

Closed End 2nd Lien (CES 11)– Standard and Alt Doc

CES 11 2 nd Lien Eligibility				
Loan Amount/ Credit Score/ CLTV Matrix				
Standard Doc				
Loan Amount	Credit Score	Primary	Second Home	Investment
\$350,000	740	90	80	75
	700	85	80	65
	680	75	75	NA
\$500,000	740	85	75	75
	700	85	75	65
	680	75	70	NA
Alt Doc				
Loan Amount	Credit Score	Primary	Second Home	Investment
\$350,000	740	85	75	70
	700	80	70	60
	680	75	65	NA
\$500,000	740	80	70	65
	700	75	65	60
	680	70	60	NA
General Requirements				
Product and Term	• Fixed Rate - Fully amortizing terms of 10, 15, & 30 years.			
Loan Amounts	• Min: \$75,000 (no exceptions) • Max: \$500,000			
Combined Loan Balance Caps	• The CLTV of the combined 1 st and 2 nd lien loan balances are restricted as follows: <ul style="list-style-type: none">○ Total lien balance > \$2,000,000 – 80% CLTV○ Total lien balance > \$3,000,000 – 75% CLTV			
Loan Purpose	• Stand-Alone Cash Out (minimum ownership of 6 months required) • Simultaneous/Piggyback not allowed.			
Occupancy	• Primary, Second Home, Investment			
Cash-Out	• Max cash-out: \$500,000			
Eligible Borrower	• U.S. Citizen • Permanent Resident Alien			
State Restrictions	• Not Eligible: <ul style="list-style-type: none">○ Texas○ Puerto Rico, Guam, & the US Virgin Islands not eligible • Restricted: <ul style="list-style-type: none">○ CT, IL, NJ, NY (Max CLTV 80%, Min FICO 720)○ North Carolina: Discount points cannot be charged.○ Tennessee:<ul style="list-style-type: none">• Primary residence & 2nd homes are ineligible• Run ComplianceEase upfront to determine the max allowable rate (changes monthly)			
Income Requirements				
Standard Doc	• Wage/Salary: Paystubs, 1or 2-years W-2s, IRS Form 4506-C, Verbal VOE • Self-Employed: 1 or 2-Years of Personal and Business (If applicable) Tax Returns, YTD P&L, 2 recent business bank statements, IRS Form 4506-C			
Personal Bank Statements	• 24 or 12-months of Personal and 2-months of business bank statements • Qualifying income is determined by the total eligible deposits from the 24 or 12- months of personal statements divided by the number of statements • The business bank statements must reflect business activity and transfers to the personal account			
Business Bank Statements	• 24 or 12-months of business bank statements. Qualifying income is determined by one of the following analysis methods: <ul style="list-style-type: none">○ Fixed Expense Ratio (50%)○ Expense ratio provided by a 3rd party (CPA, EA, or tax preparer) with min ratio of 10%○ 3rd party prepared Profit & Loss Statement (CPA, EA, or tax preparer)			

IRS Form 1099	<ul style="list-style-type: none"> • 2-Years or 1-Year 1099 • Fixed Expense Ratio of 10% • YTD documentation to support continued receipt of income
Underwriting Requirements	
Eligibility Criteria	<ul style="list-style-type: none"> • For criteria that is not referenced in this matrix, follow the Correspondent Seller Guide
Credit	<ul style="list-style-type: none"> • Credit report, fraud report, gap/UDM report required for all transactions.
Qualifying Credit Score	<ul style="list-style-type: none"> • Use credit score of the borrower with the highest qualifying income. • Middle of 3 scores or lower of 2.
Housing History	<ul style="list-style-type: none"> • 0x30x12 – verification of mortgage history required on all loans. • Verify the 1st lien P&I payment with either: <ul style="list-style-type: none"> ◦ Copy of 1st lien Note, or ◦ Copy of most recent monthly mortgage payment statement
Credit Events	<ul style="list-style-type: none"> • Foreclosure, Short Sale, Deed in Lieu, Bankruptcy: 48-month seasoning
Tradelines	<ul style="list-style-type: none"> • Min: 2 reporting 24-months with/activity in the last 12 months or 3 reporting 12-months w/recent activity • If the primary borrower has three (3) credit score, the minimum tradeline requirement is waived
Reserves	<ul style="list-style-type: none"> • None required
Assets	<ul style="list-style-type: none"> • Asset verification required if funds needed to consummate the transaction
Maximum DTI Ratio	<ul style="list-style-type: none"> • 80% CLTV: Maximum DTI ratio 50% • 90% CLTV: Maximum DTI ratio 45%
Appraisal and Property	
Eligible Property	<ul style="list-style-type: none"> • Single Family (Attached, Detached) • 2-4 Unit residential properties (Max CLTV 75%) • Condominiums (Max CLTV 80%)
Appraisals	<ul style="list-style-type: none"> • HPML loans that are not Qualified Mortgages require a full appraisal with an interior inspection, regardless of the loan balance. • Transferred appraisals not eligible. <p><u>Loan Amount <=\$250,000</u></p> <ul style="list-style-type: none"> • AVM from approved vendor with acceptable FSD and a new Property Condition Report with acceptable findings, or • Exterior Drive-By appraisal (Hybrid or 2055), or • New Appraisal (FNMA Form 1004/1025/1073), or • Prior 1st lien appraisal dated within 12 months of subject loan Note Date allowed subject to the following: <ul style="list-style-type: none"> ◦ The lender on the prior appraisal must be the same as the subject loan, and ◦ A new Property Condition Report with acceptable findings, and ◦ Recertification of value by the original appraiser. <p><u>Loan Amount >\$250,000</u></p> <ul style="list-style-type: none"> • New Appraisal (FNMA Form 1004/1025/1073), or • Prior 1st lien appraisal dated within 12 months of subject loan Note Date allowed subject to the following: <ul style="list-style-type: none"> ◦ The lender on the prior appraisal must be the same as the subject loan, and ◦ A new Property Condition Report with acceptable findings, and ◦ Recertification of value by the original appraiser, and ◦ An AVM from approved vendor with acceptable FSD. ◦ The lower of the Prior Appraisal value or the current AVM will be used to determine CLTV. <p><u>Secondary Valuation Product</u></p> <ul style="list-style-type: none"> • Required in every file • Acceptable review products include one of the following:

Appraisal (cont.)	<ul style="list-style-type: none">○ AVM (if primary valuation based on an AVM, review must be a different vendor)● If two AVMs are ordered, the AVM with the higher FSD will be treated as the primary valuation product. The second AVM will be treated as the secondary valuation product and must support the primary AVM within 10%. If both AVMs have the same FSD, the lower of the two must be utilized for determining the CLTV.○ BPO○ Desk Review○ Desktop appraisal	
AVM and FSD Score	The following AVM vendors are acceptable:	
	AVM Vendor	Acceptable FSD Score at 90%
	Clear Capital	<= 0.13
	Collateral Analytics	<= 0.10
	House Canary	<= 0.10
	Red Bell Real Estate	<= 0.10
Property Condition Report	<ul style="list-style-type: none">● When required, a Property Condition Report (i.e., Clear Capital Property Condition Inspection) should be obtained to include an exterior photo of the subject property along with a rating of the property's physical condition and characteristics.	
Declining Market and State/ CBSA restrictions	<ul style="list-style-type: none">● Any property located in a State/CBSA area is subject to a max LTV/CLTV of 80%.	
Recently Listed Properties	<ul style="list-style-type: none">● Properties listed for sale in the past 6-months are not eligible	
Title Insurance	<ul style="list-style-type: none">● For loan balances less than or equal to \$250,000:<ul style="list-style-type: none">○ Owner and Encumbrance Report● For any loan balance:<ul style="list-style-type: none">○ Alta Full Title Policy, or○ Residential Limited Coverage Junior Policy	
Flood Certificate	<ul style="list-style-type: none">● Flood determination required for every loan file● Properties within a flood zone require evidence of insurance coverage in accordance with the HFIAA	
Escrows	<ul style="list-style-type: none">● Escrows for taxes and hazard insurance not required.	
Hazard Insurance	<ul style="list-style-type: none">● Loss payee clause must reflect seller as additional insured.	
Ineligible Senior Liens	<ul style="list-style-type: none">● Senior liens with high-risk features which can include, but are not limited to:<ul style="list-style-type: none">○ Loans in active forbearance or deferment○ Negative amortization○ Balloon, if the balloon payment becomes due during the amortization period of the new 2nd lien○ Reverse Mortgages○ Private Mortgages	
Ineligible Loan Features	<ul style="list-style-type: none">● Lien Free Properties – if the subject property is lien free, including delayed financing, ineligible.● Unseasoned cash-out – if the existing lien is a cash-out, measured within six (6) months of the note date to note date.● Frequent Refinances – Two (2) or more cash-out refinances in the past twelve (12) months.● Purchase transaction● All existing subordinate liens must be satisfied. No resubordinated permitted.● All Solar Panel loans and leases must be paid off.	