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# NOTES

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## 200 - Conforming

### Product Description and Product Codes

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**Product Description****Presentation**

To minimize repetition, general guidelines and requirements that affect all FRM/ARM are presented first, and then product-specific requirements are presented as a sub-section of this Product Guideline. Each sub-section has a loan parameter matrix for easy reference. For credit parameters not referenced, refer to ClearPoint Funding's Lending Guide.

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## Product Description and Product Codes, Continued

### Product Codes

The following Product Code Matrix outlines the applicable product codes for the Conforming Fixed and Adjustable Rate Mortgage products.

**Acceptable Loan Terms:** Unless otherwise noted in the Product Code Matrix, acceptable loan terms are included in the actual product code (i.e. C10 equals conforming 10-year term; C30 equals conforming 30-yr term).

Product Name	FRM Product Code		Product Feature Options
FRM Standard Loan Amounts	C10 C15 C20	C25 C30 C40	<b>Agency Fixed Rate</b> <b>Terms:</b> 10; 15; 20; 25; 30; 40-year <b>High Balance</b> <b>Terms:</b> 15; 30-year <b>Interest Only Option</b> <b>Term:</b> 30-year only; not permitted for LPMI or High Balance scenarios. <b>LPMI</b> <b>Terms:</b> 10; 15; 20; 25; 30-year; permitted for High Balance scenarios.
FRM Standard Loan Amounts with LPMI	C10-LPMI C15-LPMI C20-LPMI	C25-LPMI C30-LPMI	
FRM High Balance	C15HB	C30HB	
FRM High Balance with LPMI	C15HB-LPMI	C30HB-LPMI	
FRM I.O.	C30-IO		
FRM DU Refi Plus Standard Loan Amounts	C15RP C20RP C25RP	C30RP C40RP	<b>Agency Fixed Rate</b> <b>Terms:</b> 15; 20; 25; 30; 40-year <b>High Balance</b> <b>Terms:</b> 15; 30-year <b>Interest Only Option</b> <b>Term:</b> Not Available
FRM DU Refi Plus High Balance	C15RPHB	C30RPHB	
✓ Product feature options are available only to the terms/conditions outlined in the applicable sections of this product summary.			

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## Product Description and Product Codes, Continued

Product Name	ARM Product Code	Product Feature Options
ARM Standard Loan Amounts	C03	<b>Agency Adjustable Rate</b> <b>Terms:</b> 3/1, 5/1, 7/1, 10/1 ARM (30-year amortization) <b>High Balance</b> <b>Terms:</b> 5/1, 7/1, 10/1 ARM <b>Interest Only Option</b> <b>Term:</b> Not Available.
	C05	
	C07	
	C010	
ARM High Balance	C05HB	<b>Agency Adjustable Rate</b> <b>Terms:</b> 5/1, 7/1 ARM (30-year amortization) <b>High Balance</b> <b>Terms:</b> 5/1, 7/1 ARM available <b>Interest Only Option</b> <b>Term:</b> Not Available
	C07HB	
	C010HB	
ARM DU Refi Plus Standard Loan Amounts	C05RP	<b>Agency Adjustable Rate</b> <b>Terms:</b> 5/1, 7/1 ARM (30-year amortization) <b>High Balance</b> <b>Terms:</b> 5/1, 7/1 ARM available <b>Interest Only Option</b> <b>Term:</b> Not Available
	C07RP	
ARM DU Refi Plus High Balance	C05RPHB	<b>Agency Adjustable Rate</b> <b>Terms:</b> 5/1, 7/1 ARM (30-year amortization) <b>High Balance</b> <b>Terms:</b> 5/1, 7/1 ARM available <b>Interest Only Option</b> <b>Term:</b> Not Available
	C07RPHB	

✓ Product feature options are available only to the terms/conditions outlined in the applicable sections of this product summary.

## Loan Details

### Overview

Unless otherwise noted in a specific sub-section, the loan details noted below apply to all conforming FRM and ARM loans.

**Review** the entire product summary for full details regarding loan parameters.

### FRM Features

The Conventional FRM Features detailed below provide definitions and other important loan details:

Features	Comments
Interest Only Feature	30-year mortgage that offers an interest-only period during the first 10 years of the loan, followed by a fully amortizing period.
Principal Curtailments	Only available on Interest Only option, where borrowers may build equity without penalty. During the interest only period, principal curtailments, regardless of amount, are applied immediately to the loan's principal balance. The loan balance is then re-amortized resulting in reduced monthly payments.
Conversion Option	None
Prepayment Penalty	Not Permitted
Assumable	Not Assumable
Negative Amortization	None

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## Loan Details, Continued

**ARM Features** The Conventional ARM Features detailed below provide definitions and other important loan details:

Features	Comments
Interest Only Feature	Not Available.
Index	LIBOR defined as London interbank offered rate for twelve month United States dollar-denominated deposits, as published in the Wall Street Journal. <b>NOTE:</b> The rate is equal to the note margin plus the index rounded to the nearest .125%.
Conversion Option	None
Prepayment Penalty	Not Permitted
Assumable	<b>3/1:</b> Permitted at anytime subject to credit approval. <b>5/1, 7/1 &amp; 10/1:</b> Permitted after the initial fixed period, subject to credit approval.
Negative Amortization	None
Caps	<b>3/1:</b> 2/2/6 <b>5/1, 7/1 &amp; 10/1:</b> 5/2/5
Rate Adjustments	<b>3/1:</b> The initial note rate is in effect for the initial 36 months. The initial and subsequent rate adjustment is limited to 2% with a lifetime cap of 6%. <b>5/1:</b> The initial note rate is in effect for the initial 60 months. The initial rate adjustment is limited to 5% and subsequent rate adjustment to 2% with a lifetime cap of 5%. <b>7/1:</b> The initial note rate is in effect for the initial 84 months. The initial rate adjustment is limited to 5% and subsequent rate adjustment to 2% with a lifetime cap of 5%. <b>10/1:</b> The initial note rate is in effect for the initial 120 months. The initial rate adjustment is limited to 5% and subsequent rate adjustment to 2% with a lifetime cap of 5%.
Floor	The floor rate is never lower than the margin.
Margin	2.250%

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## Loan Details, Continued

### ARM Features, continued

The Conventional ARM Features detailed below provide definitions and other important loan details:

Features	Comments
Note Rate	<p><b>3/1 &amp; 5/1:</b> Note rates may not be lower than 2% below the fully-indexed rate.</p> <p><b>7/1 &amp; 10/1:</b> Note rates may not be lower than 3% below the fully-indexed rate.</p>
Arm Plans	<p><b>3/1:</b> GEN3</p> <p><b>5/1:</b> 3252</p> <p><b>7/1:</b> GEN7</p> <p><b>10/1:</b> GEN10</p>

### Escrow / Impound Waiver

Permitted per ClearPoint Funding guidelines for loans with an LTV less than 80.00%, unless higher limits are permitted by state law. Escrow/Impound for mortgage insurance may not be waived.

**NOTE:**

- California may waive escrows for LTVs up to 90.00% per state law.
- Partial escrow waivers for hazard insurance are permitted. In cases of partial escrow waivers, taxes and flood insurance must continue to be escrowed into an account.
- When escrows are impounded, HO-6 insurance coverage must also be impounded.

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## Loan Details, Continued

### Loan Limits

Property Type	General	Permanent High Balance <sup>1</sup>
1 Unit	\$417,000	\$625,500
2 Units	\$533,850	\$800,775
3 Units	\$645,300	\$967,950
4 Units	\$801,950	\$1,202,925

**NOTE:**

- ✓ Minimum \$50,000 loan limit.
- ✓ ClearPoint Funding's maximum delegated loan limit is \$1,000,000. Higher loan limits are acceptable; however, allow additional time for processing.
- ✓ Loan amounts must be in \$50 increments.
- ✓ Loan amounts may not exceed the applicable maximum loan limits for the specific area in which the property is located.

<sup>1</sup> Maximum loan amounts are limited by MSA/County. The loan limits by county can be located in the Federal Housing Finance Agency website at [www.fhfa.gov/default.aspx?Page=185](http://www.fhfa.gov/default.aspx?Page=185) OR Fannie Mae's website at <https://commlend.efanniemae.com/loanlimitgeocoder/pages/login.aspx>

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## Loan Details, Continued

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### Occupancy

Unless otherwise specifically restricted or not permitted by the applicable loan parameters, the following property types are acceptable:

- ✓ Primary Residence
  - 1-unit Primary Residence: No further restrictions.
  - 2-unit Primary Residence: Borrowers may not own any other residential property of equal or greater value in the same area in which the units are located. The mailing address and property address must be verified as the same; if this cannot be done, it must be treated as an investment property.
  - 3-4 units Primary Residence: All documentation including sales contract must reflect the borrower's intent to occupy the property. Additionally, the appraisal must indicate the intended unit the borrower is to occupy and confirm availability. The borrower may own other property; however, the underwriter must review to determine reasonableness of the borrower's intent to occupy.

✓ Second Vacation Home

✓ Investment (Non-owner occupied)

**IMPORTANT:** If the Subject is an INVESTMENT Property:

- The value of the borrower's primary residence must be compared to the value of the investment property to ensure that the underlying transaction is logical. For example, the SFR Investment property should NOT be of greater value than the Borrower's SFR Primary Residence.
- All investment property purchase transactions where the Borrower does not currently own a primary residence or own any other investment properties must qualify with the full PITI payment.

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**Loan Details, Continued****Second Home Definition**

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The following provides assistance in appropriately defining second homes:

- ✓ Often located in a vacation / resort area, the property must be suitable for year-round occupancy.
- ✓ The subject property should not be located in the same market area as the borrower's primary residence.
- ✓ Second homes may be located in a major metropolitan area that the borrower visits on a regular basis. A letter of explanation from the borrower stating the reason that the home is not located in a resort / vacation area must be obtained.
- ✓ Transactions where the property is being purchased for occupancy by someone other than the borrower will be considered an investment property.
- ✓ The borrower must have exclusive control over the property and the property must not be subject to any kind of timesharing agreement, rental pools, or agreements that require the borrower to rent, share or give a management company control over occupancy.
- ✓ Rental income may not be used to qualify the borrower. Occasional seasonal rental is permitted. Reporting this rental income on tax returns does not contradict second home status, but must be minimal. The hazard insurance policy may not contain any coverage for rent loss.

**Elderly Parent/  
Disabled Adult Child**

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Financing a home as a primary residence for an elderly parent or physically/developmentally disabled adult child is not permitted

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## Loan Details, Continued

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### Property Types

#### Eligible Property Types

Unless otherwise specifically restricted or not permitted by the applicable loan parameters, the following property types are acceptable in accordance to applicable agency guidelines:

- ✓ 1-4 Unit Properties, Attached and Detached
- ✓ Eligible Condominiums, excluding Type R, V and U projects.
- ✓ Modular Homes/Factory Built (SFR, 1-unit only)
- ✓ 1 Unit PUDs
- ✓ Rural Properties; Refer to Lending Guide for properties greater than 15 acres.
- ✓ Land Contracts for Sale
- ✓ Mixed Use Properties

#### Ineligible Property Types

The following property types are not acceptable:

- ✓ Model Home Leaseback properties
- ✓ Manufactured Homes
- ✓ Properties located outside the United States
- ✓ Condotels
- ✓ Raw Land
- ✓ Subsidized Condos also known as Limited Equity Condos
- ✓ Cooperative Share Properties (Co-Op)
- ✓ Condos: Type R, V and U projects

**NOTE:** For other property types not listed above, refer to the Lending Guide for eligibility requirements.

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## Loan Details, Continued

### Closing Documentation

All fixed Rate Mortgages sold to ClearPoint Funding must use the most current Fannie Mae uniform instruments for the fixed rate Note and for the Security Instrument.

All states must use the following Note for FRM Interest Only loans:

- ✓ Fannie Mae 3271, dated 01/01 or later

The respective ARM terms must use the following current Fannie Mae uniform instruments for the adjustable rate Note and Rider:

Term	Note	Rider
3/1	3526	3189
5/1	3528	3187
7/1	3528	3187
10/1	3528	3187

## General Underwriting Guidelines

**Overview** The Conforming FRM and ARM loans require initial submission through Fannie Mae DU/DO; the agency underwriting guidelines of Fannie Mae must be met, unless otherwise indicated.

**NOTE:** Manually Underwritten files are not permitted.

**Acceptable AUS Decisions** ClearPoint Funding will accept Conforming loans only with the following credit recommendations.

AUS Decision Required	Eligible
<b>Fannie Mae</b>	
DU Approve/Eligible	Yes
DU Approve/Ineligible	Yes <sup>3</sup>
DU Refer/Eligible	No <sup>2</sup>
DU Refer/Ineligible	No
DU Refer with Caution	No <sup>2</sup>
DU EA/Eligible	No <sup>1</sup>
Out of Scope	No
<b>Freddie Mac</b>	
Standard Accept	No
Streamline Accept	No
Accept Plus	No
Caution	No
Incomplete	No
500 FHLMC Eligible. LP A-minus offering	No
<b>NOTES:</b>	
<sup>1</sup> DU EA/Eligible and LP A-minus recommendations may NOT be turned into a manual underwrite under the Conforming FRM guidelines; EA Levels and LP A-minus products are not offered or permitted by ClearPoint Funding. <sup>2</sup> AUS recommendations are not valid and may NOT be turned into a manual underwrite under the Conforming FRM guidelines. <sup>3</sup> DU/DO "Approve/Ineligible" decisions are permitted if the only reason for the Ineligible recommendation is that the loan amount exceeds the current loan limit applied by DU. The loan amount cannot exceed the temporary high-cost limit applicable to the area in which the property is located.	

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## General Underwriting Guidelines, Continued

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**Documentation Requirements**

Required file documentation determined by the applicable DU/DO findings unless otherwise specified within the DU/DO Assisted Loan section.

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**High Balance Credit Overlays**

- ✓ High Balance loan scenarios involving bankruptcy, foreclosure or deed-in-lieu, must following the associated credit criteria defined within the Lending Guide regardless of DU/DO recommendations.
  - ✓ Borrower may not be party to a lawsuit regardless of the circumstances.
  - ✓ Primary residence and second homes require 5% from borrower's own funds regardless of LTV; all other gift requirements must be met as well; refer to the Conventional Lending Guide for complete details.
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**Income Documentation****Wage Earner:**

- ✓ Income verification may be documented in accordance with DU/DO recommendations for base wages, bonus, commission, overtime and teachers. All other forms of income must be documented in accordance to the requirements provided within the lending guideline.
- ✓ Current pay-stubs evidencing 30 day earnings is always required to be included within the file.

**Self Employed:** Minimum of 2 years tax returns, but 1 year tax return may be acceptable if recommended by DU/DO.

**NOTE:** If declining income exists in either scenario, then additional documentation as deemed appropriate by the underwriter is required.

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## General Underwriting Guidelines, Continued

### IRS Form 4506-T

For loans receiving an Approve/Accept recommendation, obtain tax transcripts for the number of years of income documentation required on the Desktop Underwriter Findings Report (DU/DO). ClearPoint Funding requires the most recent Tax Return Transcript for all borrowers.

- ✓ For loans underwritten before June 15, 2011, if the borrower has filed their 2010 tax returns, and the tax transcripts are not yet available, the tax transcript request will be returned from the IRS and reflect "No Record Found", the following must be provided:
  - 2010 Tax Transcript showing "No record or return filed"; and,
  - Copy of the 2010 Tax Return; and,
  - **For Salaried Borrowers:** a 2009 tax transcript, current paystub and 2010 W-2;
  - **For Self-Employed Borrowers:** a 2009 tax transcript and a 2010 P&L.
  - **See below if borrower filed an extension.**
- ✓ For loans underwritten on or after June 15, 2011, the 2010 Tax Return Transcripts must be provided. If a borrower has filed an extension, the following must be provided:
  - Evidence that the extension was filed and evidence of tax payment; and,
  - A 2010 Tax Transcript showing "No record or return filed"; and,
  - **For Salaried Borrowers:** a 2009 tax transcript, current paystub and 2010 W-2;
  - **For Self-Employed Borrowers:** a 2009 tax transcript and a 2010 P&L.

**NOTE:** Extension requests that exceed the October 15<sup>th</sup> filing date will require verification of further extension approval from the IRS.

### **Borrowers Not Required to File a 2010 Tax Return**

If a borrower is not required to file a 2010 tax return and the source of income cannot be validated through the 4506-T process, alternative documentation must be obtained. Examples of documentation include 1099 transcripts or an award letter with a bank statement.

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## General Underwriting Guidelines, Continued

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### Housing History

DU applies the following guidelines to the processing of loans with mortgage delinquencies:

- ✓ If any borrower's credit report contains a mortgage tradeline that is 60 or more days past due when the account was last reported by the creditor and the account was reported within the 12 months prior to the credit report date, the loan will receive a Refer with Caution/IV recommendation and will be ineligible.
- ✓ If there is a mortgage that is disclosed on the loan application but not reported on the credit report, DU will issue a message requiring confirmation that the account is not two or more payments past due as of the date of the application and that it has not been past due by two or more payments in the last 12 months. If it is determined that the borrower does have a mortgage that is past due by two or more payments or has been past due by two or more payments in the last 12 months, then the loan is not eligible.
- ✓ Borrowers may not bring past-due mortgage accounts current prior to closing in order to circumvent Fannie Mae's policy regarding past-due mortgages. However, some discretion may be applied with regard to the application of this policy if it determines and documents that the past-due account status was not the fault of the borrower—for example, if the servicer misapplied or lost the borrower's payment.
- ✓ Loan case files will receive an Ineligible recommendation due to excessive prior mortgage delinquency if the borrower has a mortgage tradeline on his or her credit report that has one or more 60-, 90-, 120-, or 150-day delinquency reported within the 12 months prior to the credit report date.

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## General Underwriting Guidelines, Continued

**Reserves** Minimum liquid cash reserves as defined within the Lending Guide after closing for the referenced occupancies are as follows:

Reserve Requirements	
Primary Residence	<p><b>&gt;80.00%:</b> 2 months PITI regardless of DU/DO findings</p> <p><b>&lt;=80.00%:</b> Agency guidelines apply or as permitted by the DU/DO findings</p>
Second Home	2 months PITI regardless of DU/DO findings; plus 2 months reserves are required for each additional financed second home or investment property owned by the borrower regardless of the DU/DO findings.
Investment	6 months PITI regardless of DU/DO findings; plus 2 months reserves are required for each additional financed second home or investment property owned by the borrower regardless of the DU/DO findings.
Interest Only	24 months PITI regardless of DU/DO finding, based on fully amortizing payments.
Converted, Departing Property	If the borrower's current primary residence is converted to a second home or investment property and the 30% equity cannot be documented, 6 months of PITI for both the retained and subject property is required to be in reserves regardless of DU/DO recommendations.
<p><b>IMPORTANT:</b> When a single borrower closes multiple, concurrent transactions through ClearPoint Funding, reserve requirements must be met for each individual loan. Concurrent transaction reserve requirements are applicable to Agency products only. Concurrent is defined as closing within 180 calendar days of each other.</p> <p>For example, three investment properties for the same borrower closing concurrently will require 18 months of reserves (i.e., 6 months reserves for each investment property).</p> <p><b>NOTES:</b></p> <ul style="list-style-type: none"> <li>✓ Blank income and employment information on the initial 1003 is NOT permitted; however, assets only need to be completed on the initial 1003 as deemed necessary to receive a DU/DO Approve/Eligible.</li> <li>✓ DU Refi Pus: Refer to DU/DO findings for reserve requirements; the above may not necessarily apply.</li> </ul>	

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## General Underwriting Guidelines, Continued

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### Full Appraisal Requirements

ClearPoint Funding will accept the limited appraisal forms noted in the DU/DO findings report, excluding the following scenarios, which **require a Full Interior/Exterior FNMA Form 1004 Report regardless of DU/DO recommendations**:

- For 80.01-95% LTVs, refer to MI partner guidelines for possible overlays; if MI partner will permit a reduced appraisal form, then it will be acceptable to CPF as well.
- Investment Property located in Texas
- Non-arms length transactions
- Purchases of REO properties, short sale or most recent transaction was a foreclosure sale
- Construction to Perm/end loans
- Condos requiring a full lender delegated review (Appraisal Form 1073)
- Condos located in Florida (Appraisal Form 1073)
- Mixed Use properties

**NOTE:** PIW recommendations are permitted when recommended by DU/DO; refer to the specific PIW Requirements within the product summary for complete details.

#### For **High Balance Loans**:

A Field Review, FNMA Form 2000, is also required if:

- ✓ Appraised Value is >\$1,000,000 AND the LTV/CLTV/HCLTV is >75.00%.
- ✓ **IMPORTANT:** If the field review results in a different value than the appraisal, the lowest of the original appraised value, the field review value, or the sales price must be used to calculate the LTV ratios.

**NOTE:** For properties in attached condominium projects, the appraisal must contain two comparable sales from projects outside of the subject's project in addition to the current comparable sale requirements.

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## General Underwriting Guidelines, Continued

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### Appraisal Requirements, continued

#### Investment Property and Multiple Units

- ✓ All Investment Properties and All 2-4 Unit Properties, regardless of occupancy and regardless of borrower using rental income to qualify and DU/DO findings, will require with of the following or as required by the AUS engine (whichever is more restrictive): Current Lease, Form 216 or Form 1025. Form must show current market rents for all units including those that will be occupied by the borrower.
- ✓ **NOTE:** FNMA 1007/FHLMC 1000 Single Family Comparable Rent Schedule will be required as specified within the Lending Guide.
- ✓ Refer to the Lending Guide for additional appraisal requirements, including PIW permissions.

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## General Underwriting Guidelines, Continued

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### PIW Requirements

**NOTE:** PIW recommendations are permitted when recommended by DU/DO for:

- ✓ One (1) unit properties (including eligible condo limited reviews)
- ✓ Standard Loan Amounts only
- ✓ All Occupancies permitted, excluding Investment Properties located in Texas.
  - Non-owner occupied transactions utilizing the PIW, must be accompanied by the rental income and bedroom count information, regardless of the DU/DO.
- ✓ If MI is required, then refer to MI partner guidelines for possible overlays.
- ✓ Cash Out Refinances requiring mortgage insurance are not permitted
- ✓ Property may NOT be a REO, short sale, recent foreclosure, requiring significant repair or new construction.
- ✓ PIW must be dated within 120 days of the Note date.
- ✓ If PIW is exercised, a signed affidavit is required confirming the subject property is not currently listed for sale.
- ✓ Refinances of properties where the most recent transaction was a REO sale are not eligible for a PIW.
- ✓ At the Underwriter's discretion, a full appraisal may be required if there is reason to believe it warranted due to additional information obtained about the property or subsequent events such as natural disasters, etc.
- ✓ An arms length relationship exists.
- ✓ Refer to the DU Refi Plus Section for additional product specific requirements; maximum 105.00% LTV/CLTV.

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### Reduced Appraisal Forms

If the property inspection reveals adverse physical deficiencies or conditions, or the subject property does not conform to the neighborhood, the appraisal report is required to be upgraded to a complete interior and exterior appraisal report via Form 1004.

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## General Underwriting Guidelines, Continued

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### Validation Requirements

ClearPoint Funding will assess all properties and appraisals to confirm values are well supported. It will be at the Underwriter's discretion to utilize any additional validation tools at their disposal to escalate value concerns.

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### Declining Markets

Declining markets are defined as one of the following:

- Described by the Appraiser, or
- Within the specified county on any Mortgage Insurance partner's Declining Market Summary, if applicable.

**IMPORTANT:** If a property is defined as declining, then the following requirements apply:

- ✓ 3/1 ARMs not permitted
  - ✓ Interest Only scenarios not permitted
  - ✓ If >80.00% LTV, MI Partner overlays to be applied.
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## General Underwriting Guidelines, Continued

**Construction to Perm**

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Construction to Perm permitted to current Fannie Mae guidelines is acceptable.

- ✓ Full URAR Appraisal is required regardless of AUS.
- ✓ Seller contributions are not permitted
- ✓ Second Home and Investment properties not permitted
- ✓ Maximum term of 360 months
- ✓ Interest only not permitted
- ✓ DU Refi Plus not permitted
- ✓ Subject to MI Partner requirements, such as reduced LTVs, higher credit scores, restrictions against defined declining markets, etc., if applicable.

**NOTE:**

- Applies to end financing of the interim bank loan; ClearPoint Funding does not offer interim, construction financing.
- Refer to the Lending Guide for additional requirements.

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## General Underwriting Guidelines, Continued

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### Interest Only Option

- ✓ 1 unit only, primary residence and second homes.
- ✓ 10-year interest only period
- ✓ 30-year amortization Fixed Rate term only
- ✓ Minimum credit score regardless of DU/DO findings as required within the LTV Matrix.
- ✓ Cash Out refinances, 2-4 Units, or Investment Properties not permitted
- ✓ Borrower is qualified at the fully amortized payment rate
- ✓ Not permitted within declining markets
- ✓ Maximum 70.00% LTV without subordinate financing; maximum 65.00% LTV when subordinate financing exist; max 70.00% CLTV/HCLTV.
- ✓ High balanced loan scenarios not permitted
- ✓ Minimum 24 months reserves based on full amortization PITI.
- ✓ FNMA products with Interest Only Option are a 30-year mortgage that offers an interest-only period during the first 10 years of the loan, followed by a fully amortizing period. Borrowers may direct more of their cash flow in the first years of their mortgage for other investments.
- ✓ Borrowers may build equity through principal curtailments, without penalty. During the interest-only period, principal curtailments may be applied to the loans principal balance. The loan balance is then re-amortized resulting in reduced monthly payments.
- ✓ **NOTE:** No longer permitted within Cook County, IL.

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### Land Contract for Sale

A Land Contract for Sale (aka Installment Land Contract or Contract for Deed, etc.) must meet the ClearPoint Funding guidelines as outlined in the Lending Guide.

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## General Underwriting Guidelines, Continued

### Mortgage Insurance

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#### Company

Mortgage Insurance must be obtained from a company that is acceptable to ClearPoint Funding, which includes Borrower Paid Monthly or Borrower Paid Single Premium insurances.

#### Coverage

Mortgage Insurance coverage must meet the condition on the DU/DO findings report in addition to the following:

- ✓ Regular Borrower Monthly, Single Borrower Paid, LPMI and Split premium are acceptable types of mortgage insurance.
- ✓ **Minimum or Financed (whether Monthly or Single) MI** is not acceptable, regardless of the DU/DO findings.

#### NOTES:

- Refer to the MI Partner website/guidelines for further details.
- ARMs to be insured with applicable MI pricing.

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### Split Premium Mortgage Insurance

Permitted, defined as:

Split Premium Mortgage Insurance is a borrower paid MI program in which an upfront premium component may be paid either by the borrower or an approved third party to buy down the monthly MI cost. The monthly MI premium components are paid by the borrower following standard MI requirements.

#### NOTE:

- ✓ The initial (up-front) premium to be paid by the borrower may not be financed into the loan amount since financed MI is not eligible. If paid by a third party, then the amount must be included to calculate the maximum seller contribution (percentage).
- ✓ Both the upfront and subsequent monthly premium must be clearly disclosed as "Mortgage Insurance".
- ✓ The premiums to the borrower may not be disclosed as a discount point, or any other unacceptable fee.
- ✓ The MI certification must reflect the monthly MI payments and the lump sum premium must be reflected on the HUD-1 settlement statement.
- ✓ Evidence must be included in the loan file to show the lump sum premium has been paid at closing.

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## General Underwriting Guidelines, Continued

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### LPMI

- ✓ Single, non-refundable premium options only.
- ✓ 10, 15, 20, 25 and 30 year Fixed Rate Only
- ✓ High Balance loan amounts are permitted with 700 credit score.
- ✓ LPMI disclosure is required to be signed at time of application.
- ✓ Non-arms length transactions are not permitted.
- ✓ Cash out refinances are not permitted.
- ✓ One (1) unit, Primary Residence and Second Homes properties only; condos not permitted for second homes.
- ✓ Minimum 680 credit score for primary residence (700 for high balance); Minimum 720 credit score for second homes.
- ✓ Maximum 41% DTI qualifying ratio.
- ✓ CLTV may consist of existing subordinate financing only; no new second liens are permitted.
- ✓ Paystub and W-2 required regardless of DU/DO findings.
- ✓ Reserves: 2 months standard loan amount
- ✓ Non-permanent resident aliens not permitted.
- ✓ Loans may not close in a trust.
- ✓ Non-occupant co-borrowers are not permitted.
- ✓ PIWs are not permitted regardless of MI partner's availability or DU recommendation.
- ✓ **NOTE:** Also referred to as Lender Paid Single Premium (LPSP)

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*Continued on next page*

## General Underwriting Guidelines, Continued

Standard Mortgage Insurance Coverage	
25, 30 & 40-Year	
LTV	Coverage Requirement
90.01 – 95.00%	30%
85.01 – 90.00%	25%
80.01 – 85.00%	12%

Standard Mortgage Insurance Coverage	
10, 15 & 20-Year	
LTV	Coverage Requirement
90.01 – 95.00%	25%
85.01 – 90.00%	12%
80.01 – 85.00%	6%

**Participating Providers**

- ✓ Genworth
- ✓ MGIC
- ✓ United Guaranty

*Continued on next page*

## General Underwriting Guidelines, Continued

### Multiple Properties

ClearPoint Funding’s requirements regarding the maximum number of financed residential properties that can be held by a borrower are as follows.

**IMPORTANT:** Refer to the Maximum Exposure section within the Lending Guide for additional details on the number of financed properties ClearPoint Funding will finance for one borrower.

Subject Property Occupancy	Maximum Number of Financed Properties
Primary Residence	No limit to the number of financed properties held as underwriter deems acceptable based on occupancy validation and borrower’s ability to repay.
Second Home	No more than 4 financed residential properties, includes the subject property and the primary residence. <sup>1</sup>
Investment Property	
<p><b>NOTE:</b></p> <ul style="list-style-type: none"> <li>✓ Partial ownership in a property counts as a “financed property” held.</li> <li>✓ A borrower who holds a limited partnership interest in an organized limited partnership that has been formed for the purpose of real estate investment or development or is a general partner who has personal liability and whose income is derived through the partnership’s investments, must take into consideration all properties owned and financed by that partnership/corporation.</li> </ul> <p><sup>1</sup> Borrower may not be affiliated with the builder, developer, or seller of the subject property.</p>	

### Non-Occupant Co-Borrowers

Permitted as defined by FNMA guidelines; however, non-occupant co-borrowers are not permitted for the following programs:

- ✓ Maximum LTV and CLTV is 90.00%
- ✓ Maximum DTI for the occupying borrower evaluated by DU/DO not to exceed 35/43%.
- ✓ Interest Only Option and cash out refinances are not permitted
- ✓ If LTV is greater than 80.00%, the occupant borrower must make the first 5% of down payment from their own funds.

**NOTE:** Owner-occupant(s) must be able to qualify for the mortgage based on his/her own financial capacity.

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### **General Underwriting Guidelines, Continued**

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**Non-Traditional Credit History**

Not Permitted.

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**DU Data Entry**

“Interest Only” must be selected in the Repayment Type field within DU/DO under the Loan Information Section – Review final findings to confirm Interest Only repayment type.

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## General Underwriting Guidelines, Continued

### Qualifying Ratios

ClearPoint Funding will accept loans with the maximum Debt-To-Income (DTI) ratios accepted by the DU's approve/eligible recommendation with the below exceptions:

**NOTE:**

- ✓ Interest Only loans to be qualified at the fully amortized payment.

The loan characteristics are...	Maximum DTI	
	>80%	≤80%
AUS Recommendation	Ranges from 41 to 45% depending on the selected MI Partner and their applicable overlays; refer to specific MI Partner's guidelines for details.	45% - 50%
LPMI	41% regardless of credit score	
DU Refi Plus	Per DU/DO recommendations	
<p><b>IMPORTANT:</b></p> <ul style="list-style-type: none"> <li>✓ For ARM loans:                             <ul style="list-style-type: none"> <li>• <b>Fully Amortizing 3, 5 year:</b> Qualify at greater of fully indexed rate (index + margin) OR Note Rate + 2%. <b>7, 10 year:</b> Qualify at Note Rate.</li> </ul> </li> <li>✓ The maximum allowable total expense ratio is DU Version 8.0 is revised to 45% with flexibilities offered up to 50% for loan files with strong compensating factors.</li> </ul>		

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## General Underwriting Guidelines, Continued

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**Seller Contributions**

As permitted by FNMA guidelines.

**NOTE:** For loans requiring mortgage insurance AND located within a declining market, the maximum seller contribution is 3%.

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**Refinance Transactions**

Permitted as defined by FNMA guidelines.

**NOTE:**

- Refer to Lending Guide for ClearPoint Funding overlays in regards to subject properties which are the result of short sales, foreclosures, and deed-in-lieu of foreclosures.
  - Texas Section 50a6 loans or refinances of previous Texas Section 50a6 loans are permitted. **NOTE:** Refer to the specific Texas Section 50a6 Addendum for complete details
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**Subordinate Financing**

Must meet applicable FNMA guidelines and the product-specific loan parameter requirements.

Unless specifically restricted, subordinate financing is permitted and must meet the ClearPoint Funding guidelines as outlined in the Lending Guide.

Home Equity Lines of Credit (HELOC) must meet the applicable FNMA guidelines. See the Lending Guide for any additional requirements.

**NOTE:**

- ✓ No additional subordinate financing permitted behind the Second Lien (i.e. 3 or more liens against the subject property are not permitted regardless of the CLTV calculation).
  - ✓ Community Seconds not permitted.
  - ✓ Refer to 100-Conventional Lending Guide for full details.
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## Restrictions

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### Introduction

The following specific restrictions apply for all loans closed and funded by ClearPoint Funding.

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## Restrictions, Continued

**State Restrictions**

- ✓ **California:** Preliminary title commitments are required.
- ✓ **Illinois:**
  - All refinances require a net tangible benefit form to be calculated by the underwriter; signed by both the Underwriter and Borrower(s).
  - Interest Only Option loans are not permitted within Cook County.
  - Cook, Kane, Peoria or Will Counties Only:
    - Mortgage must be recorded with either a Certificate of Compliance or a Certificate of Exemption as applicable.
    - High level steps: originator uses loan application to enter required information into the database; database will determine if the property is exempt; if not exempt, the database will then determine if it will be necessary for the borrower to obtain counseling; proof of exemption, if applicable, must be printed and provided within the loan file.
    - Refer to <https://www.ilapld.com> for instructions from the state.
  - Borrower Certification stating that counseling is not required as ClearPoint Funding does not offer loan products or allow closing scenarios that would trigger state required counseling.
- ✓ **Maine:**
  - Primary Residence Refinances utilizing the Interest Only feature require a net tangible benefit form to be calculated by the underwriter.
  - Only available for 3/1 ARM loans; 5/1, 7/1 and 10/1 terms are not permitted.
- ✓ **Maryland:** All refinances require a net tangible benefit form to be disclosed to and signed by the borrower.
- ✓ **Massachusetts:**
  - Dwellings with individual sewage disposal systems, new or existing, must be inspected by a DEP approved inspector and, where repairs are indicated, be repaired prior to closing.
  - Certain refinances require a net tangible benefit form to be calculated by the borrower.
- ✓ **Rhode Island:** All refinances must include a state specific net tangible benefit form disclosed to and signed by the borrower.

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## Restrictions, Continued

### State Restrictions, continued

- ✓ **Texas:**
  - Texas Section 50a6 loans or refinances of previous Texas Section 50a6 loans are permitted. **NOTE:** Refer to the specific Texas Section 50a6 Addendum for complete details
- ✓ ClearPoint Funding currently lends in the states of Alabama, Alaska, Arizona, California, Colorado, Connecticut, Delaware, DC, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Hampshire, New Jersey, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming.

**IMPORTANT:** All loans must meet Federal and State Regulations; ClearPoint Funding does not participate in high cost/higher priced mortgage loans.

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## Conforming FRM

### Summary

ClearPoint Funding's Conforming FRM products are the "standard" Fannie Mae products offered through Desktop Originator or Desktop Underwriter (DU/DO).

### Loan Parameters – Agency FRM 10 - 40 Year with Mortgage Insurance

Agency FRM <sup>2</sup> 10 - 40 Year with Mortgage Insurance (>80% LTV)										
# of Units	Primary Residence Maximum			Second Home <sup>4</sup> Maximum			Investment Property Maximum			Minimum Credit Score
	LTV	CLTV	HCLTV <sup>1</sup>	LTV	CLTV	HCLTV	LTV	CLTV	HCLTV	
<b>IMPORTANT: Refer to High Balance Loan Amount matrix for specific requirements.</b>										
<b>Purchase and Limited Cash Out Refinance Transactions</b>										
1	95.00	NA	NA	90.00 <sup>4</sup>	NA	NA	NA	NA	NA	660 <sup>5,6</sup>
2	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Condo	95.00	NA	NA	NA	NA	NA	NA	NA	NA	660 <sup>5,6</sup>
<b>Cash-Out Refinance Transactions</b>										
1	85.00 <sup>3</sup>	NA	NA	NA	NA	NA	NA	NA	NA	700
2-4 & Condos	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>NOTES:</b>										
✓ <b>IMPORTANT:</b> Additional credit overlays are possible depending on the chosen MI partner. Refer to the respective guidelines for full details, including identified declining market areas.										
✓ Florida: Condos and construction to perm not permitted. SFR Purchase/Limited Cash Out Refinance at Maximum 95.00% LTV; minimum 680 credit score for purchases and limited cash out refinance.										
1 Home Equity Combined Loan-to-Value (HCLTV). See Lending Guideline for full details.										
2 Interest Only Option not permitted.										
3 Maximum Cash Out \$200,000; Genworth only; SFR Detached properties only; 40-year amortization not permitted.										
4 Second Home: 720 minimum credit score required; attached properties and condos not permitted.										
5 Construction to Perm: Minimum 680 credit score required.										
6 LPMI: 680 credit score required for Primary Residence; 720 required for Second Home; condos not permitted for Second Homes.										

*Continued on next page*

## Conforming FRM, Continued

### Loan Parameters – Agency FRM 10 - 40 Year without Mortgage Insurance

Agency FRM <sup>3</sup> 10 - 40 Year without Mortgage Insurance (<=80% LTV)										
# of Units	Primary Residence Maximum			Second Home Maximum			Investment Property <sup>1</sup> Maximum			Minimum Credit Score
	LTV	CLTV	HCLTV <sup>2</sup>	LTV	CLTV	HCLTV <sup>2</sup>	LTV	CLTV	HCLTV <sup>2</sup>	
<b>IMPORTANT: Refer to High Balance Loan Amount matrix for specific requirements.</b>										
<b>Purchase and Limited Cash Out Refinance Transactions</b>										
1	80.00	95.00	95.00	80.00	90.00	90.00	80.00 <sup>1</sup>	85.00 <sup>1</sup>	85.00 <sup>1</sup>	620
2	80.00	80.00	80.00	NA	NA	NA	75.00	75.00	75.00	620
3 – 4	75.00	75.00	75.00	NA	NA	NA	75.00	75.00	75.00	620
Condo	80.00	95.00	95.00	80.00	90.00	90.00	80.00 <sup>1</sup>	85.00 <sup>1</sup>	85.00 <sup>1</sup>	620
<b>Cash-Out Refinance Transactions</b>										
1	80.00	85.00	85.00	75.00	75.00	75.00	75.00	75.00	75.00	620
2	75.00	75.00	75.00	NA	NA	NA	70.00	70.00	70.00	620
3 – 4	75.00	75.00	75.00	NA	NA	NA	70.00	70.00	70.00	620
Condo	80.00	85.00	85.00	75.00	75.00	75.00	75.00	75.00	75.00	620
<b>NOTES:</b>										
<ul style="list-style-type: none"> <li>✓ Florida: Condo properties permitted with the following restrictions.                             <ul style="list-style-type: none"> <li>✓ Primary Residence:                                     <ul style="list-style-type: none"> <li>• Credit score &gt;=740, then 70% LTV/CLTV/HCLTV.</li> <li>• Credit Score &lt;740, then 60% LTV/CLTV/HCLTV.</li> </ul> </li> <li>✓ Second Homes and Investment properties are not permitted.</li> </ul> </li> <li><sup>1</sup> Investment, Limited Cash Out Refinances limited to 75.00%/75.00%/75.00% LTV/CLTV/HCLTV for all property types.</li> <li><sup>2</sup> Home Equity Combined Loan-to-Value (HCLTV). See Lending Guideline for full details.</li> <li><sup>3</sup> Interest Only Option permitted; following requirements are regardless of AUS:                             <ul style="list-style-type: none"> <li>• NOT PERMITTED for Interest Only: Cash Out Refinances, 2-4 Units, or Investment Properties.</li> <li>• Purchase/Limited Cash Out Refinance, Primary Residence &amp; Second Homes 1 unit 70.00% LTV/CLTV/HCLTV; min 720 credit score; maximum 65% LTV (first lien) when subordinate financing exist up to 70% CLTV/HCLTV.</li> </ul> </li> </ul>										

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## Conforming FRM, Continued

### Loan Parameters – High Balance Agency FRM 15 & 30 Year with Mortgage Insurance

High Balance Agency <sup>1</sup> FRM 15 & 30 Year with Mortgage Insurance (>80% LTV)										
# of Units	Primary Residence Maximum			Second Home Maximum			Investment Property Maximum			Minimum Credit Score
	LTV <sup>2</sup>	CLTV	HCLTV	LTV <sup>2</sup>	CLTV	HCLTV	LTV <sup>2</sup>	CLTV	HCLTV	
<b>IMPORTANT: High Balance loan amount matrix</b>										
<b>Purchase and Limited Cash Out Refinance Transactions</b>										
1 & Condo	90.00	NA	NA	NA	NA	NA	NA	NA	NA	700
<b>Cash-Out Refinance Transactions</b>										
ALL	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>NOTES:</b>										
✓ <b>IMPORTANT:</b>										
<ul style="list-style-type: none"> <li>Additional credit overlays are possible depending on the chosen MI partner. Refer to the respective guidelines for full details, including identified declining market areas.</li> <li>Florida: Maximum 90.00% LTV; minimum 720 credit score with MGIC or 740 with Genworth; Florida: Condo properties not permitted; attached housing not permitted with MGIC.</li> <li>Loan amounts are limited to the FHFA limits for the county in which the property is located.</li> </ul>										
<sup>1</sup> Interest Only Option not permitted.										
<sup>2</sup> Maximum 80.00% LTV when subordinate financing exists. Refer to <=80.00% LTV Matrix.										

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## Conforming FRM, Continued

### Loan Parameters – High Balance Agency FRM 15 & 30 Year without Mortgage Insurance

High Balance Agency <sup>3</sup> FRM 15 & 30 Year without Mortgage Insurance (<=80% LTV)										
# of Units	Primary Residence Maximum			Second Home <sup>1</sup> Maximum			Investment Property <sup>1</sup> Maximum			Minimum Credit Score
	LTV	CLTV	HCLTV <sup>2</sup>	LTV	CLTV	HCLTV <sup>2</sup>	LTV	CLTV	HCLTV <sup>2</sup>	
<b>IMPORTANT: High Balance loan amount matrix</b>										
<b>Purchase and Limited Cash Out Refinance Transactions</b>										
1	80.00	90.00	90.00	65.00	65.00	65.00	65.00	65.00	65.00	700
	75.00	75.00	75.00	NA	NA	NA	NA	NA	NA	660
2 – 4	75.00	75.00	75.00	NA	NA	NA	65.00	65.00	65.00	740
Condo	80.00	90.00	90.00	65.00	65.00	65.00	65.00	65.00	65.00	700
	75.00	75.00	75.00	NA	NA	NA	NA	NA	NA	660
<b>Cash-Out Refinance Transactions</b>										
1	60.00	60.00	60.00	NA	NA	NA	NA	NA	NA	740
2 – 4	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Condo	60.00	60.00	60.00	NA	NA	NA	NA	NA	NA	740
<b>NOTES:</b>										
✓ Florida: Second Home and Investment Property not permitted regardless of property type; Condo properties permitted with the following restrictions.										
✓ Primary Residence:										
<ul style="list-style-type: none"> <li>• Credit score &gt;=740, then 70% LTV/CLTV/HCLTV.</li> <li>• Credit Score &lt;740, then 60% LTV/CLTV/HCLTV.</li> </ul>										
<sup>1</sup> Second Home and Investment Properties: Minimum 740 credit score.										
<sup>2</sup> Home Equity Combined Loan-to-Value (HCLTV). See Lending Guideline for full details.										
<sup>3</sup> Interest Only Option not permitted.										

## Conforming ARM

### Summary

ClearPoint Funding's Conforming ARM products are the "standard" Fannie Mae products offered through Desktop Originator or Desktop Underwriter (DU/DO).

### Loan Parameters – Agency ARMs with Mortgage Insurance

Agency ARMs with Mortgage Insurance (>80% LTV)										
# of Units	Primary Residence Maximum			Second Home Maximum			Investment Property Maximum			Minimum Credit Score
	LTV <sup>4</sup>	CLTV	HCLTV <sup>1</sup>	LTV	CLTV	HCLTV	LTV	CLTV	HCLTV	
<b>IMPORTANT: Refer to High Balance Loan Amount matrix for specific requirements.</b>										
<b>Purchase and Limited Cash Out Refinance Transactions</b>										
1	95.00	NA	NA	90.00 <sup>4</sup>	NA	NA	NA	NA	NA	660 <sup>5</sup>
2	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Condo	95.00	NA	NA	NA	NA	NA	NA	NA	NA	660 <sup>5</sup>
<b>Cash-Out Refinance Transactions</b>										
1	85.00 <sup>3</sup>	NA	NA	NA	NA	NA	NA	NA	NA	700
2-4 & Condos	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>NOTES:</b>										
✓ <b>IMPORTANT:</b> Additional credit overlays are possible depending on the chosen MI partner. Refer to the respective guidelines for full details, including identified declining market areas.										
✓ Florida: Condos and construction to perm not permitted. SFR Purchase/Limited Cash Out Refinance at Maximum 95.00% LTV; minimum 680 credit score for purchases and limited cash out refinance.										
1 Home Equity Combined Loan-to-Value (HCLTV). See Lending Guideline for full details.										
2 Maximum 80.00% LTV when subordinate financing exists. Refer to <=80.00% LTV Matrix.										
3 Maximum Cash Out \$200,000; Genworth only; SFR Detached properties only.										
4 Second Home: 720 minimum credit score required; attached properties and condos not permitted.										
5 Construction to Perm: Minimum 680 credit score required.										

*Continued on next page*

## Conforming ARM, Continued

### Loan Parameters – Agency ARMs without Mortgage Insurance

Agency ARMs without Mortgage Insurance (<=80% LTV)										
# of Units	Primary Residence Maximum			Second Home Maximum			Investment Property <sup>1,2</sup> Maximum			Minimum Credit Score
	LTV	CLTV	HCLTV <sup>3</sup>	LTV	CLTV	HCLTV <sup>3</sup>	LTV	CLTV	HCLTV <sup>3</sup>	
<b>IMPORTANT: Refer to High Balance Loan Amount matrix for specific requirements.</b>										
<b>Purchase and Limited Cash Out Refinance Transactions</b>										
1	80.00	95.00	95.00	80.00	90.00	90.00	80.00 <sup>1</sup>	85.00 <sup>1</sup>	85.00 <sup>1</sup>	620
2	80.00	80.00	80.00	NA	NA	NA	75.00	75.00	75.00	620
3 – 4	75.00	75.00	75.00	NA	NA	NA	75.00	75.00	75.00	620
Condos	80.00	95.00	95.00	80.00	90.00	90.00	80.00 <sup>1</sup>	85.00 <sup>1</sup>	85.00 <sup>1</sup>	620
<b>Cash-Out Refinance Transactions</b>										
1 & Condos	80.00	85.00	85.00	75.00	75.00	75.00	75.00	75.00	75.00	620
2	75.00	75.00	75.00	NA	NA	NA	70.00	70.00	70.00	620
3 – 4	75.00	75.00	75.00	NA	NA	NA	70.00	70.00	70.00	620
<b>NOTES:</b>										
<ul style="list-style-type: none"> <li>✓ Florida: Condo properties permitted with the following restrictions.                             <ul style="list-style-type: none"> <li>✓ Primary Residence:                                     <ul style="list-style-type: none"> <li>• Credit score &gt;=740, then 70% LTV/CLTV/HCLTV.</li> <li>• Credit Score &lt;740, then 60% LTV/CLTV/HCLTV.</li> </ul> </li> <li>✓ Second Homes and Investment properties are not permitted.</li> </ul> </li> <li><sup>1</sup> Investment, Limited Cash Out Refinances limited to 75.00%/75.00%/75.00% LTV/CLTV/HCLTV for all property types.</li> <li><sup>2</sup> 2-4 units Investment properties minimum 660 credit score.</li> <li><sup>3</sup> Home Equity Combined Loan-to-Value (HCLTV). See Lending Guideline for full details.</li> </ul>										

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## Conforming ARM, Continued

### Loan Parameters – High Balance Agency ARMs with Mortgage Insurance

High Balance Agency ARMs with Mortgage Insurance (>80% LTV)										
# of Units	Primary Residence Maximum			Second Home Maximum			Investment Property Maximum			Minimum Credit Score
	LTV	CLTV	HCLTV	LTV	CLTV	HCLTV	LTV	CLTV	HCLTV	
<b>IMPORTANT: High Balance loan amount matrix</b>										
<b>Purchase and Limited Cash Out Refinance Transactions</b>										
1 & Condos	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Cash-Out Refinance Transactions</b>										
ALL	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

### Loan Parameters – High Balance Agency ARMs without Mortgage Insurance

High Balance Agency ARMs without Mortgage Insurance (<=80% LTV)										
# of Units	Primary Residence Maximum			Second Home <sup>1</sup> Maximum			Investment Property <sup>1</sup> Maximum			Minimum Credit Score
	LTV	CLTV	HCLTV <sup>2</sup>	LTV	CLTV	HCLTV <sup>2</sup>	LTV	CLTV	HCLTV <sup>2</sup>	
<b>IMPORTANT: High Balance loan amount matrix</b>										
<b>Purchase and Limited Cash Out Refinance Transactions</b>										
1 & Condos	75.00	75.00	75.00	65.00	65.00	65.00	65.00	65.00	65.00	700
2 – 4	75.00	75.00	75.00	NA	NA	NA	65.00	65.00	65.00	740
<b>Cash-Out Refinance Transactions</b>										
1 & Condos	60.00	60.00	60.00	NA	NA	NA	NA	NA	NA	740
2 – 4	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>NOTES:</b>										
✓ Florida: Second Home and Investment Property not permitted regardless of property type; Condo properties permitted with the following restrictions.										
✓ Primary Residence:										
<ul style="list-style-type: none"> <li>• Credit score &gt;=740, then 70% LTV/CLTV/HCLTV.</li> <li>• Credit Score &lt;740, then 60% LTV/CLTV/HCLTV.</li> </ul>										
<sup>1</sup> Second Home and Investment Properties: Minimum 740 credit score.										
<sup>2</sup> Home Equity Combined Loan-to-Value (HCLTV). See Lending Guideline for full details.										

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## DU Refi Plus FRM & ARM

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### Summary

DU Refi Plus is a limited cash-out refinance program that allows for expanded eligibility criteria, as well as reduced documentation requirements.

**IMPORTANT:** Note date must be dated on or before December 31, 2013 and must be in deliverable condition on or before April 30, 2014.

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### Credit

- ✓ Minimum 12 month mortgage history with 0x30 reported; applies to all mortgages listed on the borrower's credit report, regardless of DU.
- ✓ 4 year Bankruptcy seasoning from the discharged date
- ✓ 7 year Foreclosure seasoning
- ✓ Payoff statement required to be documented in the loan file

**IMPORTANT:** Minimum requirements are the MORE restrictive of the above OR as required by DU/DO recommendations.

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### High Balance Loans

Permitted.

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### DU Data Entry

DU Refi Plus decisions are identified by the presence of the following message on the certificate: "This loan case file was underwritten according to the DU Refi Plus expanded eligibility guidelines offered on certain limited cash-out refinance loans case files where the borrower's existing loan is identified by DU as Fannie Mae loan. This loan case file must be delivered with Special Feature Code 147."

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### Interest Only Option

Not Permitted.

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**DU Refi Plus FRM & ARM, Continued****Borrower Eligibility**

For the majority of scenarios, the Borrowers on the existing mortgage should match the borrowers on the new mortgage; however, the below circumstances are permitted:

- ✓ A new borrower may be added to the new loan, provided the existing borrower(s) are also in title.
- ✓ A borrower may be removed from the new loan providing all of the following:
  - Permits the removal of borrowers for any reason, does not need to solely be due to a death or divorce.
  - Requires the remaining borrower(s) to document that they have been making the most recent 12 month payments from their own funds prior to the application of the new mortgage. Note this documentation must be specific to the existing mortgage and may not be satisfied using multiple consecutive first mortgages. If the borrower being removed is due to death, the 12-month payment history is not required; however, evidence of death is required.
  - Requires that the borrower being removed to also be removed from the deed (or provide evidence of death, if applicable).

**Ineligible Scenarios**

Refinances of mortgages delivered to FNMA on or after June 1, 2009.

**Non-Occupant Co-Borrower**

- ✓ Occupant borrower must qualify for the loan per FNMA guidelines and the General Underwriting Guidelines stated within this summary.
- ✓ Non-occupant borrower must be on separate application.

**Assets**

Amount to be verified as entered into DU/DO.

Verification Requirements:

- Following DU/DO Recommendations or
- Use either a Request for Verification of Deposit (Form 1006 or 1006(S)) **AND** one month's bank statement; or
- Borrower's bank statements for the most recent two months.

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## DU Refi Plus FRM & ARM, Continued

### Refinance Requirements

Refinance under the DU Refi Plus may include the following:

- ✓ Pay off the existing first mortgage
- ✓ Closing costs, prepaid costs and discount points
- ✓ The borrower may receive up to \$250 at closing. If the amount exceeds \$250, then refer to the next bullet point regarding principal curtailments.
- ✓ DU Refi Plus product with excess premium rate credit are limited to the lesser of 2% or \$2,000 principal curtailment (excluding Texas primary residence in which the borrower may not receive any cash back); On transactions where the loan originator is paid by the consumer, principal curtailments are not permitted of any amount.
- ✓ Texas Section 50a6 scenarios are not permitted.
- ✓ Rate term refinance of an existing FNMA loan.

### Net Tangible Benefit

Transaction must represent a net tangible benefit to the borrower and be documented by the Underwriter on the 1008.

**IMPORTANT:** DU/DO does not have the ability to make the determination that the transaction will benefit the borrower. This review must be performed manually by the Underwriter.

- ✓ The monthly principal and interest payment is decreasing.
  - Payment increases are only permitted if the loan is refinancing into a more stable product (i.e. ARM to Fixed, IO to fully amortizing, shorter term, etc.) and the increase may not exceed 20%.
- ✓ The amortization period is shortened.
- ✓ Interest rate is reduced
- ✓ The amortization period is extended (i.e. from 15 to 30 years) provided there is a reduction in the principal and interest payment.
  - An extension of the amortization period is not considered movement to a more stable product; the reduction of P&I MUST be present as well.
- ✓ The mortgage loan type changes from a FRM to ARM provided there is a reduction in the principal and interest payment as well.
  - Movement from a FRM to ARM is not considered a movement to a more stable mortgage product. ClearPoint Funding will encourage FRM to borrower whenever possible.
  - An ARM to a new ARM is permitted with an initial fixed period equal to or greater than that of the existing mortgage.

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### DU Refi Plus FRM & ARM, Continued

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**Listed for Sale** Properties that have been listed for sale are eligible if the property has been removed from the market prior to the application date **AND** the borrower confirms intent to continue to occupy if the subject property is their primary residence.

**NOTE:** Policy does not apply to scenarios without appraisals, including where Form 2075 and property inspection waivers (PIWs) are eligible.

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**Escrow Waivers**

Permitted per ClearPoint Funding guidelines for loans with an LTV less than 80.00%, unless higher limits are permitted by state law. Escrow/Impound for mortgage insurance may not be waived.

**NOTE:**

- Not permitted for Investment properties.
  - Maximum 45% DTI
  - If Flood Insurance is required, then it must be escrowed regardless.
  - California may waive escrows for LTVs up to 90.00% per state law.
  - Refer to 100 – Conventional Lending Guide for additional details.
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**Subordinate Financing**

- ✓ Subordinate liens may not be paid via the DU Refi Plus transaction; however, may be paid-off with borrower's own funds.
  - ✓ New subordinate liens may not be added to the subject transaction.
  - ✓ Subordination of mortgages with negative amortization.
  - ✓ Subordinate financing with prepayment penalties.
  - ✓ Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five (5) years.
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## DU Refi Plus FRM & ARM, Continued

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### Appraisals

In addition to utilizing ClearPoint Funding's standard appraisal AND validation policy, the following appraisal requirements apply to DU Refi Plus scenarios:

- ✓ Reduced forms of appraisal requirements as recommended by DU/DO are permitted:
  - Appraisal Waivers, such as PIW, are permitted; however, limited to 1-unit.
  - High Balance loan amounts continue to require a full appraisal.
  - Non-owner occupied transactions utilizing the PIW, must capture the rental income and bedroom count, regardless of the DU/DO.
  - PIW must be dated within 120 days of the Note date.
  - Refinances of properties where the most recent transaction was a REO sale are not eligible for a PIW.
  - At the Underwriter's discretion, a full appraisal may be required if there is reason to believe it warranted due to additional information obtained about the property or subsequent events such as natural disasters, etc.
- ✓ DU Refi Plus appraisal recommendations supersede those established for High Balance loans.
- ✓ **TEXAS:** All Investment properties require an interior/exterior appraisal regardless of DU recommendation.

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**DU Refi Plus FRM & ARM, Continued****Mortgage  
Insurance**

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If the existing loan being refinance:

- Was equal to or less than 80% LTV, mortgage insurance is not required on the subject refinance and the loan is eligible.
- Was greater than 80%LTV and the mortgage insurance was previously cancelled or terminated in accordance with FNMA guidelines, mortgage insurance is not required on the subject refinance and the loan is eligible.
- Was greater than 80% LTV and the mortgage insurance is still applied to the current loan, but the new loan LTV is less than or equal to 80%, mortgage insurance is not required on the subject refinance and the loan is eligible.
- Was greater than 80% LTV and insured through LPMI, then it is not eligible under the DU Refi Program.

The new loan being created in the refinance:

- Loans requiring or issued with MI are not permitted
- DU/DO recommendation MUST specifically state NO MI is required

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## DU Refi Plus FRM & ARM, Continued

### Loan Parameters – Agency DU Refi Plus

<b>REV 01/26</b>										
<b>Agency FRM 15 - 40 Year DU Refi Plus; 5/1 &amp; 7/1 ARM with 30-year amortization.</b>										
# of Units	Primary Residence Maximum			Second Home Maximum			Investment Property Maximum			Minimum Credit Score
	LTV	CLTV <sup>1</sup>	HCLTV <sup>1</sup>	LTV	CLTV <sup>1</sup>	HCLTV <sup>1</sup>	LTV	CLTV <sup>1</sup>	HCLTV <sup>1</sup>	
<b>IMPORTANT: Includes FRM, ARM and High Balance loan scenarios.</b>										
<b>Limited Cash Out Refinance Transactions</b>										
1	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	660/680 <sup>4</sup>
2 – 4	105.00	105.00	105.00	NA	NA	NA	105.00	105.00	105.00	660/680 <sup>4</sup>
Condo <sup>2</sup>	95.00 <sup>2</sup>	95.00 <sup>2</sup>	95.00 <sup>2</sup>	95.00 <sup>2</sup>	95.00 <sup>2</sup>	95.00 <sup>2</sup>	95.00 <sup>3</sup>	95.00 <sup>3</sup>	95.00 <sup>3</sup>	660/680 <sup>4</sup>
<b>Cash-Out Refinance Transactions</b>										
ALL	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>NOTES:</b>										
✓	All States: Type F PUDs are not permitted.									
1	Subordinate Financing:									
	<ul style="list-style-type: none"> <li>Subordinate liens may not be paid via DU Refi Plus transaction</li> <li>New subordinate financing may not be added to subject transaction</li> <li>Subordination of mortgages with negative amortization.</li> <li>Subordinate financing with prepayment penalties.</li> <li>Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five (5) years.</li> </ul>									
2	<b>Condo Properties:</b> Primary and Second Homes require a Limited Project Condo Review required regardless of DU recommendations; refer to the Conventional Lending Guide for complete details of documentation. Florida projects permitted for Primary Residence only up to 70% LTV/CLTV.									
3	<b>Condo Properties:</b> Investment properties require a Full Lender Delegated Review regardless of DU recommendations; refer to the Conventional Lending Guide for complete details of documentation. Florida projects are not permitted for Second Home or Investment Properties.									
4	Minimum 680 credit score is required for Second Homes and Investment Properties.									