on loan amounts ≥ $750,000. (See "signing Authority Requirements" in QLB for further information of signatures required based on loan amounts.)

Exceptions

Exceptions to these written guidelines may be made by corporate underwriting on a case by case basis.

- **NOTE: No** Exceptions will be granted for **DTI exceeding product guidelines**.
- Exceptions to any of the above guidelines must be approved by Corporate Administration.
- Complete File must be sent to Corporate Admin with an exception request completed.
- Files may be sent in scanned format.
- Exceptions on loans requiring MI must be prior approved with the Mortgage Insurance Company.
- Signed exception form must be retained in the loan file.

All Rate/Term Refinance Transactions

- Underwriter to condition "UTR" the Borrower(s)" Certificate of Reasonable Tangible Net Benefit for Refinance Loans" Disclosure prior to funding.
- "Borrower(s) Certificate of Reasonable Tangible Net Benefit for Refinance Loans" disclosure
    - Disclosure is generated with closing package and must be fully completed and executed by the borrower and returned with loan documents.
- Borrower(s) Benefit Worksheet
    - Underwriter to review the complete/executed "Borrower(s) Certificate of Reasonable Tangible Net Benefit" Disclosure and complete the "Borrower(s) Benefit Worksheet" based on the information provided by the borrower.
    - To be completed by the Underwriter prior to funding.
    - Copy of both executed forms to be placed in loan file behind the 1008.
    - Forms are located in the PBM Manual under Policy and Procedures in the "**Forms**" Folder.

Age of Documentation

TYPE	AGE OF DOCUMENTATION
Credit Report	No more than 90 days from before Note date
Income	No more than 60 days from before Note date
Assets	No more than 90 days from before Note date
Appraisal	No more than 120 days from before Note date
Title Commitment	No more than 90 days from before Note date

4. TILA/RESPA Integrated Disclosure Rule (TRID)

1. Scope

Included;

- Loan applications taken on or after 10.3.2015
- Primary Residence
- Detached SFR, Attached SFR, PUDs, 2-4 Units, Condos,

Excluded;

- Loans for business purposes:

- If the lender elects to treat business purpose loans as exempt, Provident Bank Mortgage will require compliance with the definition of business purpose loans as addressed per §1026.3.
- Non-Owner Occupied (NOO) cash-out refinance transactions, 100% of the proceeds must be used for acceptable business purposes.

Please note that existing requirements related to QM Points and Fees testing and Higher-Priced Covered Transaction testing are not being replaced by the following TRID requirements.

2. Key Definitions and Other Considerations

a. General Business Day

Previously defined within RESPA. A day in which the lender's offices are open to the public for carrying on substantially all of its business functions. Generally applied to delivery or placed in the mail requirements. Also applies to the number of days estimated fees on Loan Estimate (LE) are available to the consumer, and the delivery of a Revised LE after a Change of Circumstance event.

b. Specific Business Day

All calendar days exception Sundays and the legal public holidays specified in 5 U.S. C 6103(a). Generally applied to Waiting Periods and Right of Rescission.

c. Calendar Day

All calendar days. Used for post-consummation corrections and cures.

d. Delivery (delivered)

Handed to, placed in the mail, or emailed to the consumer.

e. Received

Handed to the consumer, received in the mail, or received and opened via email. if the disclosure is mailed or emailed, the consumer is considered to have received the disclosure three (3) Specific Business Days after it is mailed. Refer to Refer to §1026.19(e)(1)(iv). PBM accepts documented proof that the applicant received the disclosure prior to the default assumption.

f. Complete Application

An application is considered complete when the following six (6) pieces of information are obtained; consumer's name, consumer's income, consumer's social security number, the property address, estimated property value and requested loan amount.

g. Consummation

Consummation is defined under 1026.2 (a)(13) as the time that a consumer becomes contractually obligated on a credit transaction. Per Provident Bank Mortgage interpretation of the definition, consummation is considered to be the date the Note and security instrument are executed by the consumer.

h. Application Receipt

When a complete application is received as defined in 1026.2(a)(3)(ii), Provident Bank Mortgage accepts the following to determine the application date:

- Signature date of the initial 1003 by the Loan Officer
- Screen shot of the lender's system identifying the application date
- Federal Disclosures identifying the application date (HOEPA/HMDA)

i. E-mail Deliver of Disclosures- ESIGN

If a lender uses e-mail to deliver disclosures to the consumer, the lender must be in compliance with ESIGN requirements. Specifically, the lender must have the consumer's consent prior to delivering the disclosures electronically.

Provident Bank Mortgage requires a copy of the consumer's electronically signed consent or other satisfactory evidence that the borrower consented to electronic deliver in the loan package delivered for Purchase Review.

j. Mail Receipt Rule

If the LE or Closing Disclosure (CD) is placed in the mail or emailed, it is assumed that the consumer received the LE or CD three (3) Specific Business Days after the LE or CD was placed in the mail or emailed.

k. Satisfactory Evidence of Receipt

Provident Bank Mortgage will require satisfactory evidence that all individuals required to receive the LE and/or CD received the disclosure(s) and the date the disclosures(s) was received by the individual. This can be evidence in a number of ways:

Consumer signed and dated the Acknowledgement of Receipt.
Evidence that the disclosure delivered via email was received and opened. The date of receipt must be evident.
Following the Mail Receipt rule outlined above.
Signed and dated LE or CD (the signature date added by consumer is the date Provident Bank Mortgage uses for testing purposes if no other satisfactory evidence is provided).

3. Loan Estimate (LE)

a. Delivery, Waiting Period and Imposition of Fees

Loan Estimates be delivered or placed in the mail no later than the third (3rd) General Business Day after receiving the consumer's complete application. When a transaction involves a broker, the three (3) General Business Day period begins when the broker was in receipt of a consumer's complete application. **Provident Bank Mortgage requires satisfactory evidence of the date the LE was delivered or placed in the mail.**

The LE must also be delivered or placed in the mail no later than the seventh (7th) Specific Business Day before consummation.

Provident does not accept loans where the seven (7) Specific Business Day waiting period has been waived.

Neither a lender nor broker may impose a fee on the consumer (other than a fee for a credit report) until the LE has been received by the consumer and the consumer has indicated an intent to proceed. Provident Bank Mortgage requires satisfactory evidence of the consumer's intent to proceed.

b. *Accuracy of Fees Disclosed on Loan Estimate*

Fees disclosed on the LE should be made in good faith and consistent with the best information available at the time they were disclosed.

There are specific circumstances where the amount charged to the consumer may exceed the amount disclosed on the LE. The following tolerance thresholds apply.

Fees subject to zero percent (0%) tolerance:

- Fees paid to the creditor, mortgage broker or an affiliate of either
- Fees paid to an unaffiliated party if the creditor did not permit the consumer to shop for a third party settlement service provider (e.g. appraisals)
- Transfer taxes

Fees subject to the ten percent (10%) cumulative tolerance:

- Recording Fees
- When the consumer is permitted to shop for the a for the third party service and the consumer selects a service provider included in the Written List of Service Providers

Fees not subject to a tolerance:

- When a consumer is permitted to shop for the third party service and the consumer selects a service provider that is not a service provider included on the Written List of Service Providers
- Prepaid interest, property insurance premiums, amounts placed in an escrow impound account
- Charges paid to a third party service providers not required by the creditor
- While not subject to a tolerance threshold, these fees must still be made in good faith and be consistent with the best information available at the time of disclosure.

d. *Written List of Service Providers*

Provident Bank Mortgage requires that the Written List of Service Providers be included with LE, along with evidence that it was also delivered within three (3) General Business Days of a complete application. The list must

- Identify at least one (1) available provider for each service.
- State that the consumer may choose a different provider for that service.

Provident Bank Mortgage does not require inclusion of services that the consumer cannot Shop for. If a Written List of Service Providers is not provided to the consumer, all applicable fees will be held to the 10% tolerance threshold.

e. *Estimated Charges for a Service Not Performed*

When calculating a tolerance threshold, Provident Bank Mortgage requires that only those Services actually charged be included in the calculation. If a service is not provided, the Estimated charge should be excluded from the threshold calculation.

f. *Revised Loan Estimates*

A revised LE can be provided under the following circumstances:

- Change of Circumstances
- Revisions to the credit terms or the settlement requested by the consumer
- The interest rate was not locked when the LE was provided, and is subsequently locked

- The consumer indicates an intent to proceed more than ten (10) General Business Days after the LE was originally delivered or placed in the mail.

Refer to §1026.19(e)(3)(iv)(A) for a list of events that constitute a Change of Circumstance.

- If a change of circumstances does not result in a fee increase greater than the applicable threshold, a revised LE is not required. (Scenario 1)
- If a change of circumstances results in a fee increases that exceed threshold, a revised LE is required.
- If a credit elected not to provide a revised LE as in Scenario 1, and a subsequent change of circumstances occurs that increases the aggregate fees above the threshold, the creditor may include the previously undisclosed fee increase in the revised LE.

The revised LE must be delivered within three (3) General Business Days from the date the change circumstances event caused the aggregate fees to exceed either the 10% or 0% tolerance threshold. **However, increased charges that do not exceed the tolerance threshold-and therefore do not necessarily require a revised LE- may still be included in the revised LE even if the date of the changed circumstances occurs more than three (3) General Business Days prior to the issuance of the revised LE.**

If the consumer indicates an intent to proceed more than ten (10) General Business Days after the initial LE was delivered or placed in the mail, a revised LE may be provided with no justification required for changes to the fee amounts on the original LE. Note: In counting the ten (10) General Business Days periods, Provident Bank Mortgage assumes that a creditor's office is closed for business on Saturdays unless satisfactory evidence is provided which indicates that the creditor is open for business on Saturdays.

The creditor has evidence that the consumer receives the revised LE earlier than three (3) Specific Business Days before consummation.

If a creditor has evidence that the consumer receives the revised LE earlier than three (3) Specific Business Days after it is mailed or delivered, it may rely on that evidence and consider the revised LE to be received on that date. Provident Bank Mortgage requires satisfactory evidence of early receipt.

g. Lender Credits on LE

Lender credits appear on page 1 of the LE in the Cost at Closing Section (see 1026.37(d)(1)) and on page 2 under Total Closing Costs in Section J (see 1026.37(g)(6)).

A credit for the interest rate selected is included as a Lender Credit. With the exception of Credit for the interest rate selected, lender credits cannot be lowered once disclosed. Lender Credits for the interest rate selected can increase or decrease as the result of a rate lock or valid change of circumstances. This is consistent with current RESPA guidelines.

In order to distinguish between interest rate related lender credits and other lender credits, Provident Bank Mortgage will require itemizations of these lender credits.

h. Servicing Disclosure Statement

The Servicing Disclosure Statement previously required under RESPA §1024.33(a) is addressed in the LE in the "Other Considerations" section. Under TRID it is not a required stand-alone disclosure.

i. Loan Estimate Content

Provident Bank Mortgage will review the contents of the LE to confirm completeness, accuracy and format. Refer to §1026.37 specific content requirements.

4. Closing Disclosure (CD)

a. Receipt and Waiting Period

The CD must be received by the consumer at least three (3) Specific Business Days prior to consummation. Provident Bank Mortgage requires satisfactory evidence that this requirement is met.

b. Receipt and Waiting Period for a Revised Closing Disclosure

In certain circumstances a corrected CD is subject to the three (3) Specific Business Day waiting period:

- The APR increase by more than .125%. (A decrease in APR will not require a new three (3) day waiting period)
- A prepayment penalty is added
- The loan product changes such as a switch from a fixed rate to an adjustable rate. (Provident Bank Mortgage does not consider a change in a fixed rate loan term or the fixed period of a hybrid arm, to be a loan product change).

Note: Until further clarification is provided by the CFPB, Provident Bank Mortgage considers ARMS products to be regular transactions and subject to the .125% tolerance. Please refer to commentary on §1026.22(a)(3)

Provident Bank Mortgage will not accept loans where the three (3) Specific Business Day waiting period has been waived or not satisfied.

c. Rescindable Transactions

All consumers that have a vested interest in the secured property must receive the CD no later than the third (3) Specific Business Day prior to consummation. In the community property states, a non-borrowing spouse must also receive the CD no later than the third (3^{rd}) Specific Business Day prior to consummation even if they do not have a vested interest in the secured property.

d. Revised Closing Disclosures Not Subject to a New Waiting Period

Changes to loan terms and/or charges that do not cause the disclosed APR to become inaccurate or are not related to the addition of a prepayment penalty or a product change, must still be re-disclosed to the consumer and seller, however, a three (3) Specific Business Day waiting period is not required. Provident Bank Mortgage requires satisfactory evidence that a revised CD, not subject to a new waiting period, was received at or before consummation.

e. CD Signature and Date Lines

Provident Bank Mortgage will not require that the consumer sign and date the final CD at consummation. However, it is best practice from Provident Bank Mortgage perspective to have the final CD signed by the borrowers at consummation acknowledging the final terms. If a post –consummation CD is disclosed to the consumer, as a result of a change in terms, or increase in finance charges or APR, Provident Bank Mortgage will not require the consumer to sign the CD acknowledging receipt.

f. Changed Circumstances Occurring after Delivery of CD and Prior to Consummation

If there are less than four (4) business days between consummation and the time as a the revised LE would be required to be provided to the consumer, creditors may provide consumers with a CD reflecting any revised charges resulting from the changed circumstance, and rely on those figures (rather than the amounts disclosed on the LE) for the purposes of determining good faith and any applicable tolerance violations.

Provident Bank Mortgage test for accuracy of pre-consummation tolerance cures and tolerance violations in general. Provident Bank Mortgage requires that all LE's issued prior to the CD and all CD's be delivered (See Post-Consummation Tolerance Cure below).

g. Home Seller's Closing Disclosure

The settlement agent is required to provide the CD to a seller in a purchase transaction. The settlement agent can provide the seller with a copy of the CD provided to the buyer if it also contains information applicable to the seller's transaction. If prepared separately for the seller, Provident Bank Mortgage will require a copy of the CD.

The seller must receive the CD and any revised CD's (either combined or separate) prior to consummation. Provident Bank Mortgage requires satisfactory evidence that the seller received the CD at or before consummation. The three (3) day waiting period requirement does not apply.

h. Lender-Credit on CD

On the CD lender credit and charges paid by the lender are handled in the following manner:

- If the lender credit is general credit given to the consumer, than it will be disclosed on page 1 in the Costs at Closing section (this is the same as above for the LE). Provident Bank Mortgage ensures that the credit did not decrease from the final LE to the CD as this would result in 0% tolerance violation.
- If the lender pays a specific fee on behalf of the borrower, the charge will appear on page 2 in the Closing Cost Details section in the Paid by Others column.
- A credit for the interest rate selected should be included on page 1 under the Lender Credits in the Costs at Closing section and should also be included on page 2 in Section J Total Closing Costs.

i. Seller and/or Third party Credits

If the consumer receives credit(s) from either the seller or third party that is not itemized in the Closing Cost Details section of the CD, Provident Bank Mortgage requires an itemization to provide evidence of how the credits were applied.

Provident Bank Mortgage will require an itemization for all Lender Credits to provide evidence of how the credits were applied.

j. Title and Endorsement Fees

Title charges must be itemized and each line item description should be prefaced with "Title". As with all charges listed on the CD these charges should be listed in alphabetical order.

Provident Bank Mortgage does not require endorsement fees be individually itemized as long as the aggregate fee is being paid by one party in the transaction. If the endorsement fees are being paid by multiple parties then all component fees must be listed in the appropriate column to illustrate which party is paying all or a portion of the endorsement fee.

k. APR Accuracy

Provident Bank will continue to test for APR and Finance Charge accuracy. If accuracy issues are identified, Provident Bank Mortgage will require itemization of fees included in the APR and Finance Charge.

l. Corrected Post-Consummation CD

A corrected CD must be provided if an even in connection with the settlement occurs during thirty (30) calendar day period after consummation that causes the CD to become inaccurate and results in a charge to an amount paid by the consumer from what was previously disclosed. In such an event the creditor must deliver or place in the mail a corrected CD not later than thirty (30) calendar days after receiving information sufficient to establish that such an event has occurred.

The same policy applies to events affecting an amount paid by the seller. The settlement agent would be required to provide the corrected CD.

Event Impacting Changes Post-Consummation	Corrected CD Delivered Post-Consummation
Must be identified within thirty (30) Calendar days of consummation	Corrected CD must be delivered within thirty (30) calendar days after event identified.

m. Post-Consummation Tolerance Cure

Provident Bank Mortgage will review all LE's and CD's delivered to the consumer to validate that all increases in charges were the result of a valid change circumstances and met the appropriate tolerance threshold.

Provident Bank Mortgage will not purchase any loan where a required tolerance cure or clerical correction was not delivered to the consumer within sixty (60) calendar days of consummation.

n. Closing Disclosure Content

Provident Bank Mortgage will review contents of the CD to confirm completeness, accuracy, and format. Refer to §1026.38 for specific content requirements.

D. DODD-FRANK RELATED RESPA REQUIREMENTS

The Homeownership Counseling List disclosure per §1024.20 (revised as of 1/10/2014) must be provided to applicants within three (3) business days of receiving a loan application. Provident Bank Mortgage will require evidence that this disclosure was provided within the time frame required.

Effective on loan applications taken on or after 1/10/2014:

- The disclosure must provide a clear and conspicuous written list of homeownership counseling organizations that provide relevant services in the loan applicant's location (zip code).
- The list provided to each loan applicant must be obtained no earlier than thirty (30) days prior to the date the list is provided.
- The list must be obtained from either: the website maintained by the CFPB for lenders to use in complying with the requirement or data made available by the CFPB, or HUD for lenders to use in complying with the requirement.
- Lenders that are currently programming their systems to generate the required list may, on a temporary basis, satisfy the requirement by providing the applicant a link to the Bureau's Homeownership Counseling page. For specifics on this temporary disclosure option please refer to CFPB Bulletin 2013-13 issued 11/8/2013.
  NOTE: Provident Bank Mortgage will no longer accept the temporary disclosure option for applications taken on or after July 10, 2014.

5. Borrower Eligibility

A. Eligible Borrowers

The following are eligible borrowers

- U.S. Citizens
- Inter-Vivos Revocable Trusts
  - The inter vivos revocable trust must be established by one or more natural persons, solely or jointly.
  - The primary beneficiary of the trust must be the individual(s) establishing the trust.
  - If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage
  - The trustee(s) must include:
    - The individual establishing the trust (or at least one of the individuals, if there are two or more)
    - PBM does not allow an institutional trustee
  - The trustee must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are borrower(s) under the mortgage or deed of trust note.

  - The mortgage must be underwritten as if the individual establishing the trust (or at least one of the individuals, if there are two or more) were the borrower (or a co-borrower, if there are additional individuals whose income or assets will be used to qualify for the mortgage).
  - Eligibility Requirements
    - At least one individual establishing the trust must be a borrower on the loan.
    - Occupancy must be as a primary residence
    - The title insurance policy must ensure full title protection and must indicate that title to the subject property is vested in the name of the trustee(s). The policy may not list any exceptions arising from the trust ownership of the property.
    - Full title to the property must be vested either:
      1. Solely in the trustees, **or**
      2. Jointly in the trustees and in the name of an individual borrower.
  - Trust Agreement Requirements
    - The trust is established by a written document during the lifetime of the individual establishing the trust, to be effective during his/her lifetime.
    - The individual establishing the trust has reserved the right to revoke or alter the trust during his/her lifetime.
    - The trustee has the power to mortgage the subject property for the purpose of securing a loan at the instruction of the beneficiary(s).
    - The primary beneficiary of the trust is the individual establishing the trust. If more than one individual establishes the trust jointly, there may be more than one primary beneficiary.
    - The beneficiary(s) must have the sole power of direction over the trust and trustee.

- Permanent Resident Aliens/Non-Permanent Resident Aliens are eligible if they meet the following requirements:
  - Can provide acceptable documentation to verify that a non-U.S. citizen borrower is legally present in this U.S.
  - Must be employed in the United States for the past 24 months.
  - Demonstrate that income and employment for at least 12 months and is likely to continue for at least three (3) years.
- First time homebuyers: A first-time buyer is defined as anyone who has not owned a home for three (3) years. For loans with more than one (1) borrower where at least one borrower has owned a home in the past three (3) years, first-time homebuyer requirements do not apply. (see loan amount limits and reserve requirements)
- All borrowers must have a social security number

B. Ineligible Borrower

The following are ineligible borrowers

- Non-Permanent Resident Aliens
- Irrevocable Trusts
- Land Trusts
- Limited partnerships, general partners, corporations, and limited liability companies*
- Borrowers with only an ITIN (individual taxpayer identification number)

*LLC's may be considered by exception only:

- Require personal guarantees by all parties owning ≥25%.
- Max LTV 50%.
- Personal guarantors sign the note only.
- Verify names of LLC's principals listed on the Articles of Organization through the California Secretary of State's website and place copy of print out in file: https://businesssearch.sos.ca.gov/

C. Non-Occupant Borrowers

Non-occupant borrowers are credit applicants on a principal residence transaction who

- Do not occupy the subject property
- May or may not have an ownership interest in the subject property as indicated on the title;
- Sign the mortgage or deed of trust note;
- Have joint liability for the note with the borrower(s); and
- Do not have an interest in the property sales transaction, such as the property seller, the builder, or the real estate broker.

Down Payment and Qualifying Ratio Requirements

- If the income of a non-occupant borrower is used for qualifying purposes, the occupying borrower(s) must make the first 5% of the down payment from their own funds unless:
  - The LTV or CLTV ratio is less than or equal to 80%; or
  - The occupying borrower is purchasing a one-unit principal residence and meets the requirements to use gifts, donated grant funds, or funds received from an employer to pay for some or all of the borrower's minimum contribution.
  - Using only the income of the occupying borrower(s) to calculate the DTI ratio, the maximum allowable DTI ratio is 43%

LTV Ratio Requirement

- If the income of a co-borrower is used for qualifying purposes, and that co-borrower will not occupy the subject property, the maximum LTV, CLTV, and HCLTV ratio may not exceed 90%.

D. Occupancy Types

Eligible occupancy types include:

- Primary residences for 1-2 units properties

Ineligible occupancy types include:

- Primary residences for 3-4 unit properties
- Second home residences
- Investment properties

E. Multiple Properties Financed/Owned

The borrower(s) may own a total of four (4) financed, 1-4 unit residential properties, including the subject property and regardless of occupancy. **All financed properties, other than the subject property, require an additional six (6) months reserves for each property. See Section 8 for subject property reserve requirements. NOTE**: 1-4 unit financed properties held in the name of an LLC or other corporation can be excluded from the calculation of number of properties financed only in cases where the borrower is not personally obligated for the mortgage.

F. Ownership Interests

Title must be in the Borrower's name at time of application for refinance transactions and at time of closing for all transactions. Borrower(s) may hold title as follows:

- Fee Simple with Title Vesting as
  - Individual: Individual vesting is an individual Borrower taking sole ownership to a property.
  - Joint Tenants: Joint tenancy is a form of co-ownership giving each tenant equal interest and equal rights in a property, including the right of survivorship.

- Leasehold Estates: In areas where leasehold estates are commonly accepted, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and the improvements must constitute real property, must be subject to the mortgage lien, and must be insured by the PBM's title policy.

6. Transactions

A. Eligible Transaction Types

- Purchases

- Rate & Term Refinance with the following limits:
  - The new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepays.
    - A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for 12 months. A seasoned equity line is defined as not having any draws greater than $2,000 in the past 12 months.
      - Withdrawal activity must be documented with a transaction history for the Line of Credit.
  - Cash to the borrower is limited to 2% or $2000 of the principal amount of the new mortgage.
  - Properties that have been listed for sale within the past 6 months of loan application are not eligible for a rate/term refinance transaction.
  - Inherited properties may not be refinanced prior to 12 months ownership.
  - Construction-to-permanent refinances are eligible with the following conditions:
    - If the lot was acquired 12 or more months before applying for the construction financing, the LTV/CLTV/HCLTV is based on the current appraised value of the property.
    - If the lot was acquired less than 12 months before applying for the construction financing, the LTV/CLTV/HCLTV is based on the lesser of
      I. the current appraised value of the property **and**
      II. the total acquisition costs (sum of construction costs and the lower of the sales price or current appraised value of the lot).

        - A certificate of occupancy from the applicable government authority is provided. If the applicable government authority does not require a certificate of occupancy, then proof of the absence of this requirement must be provided.
        - The cash-out amount is limited to the amount as specified on the Product Matrix plus any documented costs paid for from the borrower's own funds.
        - The borrower must hold legal title to the lot and be named as borrower for the construction loan.

- Cash Out Refinance with the following limits:
    - Borrower must have <u>owned property for at least six months prior to the application date</u> unless requirements for Delayed Purchase Refinance are met.
    - Properties that have been listed for sale within the past 12 months of loan application are not eligible for cash out refinance transaction.
    - Inherited properties may not be refinanced prior to 12 months ownership. (case by case exceptions will be made).
    - For cash out refinance transactions where the borrower is paying off a loan from a pledged asset or retirement account loan, the following guidelines apply:
        - Cash out limitation is waived if previous transaction is a purchase
        - Seasoning requirement for cash out is waived (borrower does not have to have owned property for at least 6 months prior to subject transaction).
        - HUD-1 Settlement Statement must reflect payoff or pay down of pledged asset loans or retirement account loan; if cash out proceeds exceed payoff of loans, excess cash must meet cash out limits.

- Construction-to-Permanent Financing

    The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence. The borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction.
    - Rate & Term and Cash Out Refinance Transactions:
        - For lots owned ≥ 12 months from application date for subject transaction, LTV, CLTV, HCLTV is based on the current appraised value.
        - For lots owned ≤ 12 months from application date for subject transaction, LTV, CLTV, HCLTV is based on the lesser of the current appraised value of the property of the total acquisition costs (sum of construction costs and purchase price of lot)
    - Construction-to-permanent cash-out refinances are eligible with the following conditions:
        - If the lot was acquired 12 or more months before applying for the construction financing, the LTV/CLTV is based on the current appraised value of the property.
        - If the lot was acquired less than 12 months before applying for the construction financing, the LTV/CLTV is based on the lesser of i) the current appraised value of the property and ii) the total acquisition costs (sum of construction costs and the lower of the sales price or current appraised value of the lot).
        - A certificate of occupancy from the applicable government authority is provided. If the applicable government authority does not require a certificate of occupancy, then proof of the absence of this requirement must be provided.

    - The cash-out amount is limited to the amount as specified on the Product Matrix plus any documented costs paid for from the borrower's own funds.
    - The borrower must hold legal title to the lot and be named as the Borrower for the construction loan.

- Delayed Purchase Refinance
  Defined as the refinance of a property purchased by the borrower for cash within twelve (12) months of the current loan's application date, a delayed purchase refinance requires the following:
  - Underwritten as a rate & term refinance.
  - Owner occupancy for a primary residence
  - HUD-1 from the original purchase. Documentation must show the down payment and closing costs for the purchase were from the borrower's own funds (no borrowed, gift or shared funds).
  - Funds secured by a pledged asset or retirement account are not considered borrower's own funds for the Delayed Purchase Refinance programs; see cash out section for additional guidance.

B. LTV/CLTV Calculations

- Purchases
  The LTV/CLTV for a purchase transaction is calculated based on the lesser of the purchase price or appraised value of the subject property.

- Refinances: Rate & Term and Cash Out
  - If the borrower has less than twelve (12) months ownership in the property, the LTV/CLTV for a refinance transaction is calculated on the lesser of the purchase price or appraised value.
    - For homes where capital improvements have been made to the property after purchase, LTV/CLTV/HCLTV can be based on the lesser of the current appraised value or original purchase price plus the documented improvements.
    - Receipts are required to document cost of improvements.
  - If the borrower has owned the property for twelve (12) months, the LTV/CLTV is based on the appraised value.
  - Released subordinate liens must be paid off and closed to exclude from CLTV calculation.
  - See Section 6.A. for LTV/CLTV calculations related to construction-to-permanent refinances.

- Delayed Purchase Refinance
  The LTV/CLTV is calculated based on the lesser of the purchase price or appraised value of the subject property.

C. Non-Arm's Length Transactions

Non-Arm's length transactions are not eligible

A non-arm's length transaction is any transaction where there is a relationship or business affiliation between the borrower(s) and/or any parties in the transaction. If a direct relationship exists between any of the parties to a transaction, including the borrower/buyer, seller (if applicable), employer, lender, broker or appraiser, then the transaction will be considered non-arm's length.

Examples of non-arm's length transactions include, but are not limited to:

- Borrower(s) purchasing a property from a builder who, in turn, is purchasing the borrower's existing property
- Property trades between buyer and seller
- Employer to employee sales or transfers
- Borrowers or co-borrowers employed in the real estate or construction trades who are involved in the construction, financing or sale (i.e. listing agent) of the subject property

Non-Arm's Length transactions are not eligible with the exception of the following:

- Family sales or transfers
- Property Sellers are representing themselves as agent in real estate transaction.
- Buyers/Borrowers are representing themselves as agent in real estate transaction.
- The borrower is the employee of the originating lender and the lender has an established employee loan program
- Renter buying from landlord
  - 24 months cancelled checks required to verify satisfactory pay history

7. Financing

A. Secondary or Subordinate Financing

- Institutional financing ONLY up to the maximum LTV/CLTV.
- Subordinate liens must be recorded and clearly subordinate to the first mortgage lien.
- Full disclosure must be made on the existence of subordinate financing and the subordinate financing repayment terms.
- Acceptable Subordinate Financing Types
  - Mortgages with regular payments that cover at least the interest due so that negative amortization does not occur.
  - Mortgage terms that require interest at a market rate.
  - Seller subordinate financing not allowed. (Corporate exceptions may be considered).

B. Interested Party Contributions

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.
Interested party contributions may only be used for closing costs and prepaid expenses, and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements.

Interested party contributions are limited according to the CLTV:

CLTV	Limit
75.01% - 90%	6%
≤ 75%	9%

C. Seller Concessions

All seller concessions must be addressed in the sales contract, appraisal and HUD-1. A seller concession is defined as any interested party contribution beyond the stated limits, in the above section, or any amounts not being used for closing costs or prepaid expenses (i.e. funds for repairs not completed prior to closing is a seller concession). If a seller concession is present, both the appraised value and sales price must be reduced by the concession amount for purposes of calculating the LTV/CLTV.

D. Personal Property

Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV.

E. Escrows

Impound Accounts:
Escrows may be established for funds collected that are required to be paid under the Security Instrument. These funds include, but are not limited to, taxes, insurance (hazard, flood, and mortgage) premiums, special assessments, ground rents, water, sewer, and other governmental impositions.

Escrow holdbacks are not allowed unless the holdback has been dispersed and a certification of completion has been issued prior to funding by Provident Bank Mortgage.

8. Assets

A. Reserve Requirements

Occupancy	Loan Amount	Required Reserves
Primary Residence Purchase, R/T or C/O	≤ $650,000	3 months PITI
	$650,000- $1,000,000	6 months PITI
	$1,000,001 - $1,500,000	12 months PITI

- Beyond the minimum reserve requirements and in an effort to fully document the borrowers' ability to meet their obligations, borrowers should disclose and verify all other liquid assets.
- 60% of the vested value of retirement accounts may be considered toward the required reserves.
- First time homebuyers (borrowers who have not owned a property in the last 3 years) require reserves of 12 months PITI and are limited to a maximum loan amount of $850,000.

- **All financed properties, other than the subject property, requires an additional six (6) months reserves for each property.**

B. Documentation Requirements

Checking and Savings Account

- The two most recent, consecutive months statements for each account are required
- Large deposits inconsistent with monthly income or other deposits must be verified

Marketable Securities

- Two most recent, consecutive months stock/securities account statements are required.
- Full value of stock accounts can be considered in the calculation of assets available for closing and reserves.
- Non-vested or restricted stock accounts are not eligible for use as down payment or reserves

Retirement Accounts

- Most recent retirement account statement covering a minimum two month period
- Evidence of liquidation is required when funds are used for down payment or closing costs.
- 60% of vested value of retirement accounts, after reduction of any outstanding loans, may be considered toward the required reserves.
- Retirement accounts that do not allow any type of withdrawal are ineligible for use as reserves.

Business Funds

- Business funds may be used for down payment and/or closing costs, not for purposes of calculating reserves.
- CPA letter to confirm withdrawal will have no impact on business and Cash flow analysis required using 3 months business bank statements to determine no negative impact to business based on withdrawal of funds.
  - Borrower must have access to funds
  - The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%)

C. Gift Funds

The following applies to Gift Funds

- For purchase transactions of 1-Unit properties with loan amount ≤ $424,100 100% gift funds may be used (Reserves requirements must still be met)
- For purchase transactions with loan amounts >$424,100, gift funds may be used once the borrower contributes at least 5% from their own funds. (Reserves requirements must still be met)
- Gift funds may not be used to meet reserve requirements.
- Donor must be an immediate family member, future spouse, or domestic partner living with borrower.
- An executed gift letter with the gift amount, donor’s name, address, and telephone number and relationship is required.
- Proof of donor’s ability to give and transfer of funds or evidence of receipt must be documented.

- See Fannie Mae Guidelines Section B3-4.3-04 for details on Documentation Requirements and Verifying Donor Availability and Transfer of Gift Funds.

9. Credit

Unless otherwise addressed below, Fannie Mae underwriting guidelines should be followed for evaluating a borrower's credit history.

Credit Standards	
Age of Credit Report	45 days old at time of close. Follow PBM guidelines for when a soft pull is necessary and/or a full credit report.
Representative FICO Score	An individual borrower's representative credit score is determined by the following: • If 2 credit bureau scores are reported, the representative credit score will be the lower of the 2. • If 3 credit bureau scores are reported, the representative credit score will be the middle of the 3. When there is more than 1 borrower, the lowest of all borrowers' representative credit scores will be used.

Tradelines	• Minimum 3 open trade lines: (1)
	    o One must be open and active for 24 months
	    o At least one of the required 3 trade lines must be an installment or mortgage account.
	    o Remaining trade lines must be rated for 12 months.
	• Two open trade lines are acceptable for purchase transactions where the borrower(s) have a 24 month history in the past five years. (1)
	
	(1**) An exception to the minimum trade line requirement is not required if the borrower's credit history meets the following:**
	    • No less than 10 trade lines are reporting and one must be a mortgage
	    • At least one trade line is open and reporting for a minimum 12 months
	    • Credit history established for at least 10 years
	NOTE: Borrowers not contributing income for qualifying purposes are not subject to the minimum trade line requirement.

Revolving	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.

Credit Standards	
	• Such accounts do not need to be closed as condition of excluding the payment from the DTI ratio.
Installment	At least one of the required 3 trade lines must be an installment or mortgage account.
Mortgage/Rent	0x30 late payments in the past 24 months **(NO Exceptions)** • Rent – 0 x 30 in the past 24 months evidenced by a Verification of Rents (VOR) **OR** • Credit Supplement **and** cancelled checks are required if there is a relationship between borrower and landlord. • 24 month history **MUST** be verified (i.e. if you have a 12 mo. mortgage rating a VOR **or** 12 mos cancelled checks **and** credit supplement to cover the 24 mo. history). • Applies to all borrowers on the loan **NOTE: VOR to be supplied by a Management Company. If the VOR is from a private party, borrower will need to furnish bank statements or cancelled checks to cover the 24 month period.** ○ If the borrower is living rent free with family provide a detailed Letter of explanation (LOE) signed/dated by the borrower.
Authorized User Accounts	Will not be considered as acceptable trade lines
Non-Traditional Credit	Will not be considered as acceptable trade lines
Bankruptcy 7 Bankruptcy 11 Bankruptcy 13 Foreclosure	None Allowed
Loan Modification	None allowed, unless the modification is lender initiated and documented proof that it was not a distressed situation is provided and no funds were forgiven.
Short Sale Deed-in-Lieu	None Allowed

A. Debt to Income

The Debt-to-Income (DTI) ratio is based on the total of existing monthly liabilities plus any planned future liabilities based on credit inquiries or otherwise disclosed by the borrower, and then divided by the calculated gross monthly income. Refer to the Product Matrices for the maximum allowable DTI. Liabilities include all housing expenses, revolving debt, installment debts, real estate loans, rent, alimony, child support, and other consistent and recurring expenses.

For other properties owned, documentation to confirm the P&I, taxes, insurance, HOA dues, lease payments or other property-related expenses must be provided.

B. Credit Inquiries

PBM must review the section of the borrower's credit report that indicates the presence of creditor inquiries to determine the number and age of the inquiries.

When the credit report indicates that recent inquiries took place within **120 days of the credit report date**, PBM must confirm that the borrower has not obtained any additional credit that is not reflected in the credit report or the mortgage application. In these instances the borrower must explain the reason for the credit inquiry. If additional credit was obtained, a verification of that debt must be provided and the borrower must be qualified with the monthly payment.

Confirmation of no new debt may be in the form, but is not inclusive of a new credit report, pre-close credit or gap credit report.

C. Applying the Re-underwriting Criteria

The following steps are required if the borrower discloses or PBM discovers additional debt(s) or reduced income after the underwriting decision was made up to and concurrent with loan closing:

Step	Description
1	PBM must document the additional debt(s) and reduced income and apply those changes to the loan to confirm loan eligibility.
2	If there is a new subordinate debt on the subject property, the mortgage loan must be re-underwritten
3	The final loan application signed by the borrower must include all income and debts verified, disclosed, or identified during the mortgage process

10. Employment and Income

A. Stability of Employment and Income

Stable monthly income is the Borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the Borrowers, the Underwrite must determine that both the source and the amount of the income are stable. A two-year history of receiving income is required in order for the income to be considered stable and used for qualifying. When the Borrower has less than a two-year history of receiving income, the Underwriter must provide a written analysis to justify the determination that the income that is used to qualify the Borrower is stable. While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income.

The following is required to establish stability of employment and income for the borrower(s) whose income is used to qualify:

- A minimum of two (2) years employment and income history
- Gaps in employment in excess of 30 days during the past two (2) years require a satisfactory letter of explanation and the borrower must be employed with their current employer for a minimum of six (6) months to qualify.

- For a Borrowers who has less than a two-year employment and income history the Borrower's income may be qualifying income if the Mortgage file contains documentation to support that the Borrower was either attending school or in a training program immediately prior to their current employment history; School transcripts must be provided to document.
- For borrowers of retirement age using asset distributions for income, see Section 10.C under Fixed Income for further requirements.
- Income may not be used for qualification purposes if it comes from any source that cannot be verified, is not stable, or will not continue.

B. Documentation Standards

1. IRS Form 4506-T / Tax Transcripts

- A completed, signed, and dated IRS form 4506-T must be completed for all borrowers whose income is used to qualify for the mortgage.
- The 4506-T must be processed and tax transcripts obtained (for each year requested) to validate against all income used for qualifying.
- Tax transcripts must match documentation in the file.
- In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS Response to the request must reflect "No Record Found". In these cases, an additional prior year's tax transcript should be obtained and provided. Large increases in income that cannot be validated through a tax transcript may only be considered for qualifying on a case-by-case basis.
- In cases where the borrower is **self-employed** an IRS 4506T must be completely filled out, signed and **Processed** for **each business tax return** used in the loan decision and/or included in the loan file.

2. Pay Stubs

The pay stub must meet the following requirements:

- Clearly identify the borrower as the employee.
- Show the borrower's current pay period and year-to-date earnings.
- If the borrower is paid hourly, the number of hours must be shown on the pay stub.
- Pay stubs must be computer generated.
- Pay stubs issued electronically via email or downloaded from the Internet must show the URL address, date and time printed, and identifying information on place of origin and/or author of the documentation.

3. W-2 Forms

- W-2 Forms must be complete and be a copy provided by the employer.

4. Verification of Employment (VOE), Verbal VOE (VVOE) or Self-Employed Confirmation

A written Verification of Employment (VOE) may be required for a borrower's income sourced from commissions, bonus, overtime, or other income when the income detail is not clearly documented on W-2 Forms or paystubs.

A verbal verification of employment confirming the borrower's employment status is required for all borrowers whose income is used for qualification purposes. The VVOE must be completed within 10 business days before the Note date (or funding date for escrow states) for wage income. Verification of self-employed businesses by a third-party source is required within 30 calendar days from the Note or funding date. The VVOE or verification of self-employed businesses may be completed after the Note date. **However, the post-close verification is not allowed if the borrower is no longer employed in the position shown on the loan application.**

The following standards apply:

- Written VOE must include:
  - Borrower's date of employment
  - Borrower's employment status and job title
  - Name, phone number and title of person completing the VOE
  - Name of employer
  - Base pay amount and frequency
  - Additional salary information, which itemizes bonus, commission, overtime, or other variable income, if applicable
  - VOE must be mailed directly to the employer, attention of the personnel department. The VOE must be returned to the lender's address.

- VVOE must contain the following information
  - Date of contact
  - Borrower's date of employment
  - Borrower's employment status and job title
  - Name, phone number, and title of contact person at employer
  - Name of employer
  - Name and title of person contacting the employer
  - Method and source used to obtain the phone number
- Self-Employed Confirmation must include
  - Verification of the existence of the borrower's business from a third party, such as a CPA, regulatory agency, or applicable licensing bureau. A borrower's website is not acceptable as a third party verification.
  - Listing and address of the borrower's business using a telephone book, internet, or directory assistance.
  - Name and title of the person completing the verification

5. Tax Returns

The following standards apply when using Income Tax Returns to verify income:

- Personal Income Tax Returns
  - Must be complete with all schedules (W-2 forms, 1099 Forms, K-1 schedules, etc.)
  - Signed and dated
- Business Income Tax Returns
  - Must be complete with all schedules (K-1 schedules, Form 1065, etc.)
  - Signed and dated
- For Unfiled Tax Returns for the prior year's tax return
  - Between Jan 1 and the tax filing date (typically April 15), borrowers must provide:
    - IRS form 1099 and W-2 forms from the previous year

    - Loans closing in January prior to receipt of W-2s may use the prior year year-end paystub. For borrowers using 1099s, evidence of receipt of 1099 income must be provided.
  - Between the tax filing date and the extension expiration date (typically October 15), borrowers must provide (as applicable):
    - Copy of the filed extension
    - W-2 forms for corporations
    - Form 1099 for commission income
    - Current year profit & loss (signed by the borrower)
    - Year-end profit and loss for prior year (signed by the borrower)
    - Balance sheet for prior calendar year if business is a sole proprietorship
  - After the extension expiration date, loan is not eligible without prior year tax returns.

6. Income Analysis Forms

The loan file must include an Income Analysis form detailing income calculations. The Fannie Mae Form 1084, Freddie Mac Form 91 or other equivalent lender form consistently utilized by the PBM is acceptable. Income analysis for borrowers with **multiple employers, business or income sources must show income/(loss) details separately, not in aggregate.**

C. Income Documentation Requirements

Various forms of documentation are required depending on the type of income used to quality. Income amounts should be averaged for the time period covered. Unless otherwise stated, when ***declining income*** has occurred, the most recent twelve (12) months should be used; in certain cases, average income for a longer period may be used when the decline is related to a one-time capital expenditure. Documentation for the capital expenditure must be provided.

PBM PORTFOLIO CONFORMING/JUMBO PRODUCT CODES:

The following income documentation must be provided for each borrower whose income is used to qualify:

Type	Documentation Requirements
Employment Income	
Salaried	An earnings trend must be established and documented. Large increases in salary over the previous two years must be explained and documented. • W-2 forms or personal tax returns, including all schedules, for prior two years. • Year-to-date pay stub up through and including the most current pay period at the time of application and not earlier than 60 days prior to the Note date. • If borrower is claiming overtime pay, it must be shown on the YTD pay stub.
Hourly & Variable Income	An earnings trend must be established and documented. Stable to increasing income should be average over a minimum two year period. Declining income must be explained by the employer/borrower and a written determination by the underwriter must be provided if declining income is used for qualifying. W-2 forms or personal tax returns, including all schedules • W-2 forms or personal tax returns, including all schedules for prior two years. • Year-to-date pay stub up through and including the most current pay period at the time of application.
Part-Time Income	Borrower must have worked the part time job uninterrupted for the past two years and plans to continue. If part-time income shows a continual decline, written sound rationalization for using the income to qualify must be provided or income should NOT be used. • W-2 forms for prior two years. • Year-to-date pay up through and including the most current pay period at the time of application.

Type	Documentation Requirements
Commission	Commission income must be averaged over the previous two years. If the commission income shows a continual decline, written sound rationalization for using the income to qualify must be provided or the income should not be used. • W-2 forms for prior two years if commissions are less than 25% of the total income. • Tax returns, including all schedules, and W-2 form from the previous two years if commissions are ≥ 25% of the total income. • Unreimbursed business expenses (form 2106) must be subtracted from income. • Year-to-date pay stub up through and including the most current pay period at the time of application and not earlier than 60 days prior to the Note date.
Overtime & Bonus	An earnings trend for bonus and overtime must be established and documented. A period of more than two years must be used in calculating the average overtime and bonus income if the income varies significantly from year to year. If either type of income shows a continual decline, written sound rationalization for using the income to qualify must be provided or income should not be used. • W-2 forms or personal tax returns, including all schedules, for prior two years. • Year-to-date pay stub up through and including the most current pay period at the time of application and not earlier than 60 days prior to the Note date.
Self-Employed Income Self-employed borrowers are defined as those individuals who have 25% or greater ownership interest or receive a 1099 statement to document income. • Borrowers who are employed by a family member are considered to be self-employed, regardless of the percentage of ownership, and self-employed documentation is required. • Potential ownership by the borrower must be addressed. • A fully completed, signed and Processed IRS 4506T for each **business tax return** used in the loan decision and/or included in the loan file is required.	
Sole Proprietorship	• Current quarter P & L. • Balance Sheet • Personal tax returns, including all schedules, for prior two years. • See Section 10.B.5 for additional requirements for unfiled prior year returns

Type	Documentation Requirements
Partnerships (General, Limited) **Limited Liability Companies** **"S" Corporations** **Corporations**	• Current quarter P & L. • Balance Sheet • Personal tax returns, including all schedules, for prior two years. • K-1s from prior two years, showing ownership percentage. K-1s are not required if the source is reporting positive income and the income is not used for qualification. If K-1s show a loss, they are required, regardless if they are used for qualifying purposes. If using capital gains, interest/dividend or W2 income from this source is used, K-1s are required. • Business tax returns (1065/1120), including all schedules, for the prior two years are required if the borrower has an ownership percentage ≥ 25%; they are not required if reporting positive income via a K-1, and the income is not used for qualification purposes. • See Section for unfiled prior year returns for additional requirements.
Rental Income	
All properties	• Personal tax returns, including all schedules for prior two years • See section for unfiled prior year returns for additional requirement. • For properties listed on Schedule E of the borrower's tax returns, net rental income should be calculated as the total of (income + depreciation + interest + taxes + insurance) divided by the applicable months minus the current PITI. ○ If the subject property is the borrower's primary residence and generating rental income, the full PITI must be included in the borrower's total monthly obligations. • If rental income is not available on the borrower's tax returns, a current executed lease agreement is required. Net rental income should be calculated as the gross monthly rent multiplied by 75%. • Net rental income must be added to the borrower's total monthly income. Net rental losses must be added to the borrower's total monthly obligations.

Type	Documentation Requirements
Fixed income	

Retirement Income (pension, annuity, and IRA distributions)
Asset Depletion/ Dissipation
	• Fixed income payments such as social security or pension income can be used at full value/distribution and may not be considered in any annuitization calculation.
	• Existing distribution of assets from an IRA, 401K or similar retirement asset account must be sufficient to sustain income continuance for a minimum of three (3) years
	  ○ Verification of assets of the plan and verification of receipt of the distribution of at least six (6) months is required.
	  ○ NOTE: Distributions from asset accounts cannot be set up, or changed solely for loan qualification purposes
	• Asset distribution of all post-closing liquid and retirement assets are acceptable for borrowers of retirement age or with retirement-like situations, i.e. sale of company, etc.
	• Annuitization (depletion of assets) is calculated using a 3% return over the life of the loan (360 months.) Use of this income calculation supersedes use of existing retirement distributions (exclusive of pension distributions) if those assets are considered in the calculation.
	• Ineligible Funds: The first $100,000 of reserves must be excluded from this calculation

Social Security Income	• Benefits (for children or surviving spouse) with a defined expiration date must have a remaining term of at least three years. • Acceptable documentation may include a copy of the Social Security Administration’s award letter, copies of the borrower’s previous 12 months bank statements to confirm regular payment deposits, or signed personal tax returns from the prior two years. • Non-taxable social security income may be grossed up by 125%.

Type	Documentation Requirements
Alimony & Child Support Separate Maintenance Income	• Will be considered with a divorce decree, court ordered separation agreement, court decree, or other legal agreement providing the payment terms confirming that income will continue for at least three (3) years. If the income is the borrower's primary income source and there is a defined expiration date (even if beyond 3 years), the income may not be acceptable for qualifying purposes. • Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 6 months. • See non-taxable income for child support income treatment.
Capital Gains	Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. If the trend results in a gain, it may be added as effective income. If the trend consistently shows a loss, it must be deducted from the total income. • Tax returns for the prior three years, including Schedule D. • Gains must be consistent amounts from consistent sources. • Verified assets to support continuance must be documented. • Income must be consistent amounts from consistent sources. • Capital losses must be deducted from income unless you can document the loss is from a company which is no longer viable.
Dividend/Interest	Interest and Dividend income may be used as long as documentation supports a two-year history of receipt. • Tax returns for the prior two years • Proof of assets to support the continuation of interest dividend income.
Stock Options & Restricted Stock Grants	• May **not** be used as qualifying income

Type	Documentation Requirements
Note Income	• A copy of the Note must document the amount, frequency and duration of payments • Regular receipt of note income for the past 12 months must be documented, and evidence of note income must be reflected on tax returns. • Verification that income is expected to continue for a minimum of three (3) years
Trust Income	Income from trusts may be used if guaranteed and regular payments will continue for at least 3 years. • Regular receipt of trust income for the past 12 months must be documented. • A copy of the Trust Agreement or Trustee Statement showing: - Total amount of borrower-designated trust funds - Terms of payment - Duration of trust - Portion of income that is not taxable • Non-taxable trust income must include proof of distribution.
Foreign Income	• W-2 forms or personal tax returns, including all schedules, for prior two years. • Year-to-date pay stub. • All income must be converted to U.S. currency.
Non-Taxable Income including child support, disability, foster care, military, etc.	• Documentation must be provided to support continuation of income for a minimum of three (3) years. • Income should be grossed up by 125% for income qualification purposes.
Trailing Co-borrowers	• Income from trailing co-borrowers will not be considered.

D. Non-Taxable Income

- The amount of continuing tax savings attributed to regular income not subject to Federal taxes may be added to the borrower's gross income.
- The percentage of non-taxable income that may be added *cannot* exceed the appropriate tax rate for the income amount. Additional allowances for dependents are *not* acceptable.

Documentation Requirements:

- Must document and support the amount of income *grossed up* for any nontaxable Income source; and
- Should use the same tax rate the borrower used to calculate his/her income tax from the previous year.

Note: If the borrower is not required to file a Federal Tax Return, the tax rate to use is 25%.

E. Unacceptable Income

Unacceptable income sources include, but are not limited to, the following:

- Any unverified source
- Income that is temporary or a one-time occurrence
- Rental income received from the borrower's single family primary residence or second home.
- Retained earnings
- Education benefits
- Allowance income

11. Property

A. Eligible Property Types

- 1-2 Unit Owner Occupied Properties
- Low/Mid/High-Rise Condominiums, Fannie Mae Warrantable
  - Warrantable Types S, T or U
  - New condominium projects (Type R) ***with*** Condo Project Manager ("CPM") approval
  - Site (detached) Condos
  - Limited Review is not eligible
- Planned Unit Development (PUDs)
- Properties with ≤ 10 acres
    - Maximum 35% land to value
    - No income producing attributes

B. Ineligible Property Types

- 3-4 Unit Owner Occupied Properties
- Second Homes
- Unwarrantable or Limited Review Condominiums
- Manufactured/Mobile homes
- Modular homes
- Condo-hotel units
- Cooperatives (CO-OPs)
- Unique properties
- Log homes
- Working farms, ranches or orchards
- Mixed Use Properties
- Properties subject to oil or gas leases
- Properties with > 10 acres
  If property has acreage, appraiser must indicate total acreage. It is not acceptable to have property appraised with only 10 acres in order to meet eligibility.

C. Appraisal Requirements

First Lien Loan Amount	Appraisal Requirement
Purchase Transaction	**Purchase Transactions**
≤ $1,000,000	One (1) Full Appraisal
> $1,000,000	One (1) Full Appraisal + Field Review*
Refinance Transactions	**Refinance Transactions**
≤ $1,000,000	One (1) Full Appraisal
>$1,000,000	One (1) Full Appraisal + Field Review*

*Field reviews that come in lower than the Full Appraisal will require a second full appraisal completed by the field reviewer. (Lowest value will be used to base LTV). Field reviews must be ordered through the Corporate Appraisal Department.

- For properties purchased by seller of the property within 90 days of the fully executed purchase contract, additional requirements apply.
  - Second appraisal required
  - Property seller on the purchase contract is the owner of record
  - Increases in value should be documented with commentary from the appraiser recent paired sales.

In addition to the following, refer to Fannie Mae guidelines for appraisal requirements:

- Appraisals should not include comparables greater than six (6) months old at the time of underwriting review.
- Properties with values significantly in excess of the predominant value of the subject property's market area may be ineligible.
- Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used.
- Appraisals must be dated within 120 days of the Note date. After a 120 day period, a new appraisal is required (re-certification of value is not acceptable).
- Escrow holdbacks are not allowed unless the holdback has been dispersed and a certification of completion has been issued prior to close by PBM.
- Appraisal(s) require evidence subject property is equipped with working carbon monoxide detectors.
- When two appraisals are required, the following apply:
  - Appraisals must be completed by two independent companies.
  - The LTV will be determined by the lower of the two appraised values as long as the lower appraisal supports the value conclusion. The final inspection and/or recertification of value must be for the appraisal with the lower value.
  - The underwriter must review both appraisal reports and address any inconsistencies between the two reports and all discrepancies must be reconciled.

D. Properties Affected By Disasters

- The FEMA Declared Disaster Area Policy applies to all areas eligible for Individual **and/or Public** Assistance due to a federal government disaster declaration.

- Effective Date of Disaster Policy
  The disaster-area policy becomes effective as of the incident period end date for the disaster/event. FEMA publishes the incident period along with the declaration date once the area is presidentially declared. For example, refer to the following dates to understand when property re-inspection requirements apply:

- Disaster Incident Period:
  - Begin Date: January 15
  - End Date: January 17

- Disaster Declaration Date: February 2
- Effective Date for Disaster Procedures: January 17

- Based on the dates noted in the above example, all appraisals performed on or before January 17 would require the appropriate re-inspection or review. Appraisals performed after January 17 would continue to require written certification by the appraiser that indicated whether the property was free from damage and whether the disaster had any effect on value or marketability. If there was damage, the extent of that damage needs to be addressed.
- Appraisal and Re-Inspection Requirements
  - To ensure the property value has not been impacted by the disaster, a post disaster property re-inspections is required
  - Property is free from damage and the disaster had no effect on value or marketability.
  - If the re-inspection indicates damage, the extent of the damage must be addressed.
  - Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, or other post disaster inspection report, with photos of interior, exterior, and neighborhood.

<u>Standard Appraisal Performed After Incident Period End Date for Disaster</u>

Appraisal must include written certification by the appraiser that:

- Property is free from damage and the disaster had no effect on value or marketability.
- If the appraisal indicates damage, the extent of the damage must be addressed.
  - Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, with photos of interior and exterior.
- The appraisal must include a minimum of three comparable sales, post-disaster.

Please note that FEMA makes updates to their state lists, so Underwriter should closely monitor FEMA's online reference at http://www.fema.gov/news/disasters.fema.

E. HERO/PACE

- PBM will allow HERO/PACE or any energy efficient liens that are included in the property taxes to remain unsubordinated when doing a Portfolio 5/1 and 7/1 ARM loan with the following requirements:
  - Maximum LTV 75% (NO EXCEPTIONS)
  - Impounds required (NO EXCEPTIONS)

12. Title and Closing

A. Title Requirements:

- The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06 or equivalent state form provides the required coverage).

- Applicable Endorsements
  Different property types (i.e. condos, PUDs) as well as different mortgage types (i.e. lease-holds) may require additional title policy endorsements.

B. Title Exceptions:

PBM will not accept a mortgage secured by property that has an unacceptable title impediment, including unpaid real estate taxes and survey exceptions. If surveys are not commonly required in particular jurisdictions, provide an ALTA 9 Endorsement. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

C. Inter Vivos Revocable Trust Closing Instructions

Note

Each trustee and each individual establishing an inter vivos revocable trust whose income and assets are used to qualify for the mortgage must separately execute the note and any necessary addendum.

Security Instrument

The trustee(s) of the inter vivos revocable trust also must execute the security instrument and any applicable rider (if used).
Each individual establishing the trust whose income and assets are used to qualify for the mortgage must acknowledge all of the terms and covenants in the security instrument and any necessary rider (if used), and must agree to be bound thereby, by placing his or her signature after a statement of acknowledgment on such documents.
Any other party that Fannie Mae requires to sign either the promissory note or the security instrument also must execute the applicable document(s).

Revocable Trust Rider

The use of a revocable trust rider avoids ambiguities for mortgages made to inter vivos revocable trusts by clarifying who is considered to be “the borrower” with respect to any given covenant in the security instrument. If the mortgage is secured by a California property, the Underwriter should use Fannie Mae’s sample rider. If the mortgage is secured by property located in another state, the Underwriter should use a rider that has been appropriately modified to reflect the requirements of that state (unless the Underwriter determines that use of Fannie Mae’s sample Revocable Trust Rider is appropriate for the specific state).
In lieu of a Revocable Trust Rider the Underwriter may either:

- amend the security instrument to include appropriate definitions and language similar in substance to Fannie Mae’s sample rider, or
- use the standard security instrument without such an amendment or the rider.

Hold Harmless

For a mortgage secured by a property located in a state other than California, or in the case of a California property where the rider was not used, the Seller must hold RRAC harmless should foreclosure proceedings later have to be initiated to acquire the property and RRAC suffers a loss that relates either to the modifications the Seller made (or the inappropriate use of the FNMA sample rider) or to any ambiguity in the application of the covenants in the security instrument. In such cases, the Seller must either repurchase the mortgage or the acquired property or make RRAC whole.

Signature Requirements

Signature Requirements for Notes and Mortgages involving Inter Vivos Revocable Trusts can be found in the FNMA or FHLMC Seller Guides. These include the form of signature for the trustee(s) and the statement of acknowledgment for each individual establishing the trust whose income or assets are used to qualify for the mortgage.

If vesting is held in the name of an inter vivos revocable trust, a Trust Rider applicable to the state of origination should be executed by the designated trustee and acknowledged by each individual establishing the trust whose income and assets are used to qualify for the mortgage (i.e. the borrowers(s).

D. Power of Attorney – Minimum Signature Requirements Per Fannie Mae Guidelines below:

Signature Requirements: Powers of Attorney and Guardianship

The following persons may sign security instruments on a borrower's behalf:

• An attorney-in-fact may sign the security instrument, as long as the lender obtains a copy of the applicable power of attorney. In jurisdictions where a power of attorney used for a signature on a security instrument must be recorded with the security instrument, the lender must ensure that recordation has been effected. See B8-5-06, Requirements for Use of a Power of Attorney, for further requirements governing the use of a power of attorney.

• A court-appointed guardian may sign the security instrument if the borrower is not legally competent, provided that he or she has unlimited power over the ward's affairs, including the power to hold, convey, and give a lien against real property owned by the ward, to make payments from the ward's assets, and to permit inquiries concerning the ward's credit. The lender should obtain a copy of the documents making the appointment. If the guardian in some other capacity is a party to the loan or sale transaction—for example, the seller of the property—the lender should ascertain that there are no material conflicts of interest.

Request for LPMI
LTV 75.01% - 80%

Borrower Name ____________________ Loan No. __________
Branch _________________

Items required to be attached:

- **1008**
- **1003 signed**
- **Credit Report**
- **Income Documentation**
- **Asset Documentation**
- **Prelim**
- **Escrow Instructions/Purchase Contract**
- **Appraisal**

Underwriter Name _____________________
Underwriter extension or phone #__________________

The above items along with this form can be scanned to PBM-LPMIOrder.com

URGENT BOOKING SHEET

Portfolio 1st TD Product PA51, PA51J, PA71 and PA71J with paid monthly MI

Loan #:
Borrower Name:
Funding Date:

MI cert attached

Send to Sandra Bonham and Colleen Glaubitz in Servicing the day of funding