

## Lending Guide Announcement

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

- Conventional Lending Guide
- DU Refi Plus
- FHA financing

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## 100 – Lending Guide

<b>Page 100-9</b>	<b>Non-Arms Length Transaction – modified.</b> <ul style="list-style-type: none"><li>■ It is acceptable for the loan officer/broker and realtor to be employed by the same company; however, they may NOT be one in the same person.</li><li>■ <b>IMPORTANT:</b> Loans involving Non-Arms Length Transactions present additional layering of risk that will be reviewed at the discretion of the Underwriter.</li></ul>
<b>Page 100-32</b>	<b>Tradelines – modified for Authorized User Accounts.</b> <ul style="list-style-type: none"><li>■ Authorized user accounts may not be counted as an acceptable tradeline for meeting the above requirements.</li><li>■ If there is written documentation of the Borrower’s monthly payments on the authorized user account, or if the Borrower is an authorized user of any account belonging to the Borrower’s spouse and the spouse is not a Borrower on the mortgage transaction, then the payment history (particularly any late payments that are indicated) must be considered in the credit analysis and the monthly payment obligation must be included in the DTI Ratio.</li></ul>
<b>Page 100-36</b>	<b>Bankruptcy – clarification.</b> <ul style="list-style-type: none"><li>■ Two or more borrowers with individual bankruptcies are not cumulative. For example, if the borrower has one bankruptcy and the co-borrower has one bankruptcy, this is not considered a multiple bankruptcy. Note that any presence of bankruptcies or multiple bankruptcies will required additional due diligence by the Underwriter.</li></ul>

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## Lending Guide Announcement, Continued

### 100 – Lending Guide

Page 100-37

#### **Deed In Lieu of Foreclosure, Pre-Foreclosure, Short Sale – modified.**

*\* This section is NOT for full foreclosure tradelines.*

##### **Eligibility**

- Completed with re-established credit, as deemed acceptable by the underwriter, demonstrating the ability to manage his/her financial obligation.
- A minimum of four credit references, with at least one traditional credit reference and one housing-related reference, all of which must have a satisfactory payment history. Three of the four credit references (including any rental housing reference) must have been active for a full 24 months before the date of the mortgage application.

Borrowers, whose credit history includes a previous pre-foreclosure type tradeline, must have a re-established credit record for an elapsed time of:

- 2 years: 80.00% maximum LTV
- 4 years: 90.00% maximum LTV (subject to MI Affiliate guidelines if mortgage insurance is required)
- 7 years: LTV available as permitted within the product summary

Exceptions to the above waiting periods when EXTENUATING circumstances are involved:

- 2 years: 90.00% maximum LTV

##### **IMPORTANT:**

- Because pre-foreclosure and short sales cannot be identified in the credit report by DU/DO, the underwriter must determine if there is a pre-foreclosure or short sale and manually apply the above policies.
- For deed in lieu of foreclosures, DU/DO updates will reflect in the June 19, 2010 DU Version 8.1 and apply the above restrictions to new case files.
- The maximum LTV ratios permitted are the lesser of the available LTV ratio or as permitted within the product summary.

ClearPoint Funding will NOT refinance properties currently in foreclosure.

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## Lending Guide Announcement, Continued

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<b>Page 100-39</b>	<p><b>Extenuating Circumstances – added definition.</b></p> <p>Extenuating circumstances are non-recurring events that are beyond the borrower's control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations.</p> <p>Examples of documented circumstances include confirmation of the event (such as a copy of a divorce decree, medical reports or bills, notice of job layoff, job severance papers, etc.) and documents that illustrate factors that contributed to the borrower's inability to resolve the problems that resulted from the event (such as a copy of insurance papers or claim settlements, property listing agreements, lease agreements, tax returns covering the periods prior to, during and after a loss of employment, etc.)</p> <p>All letters and documentation must support the extenuating circumstances, confirm the nature of the even that led to the bankruptcy, or foreclosure-related action and illustrate the borrower had no reasonable options other than to default on their financial obligations.</p>
<b>Page 100-41</b>	<p><b>Disputed Credit Information – clarified.</b></p> <ul style="list-style-type: none"><li>■ Depending on the circumstances, disputed accounts with current balances less than \$500 may remain on the credit report with a written letter of explanation from the borrower and supporting documentation.</li><li>■ However, if the account in question adds additional risk OR the current balance outstanding is greater than \$500, direct verification from the creditor is required.</li><li>■ If the account does belong to the borrower and the reported payment history is accurate, a new credit report with the tradeline no longer reported as disputed must be obtained and resubmitted to DU/DO.</li><li>■ If the disputed account is because of stolen or fraudulent use of the account, a credit report supplement should be obtained to verify the status.</li></ul>

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## Lending Guide Announcement, Continued

### 100 – Lending Guide

<p><b>Page 100-44</b></p> <p><b>(NOTE this will apply for both Conventional &amp; FHA loans)</b></p>	<p><b>4506-T Transcript – modified.</b></p> <p>For loans receiving an Approve/Accept recommendation, obtain tax transcripts for the number of years of income documentation required on the Desktop Underwriter Findings Report (DU/DO). ClearPoint Funding requires the most recent Tax Return Transcript for all borrowers.</p> <ul style="list-style-type: none"> <li>■ For loans underwritten before June 15, 2010, if the borrower has filed their 2009 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: <ul style="list-style-type: none"> <li>▪ 2009 Tax Transcript showing “No record or return filed”; and,</li> <li>▪ Copy of the 2009 Tax Return; and,</li> <li>▪ <b>For Salaried Borrowers:</b> a 2008 tax transcript, current paystub and 2009 W-2;</li> <li>▪ <b>For Self-Employed Borrowers:</b> a 2008 tax transcript and a 2009 P&amp;L.</li> <li>▪ <b>See below if borrower filed an extension.</b></li> </ul> </li> <li>■ For loans underwritten on or after June 15, 2010, the 2009 Tax Return Transcripts must be provided. If a borrower has filed an extension, the following must be provided: <ul style="list-style-type: none"> <li>▪ Evidence that the extension was filed and evidence of tax payment; and,</li> <li>▪ A 2009 Tax Transcript showing “No record or return filed”; and,</li> <li>▪ <b>For Salaried Borrowers:</b> a 2008 tax transcript, current paystub and 2009 W-2;</li> <li>▪ <b>For Self-Employed Borrowers:</b> a 2008 tax transcript and a 2009 P&amp;L.</li> </ul> </li> </ul> <p><b>Borrowers Not Required to File a 2009 Tax Return</b></p> <p>If a borrower is not required to file a 2009 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.</p>
<p><b>Page 100-51</b></p>	<p><b>Rental Income applied to converting current residence to rental property – clarified.</b></p> <ul style="list-style-type: none"> <li>■ 75% of the rental income as provided by an executed lease agreement may be used to offset the mortgage payment if there is documented equity of at least 30% in the said property as derived from a 2055 exterior only appraisal (AVM or BPO are not eligible to establish value; <b>HVCC does not need to be met</b>) minus the outstanding lien.</li> </ul>
<p><b>Page 100-55</b></p>	<p><b>Salaried Documentation – modified</b></p> <ul style="list-style-type: none"> <li>■ Current pay-stubs evidencing 30 day earnings; <b>must be dated within 30 days of funding.</b></li> </ul>

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### 100 – Lending Guide

Page 100-58	<p><b>Self-Employed Documentation - modified.</b></p> <p>If the most recent year's tax returns have not yet been filed, an unaudited P&amp;L is required. P&amp;L should be completed by accountant or tax preparer. Documentation of filed extension or other reasoning for delaying filing will be required.</p>
Page 100-74	<p><b>Large Deposited – modified.</b></p> <ul style="list-style-type: none"> <li>■ Any deposit larger than <b>\$1,000</b> or inconsistent with other deposits; and</li> <li>■ Cumulative monthly deposits larger than <b>\$1,000</b> must be explained and documented.</li> </ul>
Page 100-124	<p><b>Fannie Mae Projects – Type T - modified.</b></p> <p>Expiration date of the project certification must be no less than 90 days from the funding date.</p>
Page 100-130 (applies to Conventional & FHA)	<p><b>Natural Disaster Notification – Requirements</b></p> <p><b>Reduced Appraisal Forms: Non-standard appraisals (such as PIW, 2055, etc.)</b> will continue to be permitted once a location has been declared by FEMA within a disaster area HOWEVER, the re-inspection and borrower certification requirements as stated will continue to be mandated for up to 90 calendar days after the Expiration/Safe Date.</p> <p><b>Property appraised AFTER FEMA's Expiration/Safe Date for the disaster:</b> For up to <b>90 calendar days after the Expiration/Safe Date</b> is issued by FEMA, the appraisal must include written certification by the appraiser that <i>"The property is free from damage and the disaster has had no affect on the subject property's value or marketability"</i>.</p>
Page 100-133 & 135	<p><b>Limited Cash Out Refi &amp; Cash Out Refi – modified.</b></p> <ul style="list-style-type: none"> <li>■ HUD-1 settlement statement(s) required from any transaction within the most recent 6 months. If previous transaction was a cash out or if it combined a first and non-purchase money subordinate into a new first, the loan will be considered a cash out refinance.</li> </ul>
Page 100-150	<p><b>Revolving Debt – modified.</b></p> <p>For accounts such as American Express, a minimum monthly amount may be excluded from the qualifying ratios if the borrowers have 100% of the balance due in post-closing liquid assets. Otherwise, 5% of the current balance should be included in the calculation.</p>
Page 100-151 & 152	<p><b>Paying off Installment / Revolving Debt – clarified.</b></p> <ul style="list-style-type: none"> <li>■ If the account is paid off AND the account closed, the debt may be omitted from the DTI ratio calculation.</li> </ul>

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### 100 – Lending Guide

<b>Page 100-152</b>	<b>Authorized user Accounts – new addition for clarification</b> If there is written documentation of the Borrower's monthly payments on the authorized user account, or if the Borrower is an authorized user of any account belonging to the Borrower's spouse and the spouse is not a Borrower on the mortgage transaction, then the payment history (particularly any late payments that are indicated) must be considered in the credit analysis and the monthly payment obligation must be included in the DTI Ratio. <b>NOTE:</b> Authorized user accounts may not be counted as an acceptable tradeline for meeting the above requirements.
<b>Page 100-153</b>	<b>Monthly Payment Debts – modified.</b> Payments on any Home Equity Line of Credit (HELOC) are calculated into the ratio based on the amount reflected on the credit report. If a payment is not reflected, then the Interest Only payment should be used based on prime rate plus 4% of the total available line regardless of the balance.

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### 200 – Conforming Product

<b>Page 200-40</b>	<b>Second Signature – new section.</b> The following scenarios will require a second signature, therefore, extended turn times will be necessary. All lock expirations will continue to be the responsibility of the broker: <ul style="list-style-type: none"><li>■ LTV or CLTV greater than 95.00%</li><li>■ Representative Credit Score less than 660.</li></ul>
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### 300 – FHA Guidelines

<b>Page 300-15</b>	<b>Electronic Signatures – new section.</b> <p>The below third-party documents are eligible for e-signature technology, including signature and date:</p> <ul style="list-style-type: none"><li>■ Sales Contract</li><li>■ FHA Amendatory Clause</li><li>■ FHA Real Estate Certification</li><li>■ FHA Appraisal, FHA Compliance Inspection Report &amp; Appraisal Update/Completion Report.</li></ul>
<b>Page 300-18 &amp; 20</b>	<b>DU/DO and Credit Score Requirements – modified.</b> <ul style="list-style-type: none"><li>■ Minimum 660 credit score for High Balance loans.</li><li>■ Effective for new registration, loans that have not yet been locked or approved. For example, registered loans that are in queue for underwriting will require the new minimum credit score.</li></ul>
<b>Page 300-63</b>	<b>Appraiser / Appraisal Eligibility Requirements – new section.</b> <ul style="list-style-type: none"><li>■ The FHA Roster appraiser selected to perform an appraisal must be listed as being active on the FHA Appraiser Roster at time of selection and at time in which the appraisal was performed. Mortgages predicated upon appraisals that were performed by appraisers who were not current on the FHA Appraiser Roster at time of effective date of appraisal will not be insured.</li><li>■ The effective date of the FHA appraisal cannot be before the case number assignment date unless the lender certifies, via the certification field in the Appraiser Logging Screen in FHA Connection, that the FHA appraisal was initially ordered for conventional lending, HUD REO, or government guaranteed purposes, but was performed by a FHA Roster Appraiser who subsequently converted the appraisal to meet FHA standards and will support the new FHA-insured mortgage.</li><li>■ Must provide evidence such as signed initial and new GFEs, official lender decision letters, etc. to document that such a change in borrower financing occurred.</li><li>■ Must ensure that the appraisal was performed in accordance with FHA appraisal reporting requirements. Ensuring compliance with this requirement may entail a re-inspection of the property by the appraiser.</li></ul>

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### 300 – FHA Guidelines

<b>Page 300-63</b>	<b>Appraisal Logging – new section.</b> The Appraisal Logging Screen in FHA Connection will require input of the appraiser information along with the following data: <ul style="list-style-type: none"><li>▪ Appraiser's License ID</li><li>▪ Property Information</li><li>▪ Neighborhood Information</li><li>▪ Site Information</li><li>▪ Physical Improvement Information</li><li>▪ Reconciliation Information</li></ul>
<b>Page 300-64</b>	<b>Appraisal Portability / Transfer – modified for when appraisal is transferred to CPF.</b> <ul style="list-style-type: none"><li>■ Initial lender must provide written assurance, such as a HVCC Certification and <b>borrower receipt</b>, the appraisal was obtained in a manner consistent with HVCC Compliance.</li></ul>

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

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