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400 - Conforming

Product Description and Product Codes

**Origination
Limitations**

✓ Available only to clients located within the state of Texas.

**Product
Description**

Presentation

To minimize repetition, specific guidelines and requirements as they apply to True Texas Cash Out Refinances (subject to Texas Constitution Section 50a6) are presented within this Product Addendum. For general guidelines and credit requirements not addressed within this summary, refer to 200-Conventional Product Guidelines and 100-Conventional Lending Guide for details.

Lien Position

This is a first lien product.

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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 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	C10TTCO C15TTCO C20TTCO	C25TTCO C30TTCO	Agency Fixed Rate Terms: 10; 15; 20; 25; 30-year High Balance
FRM High Balance	NA		Terms: Not Available
Interest Only	NA		Interest Only Option Term: Not Available
FRM Temporary Buydown	NA		Agency Fixed Rate Buydown Terms: Not Available
FRM DU Refi Plus	NA		DU Refi Plus Fixed Rate Terms: Not Available

Product Name	ARM Product Code	Product Feature Options
ARM Standard Loan Amounts	NA	Agency Adjustable Rate Terms: Not Available.

Loan Details

Overview Unless otherwise noted in a specific sub-section, the loan details noted below apply to all Texas Equity Refinance FRM conforming 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	Not Permitted
Principal Curtailments	Not Applicable
Conversion Option	None
Prepayment Penalty	Not Permitted
Assumable	Not Assumable
Negative Amortization	None

ARM Features Adjustable rate mortgages are not available under the Texas Section 50(a)(6) product.

Escrow / Impound Waiver Permitted per ClearPoint Funding guidelines.
NOTE: Partial escrow waivers are not permitted.

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Loan Details, Continued

REV 08/31

Loan Limits

Property Type	General	High Balance
1 Unit	\$417,000	NA
2 - 4 Units	NA	NA

NOTE:

- ✓ Loan amounts must be in \$50 increments.
- ✓ Minimum \$125,000 loan amount.

Occupancy

1 –unit, SFR Primary Residence Only; attached or detached, including condominiums and PUDs.

IMPORTANT: Subject property MUST be designated as the borrower’s homestead.

Eligible 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 Unit Properties, Attached and Detached
- ✓ Eligible Condominiums (Q, T, V) / Limited Review
- ✓ Modular Homes/Factory Built (SFR, 1-unit only)
- ✓ PUDs
- ✓ Maximum 10 acres

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Loan Details, Continued

Ineligible Property Types

Ineligible Property Types

The following property types are not acceptable:

- ✓ 2-4 Unit properties
- ✓ Model Home Leaseback properties
- ✓ Manufactured Homes
- ✓ Properties located outside the state of Texas
- ✓ Condotels
- ✓ Raw Land
- ✓ Subsidized Condos also known as Limited Equity Condos
- ✓ Cooperative Share Properties (Co-Op)
- ✓ Leasehold Estate properties
- ✓ Land Contracts for Sale / Contract for Deed
- ✓ Mixed Use Properties
- ✓ Agricultural or Timber designated property
- ✓ Resale restricted properties
- ✓ Lot sizes exceeding 10 acres; property may NOT be subdivided.

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

Temporary Buydown

Not permitted

Texas Home Equity Definition

There are two scenarios that legally classify a mortgage as a Texas Section 50(a)(6) Loan:

- ✓ A new loan is originated for the purpose of taking equity out (cash-out refinance), or
- ✓ An existing Texas Section 50(a)(6) first or second mortgage is paid off by a new first mortgage.

IMPORTANT: Once a mortgage is considered a Texas Section 50(a)(6) loan, ANY and ALL subsequent refinances are considered a Texas Section 50(a)(6) loan, regardless of whether the borrower receives any cash at closing as long as the property continues to be the borrower's homestead.

Continued on next page

Loan Details, Continued

Texas Home Equity Restrictions

- ✓ The title policy will reference Texas Section 50(a)(6).
- ✓ There can be only one outstanding Texas Section 50(a)(6) loan on a property at any given time.
 - If the borrower has an existing Texas Section 50(a)(6) second lien and is getting cash-out from the first mortgage, the second lien must be paid off.
- ✓ 12-month seasoning for any Texas Section 50(a)(6) loan (first or second).
- ✓ No seasoning requirement for first or second mortgages that are not Texas Section 50(a)(6) loans.
- ✓ If an existing Texas Section 50(a)(6) second lien is being subordinated and there is no cash-out from the first mortgage refinance, refer to the standard Conventional product summary for rate & term refinance guidelines. The second lien must be subordinated to the first mortgage and a subordination agreement must be executed. Borrower cannot be receiving any cash back from the first mortgage transaction.
- ✓ If paying off a second mortgage that is not a Texas Section 50(a)(6) second lien **AND** there is no cash out from the first mortgage, refer to the standard Conventional product summary for applicable refinance guidelines.
- ✓ Financed closing and other costs (excluding prepaids) cannot exceed 3% of the principal amount of the loan. Discount points used for reduction in interest rate do not need to be included in the 3%. Discount points used for closing costs must be included in the 3%. Only fees to third parties (e.g. appraisal, title report, title insurance, and third party closing costs) may be passed through to the borrower. If closing costs are greater than 3%, fees must be reduced prior to closing. **Refunds to the borrower are not permitted.**
 - Premium pricing is permitted if disclosed to the borrower at time of initial application.

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Loan Details, Continued**Rate Term
Refinance**

-
- ✓ A loan is a rate and term refinance (still subject to Section 50(a)(6) though) if the first mortgage being paid off is a Texas Section 50(a)(6) loan and the borrower is not getting any cash back from the refinance transaction.
 - **NOTE:** If a second mortgage is to be included as well, it must have been used in whole to acquire the subject property in order to be considered a rate term refinance.
 - ✓ Closing costs and prepaid items may be included in the loan amount, but the total amount that may be charged is subject to limits imposed by the Texas regulations.
 - ✓ Borrower may not receive ANY cash back at closing.
 - ✓ HUD-1 settlement statement(s) required from any transaction within the most recent 6 months. If previous transaction was a cash-out or if it combined a first and non-purchase money subordinate into a new first, loan to be coded cash out. If new transaction combines a first and non-purchase money subordinate into a new first loan, it is considered cash out.

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Loan Details, Continued

Cash Out Refinance

-
- ✓ All borrowers must have held title (ownership) to the subject property for a minimum of six months.
 - ✓ Properties that have been listed for sale are eligible with the following restrictions:
 - LTV ≤ 70% if a property has been listed for sale within the six months preceding the application date.
 - Property has been taken off the market on or before the application date.
 - Borrower confirms the intent to occupy a primary residence
 - ✓ A loan is considered a cash out refinance if:
 - Paying off a first and/or second mortgage that is not a Texas Section 50(a)(6) loan **AND** is getting cash out from the refinance.
 - Paying off a first mortgage that is a Texas Section 50(a)(6) loan, is not getting any cash out **AND** is paying off a second lien that is not a Texas Section 50(a)(6) which was not used in whole to acquire the subject property.
 - Paying off a first mortgage that is not a Texas Section 50(a)(6) loan **AND** is paying off a second lien that is a Texas Section 50(a)(6) loan and:
 - The borrower is getting cash back from the refinance transaction OR
 - The borrower is not getting cash out but is paying off a second mortgage that was not used in whole to acquire the subject property.
 - ✓ Loan proceeds can be used to pay off secured debt or unsecured debt.
 - If the borrower applies for a debt consolidation loan which results in a request that lender pay off another debt owed to the lender or to a predecessor company of lender or affiliate, the borrower must sign an affidavit at closing identifying the debt being paid and acknowledging voluntary repayment of any such debt owed to the lender.

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Loan Details, Continued

Seasoning Requirements

IMPORTANT: Only one Section 50(a)(6) loan may be closed in any 12-month period.

A new Section 50(a)(6) loan may not be closed before the anniversary of the filing date of the most recent Section 50(a)(6) loan that was secured by the subject property, including any existing Section 50(a)(6) first or second mortgage, as well as any Section 50(a)(6) mortgage that was closed, paid off and released of record within the past twelve months. Exceptions to the seasoning requirement are only permitted if a state of emergency has been declared (by the president of the United States or the governor of the State of Texas) that applies to the area where the homestead is located, and the borrower submits a sworn affidavit indicating the reason for requesting an earlier closing date.

Loan Application

The Borrower's Spouse is still required to sign the signature page of the 1003 loan application even when they are not qualifying/signing the Note.

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Loan Details, Continued

12-day Cooling Off Period

Notice Concerning Extension of Credit Disclosure

("12-Day Notice"): Per state law, the loan may not close before the 12th day following the later of:

- Receipt by the originator of a signed and dated loan application **OR**
- Receipt by the customer of the "Notice Concerning Extension of Credit" - **NO EXCEPTIONS**
- CPF defines receipt as the date the borrower and borrower's spouse, if applicable, signs the document.

NOTE: The application must be a loan application, not a request for pre-qualification, or a preliminary determination of the amount of credit for which the borrower is eligible.

If the disclosure is mailed to the owner(s), the date the disclosure is provided may be calculated by adding three calendar days, not including Sundays and federal legal public holidays, to the date the disclosure was mailed. If conversations are conducted in a language other than English, a translated version of this Notice must be provided in addition to the English version.

*Remember when calculating the 3 calendar days, Sundays and federal legal public holidays are excluded.

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Loan Details, Continued**Closing Requirements**

- ✓ All loan documents must be drawn by Black, Mann & Graham.
- ✓ The borrowers must be provided a complete and accurate copy of the final HUD-1 or HUD-1A Settlement Statement no later than one business day prior to loan closing. Borrowers must sign Borrower's Certification of Receipt of Settlement Statement and the Accuracy Thereof at closing.
- ✓ Both spouses must execute the mortgage. However, both spouses are not required to be parties to the promissory note. All individuals on title and their spouses must sign all Texas Cash out documents.
- ✓ Borrowers must be provided a copy of all documents signed at closing and sign the Texas Home Equity Receipt of Copies. The documents may not contain blank spaces.
- ✓ All loans must contain a Texas Home Equity Loan Closing Instructions Addendum.
- ✓ Loan must be closed by an attorney or title company. No closings by mail or phone.
- ✓ The following forms must be executed and included in the final funding package:
 - Texas Home Equity Affidavit Agreement (Form #3185)
 - Texas Home Equity Discount Point Acknowledgment, if applicable
 - Federal Notice of Right to Rescind
 - In addition to the borrower, the Lender must sign the Acknowledgment of Fair Market Value of Homestead property at closing with an appraisal attached to the Acknowledgment.
 - Notice of No Oral Agreements signed by lender and borrower
 - CPF must sign the Texas Home Equity Certificate from Originating Lender Regarding Compliance with Section 50(a) (6) Article XVI of the Texas Constitution.

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Loan Details, Continued

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- Closing Costs**
- ✓ All closing costs, fees, and charges (either included in the loan or paid by the borrower) must be reasonable and must pass the 3% Fee Limitation Test. CPF will only exclude fees from the 3% Fee Limitation Test if they are properly itemized on the final HUD-1 presented to the owner(s).
 - ✓ The cost of the survey must be included in the 3% fee limit even if paid by the customer outside of closing.
-

3% Fee Limitation

3% Fee Limitation Test: Bona fide discount points (for the purpose of reducing the interest rate only), interim interest, and escrow impounds are not included in the 3% Fee Limitation Test. Any lender-paid or broker-paid closing costs must be recorded on the appropriate HUD line as broker-paid or lender-paid and not charged to the borrower. Closing costs paid by the lender or broker, and not charged to the borrower, are not included in the 3% Fee Limitation Test. Any credit for marketing promotions or negative discount points (premium pricing) reflected as a separate credit on the HUD-1 Settlement Statement may not be included as a negative entry in the 3% Fee Limitation Test.

Discount Points

Bona Fide Discount Points: For discount points charged on the HUD-1 Settlement Statement to be considered bona fide and not required to be included in the 3% test, the Broker must provide the borrower(s) with a choice of an interest rate with or without discount points. If the borrower(s) select(s) a rate that requires the payment of discount points, the borrower(s) will be required to sign an "Election to Pay Discount Points" affidavit at closing.

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Loan Details, Continued**Closing Documents**

Use the following forms at closing:

- Texas Home Equity Security Instrument (Form #3044.1)
- Texas Home Equity Note (Form #3244.1)
- Texas Home Equity Condo Rider, if applicable (Form #3140.44)
- Texas Home Equity PUD Rider, if applicable (Form #3150.44)

Copies of Documents

The borrower(s) must be provided copies of all documents signed by them at closing in connection with the extension of credit and MUST certify that they received all the required documents. The certification may be on each document that the borrower(s) signs or on a separate certification.

Title Requirements

-
- ✓ A title insurance policy must be obtained for every loan.
 - ✓ Title insurance endorsements T-42 and T-42.1 are required.
 - In order to obtain these endorsements, the loan must close at the office of the title company that will be issuing the title policy, or an attorney acting as a representative of the title company (insured closing letter is required).
 - ✓ There may be no exceptions or exclusions from coverage.
 - ✓ Closings handled via mail or solely by notaries public are not permitted.

Power of Attorney

Power of Attorney not permitted.

General Underwriting Guidelines

Overview The Conforming FRM 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
Fannie Mae	
DU Approve/Eligible	Yes
DU Approve/Ineligible	No ²
DU Refer/Eligible	No ²
DU Refer/Ineligible	No
DU Refer with Caution	No ²
DU EA/Eligible	No ¹
Out of Scope	No
Freddie Mac	
Standard Accept	No
Streamline Accept	No
Accept Plus	No
Caution	No
Incomplete	No
500 FHLMC Eligible. LP A-minus offering	No
NOTES:	
¹ 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.	
² AUS recommendations are not valid and may NOT be turned into a manual underwrite under the Conforming FRM guidelines.	

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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General Underwriting Guidelines, Continued

Income Documentation

Wage Earner: The greater of one paystub or as recommended by DU/DO.

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

NOTE: If declining income exist in either scenario, then full documentation as noted in the Lending Guide is required.

IRS Form 4506-T

Follow standard CPF policy.

Housing History

Evaluated by DU/DO.

Reserves

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

Reserve Requirements	
Primary Residence	Agency guidelines apply or as permitted by the DU/DO findings
<p>IMPORTANT: 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>NOTES:</p> <ul style="list-style-type: none"> ✓ Acceptable DU/DO scenarios may follow the reserve requirements recommended within the findings for primary residences only. ✓ Reserves may not be from gift funds. ✓ Blank assets, income, and employment information on the 1003 is not acceptable. 	

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General Underwriting Guidelines, Continued

Appraisal Requirements

- ✓ A New, Full interior/exterior appraisal must be ordered regardless of DU/DO recommendations.
- ✓ Tax assessed values and exterior-only appraisals are not permitted.
- ✓ Only the parcel designated as the homestead parcel may secure the loan.
- ✓ The borrower(s), owner(s), spouse(s) and CPF must sign a written acknowledgement of the fair market value, with a copy of the appraisal attached.
- ✓ Property inspections and/or waivers are not permitted.
- ✓ The property must be complete. Work completion escrows are not permitted.
- ✓ **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.

Survey Requirement

- A survey is required for every loan. The survey must:
- Provide a legal description of the property to be covered by the mortgage;
 - Exclude any property designated as "agricultural" or "timber" on tax records;
 - Be no more than 10 acres;
 - Show access to a public road, and
 - Exclude any rental use improvements or any other non-homestead use property.

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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General Underwriting Guidelines, Continued

Interest Only Option Not permitted.

Land Contract for Sale Not applicable.

Mortgage Insurance Not applicable.

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.

NOTE:

- ✓ Partial ownership in a property counts as a “financed property” held.
- ✓ 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.

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General Underwriting Guidelines, Continued

Borrower Eligibility

- ✓ Permanent Resident Aliens: Borrower must live and be employed in the U.S.
- ✓ Not permitted:
 - Trust Agreements / Inter Vivos Revocable Trust
 - Non-permanent resident aliens
 - Title held as Tenants in Common
 - Title held as Tenants by the Entirety by unmarried borrowers.
 - Loans pursuant to Texas House Bill 637, which authorize loans to natural or adoptive parents, conservators, or guardians of a minor or ward on homestead property where the minor or ward has an ownership interest. These transactions require court approval and extensive court oversight and are therefore not eligible.

Co-Borrowers

- ✓ Not permitted; ALL borrowers must occupy the subject property as their primary residence.
- ✓ Borrower or borrower's spouse must hold legal title to the property.
- ✓ No third party may hold a title interest in the mortgaged property.

Non-Traditional Credit History

Not Permitted.

Continued on next page

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:

The loan characteristics are...	Maximum DTI
AUS Recommendation	45% - 50%

IMPORTANT:

- ✓ **No Required Payment of Non-Homestead Debt to Lender:** The borrower(s) may be required to pay only the following debt(s) as a condition of the loan approval:
- debt(s) secured by the homestead, or
 - debt(s) owed to another lender.
 - It is not acceptable to require the borrower to pay any other debt(s) owed to the lender on the Texas Home Equity Loan, or to a company that was merged into, consolidated into, or acquired by, the lender (predecessor companies). If the borrower applies for a debt consolidation loan which results in a request that lender pay off another debt owed to the lender or to a predecessor company of lender or affiliate, the borrower must sign an affidavit at closing identifying the debt being paid and acknowledging voluntary repayment of any such debt owed to the lender.

Interested Party Contributions

Not permitted.

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General Underwriting Guidelines, Continued

Subordinate Financing

- ✓ No new secondary financing is permitted
- ✓ Pre-existing subordinate financing not subject to Section 50a6 may be re-subordinated.
- ✓ No third liens permitted
- ✓ HELOCs are not eligible for secondary financing
- ✓ An existing Texas Section 50(a)(6) second mortgage may not be re-subordinated to a new Texas Section 50(a)(6) first mortgage. It must be paid off. Only one Texas Section 50(a)(6) Loan may be secured by the property at any time.

Escrow Holdbacks

Not permitted regardless of circumstances.

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 - 30 Year

Agency FRM ² 10 - 30 Year				
# of Units	Primary Residence Maximum			Minimum Credit Score
	LTV	CLTV	HCLTV	
IMPORTANT: Refer to High Balance Loan Amount matrix for specific requirements.				
Cash Out Refinance Transactions				
1	80.00	80.00	80.00	620
NOTES: No maximum cash out limit.				

Refinance Matrix

If the following conditions exist:						Then the new loan is considered:		
Current Lien	Is Current 1 st a 50a6?	Is Current 2 nd a 50a6?	Is 2 nd to be paid off?	Is 2 nd to re-subordinate ?	Any cash to borrower?	Rate Term	Cash Out	Subject to 50a6?
First Mtg Only ¹ – No Second Mtg	No	NA			No	X		No
	No				Yes		X	Yes
	Yes				No	X		Yes
	Yes				Yes		X	Yes
First Mtg & Second Mtg equal Purchase Money (must be closed end)	No	No	No	Yes	No	X		No
	No	No	No	Yes	Yes		X	Yes
	No	No	Yes		No	X		No
	No	No	Yes		Yes		X	Yes
	Yes	No	No	Yes	No	X		Yes
	Yes	No	No	Yes	Yes		X	Yes
	Yes	No	Yes		No	X		Yes
	Yes	No	Yes		Yes		X	Yes
First Mtg & Second Mtg equal Qualified Home Improvement Loan (must be closed end)	No	No	No	Yes	No	X		No
	No	No	No	Yes	Yes		X	Yes
	No	No	Yes		No		X	No
	No	No	Yes		Yes		X	Yes
	Yes	No	No	Yes	No	X		Yes
	Yes	No	No	Yes	Yes		X	Yes
	Yes	No	Yes		No		X	Yes
	Yes	No	Yes		Yes		X	Yes

1 Also applies to buy out of spouse pursuant to divorce settlement.

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Refinance Matrix, Continued

If the following conditions exist:						Then the new loan is considered:		
Current Lien	Is Current 1 st a 50a6?	Is Current 2 nd a 50a6?	Is 2 nd to be paid off?	Is 2 nd to re-subordinate ?	Any cash to borrower?	Rate Term	Cash Out	Subject to 50a6?
First Mtg & Second Mtg equal HELOC ²	No	Yes	No	Yes ²	Not Permitted	X		Not Permitted ²
	No	Yes	Yes ²		No	2 nd used entirely for purchase money: Eligible	2 nd NOT used entirely for purchase money: Eligible	Yes ²
	No	Yes	Yes ²		Yes	2 nd NOT used entirely for purchase money: Ineligible		
First Mtg & 2 nd Mtg equal Not a HELOC; Not Purchase Money or Home Improvement	No	Yes	No	Yes	Not Permitted	X		Not Permitted ²
	No	Yes	Yes		No		X	Yes
	No	Yes	Yes		Yes		X	Yes
2 Second mortgage that is subject to Section 50(a)(6) may not be re-subordinated if the new first mortgage will be subject to Section 50(a)(6); the second lien must be paid off AND closed; no exceptions.								

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