



Lending Guide Announcement

IMPORTANT

ClearPoint Funding is providing a detailed outline of most recent updates to:

- Conventional FRM & ARM
 - DU Refi Plus
 - FHA financing
-

100 – Lending Guide

Page 100-3

Loan Limits – added clarification on CPF’s maximum delegated authority.

- **NOTE:** ClearPoint Funding’s maximum delegated loan limit is \$650,000. Higher loan limits are acceptable; however, allow additional time for processing.

Continued on next page

Lending Guide Announcement, Continued

**Page 100-75
to 100-76**

Business Funds – provided greater detail regarding the ability to utilize business funds as assets.

In some cases, business accounts are an acceptable source of down payment or reserves; however, they are not acceptable under all circumstances because these funds are typically required to meet current business overhead and future capital requirements and generally are not representative of the borrower's savings history.

Consideration for use of business accounts is an "exception" to policy. Exceptions may be considered by the underwriter if the borrower can evidence that the withdrawal of the funds will not adversely impact the operation of the business.

Businesses must be the following (100% owned by the borrower):

NOTE: Ownership in the business must be confirmed by documentation such as a business license or corporate or partnership tax returns.

- **Sole proprietor:** Verification that the borrower has 100% ownership of the business, for example using the tax returns provided or a copy of the business license.
- **Partnership:** Borrower must be a general partner and verification of the percent of ownership is required. Verification of the ability to withdraw funds to the extent of the percentage of ownership and approval of the other general partners is required. The percentage of ownership can be validated using the U.S. Partnership Return of Income (IRS Form 1065) and the Partner's Share of Income, Credits, Deductions, etc. (Schedule K-1) for filing income tax returns for the partnership.
- **Corporation:** Verification that the borrower is 100% owner of the corporation or if the borrower is not a 100% stockholder verification of the percent of ownership. In addition, verification of the ability to withdraw funds to the extent of the percentage of ownership is required, along with approval of the stockholders with a corporate resolution. The borrower's percentage of ownership can usually be determined from the Compensation of Officers section of the corporate tax return.

The following requirements are applicable for self-employed borrowers using business funds in a mortgage transaction.

- All funds must be seasoned with the source of funds for any large deposits fully documented and explained. Review the most recent bank statements provided to ascertain what is normal and typical for the business.
- Business assets must be verified using standard documentation requirements.
- A cash flow analysis on the business is required. The cash flow analysis can be performed by the accountant, CPA or the borrower, if the borrower completes his own tax returns. If completed by a CPA, a letter from the licensed CPA completing the business returns which must be on the firm's letterhead and provide the CPA's address, phone number and signature.
- The file must contain evidence the borrower has full use of business funds and there is no required repayment. The written document must be from the accountant, CPA, or borrower if returns are self prepared for Sole Proprietors, for partnerships it may come from the accountant, CPA, or other general partners, for corporations from the accountant, CPA or it may be found on the corporate resolution.
- The file must contain evidence that the funds are not advancement against future earnings or future cash distributions. The written document should be from the accountant, CPA, or borrower if returns are self prepared for Sole Proprietors, for partnerships it may come from the accountant, CPA, or other general partners, for corporations from the accountant, CPA or it may be found on the corp. resolution.
- The loan file documentation must include a review of any potential tax implications on funds received.

**Page 100-126
to 100-127**

Natural Disasters – new section added detailing CPF's policy on re-inspections when a subject property is affected by a FEMA declared disaster.

Continued on next page

Lending Guide Announcement, Continued

Page 100-153	<p>Business Paid Debt – added clarification when multiple tradelines may satisfy the 12 month requirement.</p> <p>Excluding the monthly debt obligation associated with a self-employed, sole proprietor, Corporations, Partnerships business requires a minimum of the most recent twelve (12) months cancelled checks from the business owned checking account.</p> <ul style="list-style-type: none"> ▪ The account has no late payments in the last 12 months and no more than 1x30 in the last 24-month period, if applicable. ▪ Evidence such as canceled company checks that the debt has been paid out of company funds. ▪ The cash flow analysis of the company took the payment of the debt into consideration. <p>NOTE:</p> <ul style="list-style-type: none"> ■ The debt must be considered as part of the borrower's individual recurring monthly debt obligations if any one of these conditions cannot be met. ■ Similar debt obligations may be combined to meet the 12 month minimum requirement. For example, the documented period a previous auto debt paid by the business can be used in conjunction with a new auto tradeline (i.e. the borrower sold the older car to purchase a newer model).
Page 100-158	<p>Interest Credit – new section</p> <ul style="list-style-type: none"> ■ Permitted up to the 7th day of the month.

200 – Conforming Guidelines

Page 200-6	<p>Loan Limits – added clarification on CPF's maximum delegated authority.</p> <ul style="list-style-type: none"> ■ NOTE: ClearPoint Funding's maximum delegated loan limit is \$650,000. Higher loan limits are acceptable; however, allow additional time for processing.
Page 200-27, 29, 31	<p>Loan Parameters – updated; refer to summary for complete details.</p> <ul style="list-style-type: none"> ■ Updates include: Second Home, Cash Out Refinance, certain declining markets, and specific MI Partners.
Page 200-34	<p>DU Refi Plus – due to FNMA's program extension, current funding deadline is June 10, 2011.</p>
Page 200-37	<p>DU Refi Plus / Subordinate Financing – added three (3) additional types of subordinating financing that are permitted.</p> <ul style="list-style-type: none"> ■ Subordination of mortgages with negative amortization. ■ Subordinate financing with prepayment penalties. ■ Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five (5) years.

Continued on next page

Lending Guide Announcement, Continued

300 – FHA Guidelines

<p>Page 300-</p>	<p>Anti-Flipping Rule – updated to include HUD’s update 24 CFR 203.37a(b)(2) with certain CPF overlays.</p> <p><u>Exceptions to 90 day restriction:</u></p> <p>Sales by Private Individuals:</p> <ul style="list-style-type: none"> ■ All transactions must be arms-length with no identity of interest between any parties to the transaction. ■ Any increase of the sales price over seller acquisition cost to be documented as described below if the increase is 10 to 20%. Under no circumstances, may the increase be in excess of 20%. (NOTE: If the sales price is >\$500,000, the increase in the sales price over the acquisition cost may not exceed \$100,000.) <ul style="list-style-type: none"> ■ File must include supporting documentation and/or a second appraisal which verifies that the seller has completed sufficient legitimate renovation, repair and rehabilitation work on the subject property to substantiate the increase in value or, in cases where no such work is performed, the appraiser provides appropriate explanation of the increase in property value since the prior title transfer. ■ A property inspection report is required. The use of a FHA-approved inspector is not required. The inspector must have no interest in the property or relationship with the seller and must not receive compensation for the inspection from any party other than ClearPoint Funding. Also, the inspector may not compensate anyone for the referral of the inspection. Additionally, the inspector may not receive any compensation for referring or recommending contractors to perform any repairs recommended by the inspection and may not be involved with performing any repairs recommend by the inspection. At a minimum, the inspection must include: <ul style="list-style-type: none"> ➢ Property structure, including the foundation, floor, ceiling, walls and roof. ➢ The exterior, including siding, doors, windows, appurtenant structures such as decks and balconies, walkways and driveways. ➢ Roofing, plumbing systems, electrical systems, heating and air conditioning system. ➢ All interiors. ■ All insulation and ventilation systems, as well as fireplaces and solid fuel burning appliances. ■ Sales of properties that had previously been foreclosed on or abandoned, which were acquired and resold by for-profit and non-profit entities using funding from and performing under agreements with state and local government agencies under HUD’s Neighborhood Stabilization Program (NSP).
<p>Page 300-17, 19</p>	<p>DU/DO Requirements (Credit Score Requirements) – reduced required credit score for loan amounts greater than \$417,000.</p> <ul style="list-style-type: none"> ■ Minimum 640 credit score for all borrowers is required regardless of DU/DO recommendations, for all loan sizes.

Continued on next page

Lending Guide Announcement, Continued

Page 300-29	<p>Qualifying Ratios – increased maximum ratios.</p> <p>Ratios to 55.00% are permitted with a DU/DO approval, exceptions for slightly higher ratios may be considered on a case by case basis.</p> <p>NOTE:</p> <ul style="list-style-type: none"> ■ Only front ratio calculated on non-credit qualifying streamline refinances and must reasonably support the borrower's ability to repay. ■ ARM Transactions: <=95.00% LTV qualify at Note Rate; >95.00% qualify at Note Rate + 1%. ■ Standard HUD ratios are 31%/43%. ■ Underwriter discretion to be used for scenarios with high ratios AND additional layers of risk.
Page 300-67, 68	<p>Mortgage Calculations without a New Appraisal (Credit Qualifying) – updated to no longer be available for credit qualify streamline refinances.</p> <ul style="list-style-type: none"> ■ Not available for credit qualifying streamline refinances. ■ NOTE: Must be done with an appraisal since the transaction must be processed through the Total Scorecard and the findings will require some form of an appraisal.
Page 300-70	<p>Appraisal Update – updated per HUD Mortgagee Letter 2010-13</p> <ul style="list-style-type: none"> ■ Per ML 2010-13, an original appraisal report can only be updated one time via the Appraisal Update Report (1004D), limiting the use of the Appraisal Update Report to one time. ■ The 1004D may not be used when ordered by a lender who is not identified as an intended user in the original appraisal report unless the appraiser incorporates the original report being updated by attachment rather than by reference per Advisory Opinion 3 of the Uniform Standards of Professional Appraisal Practice (USPAP).
Page 300-71	<p>Appraisal Portability / Transfer – provided procedures for when FHA appraisals are transferred to CPF.</p> <ul style="list-style-type: none"> ■ Initial lender must provide written assurance, such as a HVCC Certification, that the appraisal was obtained in a manner consistent with HVCC Compliance.
Page 300-97, 98	<p>Natural Disasters – new section added detailing CPF's policy on re-inspections when a subject property is affected by a FEMA declared disaster.</p>
Page 300-107	<p>Interest Credit – new section</p> <p>Permitted up to the 7th day of the month.</p>

Thank you for your business and please do not hesitate to contact your ClearPoint Funding Account Executive with any questions.