HELOC					
PURCHASE AND RATE TERM REFINANCE					
Occupancy	**Units**	**Min. FICO**	**CLTV**	**Max. HELOC Loan Amount**	**Max. Combined Loan Amount**
Primary Residence	1-2	700	89.99%	$350,000.00	$750,000.00
		700	80.00%	$350,000.00	$750,000.00
		700	70.00%	$350,000.00	$750,000.00
		730	89.99%	$350,000.00	$1,500,000.00
		730	80.00%	$350,000.00	$1,500,000.00
		730	70.00%	$350,000.00	$1,500,000.00
Second Home	1-2	730	85.00%	$250,000.00	$1,275,000.00
		730	80.00%	$250,000.00	$1,275,000.00
		730	70.00%	$250,000.00	$1,275,000.00

Appraisal Requirements	▪ Appraisals are good for 120 days. ▪ Re-certification of value NOT allowed ▪ NO PIW (Property Inspection Waiver) are acceptable. ▪ The property should be 10 acres or less.
Bankruptcy	▪ No bankruptcy filing within the last 8 year
Borrower Eligibility	▪ Resident Alien: Allowed, Resident card & Green card required ▪ Non-permanent resident: Allowed, Visa & Passport & I-94/I-797 or EAD card required ▪ Non-occupant co-borrower: NOT Allowed
Credit	▪ A minimum of 3 credit bureau trades (open/closed), with the oldest trade originated at least 3 years prior to the credit bureau date. ▪ Collection/Judgement and Liens must be paid off. ▪ Disputed Act must have proof of resolution
Condos	▪ A property with the valuation done on an Individual Condominium Unit Appraisal Report (FNMA 1073). ▪ A property defined as a condominium by the Title Commitment. ▪ A property with stacked units. ▪ Owner occupancy percentages; - Existing projects: 51% O/O - New construction projects: 70% O/O based upon pre-sale/sold/settled.
Escrow Holdbacks	▪ NMSI will accept appraisals that contain cost to cure items/adjustment subject to the following requirements: - Cost to cure is 1% or less of the appraised value – No additional review or approval is required and the repairs do not need to be completed. - Cost to cure is between 1% and 3% of the appraised value: NMSI will review the appraisal and determine if the cost to cure is related to safety and/or livability issues (i.e. exposed electrical wires, mold, or damaged roof). If the cost to cure is determined to be a safety and/or livability issue, approval must be obtained from the OUPA, which will determine if the repairs need to be completed prior to approval. If the cost to cure is not a safety and/or livability issue, the UA Department may approve the appraisal and the repairs do not need to be completed. ▪ Cost to cure is higher than 3% of the appraised value: The repairs must be completed prior to approval
Foreclosure, Modification, or Short Sale	▪ No foreclosure, deed-in-lieu of foreclosure, short sale or "real estate account paid for less than full balance" within the last 5 years.
Floor Rate	▪ Floor rate of 51 bps below the initial rate or 4.99%, whichever is greater, unless the initial start rate is less than 4.99%, then the floor rate will be equal to the initial start rate.
Income	▪ **Self-Employed** – When comparing the two-year period, if the most recent year is higher than the previous year, a true average is taken. – If the most recent year is less than the previous year, the income is analyzed to see the percentage of change. If the decrease is more than 20%, the lower income is used. – If DU/LP only asks for one year taxes for s/e borrower, we are able to go this route. However, if the borrower also receives W-2's, we will need two

Income (Continues)	-years on this income. Using YTD paystub and last year's w-2 in addition to the tax income. ▪ **K1 Income** - Distributions - Ordinary Dividends - Depreciation – only if they are 100% owner - Dividends - Guaranteed Payments - Items Affecting Shareholder Basis - Ordinary business income: We can only use ordinary business income if the borrower is 100% owner of the company, and if the company doesn't show a loss. If the borrower is married and spouse is the other owner and together their ownership is 100%, we have the possibility of submitting for an exception to use ordinary business income. If we use Ordinary Business Income on the K1, we cannot also use income listed above. - Wage or salary income calculated from a self-employed borrower may only be used if the business income is showing a profit. - Allowances: if every period is the same amount we can add this in to the base pay. ▪ **Sch. C Income:** Depreciation, Auto, use of home income can be used. ▪ **Varying hours or multiple types of pay** (OT, education hours, shift differentials): We need a YE paystub breaking all of this down to segment each item out separately unless there is just OT. The written VOE typically does not segment more than OT and bonus/commission, and sometimes not even that. I am proactively telling everyone to submit with a YE paystub. If using previous job, request last paystub showing the breakdown. This is because of Ability to Repay. ✓ ***Calculation on varying income:*** YTD vs. last year and if the current year is higher a true avg. is used. If YTD is less we will use the 20% diff. rule. If the difference is greater than 20% we use the lessor of the two. ▪ **Bonus:** Bonus income should be shown with YTD on the paystub. Written VOE or LOE from employer required. ▪ **Teacher income:** If they are paid less than 12 months, use a run rate to calculate their income. Unless we can prove they are paid 12 months out- of the year, use their monthly base pay. Or get a copy of the contract to possibly use the 10 or 11 months of pay over a year. ✓ ***Run rate calculation:*** current YTD figures + all of the previous year then averaged out. If the current year is less than last year by more than a 20% difference, use the lessor of the two otherwise they are averaged. ▪ **Royalty Income**: We need the last two years' taxes and year-to-date, with an explanation to support the likeness to continue. ▪ **Rental income**: When a borrower has rental income, we will take 75% of the lease and "wash" payment. If any income is leftover, we will not add it to income. It is simply leftover. ✓ ***For example:*** Gross Rent $1000.00/75% = 750.00 and mortgage payment is $600.00, we do don't add $150 to income. If a rental property or a second home has an I/O mortgage, we must convert to a PITI payment for qualifying.

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<tr><td>Income (Continues)</td><td>

Child Support or Alimony: required at least 3 years and 12 months' proof of payments.
Borrower on leave: If Borrower will return to work before first Payment is due (the 23rd of month following funding), NMSI can use final prior to leave paystub to calculate full-time base income. If borrower has variable income (overtime, shift differentials, bonus, etc.), NMSI will average variable pay over two periods.
✓ Submission must include: Letter from employee and employer stating return date and same hours; Final paystub prior to start of leave and VOE or benefits statement to show start of leave period. If Borrower will not return prior to first Payment, will qualify using leave pay.
IRA depletion: 70% of account balance with 3years continuance; Need letter from Financial Institution stating amount of monthly distribution if newly established or recently changed. Must be at 59.5 years old with no penalty for draw.
Asset depletion: if the borrower is younger than 59.5 years old and have liquid assets that are not in a retirement account, 70% of the account balance and divided by 360 months. If the borrower is 59.5 years old, retirement accounts can be used.
SSI/Pension income: use the actual amount of income received.
Restricted stock income

Reflected as earning on the borrower's paystub
Verified as recurring with a year-end paystub or W-2 from the prior year and a current paystub
Show past and future vesting of shares via an employer-generated vesting schedule.
Show the existence of vested restricted stock, assets and the conversion of restricted stock
Trust income – will be verified by obtaining a copy of the trust agreement or the trustee's statement confirming the amount, frequency, and duration of payments.

Offer Letter for Salary (closing before new job begins): Offer Letter must be signed by all parties; must start within 45 days of loan closing. Submit written VOE. Income commensurate with previous.
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<tr><td>Min. FICO</td><td>

700
Use the tri-merge mid-score from the primary wage earner.
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<tr><td>Liability</td><td>

Business-Owned Real Estate: Do not include real estate owned by a business entity in a borrower's debt analysis if the borrower has less than 25% ownership interest in the business.
Co-signed loans: prove with 12 mo. statements that our borrower is not making the payments and is not listed on title for residential loans.
Student Loans: in deferment, will be used 1% of the balance for each loan for DTI purposes.
Installment debts: only remove installment debts (non real-estate) when they have payments of 6 months or less.
401K loans: required a statement to make sure that the amount borrowed is NOT greater than the asset in which the loan was borrowed from. With the statement, we don't include the debt
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Liability (Continues)	▪ **2106 expenses:** we don't add back in ▪ **Payoff Revolving Accounts:** Allowed to omit the liability. Revolving debts can remain open.
Lien Position	▪ Second
Maintenance Fee (Annual) / Investor fee	▪ Annual Maintenance fee - $75 ▪ Investor fee - $295
Maximum Loan amount	▪ Dependent on loan type, occupancy, FICO and LTV.
Minimum Loan Amount	▪ The minimum loan amount is $5,000.
Number of Financed Properties	▪ Maximum of 6 non-subject properties, mortgaged or not plus the subject property.
Prepayment	▪ No Prepayment Penalty
HELOC Qualification	▪ Qualifying rate amortized over a 30 year term, plus a payment shock of .0018 times the line amount.
Ratio	▪ 38/45
Reserves	▪ No reserve requirements. Bank statements or other assets NOT required unless documenting income.
Title Insurance	▪ Junior title insurance policy needed if the line is greater than $250,000
Vesting in a Trust	▪ NMSI will make loans where an inter vivos revocable trust has an ownership interest in the security property. ▪ NMSI will not make loans where an irrevocable trust has an ownership interest in the security property. An irrevocable trust is a trust that cannot be changed or cancelled by the settlor.