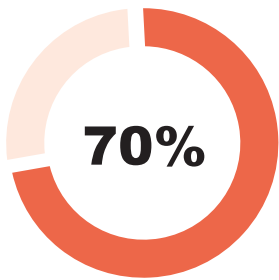




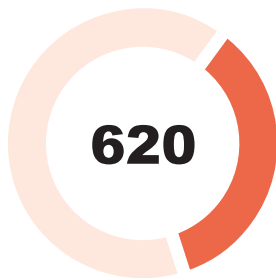
portfolio A MINUS program \_\_\_\_\_

# ONE YEAR AFTER SHORT SALE FORECLOSURE BANKRUPTCY LOAN MODIFICATION

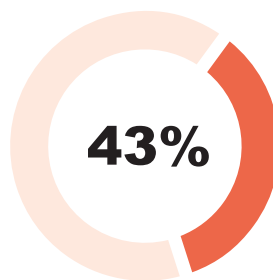
## PROGRAM HIGHLIGHTS



MAX. LTV



MIN. FICO



MAX. DTI



MAX. LOAN AMOUNT

## PROGRAM HIGHLIGHTS

- ❖ 5/1 ARM ONLY
- ❖ Primary, Second & Investment
- ❖ SFR, PUD, Condo & 2-4 Units
- ❖ 70% LTV up to \$1MM with 720 FICO
- ❖ 60% LTV up to \$2.5MM with 720 FICO
- ❖ 60% LTV up to \$1MM with 620 FICO
- ❖ 55% LTV up to \$2.5MM with 620 FICO
- ❖ Cash-out is allowed for N/O/O & 2-4 Units
- ❖ NO Seasoning on Cash-Out
- ❖ Cash Back to Borrower: Max equal to 55% LTV
- ❖ Gift Funds are allowed after a min. 30% down payment from borrower's own fund

## THE MENU IS AT YOUR CHOICE

- Option 1: Full Documentation
  - Option 2: 1 Year Tax Return or 1 Year W-2
  - Option 3: 12 Month Personal Bank Statements
  - Option 4: Most recent 12 months P&L
  - Option 5: CPA OR Tax Preparation Firm Letter
- (Option 4 & 5) - Most recent 3 months of PERSONAL bank statements are also required.

Contact Your AE  
for more information



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FULL DOCUMENTATION & ALTERNATIVE DOCUMENTATION				
Primary Residence & Second Home				
Loan Purpose	Property Type	Min. FICO	LTV/CLTV	Max. Loan Amount
Purchase Rate & Term	1 unit SFR / PUD	720+	70% / 75%	\$1,000,000.00
			60% / 70%	\$2,500,000.00
		620-719	60% / 75%	\$1,000,000.00
			55% / 70%	\$2,500,000.00
	2-4 units	720+	60% / 70%	\$2,500,000.00
		620-719	55% / 70%	\$2,500,000.00
	Condominium	720+	65% / 70%	\$1,500,000.00
		620-719	55% / 70%	\$1,500,000.00
Cash-Out	1 unit SFR / PUD	720+	70%* / 75%	\$1,000,000.00
			50% / 70%	\$2,500,000.00
		620-719	50% / 75%	\$1,000,000.00
			50% / 70%	\$2,500,000.00
	2-4 units	720+	50% / 70%	\$2,500,000.00
		620-719	50% / 70%	\$2,500,000.00
	Condominium	720+	65%* / 70%	\$1,500,000.00
		620-719	50% / 70%	\$1,500,000.00
Investment Properties				
Loan Purpose	Property Type	Min. FICO	LTV/CLTV	Max. Loan Amount
Purchase Rate & Term	All	720+	60% / 70%	\$2,500,000
		620-719	55% / 70%	\$2,500,000
Cash -Out	All	720+	50% / 70%	\$2,500,000
		620-719	50% / 70%	\$2,500,000

\* Cash Out transactions with an LTV <= 55% are No Limit on Cash back to borrower.

Cash Out transactions with an LTV > 55% are limited to \$300,000 cash in hand to the borrower.

## **UNDERWRITER'S NOTE**

### **LOAN PURPOSE**

- Purchase
- Rate/Term Refinance
- Cash-out Refinance

### **OCCUPANCY**

- Owner-Occupied (Primary Residence)
- Second Home
- Investment Property
  - Borrowers with up to 10 financed properties - must qualify with 6 months PITI for each property.

### **PROPERTY TYPE**

- SFR, Townhomes, PUDs, Condos
- Attached PUDs, Condos Project must be approved by NMSI
- 2-4 Units
- INELIGIBLE PROPERTIES:  
Acreage greater than 5 acres (appraisal must include total acreage), Agricultural zoned property, Condo hotel, Co-ops, Hobby Farms, Income producing properties with acreage, Leaseholds, Log Homes, Manufactured housing, Mixed use properties, Modular homes, Properties subject to oil and/or gas leases, Title may not be held in a business name, Unique properties, Working farms, ranches or orchards.

### **SEASONING REQUIREMENT BY LOAN PURPOSE**

- Purchase
  - If property has been "flipped" in the last 180 days, a second appraisal is required.
- Rate/Term Refinance and Cash-Out Refinance
  - For properties purchased or refinanced within the last 6 months, the lesser of the purchase price or current appraised value will be utilized to determine the subject property value.
  - If property valuation has increased by 10% in the last 7-12 months, a second appraisal is required.
  - For transactions which occurred more than 1 year prior, the value as reflected on the appraisal will be used.
  - No Title/Ownership Seasoning required for Cash-Out.

### **PRODUCTS**

- Fully Amortized: 5/1 LIBOR ARM
- Interest Only Option: 5 Year Interest Only then 25 Year full amortization

### **QUALIFYING RATE**

- FULL AMORTIZATION: Greater of the fully indexed rate or the note rate

- **INTEREST ONLY:** Greater of the fully indexed rate or the note rate & Qualifying with full principal and interest payment (PITI)

### **QUALIFYING RATIOS**

- Max. DTI: 43% - higher DTI will be considered on a case by case basis.
- **First-Time Home Buyers limited to 43% DTI when using Alternative Documentation.**

### **LOAN AMOUNT**

- Minimum: \$ 100,000 / Maximum: \$ 2,500,000
- Loans to One Borrower: Not to exceed 8 properties, and/or \$2,500,000.

### **BORROWER ELIGIBILITY**

- U.S. Citizens
- Lawful Permanent Residents
- Non-Permanent Residents and Foreign National are not eligible
- Non-Occupant Co-Borrowers (must be disclosed on the initial application; cannot be added at a later date to qualify)
- "For Sale By Owner" transactions must be closed through Escrow with an executed Real Estate sales contract in evidence
- Realtors are considered Self-Employed
- **First-Time Home Buyers limited to 43% DTI when using Alternative Documentation.**

### **NON ARMS LENGTH TRANSACTION**

- Non-arm's length transactions are not eligible for financing under this product. Non-arm's length transactions also include, but are not limited to:
  - Applicants related by blood or marriage to the seller
  - Owners, employees or family members of originating entity
  - Renters buying from landlord

### **CREDIT SCORE**

- Minimum credit score of 620 (middle score of 3)

### **CREDIT HISTORY**

- Credit scores must be based on a minimum of 3 trade lines Open & Active for at least 24 months
- Non-traditional credit - Not permitted
- Mortgage Payments History : 0 x 30 in past twelve (12) months (No exceptions)
- Housing Payment History : 0 x 30 in past twelve (12) months (No exceptions)
- Installment Debt : At least one installment trade line is required within the past thirty six (36) months
- Bankruptcy: Must be seasoned for more than twelve (12) months
- Foreclosure/Short Sale: Must be seasoned for more than twelve (12) months
- Loan Modification: Must be seasoned for more than twelve (12) months

- Consumer Credit Counseling: Must be seasoned for more than twelve (12) months
- Judgments, Tax Liens, Collections: Charge-offs: Must be paid off and no new derogatory credit within the past 12 months (medical excluded).

## **MONTHLY DEBT OBLIGATIONS**

- HELOC Payment:
  - Current monthly payment reflected on the credit report may be used for qualifying ratios.
  - If the amount is not shown on the credit report, use the payment reflected on the billing statement.
- Installment Debts:
  - Payments on installment debts with more than 10 months of remaining payment must be included in the DTI.
  - Installment debts may be paid off or paid down to 10 or fewer monthly payments for qualifying, unless monthly debt obligation significantly affects the borrower's ability to meet their credit obligations.
  - \*Limited to One installment debt being paid "down" per borrower/loan application-Unlimited if paying "off" \*
- 30 Day Accounts
  - Document that the borrower has sufficient funds to cover the unpaid balance of all 30-day charge accounts. DU will include the balance of all 30-day charge accounts in the Total Funds to be verified.
- Deferred Installment Debts:
  - If a monthly payment cannot be determined, 2% of the outstanding balance will be used as the monthly payment.
- Lease Payments:
  - The lease payment must be included in the DTI regardless of the remaining number of payments.
- Co-signed Debts:
  - Evidence the primary obligor has made payments as agreed for the last 12 months (Provide copies of 12 month canceled checks)
  - No history of delinquencies in the last 12 months
- Debts paid by Business for Self-employed borrowers:
  - Debts paid by business for self-employed borrowers may be excluded from the monthly obligation when all of the following requirements are met.
    - ✓ No late payments in the last 12 months and no more than 1x30 in the last 24 month period.
    - ✓ Evidence, such as 12 months canceled checks, that the debt has been paid out of company funds
    - ✓ The underwriter may condition for CPA or borrower to prepare P&L (Cash Flow Analysis) that the business took the payment of the debt into consideration.
- Revolving Accounts:
  - Use the monthly payment shown on the credit report. If not available, use the greater of \$10 or 5% of the outstanding balance.
- Payoff of Revolving Accounts
  - In order to qualify without the monthly payment on the current balance, a revolving account must be paid off and closed.
    - ✓ Revolving account paid thru escrow is acceptable, however must provide a credit supplement or letter from creditor to evidence the account is closed prior to funding.
    - ✓ If the revolving account is paid off, but not closed, the monthly payment shown on credit report (or the greater of \$10 or 5% of the outstanding balance, if there is not payment) must be included in the DTI.

## **EMPLOYMENT**

- Full Documentation: Both Self-employed and Wage Earner
- Financial Statement Documentation: Primary borrower must be self-employed; may have W-2 co-borrower
- Self-employed is defined as borrower owns 25% or greater of ownership interest in a business.

- Validating Percentage of Ownership: Validating may be through Articles of Incorporation, State DOC, and/or similar source
- The business may be a sole proprietorship, a partnership (general or limited), an S corporation or a corporation.
- Realtors are considered Self-Employed.
- **Self-employed borrowers (defined as an individual who files schedule C or corporate tax returns) in the same business for at least two (2) years are eligible for all Alternative Doc Options.**
- Business phone number must be verifiable via 411 or internet
- CPA letter verifying that the borrower has been self-employed in the same business for a minimum of two years.

## INCOME DOCUMENT OPTION

### ▪ **OPTION 1: FULL DOCUMENTATION**

*(Self-Employed, Salaried, and/or Commission borrowers)*

- Two (2) years of most recent tax returns or two (2) years of most recent W-2's and a paycheck stub reflecting the most recent 30 day period are required, unless DU/LP AUS findings require less, in which case, default to DU/LP AUS findings.
- IRS form 4506-T must be provided.

### ▪ **OPTION 2: ONE (1) YEAR TAX RETURN OR ONE (1) YEAR W-2**

*(Self-Employed, Salaried, and/or Commission borrowers)*

- Most recent one (1) year tax return OR most recent W-2 with current paystub showing YTD income.
- Most recent two (2) months personal banks statements to validate required reserves.
- A CPA/tax preparer's attestation that the borrower has been in the same business for a minimum of two (2) years for Self Employed Borrowers OR a written VOE for salary and/or commission borrowers.
- Processed 4506-T, IRS transcripts required.

### ▪ **OPTION 3: 12 MONTH BANK STATEMENTS**

*(Available to any borrower with a 25% or greater ownership in a business)*

- 12 consecutive month's PERSONAL bank statements AND Borrower prepared Profit & Loss Statement covering the same time period to further validate the income shown in the bank statements
  - ✓ Twelve (12) months of personal bank statements to determine income derived from business.
  - ✓ Income is considered to be transfers from business accounts, deposits from business accounts, deposits from business accounts through an ATM and payroll check deposits.
  - ✓ All deposits must be sourced to determine if funds came from a business source.
  - ✓ Determined total monthly average deposited and divided by 12 to determine the qualifying income.
- CPA letter verifying that borrower's % of ownership and the borrower has been self-employed in the same business for a minimum of two (2) years.
- Tax returns and IRS form 4506T will not be required.

### ▪ **OPTION 4: BUSINESS P&L STATEMENT**

*(Corporation where 100% of shares are owned by borrower, single member LLC, single partner partnership or sole proprietor)*

- CPA or tax preparer firm prepared the most recent 12 month P&L borrower will be qualified based on the net income shown in the P&L.
- Most recent three (3) months of PERSONAL bank statements are required to be commensurate with the net income shown in the P&L.
- Sole-proprietors may use both personal and/or business bank statements to determine personal net income.
- Validation of percentage of ownership may be through Articles of Incorporation, state DOC, and/or similar source.

- CPA/tax preparer's attestation of borrower's percentage of ownership and that the borrower has been self-employed in the same business for a minimum of two (2) years.
- Tax returns and IRS form 4506T will not be required.
- **OPTION 5: CPA/TAX PREPARATION FIRM LETTER**  
*(Available to any borrower with a 25% or greater ownership in a business)*
  - CPA or tax preparer letter stating business income taken by borrower over the last 12 months
  - Most recent three (3) months PERSONAL bank statements (underwriter may require additional months)
  - CPA letter verifying that borrower's % of ownership the borrower has been self-employed in the same business for a minimum of two (2) years
  - Tax returns and IRS form 4506T will not be required.
- **RENTAL INCOME**
  - 24 months of landlord history is not required.
  - Subject Property:
    - ✓ Provide appraisal form 1025 (2-4 units) OR 1007 (1 unit)
    - ✓ Fully executed lease agreement must be provided
  - N/O/O property owned that is not the subject property:
    - ✓ Fully executed lease agreement must be provided
  - Primary Residence converting to Investment Property:
    - ✓ AVM to document at least 30% equity
    - ✓ Fully executed lease agreement must be provided.

## **ASSET**

- **FULL DOCUMENTATION**
  - Most recent two (2) most recent Bank Statements
- **FINANCIAL STATEMENT DOCUMENTATION**
  - Most recent two (2) most recent Bank Statements - NMSI Underwriter may require additional months of bank statements
- **Mutual Funds, Bond and Stocks:** 70% of the value of stock and mutual funds may be used
- **Retirement Funds**
  - Vested funds from individual retirement accounts and tax-favored retirement savings accounts may be used as a source of funds for the down payment, closing costs or reserves.
  - When funds from these sources are used for the down payment or closing costs, any applicable withdrawal penalties or income tax must be subtracted so that only the net withdrawal is counted.
  - To account for withdrawal penalties and estimated taxes, include only 60%, less any new or outstanding loan(s), of the vested amount in its determination of the borrower's available reserves.
  - When a retirement account only allows withdrawals in connection with the borrower's employment termination, retirement or death, do not consider the vested funds as reserves.
- **Business Assets:**
  - The borrower must have 100% ownership of the business. The Company CPA to verify that withdrawal of funds has no adverse effect to business.
  - Sole owner; Business accounts will be considered for the down payment, closing costs or reserves.; not for determining Ability to Repay
- **Gift Funds:**
  - Acceptable after a minimum 30% down payment has been made by the borrower from their own resources.

- Gift of Equity
  - Not Allowed.
- Large Deposits
  - Any large deposit not consistent with the borrower's employment and/or over 25% of borrower's earnings must be fully explained and sourced with acceptable documentation in order to be eligible for down payment, closing costs, earnest money deposit and reserves.
  - All funds used for down payment, closing costs, earnest money deposit and reserves must be from an acceptable source and clearly not be a result of undisclosed borrowed funds or incentive from an interested party such as a seller, real estate agent or developer.
  - A large deposit could be a single deposit or multiple deposits over a period of time that in aggregate, result in a large deposit.
  - A review of the borrower's financial profile must be conducted in order to draw a conclusion that a deposit must be sourced.

## RESERVES

- In addition to the minimum PITI reserve requirements, borrowers must also disclose and verify all other liquid assets

Property Type	Loan Amount	Required Reserves
All Property Type	\$100,000- \$650,000	6 months, verified PITI
	\$650,001 - \$1,000,000	9 months, verified PITI
	\$1,000,001 – \$1,500,000	12 months, verified PITI
	\$1,500,001 – \$2,500,000	18 months, verified PITI

- Additional 2 months PITI reserves are required for each financed property in addition to the subject property  
- *Limit 10 financed properties.*

## INTERESTED PARTY CONTRIBUTIONS

- 3% regardless of LTV/CLTV

## DELAYED FINANCING REQUIREMENTS (if applicable)

- Initial/Original purchase transaction must be 'Arm Length Transaction'
- Source of all funds went into Initial/Original purchase transaction must be from borrower's own funds and must provide Final HUD 1

## LISTED PROPERTIES

- Properties must be withdrawn from MLS prior to initial loan application date

## MULTIPLE PROPERTY OWNERSHIP

- Borrowers with up to 10 financed properties - must qualify with 2 months PITI for each property

## REAL ESTATE OBLIGATION

- The current primary residence is being converted to an Investment Property
  - At least 30% equity in the existing property derived from an AVM, must be supported by Drive by Appraisal Report (Form 2055), then 75% of the rental income can be used to offset the PITI to qualify
  - Rental income must be documented with a copy of fully executed lease agreement



**CONTINUITY OF OBLIGATION**

- The borrower must be the existing lien holder for refinance transaction

**APPRAISALS**

- All appraisals must be completed by a state-certified appraisal

Loan Amount	Appraisal Required	
Up to \$1,000,000	One Full Appraisal	Must have 3 sold comps in past 6 months
\$1,000,001 to \$2,500,000	Two Full Appraisals	Must have 5 sold comps in past 12 months

- A Valuation Services Appraisal Risk Review (ARR) is required that supports the property value within 10% (higher or lower than appraised value).
- When two (2) appraisals are required, the ARR must support the value of the lower appraisal within 10% (higher or lower than appraised value). If value variance exceeds 10% then a field review will be required.
- If property has been "flipped" in the last 180 days, a second appraisal is required.
- For any For Sale By Owner (FSBO) properties, 2 Full Appraisals are required

**SUBORDINATE FINANCING**

- Subordination agreement is mandatory, if applicable

**PREPAYMENT PENALTY**

- None

**HIGH COST MORTGAGE LOANS: Section 32**

- High Cost Mortgage Loans, as defined by applicable federal, state, local and secondary market regulations are not eligible

**HIGHER PRICED MORTGAGE LOANS: Section 35**

- Higher Priced Mortgage Loans are eligible for purchase but are required to establish and fund an escrow account for property taxes and insurance. Impound accounts are mandatory for 5 years.