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## 700 - Jumbo

### Product Description and Product Codes

#### 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.

#### Product Codes

The following Product Code Matrix outlines the applicable product codes for the Jumbo 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.

| Product Name   | FRM Product Code | Product Feature Options  |
|--|------------------|--|
| FRM  | J20<br>J30       | <b>Jumbo Fixed Rate</b><br><b>Terms:</b> 20; 30-year   |
| Product Name   | ARM Product Code |  |
| ARM  | J05              | <b>Jumbo Adjustable Rate</b><br><b>Terms:</b> 5/1 LIBOR<br><b>Interest Only Option</b><br><b>Term:</b> Not available |
| <ul style="list-style-type: none"> <li>✓ Product feature options are available only to the terms/conditions outlined in the applicable sections of this product summary.</li> <li>✓ <b>IMPORTANT:</b> Currently not available in the state of Nevada.</li> </ul> |                  |  |

## Loan Details

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

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

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

| Features               | Comments        |
|------------------------|-----------------|
| Interest Only Feature  | Not available.  |
| Principal Curtailments | Not applicable. |
| Conversion Option      | None            |
| Prepayment Penalty     | Not Permitted   |
| Assumable              | Not Assumable   |
| Negative Amortization  | None            |

*Continued on next page*

## Loan Details, Continued

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

| Features               | Comments  |
|------------------------|---|
| Interest Only Feature  | Not available.  |
| Principal Curtailments | Not applicable.   |
| Index                  | LIBOR defined as London interbank offered rate for twelve month United States dollar-denominated deposits, as published in the Wall Street Journal.<br><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              | Permitted after the initial fixed period, subject to credit approval.   |
| Negative Amortization  | None  |
| Caps                   | <b>5/1:</b> 5/2/5   |
| Rate Adjustments       | <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%.  |
| Floor                  | The floor rate is never lower than the margin.  |
| Margin                 | 2.250%  |

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## Loan Details, Continued

### Escrow / Impound Waiver

- ✓ Escrows are required unless otherwise specified by applicable state law or the LTV ratio is less than or equal to 80% (90% for California).
- ✓ Permitted for 1 Unit, Primary Residence Properties only; 2-4 units or Second Homes are not eligible.

**NOTE:** Partial escrow waivers are not permitted.

### Loan Limits

Maximum Loan Amounts:

\$2,000,000: 1 - 2 Units

\$1,500,000: 3 - 4 Units

| Property Type | Minimum Loan Amounts | Alaska Min Loan Amounts |
|---------------|----------------------|-------------------------|
| 1 Unit        | \$417,001            | \$625,501               |
| 2 Units       | \$533,851            | \$800,776               |
| 3 Units       | \$645,301            | \$967,951               |
| 4 Units       | \$801,951            | \$1,202,926             |

### Occupancy

- ✓ Primary Residence
  - 1-unit Primary Residence: No further restrictions.
  - Multiple units Primary Residence: All documentation including the 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. 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, the loan is considered investment and therefore not eligible.

- ✓ Second Homes

**NOTE:** Investment properties are not permitted.

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

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The following provides assistance in appropriately defining second homes:

- ✓ **Must be 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 nor own any other properties in that same location.**
  - **A location that is accessible yet remote enough from the borrower's primary residence to function reasonably as a second home; approximately greater than 50 miles.**
- ✓ 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.
- ✓ **The following scenarios will require a second signature from the VP of Credit or VP of Operations:**
  - **Borrowers who own other residential properties other than the primary residence.**
- ✓ **Second Home subject properties located in a major metropolitan area. Borrower must provide reasonable letter of explanation.**

**Temporary Buydowns**

Not Permitted.

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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.

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

| Term    | Note | Rider |
|---------|------|-------|
| 5/1 ARM | 3528 | 3187  |

**Borrower Power of Attorney**

A Limited Power of Attorney may be acceptable when the POA meets all of the following criteria:

- ✓ Specific to the transaction,
- ✓ It is recorded,
- ✓ It contains an expiration date (typically no more than 120 days),
- ✓ It is used to execute only the final loan documents,
- ✓ The Borrower who executed the POA signed the initial Form 1003,
- ✓ No interested party to the transaction (such as seller, broker, loan officer, realtor, etc.) may act under Power of Attorney.
- ✓ Letter of explanation required from the borrower(s) detailing why they are unable to attend closing in person.
- ✓ Under no circumstances is a General Power of Attorney permitted.

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### Loan Details, Continued

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**Interested Parties**

All parties involved in each transaction are screened for inclusion on various lists, including without limitation:

- ✓ Freddie Mac's Exclusionary List;
- ✓ Office of Foreign Asset Control (OFAC);
- ✓ Approved Buyer's internal exclusionary list.

**NOTE:** If a match is determined, the loan may be ineligible.

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**Net Tangible Benefit**

Required on all refinance transactions.

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## General Underwriting Guidelines

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**REV 05/17**

**Overview**

The Jumbo FRM and ARM loans are required to be Manually Underwritten.

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**Delegated Authority**

All Jumbo loans will be underwritten through CPF's Second Signature process; therefore, underwriting turn times will be extended. It is the responsibility of the Broker to allocate commitments, including Rate Lock terms accordingly.

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**REV 05/17**

**AUS Decisions**

**Not Applicable.**

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**Tradelines**

Useable credit score must be defined by ALL of the following:

- ✓ 3 active and non-derogatory trade lines, each rated for at least 12 months.
  - ✓ A total credit 24 month credit history required, which may include active and non-active accounts.
  - ✓ 1 trade line with a credit limit of at least \$5,000
  - ✓ Authorized User, deferment, and/or derogatory accounts may not be used to satisfy the trade line requirements
  - ✓ Non-traditional credit is not permitted.
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## General Underwriting Guidelines, Continued

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### Credit Scores / Reports

- ✓ Minimum of 2 scores are required for ALL borrowers.
  - ✓ In situations where a new or retyped credit report is provided, all prior credit reports must be included in the file. The refreshed/supplement credit report must indicate the reason and authorization for any changes, additions and/or deletions.
- 

### Housing Payment

The Borrower's previous 24 month primary housing payment history is required. The file must also contain verification of the Borrower's 24 month (or since origination, whichever is less) payment history for all mortgage loans (including loans secured by subordinate liens) appearing on the Credit Report and on the initial application. Prior housing payment history should include mortgage loan payments, rental payments, or a combination of both to cover 24 months. Mortgage loan history must be verified from the credit report and other supplemental documentation.

- ✓ No more than 0x30 within the most recent 12 months and 0x60+ mortgage/rental delinquency in the most recent 24 months.
  - ✓ Subject mortgage must be current.
- 

### Bankruptcy

A minimum seven (7) years must have elapsed since the date of discharge or dismissal of bankruptcy.

- ✓ Chapter 7 bankruptcy is measured from discharge date
  - ✓ Chapter 13 bankruptcy is measured from discharge date
  - ✓ There can be no 30-day mortgage/rental delinquency in the past 12 months and no 60+ day mortgage/rental delinquency in the past 24 months.
  - ✓ If a mortgage is included and discharged in the bankruptcy, it should be treated as a foreclosure.
  - ✓ If borrower(s) have multiple bankruptcy filing, the loan is not eligible.
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## General Underwriting Guidelines, Continued

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### **Foreclosure**

A minimum seven (7) years must have elapsed since the date of foreclosure completion.

- ✓ There can be no 30-day mortgage/rental delinquency in the past 12 months and no 60+ day mortgage/rental delinquency in the past 24 months.
- 

### **Consumer Credit Counseling**

Borrowers must provide a satisfactory explanation for participating in Consumer Credit Counseling. A borrower is eligible while they are in Consumer Credit Counseling Services (CCCS) provided the following criteria are met:

- ✓ Credit score requirements are met.
  - ✓ Qualifying ratios must be calculated on the creditor's minimum monthly payment (per the credit report) versus the reduced consumer credit counseling payment.
  - ✓ All accounts must be current.
  - ✓ No cash in hand unless all accounts included in the consumer credit counseling are paid.
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## General Underwriting Guidelines, Continued

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**Major Adverse Credit**

Defined as collection accounts, charge-off accounts, judgments, liens, delinquent property taxes, repossessions, garnishments, and non-mortgage accounts currently 90 days or more delinquent.

- ✓ For major adverse accounts reporting within the most recent 24 months:
  - These are not permitted; however, isolated accounts with less than a \$500 cumulative balance are permitted. These accounts may be left open provided they do not affect title.
- ✓ For major adverse accounts reporting older than 24 months:
  - All state, IRS, and property tax liens (subject property and other properties), regardless of seasoning, are required to be paid whether or not they currently affect title. No payment plans or subordination is allowed.
  - All other adverse accounts over 24 months old that do not affect title are not required to be paid if the balance of ALL derogatory accounts is \$5,000 or less. Total collection exceeding \$5,000 must be paid in their entirety regardless of age or affect on title.

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## General Underwriting Guidelines, Continued

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### **Restructured Loans, Short Payoff, Pre-Foreclosure**

A restructured loan or short payoff is a mortgage loan in which the terms of the original transaction have been changed resulting in either absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in:

- ✓ Forgiveness of a portion of principal and/or interest on either the first or second mortgage;
- ✓ Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness;
- ✓ Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage; or
- ✓ Conversion of any portion of the original mortgage debt from secured or unsecured debt.

In many cases, a borrower may not disclose that their existing mortgage loan has been restructured. The credit report may show a restructured loan as “settled for less than owed”. If the credit report does not specify “settled for less than owed”, you will need to scrutinize the mortgage balance reported on the credit report versus the payoff balance. If the two balances do not match and the difference is more than unpaid interest or prepayment penalties, the loan may have been restructured.

- ✓ If the existing loan being paid off is a restructured loan or short payoff (or includes any modification considered as principal forgiveness), the loan is not eligible for refinance.
- ✓ 7-year time frame is required if the borrower(s)’s credit, credit report or mortgage verification reflects a short sale, restructured loan, pre-foreclosure or refinance/loss mitigation.

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### **Borrower’s Involved in Litigation**

Borrower(s) may not be involved in a lawsuit or pending litigation.

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## General Underwriting Guidelines, Continued

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### Resident Aliens

#### Permanent Resident Aliens

- ✓ Verify Alien Registration Card
- ✓ Must provide valid Social Security number

#### Non-Permanent Resident Alien

- ✓ Primary Residence Only
  - ✓ Maximum LTV/(H)CLTV for 1-2 Units: 75%
  - ✓ Maximum LTV/(H)CLTV for 3-4 Units: 70%
- 

### First Time Homebuyers

- ✓ Primary Residence Only
  - ✓ For all loans, verification of 12 months rental payments is required. The loan file must contain 12 months cancelled checks or bank statements to evidence eligibility for mortgage/housing history for the loan program under which the loan is submitted. Written Verification of rent via the credit report is not permitted. Direct written verification of rent is acceptable in lieu of cancelled checks when the landlord is a large professional management company.
  - ✓ First-Time Homebuyers require 12 month reserves; refer to reserve section for additional requirements.
  - ✓ Borrower(s) currently living rent free require 12 months reserves excluding retirement accounts; this is to be used only when all borrowers are living rent free.
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### Inter Vivos Trust

Permitted with the following requirements specific for Jumbo loans; refer to Conventional Lending Guide for additional details.

- ✓ A signed attorney's opinion is required.

**NOTE:** Not eligible for Texas Section 50a6 loans.

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## General Underwriting Guidelines, Continued

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### Requirements for all Construction Loans

The following are required for all construction-to-permanent loans:

- Minimum 20% Down Payment from the Borrower's own funds.
- Certificate of Occupancy from the applicable government authority (required on all new construction regardless of whether the transaction is a construction-to-permanent loan).
- Appraisal report 1004-D with complete interior photos reflecting completion of construction.
- For qualification purposes, taxes are calculated at 1.5% of the sales price.
- Construction-to-perm transactions are not permitted on ARM loans.

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### Construction to Perm – Purchase

The transaction is treated as a purchase if the funds from the permanent Loan proceeds will be used for paying off an interim construction Loan (which may or may not include repayment of lot financing) and/or to reimburse the Borrower for documented acquisition or construction costs.

If the lot was acquired 12 or more months before applying for the construction financing - or if the lot was acquired through an inheritance or gift (regardless of the date of acquisition) - the LTV/CLTV is based on the lesser of:

- ✓ The current appraised value for the property (lot and improvements) or
- ✓ The total acquisition costs (The sum of construction costs and the current appraised value of the lot)
- ✓ The lot value is determined by the current appraisal

If the lot was acquired within the 12 months preceding the date of the application for construction financing, the LTV/CLTV is based on the lesser of:

- ✓ The current appraised value for the property (lot and improvements) or
- ✓ The total acquisition costs (The sum of construction costs and the lower of the sales price or current appraised value of the lot).
- ✓ The sales price of the lot must be documented by a copy of either the purchase contract or the related HUD-1 uniform settlement statement.

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## General Underwriting Guidelines, Continued

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**Construction  
to Perm –  
Refinance**

**Rate Term or Cash Out Refinance**

The Borrower must hold legal title to the lot and be named as the Borrower for the construction loan.

**NOTE:** The transaction must be treated as a Cash-Out Refinance Mortgage when any Loan proceeds are disbursed to the Borrower as reimbursement for the undocumented costs of improvements paid with the Borrower's cash or for appreciated value (of the lot improvements).

If the lot was acquired 12 or more months before applying for the construction financing, or if the lot was acquired through an inheritance or gift (regardless of the date of acquisition) the LTV/ CLTV is based on:

- ✓ The current appraised value for the property (lot and improvements)

If the lot was acquired within the 12 months preceding the date of the application for construction financing, the LTV/CLTV is based on the lesser of:

- The current appraised value for the property (lot and improvements) or
- The total acquisition costs (The sum of construction costs and the lower of the sales price or current appraised value of the lot)
- The sales price of the lot must be documented by a copy of either the purchase contract or the related HUD-1 uniform settlement statement.

**NOTE:** A non-arm's length transaction is not eligible for a Cash-out Refinance transaction.

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## General Underwriting Guidelines, Continued

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**Interest Only Option**

Not available.

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**Mortgage Insurance**

Not applicable.

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**Non-Arms Length Transaction**

These transactions are not intended to bail out a family member or current owner from an existing delinquent mortgage. When individuals wish to purchase or refinance property currently or recently owned by an individual with whom they have an Established Relationship (including family and working relationships), the following requirements apply:

- ✓ Purchases – Title Commitment may not evidence Foreclosure Proceedings or Notice of Default. A 12 month mortgage history is required evidencing existing mortgage is current.
  - In purchase transactions where the seller is a corporation, partnership, or any other business entity, Client must ensure the Borrower is not an owner of the business entity selling the subject property.
- ✓ Rate Term Refinances – If the Borrower has been on title less than six months from date of application, payoff demand from the purchase transaction must reflect the mortgage was current at the time the Borrower purchased the property.

**NOTE:**

- Cash Out refinance transactions are not permitted.
- Non-arm length transactions must be fully disclosed within the initial loan submission.
- Appraiser must comment to the non-arms length transaction to confirm no negative impact to the value provided.
- HUD-1 must reflect that all liens on title are paid and that not all of the loan proceeds are being given to the family member.
- Not permitted for ARM transactions.

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## General Underwriting Guidelines, Continued

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**Non-Occupant  
Co-Borrowers***Non-occupant Co-Borrower, guarantor, and co-signor*

- An Established relationship with the Borrower exists.
  - A party with an interest in the property sales transaction, (including but not limited to the builder, property seller, or real estate broker) is not eligible as a non-occupant Co-Borrower, guarantor, or co-signor.
  - A non-occupant Co-Borrower, guarantor, or co-signor must provide verification of income.
  - Maximum LTV/(H)CLTV for 1-2 units: 75%
  - Maximum LTV/(H)CLTV for 3-4 units: 70%
  - Qualifying total debt ratio for the occupant borrower may not exceed 45%.
  - Primary Residence only.
  - Not eligible on cash out refinance transactions.
- 

**Non-  
Traditional  
Credit History**

Not Permitted.

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**Qualifying  
Ratios**

- ✓ Primary Residence: 45%
  - ✓ Second Home: 40%
  - ✓ **FRM**: All to qualify at Note Rate using the fully amortized payment of PITI.
  - ✓ **5/1 ARM**: Qualify using the greater of the fully indexed/fully amortizing rate or the Note Rate + 2.00%.
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## General Underwriting Guidelines, Continued

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### **Payments on HELOCS**

With respect to payments on home equity lines of credit, the payment used for qualification should be based on:

- Higher of either the initial interest rate or the fully indexed rate (sum of current index plus margin), and
- Fully amortizing payment (principal and interest), and
- Term to maturity of the note, and
- The maximum available credit.

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### **Business Paid Debt**

Business debts for which the Borrower is personally liable are included in the debt calculation up to the amount of the personal recourse. These debts include business paid personal debt, unless proof of payment by the business is established. If the account is new, it must be included in the DTI calculation. These debts may be excluded from the DTI calculation if a minimum of twelve (12) months of consecutive canceled checks from the business are provided.

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### **Paying Off / Down Debt**

The payoff of revolving or installment debt for qualification purposes is permitted. For all Loans, if debts are being paid off, the payoff must be documented and the source of funds verified.

However, the pay down of revolving or installment debt (including down to 10 months) is not permitted for qualification purposes.

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### **Co-Signed Obligations**

Proof of payments made by other parties must be documented with twelve (12) months canceled checks. If the Credit Report does not reflect the Borrower as a co-signer, obtain a copy of the note or security instrument to verify that the Borrower is not the primary obligor. The debt should not have been delinquent at any time.

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### **Seller Contributions**

Maximum contribution is 3%

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## General Underwriting Guidelines, Continued

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### Purchase Transactions

- ✓ A copy of the fully executed purchase contract and all attachments or addenda is required.
- ✓ A Preliminary Title Report/Title Commitment or search must be provided with all loan submissions. Verify chain of title for at least 24 months.
- ✓ The seller of the subject property must have held title for at least six (6) months, or at least twelve (12) months if the seller is a real estate professional. Careful attention should be paid to the 24 month chain of title to ensure that this is not a flip transaction.
- ✓ All purchase transactions must have third-party verification of the purchase price. It is preferred to have a listing from the multiple listing service to satisfy this requirement; however, in the case of private sales, the accepted contract offer will suffice. The purchase price cannot exceed the multiple listing service listing price.

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### Flips

- ✓ The seller of the subject property must have held title for at least six (6) months, or at least twelve (12) months if the seller is a real estate professional. Careful attention should be paid to the 24 month chain of title to ensure that this is not a flip transaction.

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## General Underwriting Guidelines, Continued

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**Purchase  
"Keep"  
Transactions  
(Departing  
Property)**

"Purchase / Keep" scenarios where the borrower is purchasing a new primary residence and retaining his/her current residence are subject to the following:

- ✓ If the Borrower is "buying down" in value, then the transaction on the subject property is not permitted.
- ✓ If the borrower is "buying up" in value, the transaction will be considered acceptable as a primary residence. Note that a fully executed lease agreement on the current residence and a copy of the tenant's canceled check for the security deposit are required, as well as proof of deposit into the Borrower's account. Occupancy will be carefully reviewed.
- ✓ If the current property residence is pending sale but the transaction will not be closed prior to the new transaction, both the current and proposed mortgage payments must be used to qualify the borrower for the new loan.
- ✓ If the current primary residence is being converted to a second home, both the current and proposed mortgage payments must be used to qualify for the new loan.
- ✓ If the current primary residence is being converted to an investment property, up to 75% of the rental income can be used to offset the loan payment on the new loan in qualifying the Borrower if there is documented equity of at least 30% in the existing property (derived from appraisal or appraisal review, minus outstanding liens). If 30% equity cannot be documented, rental income may not be used to offset the loan payment on the new loan.

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## General Underwriting Guidelines, Continued

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### **Inherited Property**

If the subject property was inherited less than 12 months prior to loan application, the transaction is deemed a cash-out refinance and is subject to the following requirements:

- ✓ Proceeds must be used to buy-out the documented equity interest of others. Equity owners must be paid at settlement.
  - ✓ The subject property must have cleared probate and the property must be owned in the Borrower's name.
  - ✓ Current appraised value is used for LTV/CLTV determination.
- 

### **Title Transfer**

Properties that have experienced title transfers from a LLC to an individual within the most recent six months prior to application will NOT be eligible for any type of refinance.

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### **Rate Term Refinance Transactions**

- ✓ If owned less than 12 months, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required.
  - ✓ If owned more than 12 months, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership.
  - ✓ Reasonable and customary closing costs, prepaids and seasoned junior liens may be incorporated into the loan amount.
  - ✓ Cash out not to exceed the lesser of 1% or \$2000 of the principal amount of the new loan.
  - ✓ One year seasoning on installment junior liens from funding unless documentation is provided to verify it was incurred as part of acquisition or for home improvements.
  - ✓ Payoff of a subordinate line of credit lien that was not used to acquire the subject property or reflects less than \$2,000 in total draws within the most recent 12 months.
  - ✓ Properties listed for sale in the last 6 months (on or before the application date) are not eligible for refinance transactions
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## General Underwriting Guidelines, Continued

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### **Texas Section 50a6**

Primary residences located in Texas:

- ✓ The greater of 12 month seasoning required since the original purchase and 6 months from the most recent refinance transaction OR Texas Section 50a6 requirements.
- ✓ If the first or second Texas Section 50(a)(6) loan is being paid off, regardless of whether the borrower is getting any cash back, the loan is restricted to the Texas Home Equity product. Refer to the CPF Texas Home Equity Product Summary for complete details.
- ✓ If the first mortgage is not a Texas Section 50(a)(6) loan and the second mortgage is a Texas Section 50(a)(6), the second lien may be subordinated and is considered a rate and term refinance. The second lien must be subordinate to the first mortgage and a subordination agreement must be executed. Borrower cannot receive any cash back from first mortgage transaction.
- ✓ If a Texas Section 50(a)(6) second lien is being paid off, the loan is restricted to the Texas Home Equity product. Refer to the CPF Texas Home Equity Product Summary for complete details.
- ✓ The title policy will reference Texas Section 50(a)(6).
- ✓ Maximum loan amount is \$650,000; maximum combined loan amount if a second lien is present \$1,000,000.
- ✓ 1 Unit only
- ✓ Fixed Rate only
- ✓ May not close in the name of a Trust or close with a Power of Attorney.
- ✓ Refer to the CPF Texas Home Equity Product Summary for complete details; the more restrictive guidelines between the two summaries will apply.

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## General Underwriting Guidelines, Continued

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**Cash Out Refinance**

- ✓ Primary Residence only
- ✓ All borrowers must have held title to subject property for a minimum of 6 months (note date to application date)
- ✓ If owned 6-12 months, the LTV is based on the lower of the appraised value or the original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required.
- ✓ If owned more than 12 months, LTV is based on the current appraised value. HUD-1 or Deed must be provided to verify ownership.
- ✓ Properties listed for sale in the last 6 months (on or before application date) are not eligible for refinance transactions.
- ✓ Cashout limitations – Includes payoff of unseasoned (less than 12 months) second mortgages, HELOCs with cash advances in excess of those allowed for rate term refinances, buyout of a co-owner who does not meet the rate term refinance requirements and/or non-mortgage debt.
- ✓ Refer to Loan Parameter matrix within this summary for complete details on maximum allowed cash out amounts.

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**Listed for Sale**

Properties that have been listed for sale in the most recent 6 months are ineligible.

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## General Underwriting Guidelines, Continued

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### **Continuity of Obligation**

There must be continuity of obligation if there is currently an outstanding lien that will be satisfied with the refinance transaction. Loans with an acceptable continuity of obligation may be underwritten as either as a no cash out or a cash refinance transaction based on the definitions state within CPF' guidelines.

Acceptable continuity of obligation is met when:

- At least one borrower obligated on the new loan was also a borrower obligated on the existing loan being refinanced, and
- At least one borrower has been on title and will be obligated on the new loan.

When there is no outstanding lien against the property, the following applies:

- The loan is a cash out refinance transaction, and
- The borrower must be on title for a minimum of 6 months.

If the borrower is on title for less than 12 months, the loan is eligible with documentation confirming the subject property was purchased within the most recent 12 months.

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## General Underwriting Guidelines, Continued

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### Subordinate Financing

Ineligible Secondary Financing includes:

- ✓ Subordinate mortgages subject to an interest rate buydown plan
- ✓ Subordinate mortgages that allow negative amortization
- ✓ Subordinate mortgages that have wraparound terms
- ✓ Subordinate mortgages through a Community Second Mortgage/Down Payment Assistance Program
- ✓ Secondary Financing held by the property seller
- ✓ Secondary Financing held by any party other than a financial institution
- ✓ Tax and judgment liens

The terms of any Secondary Financing must be fully disclosed and documented in the credit package and must comply with the following:

- ✓ Mortgage cannot have a maturity date or a call option date of less than five years, unless it is fully amortizing.
  - ✓ Monthly payments on Secondary Financing must be included in housing and debt ratio analysis.
  - ✓ Scheduled payments under the Secondary Financing must be due on a regular basis, e.g., monthly, quarterly, or semi-annually, but no less than semi-annually and must be at least sufficient to meet the interest due.
  - ✓ The terms of the subordinate lien loan must be less than or equal to the term of the first lien loan. Secondary financing must be reviewed to ensure that there are no terms that restrict prepayment. Terms that restrict prepayment are not permitted as acceptable secondary financing. Terms that require payment of certain closing costs that were waived upon origination of the subordinate lien loan are not considered a restriction of prepayment.
-

## Assets and Liquidity

### Assets

Most recent two (2) months bank statements are required.

**NOTE:** Large deposits will require a letter of explanation. For funds that are required for reserves, closing costs and/or down payment, additional source of funds must be documented as well.

### Reserves

Reserves must come from borrower's own funds. Must be verified PITI (inclusive of HOA fees, if applicable) reserves remaining after closing, exclusive of closing costs, cash out received, and proceeds from home equity transactions:

**IMPORTANT:** When the borrower is converting their current primary residence to a second home or investment property, an additional 6 months of reserves for the retained property is required.

| <u>Loan Amount/Combined Loan Amount &lt;\$1 million</u>   |   | <u>If Loan Amount/Combined Loan Amount &gt;\$1 million</u>   |
|---|---|--|
| <u>If DTI &gt;=35.00%</u>   | <u>If DTI &lt;35.00%:</u>   | <u>All DTIs</u>  |
| <ul style="list-style-type: none"> <li>Minimum 12 months reserves, inclusive of HOA fee, if applicable, and exclusive of cash out funds, business assets (other than schedule C).</li> <li>Minimum 6 months liquid reserves Minimum 6 months liquid reserves; may not move funds from non-liquid accounts to liquid accounts in order to qualify.</li> <li>Maximum 6 months reserves permitted from retirement accounts.</li> </ul> | <ul style="list-style-type: none"> <li>Minimum 6 months liquid reserves, inclusive of HOA fee, if applicable.</li> <li>Exclusive of (funds from) 401k/SEP accounts, cash out funds, business assets (other than schedule C).</li> </ul> | <ul style="list-style-type: none"> <li>✓ Minimum 12 months reserves, inclusive of HOA fee, if applicable, and exclusive of cash out funds, business assets (other than Schedule C).                             <ul style="list-style-type: none"> <li>Minimum 6 months liquid reserves; may not move funds from non-liquid accounts to liquid accounts in order to qualify.</li> <li>Maximum 6 months reserves permitted from retirement accounts.</li> </ul> </li> </ul> |

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## Assets and Liquidity, Continued

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### Gifts

Acceptable on loans up to \$1 million provided minimum borrower investment requirements are met.

- ✓ The minimum borrower investment is waived on primary residence when the borrower pays own closing costs and no secondary financing exists.
- ✓ No gifts acceptable on loans over \$1 million

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### Minimum Down Payment

**Primary Residence:** A minimum down payment of 5% of the value for a primary residence must be paid from the Borrower's own funds. The balance may be paid from any of the acceptable asset sources. (Borrower's funds, gift funds or Secondary financing).

**Second Home:** The entire down payment must be paid from the borrower's own funds; gifts are not permitted.

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### Retirement Account Funds

- ✓ Borrowers of retirement age (generally 59 ½); subtract 30% from the vested amount less any outstanding loans.
  - For borrowers of retirement age, IRA accounts may be considered liquid assets.
- ✓ Borrowers not of retirement age; subtract 50% from the vested amount less any outstanding loans.

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### Ineligible Source for Reserves

Ineligible sources for reserves include:

- ✓ Business Assets (other than schedule C)
- ✓ Cash Out Proceeds
- ✓ Bridge Loans
- ✓ Loans secured by other assets, including HELOCs, bridge loans or cash out from any other property.
- ✓ Unsecured loans
- ✓ Proceeds from the sale of non-real estate assets
- ✓ Gifts

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## **Assets and Liquidity,** Continued

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**Joint Accounts** Funds held jointly with a non-borrowing spouse are considered the Borrower's funds. Funds held jointly with any other non-borrowing person may be considered if the joint account holder is also a title holder of the subject property.

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### Employment and Income

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**Wage Earner  
Income  
Documentation**

Wage earner income must be documented by the following:

- ✓ Most recent year-to-date pay stub covering a 30 day period, most recent two years W-2 forms and verbal Verification of Employment within 5 days prior to closing.
  - ✓ Wage earners should be employed in the same filed for the most recent two (2) years.
- 

**Verbal VOE**

Within five (5) business days prior to the note date for all borrowers using non self-employed income, ClearPoint Funding will independently verify borrower is still employed via a Verbal VOE.

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## Employment and Income, Continued

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### **Self-Employed Income Documentation**

A self-employed Borrower is an individual who has 25% or greater ownership interest in a business or receives a 1099 statement to document his or her income. Some examples of self-employed individuals include contract workers, real estate agents, or individuals relying on investments as their primary source of income.

CPF requires evidence that the Borrower has at least two consecutive years of self-employment in the same business entity in the same location and ongoing, stable income. Self-employed Borrowers relocating to a different geographic area must document and explain the determination that the Borrower's income will continue at the same level at the new location. Consider the acceptance of the company's service or products in the marketplace before considering the income for qualifying purposes. Document and explain how the Borrower's income will continue at the same level in the new location.

A level or upward trend in earnings must be established. Significant decreases in income cannot be averaged using a previous higher income

level unless there is following documentation:

- ✓ A one-time occurrence prevented the Borrower from working or earning full income for a period of time
- ✓ Proof that the Borrower is back to the income amount that they previously earned.

Significant increases could affect the stability of the Borrower's income and would require a satisfactory explanation and documentation that the increase is stable and likely to continue at the level.

To determine a self-employed Borrower's income, Client should complete the Income Analysis Worksheet or Freddie Mac form 91, Income Analysis Form. Income must be averaged as determined by income documentation type.

The following documentation is required:

- Most recent two years personal tax returns with all schedules
- Filed business income tax returns for the last two years (except for sole proprietorships)
- YTD P&L; audited version only required if income from the P&L is being used to qualify; if not being used to qualify, then only the borrower needs to sign.
- Income Analysis Form (FNMA Form 1084)
- Verbal Verification of Employment within 5 days of closing.

The underwriter may request additional information such as business license or balance sheet if it is necessary to further support the determination of the stability of the borrower's income.

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## Employment and Income, Continued

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**Self-employed  
Verbal VOE**

Verification of the existence of a self-employed borrower's business must meet one of the following:

- Verification of the existence of the borrower's business from a third party, such as a CPA (letters must be dated within 30 days of loan closing), regulatory agency, or the applicable licensing bureau
- Verify the listing and address for the borrower's business using a telephone book, the internet, or directory assistance
- Verbal Verification of Employment within 5 days of closing with accountant. Must verify the company's current entity status as active and provide third party verification of the business telephone number and address.

If contact is made verbally with a third party, document the source of the information obtained and the name and title of the associate.

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**Employment  
Gaps**

The Borrower should explain, in writing, any job gaps that exceed one month.

**NOTE:** A Borrower who re-enters the workforce with less than a two-year employment history must have been employed with his/her current employer for a minimum of six months and previous employment must be fully documented.

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**Annuity /  
Pension  
Income**

Annuity income may be used as qualifying income if it is properly documented and is expected to continue for at least three years. Acceptable documentation includes a copy of the award letter and a copy of the bank statement showing automatic deposit of said income. Nontaxable pension and annuity income may be grossed up by 25% based upon the 1040s to confirm the income is non-taxable.

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## **Employment and Income,** Continued

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### **Automobile Allowance**

Automobile allowances are considered acceptable income provided receipt of such income has been documented for the previous two years and the income is likely to continue. Qualifying income is the verified allowance minus all un-reimbursed business expenses as reported by the Borrower in his/her personal tax returns on IRS schedule 2106. If the result is positive, the allowance may be added to qualifying income. If the result is negative, qualifying income must be reduced accordingly. Automobile payments are always included in the ratios.

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## Employment and Income, Continued

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### Child Support, Alimony or Maintenance Income

Child support, alimony or maintenance payments may be used as income only if this information is volunteered by the Borrower and if the file substantiates the receipt of funds on an ongoing basis.

Copies of the divorce decree/separation agreement along with copies of court records, bank statements or canceled checks showing timely payments for a minimum of twelve months are required. In order to be used as income, these payments must reasonably be expected to continue for three years based upon all factors, including without limitation the terms of the divorce decree or separation agreement.

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### Bonus Income

Bonus or Overtime must be documented by the following:

- Most recent year-to-date pay stub with 30 days year-to-date earnings
- VOE must be obtained.
- Most recent two years W-2 forms
- ✓ This amount must be averaged over a 24 month period unless declining, and then the most recent 12 months will be averaged.
- ✓ When this type of income is used for a down payment and is the only source of funds for the down payment, it may not be used as qualifying income.
- ✓ When the bonus is received infrequently throughout the year, the Borrower must have sufficient income reserves in savings to supplement his/her income until the next bonus is received.
- ✓ Bonus and incentive income must be expected to continue.

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### Capital Gains

Capital gains earned from the sale of assets (including mutual funds but excluding sales of real estate) are considered stable monthly income if the Borrower has a two year history of earning capital gains and sufficient assets to continue generating similar earnings. Federal tax returns for the past two years should be provided. Income is averaged over the past 24 months, provided that the income is expected to continue.

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## Employment and Income, Continued

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### **Commission**

Commission income must be documented by the following, regardless of the percentage of total income:

- Most recent year-to-date pay stub with 30 days year-to-date earnings; commission must support the amount used to qualify.
- VOE must be obtained
- Most recent two years W-2 Forms or 1099
- Most recent two years personal income tax returns
- Commission income of at least 24 months must be reflected on the borrower's personal income tax returns to include as qualifying income.

This amount must be averaged over the most recent two years unless declining, and then the most recent 12 months will be averaged, deducting non-reimbursed business expenses as reported on IRS Form 2106

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### **Disability Income**

Disability benefits may be used as qualifying income if a two year history of receipt has been documented. Benefits should be verified with a copy of the award letter supported by two years W-2s or 1099s and current evidence of receipt (current pay stub or evidence of direct deposit into the Borrower's bank account). The award letter must indicate the benefit amount, length of time that the benefits are received and the conditions for receipt of benefits.

- ✓ Permanent Disability situations in which the income does not have a defined expiration date, the borrower will not be required to provide additional documentation evidencing continuance of the income.
  - ✓ Temporary Disability (workman's compensation) benefits in which a defined expiration date is provided, a term of at least three (3) years remaining must be verified in order to be used for qualifying purposes.
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## Employment and Income, Continued

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**Dividend /  
Interest  
Income**

Investment income may be used as stable monthly income if the file contains the following documentation:

- The income has been received for at least 24 months;
  - Year to date income is in line with previous earnings;
  - The investment is from a publicly traded company(s);
  - The Borrower has a diversified portfolio;
  - Verification of stock asset values no older than 30 days at closing; and
  - Sufficient assets remain after closing to continue to generate an acceptable level of earnings in view of the totality of the circumstances.
- ✓ When historical and current earnings appear to be reasonable under the circumstances, the earnings are averaged over the time period verified. During volatile market times or when verified earnings do not appear to be supported by current market conditions, an earnings rate no greater than 8% must be used. Income may be documented with signed federal tax returns or 1099s for the previous two years.
- ✓ The cash/stocks/bonds producing this dividend/interest income may not be used as a source for down payment and should not have been previously pledged as security.
- 

**Employed by  
Relative**

A Borrower employed by a family member or employed by a family held business, property seller or real estate broker is eligible provided they meet the following documentation requirements. If employed by a relative, the business accountant must verify that the Borrower is not self-employed by indicating his or her percentage of interest in the business. The accountant must be a disinterested third party.

Provide the following documentation:

- ✓ Most recent pay stub
  - ✓ Most recent two-years' tax returns
  - ✓ Most recent two years W-2 Forms
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## Employment and Income, Continued

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### Foster Care Income

Income derived from foster care payments may be considered if it is regular, recurring and likely to continue for three years. A two-year history of past receipt is required. Income used to qualify must be averaged over a two year period. Projected income may not be used in the calculation.

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### Foreign Income

Not permitted.

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### Installment Sales / Land Contracts

Not permitted.

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### Military Income

Borrowers employed in military services typically receive compensation in addition to base pay, which may be used as qualifying income. Rations, base housing pay and flight pay may be considered, provided that the income is typical for the position held, and can be documented with one year proof of continuance. Non-taxable income may be "grossed up" by 25%. Generally, only base pay and rations are taxable.

Borrowers called to active duty before loan closing must be qualified based on the Borrower's military income. The date that the in-service Borrower is scheduled to be released from active duty must be verified via a Leave and Earnings Statement (LES), VOE, or Officer's orders. If the separation date is within 12 months of the projected loan closing, the file must include one of the following:

- ✓ Documentation that the service member has re-enlisted or extended his/her period of active duty beyond 12 months of the projected closing date.
- ✓ Verification of civilian employment following release from active duty.

**NOTE:** For Borrowers with a reservist or National Guard obligation, an assessment should be performed to determine the impact of activation on the Borrower's income.

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## Employment and Income, Continued

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**Mortgage  
Differential  
Income**

Not permitted.

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**Note  
Receivable  
Income**

Note receivable income may be used as qualifying income if received for at least 12 months and expected to continue for at least three more years. Acceptable evidence includes a copy of the note and the previous year's federal tax returns to evidence receipt of income or copies of bank statements to evidence deposit of note income received.

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**Non-Taxable  
Income**

Non-taxable income may be "grossed up" by 125%; non-taxable status must be confirmed by the Underwriter.

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**Trailing  
Spouse  
Income**

Not permitted.

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## Employment and Income, Continued

### Rental Income *Calculation of Rental Income for Mortgaged Premises*

#### **Purchase**

Net cash flow for the Mortgaged Premises is the lesser of the following two calculations:

- ✓ Amount established by the appraiser in the Operating Income Statement (Fannie Mae form 216)
- ✓ 75% of actual rent from current lease agreement signed by the current owner and lessee of the property

The following documentation is required:

- Operating Income Statement (Fannie Mae form 216)
- Fully executed current lease agreement of 12 months or longer, if applicable.

#### **Refinance**

Net cash flow for the Mortgaged Premises is the lesser of the following two calculations: For properties owned one or more complete tax years, net cash flow must be calculated by using Schedule E from IRS form 1040:

For properties owned less than one complete tax year, net cash flow must be calculated by one of the following methods:

- ✓ Amount established by the appraiser in the Operating Income Statement (Fannie Mae Form 216)
- ✓ 75% of actual rent established by copies of signed lease agreements

The following documentation is required:

- ✓ For properties owned one or more complete tax year, most recent two years personal income tax returns with all schedules is required. Subtract actual operation expenses (excluding depreciation) from actual rents received for usable Rental income; aggregate net rental loss must be considered a liability for qualification purposes.
- ✓ For properties owned less than one complete tax years the following is required:
  - Operating Income Statement (Fannie Mae form 216) or
  - Fully executed current lease agreement

**NOTE:** For all (subject) 2-unit properties, regardless of transaction type, with rental income must include a Fannie Mae 216.

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## Employment and Income, Continued

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### Rental Income for Other REO

When considering income received from rental properties or the lease of land owned by the borrower that are not the Mortgaged Premises, calculate net cash flow for rental property in the following manner:

- ✓ For properties owned one or more complete tax years, net cash flow must be calculated by using Schedule E from IRS form 1040
- ✓ For property owned less than one complete tax year, net cash flow must be calculated by using 75% of actual rent, established by copies of signed leases.

The following documentation is required:

- For properties owned one or more complete tax years, the most recent two years personal income tax returns including Schedule E from IRS form 1040 is required (if owned more than one year but less than two years, most recent year's Schedule E from IRS form 1040 is acceptable)
- For properties owned less than one complete tax year, fully executed current lease agreement is required

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### Retirement Income

#### 401K/IRA Distribution

- ✓ An award letter or most recent three months' bank statements evidencing automatic deposit of the benefit, three months' benefit checks or a copy of the previous two years' tax returns/1099(s).
- ✓ Maximum 70% LTV/(H)CLTV and Cash Out Refinance not permitted if the distribution is not set up for monthly distributions
- ✓ The Borrower must provide verification of the assets of the plan and verification of receipt of monthly income. Assets in the plan must be sufficient to sustain income continuance for a minimum of three (3) years, determined based upon 1) fixed income securities such as pensions can be used to qualify based on the instrument and/or coupons, and 2) equity securities such as stocks/401k, etc. must be used at 50% to qualify.

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## Employment and Income, Continued

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### Seasonal Income

Some Borrowers may regularly work part-time jobs during certain times of the year (e.g., every Christmas or summer). Income from seasonal employment may be considered as stable monthly income if the Borrower has worked the same job "in season" for the past two years and, based upon a written statement from the employer, expects to be rehired for the next season. Verifications should include:

- ✓ Most recent pay stub or salary voucher documenting at least three months of income and
- ✓ W-2 forms for the previous two years and a written verification of employment (VOE).
- ✓ Borrower must be employed (in-season) at the type of loan approval through funding.

**NOTE:** If the Borrower is employed by a party involved in the transaction (i.e., employed by the seller or the real estate agent), two years personal federal tax returns are required.

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### Social Security

These types of income can be verified with an award letter plus tax returns or bank statements evidencing regular monthly deposits in the Borrower's account. Social Security survivor benefits must be expected to continue for at least three years in order to be considered as income.

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### Other Social Security Income

Social Security Disability Income, Child's Benefit, or other income paid by Social Security must be evidenced by:

- ✓ A copy of the Social Security award letter, and
  - ✓ A copy of the Borrower's most recent three (3) months' bank statements showing the direct deposit of the income into the Borrower's account.
  - ✓ Benefits payable to/for minors:
    - The minor must be under the age of 18.
    - This income may be used for qualifying purposes only if it is expected to continue for a minimum of three (3) years.
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## Employment and Income, Continued

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**IRS Form  
4506-T**

ClearPoint Funding requires the most recent Tax Return Transcript for all borrowers.

- ✓ For loans underwritten before June 15, 2012, if the borrower has filed their 2011 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:
  - 2011 Tax Transcript showing "No record of return filed"; and,
  - Copy of the 2011 Tax Return; and,
  - **For Salaried Borrowers:** a 2010 tax transcript, current paystub and 2011 W-2;
  - **For Self-Employed Borrowers:** a 2010 tax transcript and a 2011 P&L.
  - **See below if borrower filed an extension.**
- ✓ For loans underwritten on or after June 15, 2012, the 2011 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 2011 Tax Transcript showing "No record of return filed"; and,
  - **For Salaried Borrowers:** a 2010 tax transcript, current paystub and 2011 W-2;
  - **For Self-Employed Borrowers:** a 2010 tax transcript and a 2011 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 2011 Tax Return**

If a borrower is not required to file a 2011 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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## Employment and Income, Continued

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**Unacceptable  
Income**

The following types of income may not be considered:

- ✓ Gambling winnings (except lottery payments continuing for 5 years)
  - ✓ Educational benefits (such as grants and scholarships)
  - ✓ Refunds of federal, state or local taxes
  - ✓ Illegal income or income not reported to the IRS
  - ✓ Expense account reimbursement
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## Property

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### Eligible Property Types

#### Eligible Property Types

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

- ✓ 1-4 Unit Properties, Attached and Detached
- ✓ Detached and Site Condominiums
- ✓ PUDs
- ✓ Rural Properties up to 15 acres; land to value ratio should not exceed 35%; Rural Properties not permitted for ARM loans.

**NOTE:** A critical analysis of properties with less than 800 square feet will be performed by the underwriter to determine value, including common and customary to the current market; however, property must be a minimum of 600 square feet of gross living area.

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## Property, Continued

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### Ineligible Property Types

#### Ineligible Property Types

- ✓ 3-4 Units
- ✓ Assisted Living Projects
- ✓ Cantilevered Property
- ✓ Common Interest Apartments
- ✓ Attached Condominium
- ✓ Condo-Hotel
- ✓ Cooperative
- ✓ Houseboats
- ✓ Investment Securities
- ✓ Log Homes
- ✓ Manufactured Home
- ✓ Mixed use property
- ✓ Mobile Home
- ✓ Model home lease back
- ✓ Modular Homes/Factory Built/Pre-fabricated
- ✓ Multi-family dwelling with more than 4 units
- ✓ Property that restricts the owner's ability to occupy the unit, have mandatory rental pools or guaranteed rent- backs
- ✓ Property that represents a legal, but Non-Conforming use if zoning regulations prohibit rebuilding the improvements to current density in the event of full or partial destruction.
- ✓ Property without full kitchen
- ✓ Planned Unit Development (PUD) project with pending structural litigation
- ✓ Property with more than 15 acres
- ✓ Properties purchase through auctions
- ✓ Property without full utilities installed to meet all local health and safety standards
  - Continuing supply of potable water
  - Public sewer or certified septic system
  - Public electricity
  - Natural or LP gas
- ✓ Property zoned and used for commercial or industrial purposes
- ✓ Resale deed restricted properties
- ✓ Tax-sheltered syndicate
- ✓ Time share units/projects
- ✓ Unimproved land
- ✓ Unique properties
- ✓ Working farm, ranch or orchard

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## Property, Continued

### Multiple Mortgages & Properties

- ✓ Maximum 20% concentration in any one project or subdivision.
- ✓ Borrower may own up to 4 properties, including the subject property, financed properties (does not include commercial properties).
- ✓ Maximum of one jumbo loan to any borrower
- ✓ Maximum \$2 million exposure to CPF to any borrower for all product offerings.
- ✓ New multiple loans must be underwritten simultaneously (also applies to other properties underwritten under other available products / programs).

### Legal Non-Conforming Property

If an appraisal indicates a property is of a legal Non-Conforming nature, the appraiser's analysis must reflect any adverse effect the Non-Conforming use has on the value and marketability of the property. In addition, one of the following must be obtained:

- ✓ Either within the body of the appraisal or in a letter of addendum the appraiser must specifically state the property may be rebuilt "as is" in the event of a loss. The appraiser must also indicate the source of information used to make this determination
- ✓ Letter from the county stating the property may be rebuilt "as is" in the event of a loss

### Lease Purchase Options

Not permitted.

### Escrow Holdbacks

Not permitted.

### Leasehold Properties

Not permitted.

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## Property, Continued

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### Accessory Units

Properties with accessory units, also known as Granny units, mother-in-law suites, etc., that do not conform to Fannie Mae requirements may be acceptable if all of the following criteria are met:

- ✓ 1 unit property.
- ✓ Subject property is typical, common and readily-acceptable in the subject property's market area.
- ✓ Appraisal contains three comparables with similar additional accessory units.
- ✓ Rental income from the accessory unit may not be used to help the Borrower qualify.
- ✓ Existence of the unit must not jeopardize any future hazard insurance claim.
- ✓ Subject property must conform to all zoning laws and/or regulations.
- ✓ Legal non-conforming use may be acceptable provided the subject property's current use does not adversely affect its market value and marketability.
- ✓ Accessory unit is substantially smaller than the primary unit.

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## Property, Continued

### Land Contract for Sale

A mortgage Loan used to payoff a contract for deed will be treated as a refinance. All Truth-in-Lending Act requirements applicable to refinance transactions must be followed. **NOTE:** Some states do not recognize the Borrower as having an equitable position in the property until they have made their last payment under the contract for deed, and therefore, would consider our transaction to be a purchase. However, for lending purposes, CPF has elected to treat all Loans that payoff a contract for deed as a refinance.

#### Miscellaneous Requirements:

- ✓ The HUD-1 Settlement Statement at closing must indicate that all liens on title have been paid in full.
- ✓ Twelve (12) full months of payment history must be verified. The Borrower's payment history to the owner's lender or directly to the owner of the property must be documented with 12 months of canceled checks or cleared money orders.
- ✓ If the land contract was executed less than 12 months prior to the date of the loan application, the Borrower's previous housing payment history must also be verified.
- ✓ A transaction is considered as an arms length transaction if no other relationship between the Borrower and the seller of the property exists.

The following are ineligible:

- Non-arms length transactions
- Companion second liens
- Cash-Out refinances
- Foreclosure bailouts and distress sales

| Type of Contract | Ownership Seasoning              | LTV Determination                          | Pay History Documentation  | Cash Out Allowed | Additional Restrictions        |
|------------------|----------------------------------|--|--|------------------|--------------------------------|
| Recorded         | 12 months or more <sup>1</sup>   | Appraised value                            | Cancelled checks, bank statements or money order receipts to verify payment history. | Yes              | N/A                            |
| Recorded         | Less than 12 months <sup>2</sup> | Lower of appraised value or Purchase Price |  | No               | N/A                            |
| Unrecorded       | Regardless of seasoning          | Lower of appraised value or Purchase Price |  | No               | LTV is 5% below the LTV Matrix |

<sup>1</sup> Must be recorded or sent to the county for recording at least 12 months prior to Note date. If not, treat as unrecorded.

<sup>2</sup> Must be recorded or sent to the county for recording at the time the contract was signed. If not, treat as unrecorded.

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## Property, Continued

### Appraisal Requirements

Loan amounts  $\leq$  \$1,500,000:

- One full appraisal (1004)
- Interior photos required.

Loan amounts  $>$  \$1,500,000:

- Two full appraisals (1004) by two independent appraisal firms, and
- Interior photos required.

#### NOTE:

- AIR regulations must be met; no forms of reduced appraisals are permitted. The appraisal report must be completed within 90 days of closing.

**For 2-4 Unit Properties**, the following forms are also required:

- ✓ Operating Income Statement (216)
- ✓ Small Residential Income Property Appraisal Report (1025)

### AMC Requirement

**The appraisal report on jumbo submissions must be ordered through Veros.**

CPF created a process as follows:

- ✓ Broker enters Avista and clicks on the link "Order your Appraisal Here".
- ✓ Connexions Home page appears and broker enters their Login & Password to access Connexions.
- ✓ Broker clicks on "Request Appraisal" link.
- ✓ Broker completes all fields. Note that the Loan Type field has 4 options: Conventional, FHA, USDA, and Jumbo. Broker must select jumbo for the appraisal report to be ordered correctly.
- ✓ When all fields are entered, broker submits the request through the Connexions portal.

**IMPORTANT:** If the appraisal is not ordered correctly, any additional associated fees in connection with correcting the appraisal order will be the responsibility of the broker.

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### Property, Continued

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**UAD  
Compliant**

All jumbo appraisals must be in compliance with UAD Condition and Quality Ratings; refer to the 100-Conventional Lending Guide for complete details.

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**Appraisal  
Transfers /  
Ported**

Not Permitted.

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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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**Survey  
Requirements**

If not insured against loss by title insurance, each loan file must contain a survey. Surveys must be certified, dated, and signed by the licensed civil engineer or registered surveyor performing the survey. The survey must conform to Fannie Mae/Freddie Mac guidelines.

Surveys are always required on new constructions homes and are reviewed for:

- ✓ Easements, encroachments and possible boundary violations
  - ✓ Dwelling location reflected on the survey
  - ✓ Unimproved land surveys are not acceptable
  - ✓ An elevation survey to confirm if the property is in a Flood Zone
- 

**Declining  
Markets**

- ✓ LTV/CLTV/HCLTV reductions are mandated for subject properties located in declining markets.
  - ✓ Completion of the CPF – Jumbo Eligibility Request Form is required for all loans; form must be emailed CPF's Help Desk at [UWHELP@clearpointfunding.com](mailto:UWHELP@clearpointfunding.com) to determine the property's declining market status and possible associated LTV/CLTV/HCLTV reductions.
  - ✓ **IMPORTANT:** For properties identified by the appraiser as declining, regardless of ClearPoint Funding's designation will require a minimum of 5% LTV/CLTV reduction.
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## Property, Continued

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### **Deferred Maintenance**

The subject property must be in average or better condition. Deferred maintenance may be permissible provided that the neglected item is not structural in nature. Deferred item may be left "as is" if the cost to correct does not exceed \$2,000.

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### **Earthquake Area**

Earthquake insurance is required if the appraisal report or any other document (survey or title work) indicates that the subject property is located on or in close proximity to a fault or seismic study area. If no mention is made regarding earthquake exposure, insurance should not be required.

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### **Mineral Rights**

Properties with oil, gas and/or subsurface mineral rights or an executed/active oil, gas and/or subsurface mineral lease are not acceptable.

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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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**Net Tangible Benefit** Net tangible benefit forms are required for all refinance transactions; must use state specific forms where required.

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- State Restrictions**
- ✓ **Illinois:**
    - All refinances require a net tangible benefit form to be calculated by the underwriter; to be signed by the Underwriter and Borrower(s).
    - 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.
  - ✓ **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.
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## Restrictions, Continued

### State Restrictions, continued

- ✓ 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, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma, 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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## Jumbo FRM and ARM

### FRM & ARM Loan Parameters

| # of Units   | Primary Residence Maximum |                   |                    |             | Minimum Credit Score |
|--|---------------------------|-------------------|--------------------|-------------|----------------------|
|  | LTV <sup>2</sup>          | CLTV <sup>2</sup> | HCLTV <sup>2</sup> | Loan Amount |                      |
| <b>Purchase and Rate Term Refinance Transactions</b>   |                           |                   |                    |             |                      |
| 1 - 2  | 80.00                     | 80.00             | 80.00              | \$1,000,000 | 700                  |
|  | 80.00                     | 80.00             | 80.00              | \$2,000,000 | 720                  |
| 3 - 4  | 70.00                     | 70.00             | 70.00              | \$1,000,000 | 700                  |
|  | 70.00                     | 70.00             | 70.00              | \$1,500,000 | 720                  |
| <b>Cash-Out Refinance Transactions <sup>1</sup></b>  |                           |                   |                    |             |                      |
| 1 - 2  | 80.00                     | 80.00             | 80.00              | \$1,000,000 | 700                  |
|  | 80.00                     | 80.00             | 80.00              | \$1,500,000 | 720                  |
| <b>NOTES:</b>  |                           |                   |                    |             |                      |
| 1 Maximum Cash Out:  |                           |                   |                    |             |                      |
| <ul style="list-style-type: none"> <li>65.01-80% LTV/(H)CLTV: \$250,000</li> <li>&lt;=65.00% LTV/(H)CLTV: \$350,000</li> </ul>                   |                           |                   |                    |             |                      |
| 2 LTV/CLTV/HCLTV may be reduced if the property is located within a declining market. Refer to the Declining Market section within this summary. |                           |                   |                    |             |                      |

| # of Units  | Second Home Maximum |                   |                    |             | Minimum Credit Score |
|---|---------------------|-------------------|--------------------|-------------|----------------------|
|   | LTV <sup>3</sup>    | CLTV <sup>3</sup> | HCLTV <sup>2</sup> | Loan Amount |                      |
| <b>Purchase and Rate Term Refinance Transactions</b>  |                     |                   |                    |             |                      |
| 1   | 65.00               | 65.00             | 65.00              | \$1,000,000 | 740                  |
| <b>Cash-Out Refinance Transactions <sup>1</sup></b>   |                     |                   |                    |             |                      |
| 1   | NA                  | NA                | NA                 | NA          | NA                   |
| <b>NOTES:</b>   |                     |                   |                    |             |                      |
| 3 Second Homes are not required to reduce LTV/CLTV/HCLTV for declining market designations. |                     |                   |                    |             |                      |

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