



Community Mortgage Network

Mortgage Products Manual

Community Mortgage Network

A Service Provided by

The First State Bank

660 Central Avenue

Barboursville WV 25504

Phone: (800) 440-6678

www.communitymortgagenetwork.net

Table of Contents

CMN Personnel	Page 4
A Letter From our President	Page 5
Introduction To First State Bank	Page 6
Why Community Mortgage Network	Page 7 - 9
Why Secondary Market Mortgages	Page 10
Work Flow & Correspondent Responsibilities	Page 11
Maximum Loan Amounts & Loan Values	Page 12
Refinance vs. Cash-Out Refinance	Page 13
How to obtain Median Income Information	Page 14
ARM 1/1 Convertible	Page 15
ARM 1/1, 3/1, 5/1, 7/1, & 10/1	Page 16 - 17
Construction-Permanent ARM	Page 18
Construction-Permanent Fixed Rate	Page 19
Fixed Rate Conventional	Page 20
Manufactured Housing	Page 21
Alt - 97	Page 22
Home Possible® 97	Page 23 - 25
Home Possible Neighborhood Solution® 97	Page 26 - 29

Table of Contents-Continued

Initial Interest SM Fixed-Rate	Page 30 - 31
Initial Interest ARM	Page 32 - 33
7 Year Balloon Reset & 5 Year Balloon Reset	Page 34
USDA Guaranteed Rural Housing	Page 35
Alternative Stated Income Mortgage	Page 36 - 38
Lender Paid Mortgage Insurance {LPMI}	Page 39 - 40

CMN Personnel

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Sam Vallandingham	<u>Vice President</u>	
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VACANT Contracts, Training, & Questions about the CMN Program Fax (304) 733-7081	<u>CMN Director</u>	Ext. 6022 304) 302-6022
Barbara Enochs Loan Closings, Status of Loans, & Information on Products Offered Fax (304) 733-3291	<u>CMN Loan Processor</u> barbarae@fsb-wv.com	Ext. 6024 304) 302-6024
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Mail Closed Packages / Mortgage Documents to: (traceable mail only UPS, FedEx, etc.)
The First State Bank, 6472 A Farmdale Rd., Barboursville, WV 25504-1330

The First State Bank (800) 440-6678
P. O. Box 295
Barboursville WV 25504



Get the service you deserve.

The First State Bank
P.O. Box 295
660 Central Avenue
Barboursville, WV 25504

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Phone: (304) 736-5271
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January 1, 2008

Fellow Community Bankers:

We all have a common goal. To provide economic growth and stability to our markets. Each year we see dramatic changes in the way we must operate to continue doing this. Regulatory, competitive and profitability pressure are but a part of our daily routine as we pursue that goal.

I think the program your Bankers bank has set up in conjunction with our mortgage department will be a useful tool for combating those pressures and meeting the needs of your community.

Therefore, it is with great pleasure that our team at Community Mortgage Network offers to join hands with your team to work together to provide quality products and service to the clients we serve.

Sincerely,

Philip J. Vallandingham
President/Chairman

Established Since 1905

The First State Bank

The First State Bank, (\$140,000,000 in assets) is located in Barboursville, West Virginia. Barboursville is a small town located in the western-most tip of West Virginia where West Virginia, Kentucky and Ohio meet along the Ohio river. Barboursville is a community of approximately 3000 people which has long been a residential community.

Founded in 1905 by Philip A. Vallandingham, a north-central Kentucky farmer who became disgruntled with tobacco prices around the turn of the century, The First State Bank has been serving our community's needs for over ninety years.

During the 1980's the bank began to develop a mortgage servicing department primarily focused on first-time home owners throughout West Virginia. The refinement of this department eventually created an interest in developing a full blown secondary market mortgage production operation in order to provide competitive long term products to our community without accepting the interest rate risk associated with owning thirty-year maturities.

The bank is currently servicing approximately \$560,000,000 worth of mortgages with a mortgage department which accounts for approximately 11 of the bank's 55 employees. The bank generated approximately \$80,000,000 in conventional mortgages in the last twelve months. We primarily sell our loans to Federal National Mortgage Association and Federal Home Loan Mortgage Corporation with all servicing retained. Our bank has never sold servicing and plans to continue this practice.

The First State Bank has been, and intends to continue, operating as an independent bank with its focus on community banking. Our president, Philip J Vallandingham, served as the president of The Independent Banker's Association of America during 1990 - 1991. His involvement in the industry's political arena helps our organization understand the needs of the community bankers and their clients for both today and tomorrow.

Yet, our underlying philosophy is quite simple: To develop customer relationships based on strong cultural values using the golden rule, "Treat customers as you want to be treated".

Why Community Mortgage Network ?

- 1) Community Banks have long been looking for access to secondary markets. Many providers of this service have forgotten the specific needs of community bankers in this area and are not able to provide the service that is required for these banks.
- 2) Community banks are looking for a provider that can give them the expertise and training required to guarantee that the bank's customer relationships won't be dissolved from exposure to secondary market lending.
- 3) Community banks are looking to provide these services, but do not want to take on the overhead or responsibilities of servicing these mortgages. However, they also do not want the customer relationship taken away from their bank during the servicing period, nor do they want their relation destroyed by this portion of the lending activity.
- 4) Bankers are looking to secondary markets as a defensive strategy to maintain customer relations. No one wants to lose business to a competitor because they are unable to provide the service the customer desires.
- 5) Community banks see secondary market lending as an offensive strategy that will increase their present customer base, increase community exposure, increase cross-selling opportunities and increase profit.

Why Community Mortgage Network? Because...

Community Mortgage Network was built for you....

The First State Bank would like to tell you
why Community Mortgage Network .

Community Mortgage Network was built for you....

1) Community Mortgage Network was developed to meet the needs of the independent community bank. We can help your organization transfer our successes into your successes. Our experience will provide your organization with practical proven solutions to the problems that you will face in today's mortgage industry.

2) The focus of Community Mortgage Network is to provide our correspondents and their clients with the best quality service that meets the needs of the independent community bank. Community Mortgage Network managers combine to provide your organization with years of community banking experience and insight. We have developed our mortgage department over several years and have already encountered the many problems facing the industry and are able to provide you with proven techniques to make your mortgage operation successful and profitable.

3) Community Mortgage Network has developed quality easy-to-use training materials that will educate your personnel on important topics ranging from origination and processing mortgage loans to building Realtor networks and marketing your mortgage operation within your local markets.

4) The Community Mortgage Network product manual was developed to provide your originators with the specific details of each product. Each manual has the correspondent's name, address and phone on the bottom of the page and is intended to be given to prospective borrowers as an informational handout.

5) We provide top quality servicing and we want your bank to consider our servicing department as a branch of your own bank. We want your customers to bring their servicing concerns back to your bank allowing you to continue your customer relationship after the loan has been made. The relationship that you build with our servicing department will give you the confidence of knowing that your questions will get prompt response and your customer will continue to feel satisfied with the service that your bank has provided them after the sale.

Involvement with Community Mortgage Network will ...

- Allow you to provide your clients with the products that they desire, rather than having to go to a competitor.
- Build stronger customer relationships with your present customers by meeting the needs of your customer that you are not presently able to meet.
- Give your organization the opportunity to increase your Fee Income.
- Eliminate the interest rate risk associated with long term lending.
- Provide your organization with a simplified training manual instructing your personnel with full easy-to-use instructions on originating and processing a mortgage loan.
- Provide your personnel with proven marketing techniques that will expand your mortgage opportunities.
- Provide your organization with another opportunity to cross-sell your already existing products and services.
- Provide your organization with market expertise in originating investment quality loans.
- Eliminate the operating cost associated with the requirements of servicing small volumes of investment quality loans.
- Allows your organization to make loans which are presently being rejected due to internal policies, improving your Community Reinvestment Act position.
- Free up monies in times of illiquid markets - (usually when loan demand is high).
- Provide your organization with weekly status reports allowing more timely service for your customers and quicker closings.

Why Investment Quality Mortgage Loans?

The most important reason for investment quality loans: profit. Secondary market lending has proven to be profitable to community banks across the country and we know from experience that it can be profitable for your bank, too.

The reason most community banks fail to make use of this profit generator is a lack of knowledge about the opportunities available through secondary market lending. Our organization can help you capitalize on these profitable opportunities.

Community Mortgage Network will help your organization utilize your present competitive advantages in mortgage lending to maximize your profit potential.

Your present customers have strong ties to your organization and look to your organization to fulfill their mortgage needs. This customer base and your potential customer base are demanding access to the secondary market.

The understanding of your community's needs provides your organization with useful insights that will propel your secondary market mortgage program into a success story.

Secondary Market lending will generate profits from direct fee income, and it will strengthen relationships with existing customers by increasing your services and allowing your organization to fulfill their business needs. It also provides your bank with more opportunities to cross sell other bank products to customers and will allow your organization the opportunity to develop new internal lending programs, such as construction lending and non-secondary market real estate loans, through contacts made in your secondary market efforts.

Secondary Market Lending is an opportunity that your bank can't afford to miss and Community Mortgage Network can make that opportunity easy for you.

Participation Levels / Correspondent Responsibilities

	<u>Level 2</u>	<u>Level 3</u>
Pre-Qualify Customer	x	x
Council on Eligible Loan Programs	x	x
Complete Application	x	x
Register Loan with CMN	x	x
Provide Necessary Disclosures	x	x
Submit to Automated Underwriting	x	x
Order Credit Report (Tri-Merge Credit Bureau)	x	x
Order Flood Certification *Optional CMN can order	x	x
Collect Necessary Processing Documentation	x	x
Reconcile Processing Items	x	x
Order Appraisal	x	x
Order Inspection when Necessary	x	x
Order PMI when Necessary *Optional CMN can order	x	x
Prepare Transmittal Summary	x	x
Submit to CMN for Underwriting (Complete Package Including Appraisal to CMN)	x	x
Underwrite Mortgage File	CMN	CMN
Collect Necessary Underwriting Conditions (submit to CMN prior to closing)	x	x
Provide Credit Approval / Denial Letter	x	x
Order Title Work / Deed Preparation	x	x
Schedule Closing (provide 48hrs notice to CMN - closing date & time)	x	x
Prepare Necessary Closing Documentation	CMN	CMN
Prepare HUD-1 Settlement Statement (provide to CMN 48hrs prior to closing)	x	x
Fund and Close Loan	x	x
Obtain Releases	x	x
Finalize Title Policy	x	x
Record Mortgage	x	x
Endorse Note and Sign Assignment	x	x
Change Mortgagee Clause on Homeowners Policy	x	x
Change Mortgagee Clause on Title Insurance Policy	x	x
Assign Flood Certification *if applicable	CMN	x
Assign PMI *if applicable	CMN	x

Maximum Loan Amounts & Loan to Values

Conforming Mortgages

The maximum original loan amount for home mortgages originated after January 1, 2008, is \$417,000.00*.

Maximum Loan Amounts for 2-4 Unit Properties*

2-unit	\$533,850
3-unit	\$645,300
4-unit	\$801,950

**Except for properties located in Alaska, Hawaii, Guam or the Virgin Islands.*

Maximum LTV / TLTV Ratios

Purchase and “No Cash Out” Refinance Mortgages (Fixed Rate, ARMs, and 5/30 or 7/30 Balloon /Reset Mortgages)

Property Type	Max. LTV with out sec. fin.	Max. LTV with sec. fin.	Max. TLTV with sec. fin.	Max. HTLTV with sec. fin.
1-2 Unit Primary Residence or Second Home	95%	90%	95%	95%
1-2 Unit Investment Property	85%	80%	85%	90%
3-4 Unit Primary Residence	80%	75%	80%	85%
3-4 Unit Investment Property	75%	70%	75%	80%

Cash-Out Refinance Mortgages (Fixed Rate, ARMs, and 5/30 or 7/30 Balloon/Reset Mortgages)

Property Type	Max. LTV with out sec. fin.	Max. LTV with sec. fin.	Max. TLTV with sec. fin.	Max. HTLTV with sec. fin.
1-2 Unit Primary Residence or Second Home	85%	80%	85%	90%
1-2 Unit Investment Property	85%	80%	85%	90%
3-4 Unit Primary Residence	75%	70%	75%	80%
3-4 Unit Investment Property	70%	65%	70%	75%

Note: The information provided within this document is based on Freddie Mac Single - Family Guide which can be obtained at : <http://www.freddiemac.com/singlefamily/>

Refinance vs. Cash-Out Refinance

A "no-cash-out" refinance is defined as a mortgage in which the loan amount is limited to the amounts used to:

1. Pay off the first mortgage, regardless of its age
2. Pay any junior lien that was used in its entirety to acquire the subject property. Both notes must have same date.
3. Pay related closing costs, financing costs, and prepaid items.

The cash to borrower must be less than 2% of the loan amount or \$2,000. whichever is less.

A "cash-out" refinance is defined as a mortgage in which the loan amount may include:

1. Paying off the first mortgage regardless of age.
2. Paying off any junior liens not used for original purchase.
3. Paying related closing costs, financing costs, and prepaid items.
4. Disbursing "cash-out" to the borrower (or any other payee).

Note: The information provided within this document is based on Freddie Mac Single - Family Guide which can be obtained at : <http://www.freddiemac.com/singlefamily/>

How to obtain Median Income Information & Designated Underserved Area Census Tracts

For the Freddie Mac's Home Possible products

(Home Possible® 97, and Home Possible Neighborhood Solution® 97)

The Borrower's annual income must be equal to or less than the area median income. [Income eligibility requirements](#) may be different in high cost areas. An exception to the income requirements exists for properties located in designated "[Underserved Areas](#)." Area median income requirements do not apply when borrowers finance a property located in an Underserved Area.

With Quick Lookup, You Can Find:

- ◆ Area Median Income Listings by County
- ◆ Designated Underserved Area Census Tracts

Go to

<http://ww3.freddiemac.com/ds2/sell/affgold.nsf/frmHomePage?OpenForm>

The screenshot shows a web browser window displaying the Freddie Mac website. The page title is "Affordable Income & Property Eligibility". The browser address bar shows the URL: <http://ww3.freddiemac.com/ds2/sell/affgold.nsf/frmHomePage?OpenForm>. The website has a navigation menu with links for Home, Our Other Sites, Sitemap, and Contact Us. Below the navigation menu, there is a search bar and a "Search" button. The main content area is titled "Affordable Income & Property Eligibility" and includes a "Quick Lookup" section. The "Quick Lookup" section has a "Choose a State" dropdown menu, a "GO" button, and a text input field for "Enter a City or County or Census Tract Number" with another "GO" button. Below the "Quick Lookup" section, there is a section titled "Affordable Mortgage Requirements" with the following text: "For certain Freddie Mac mortgage offerings, the Borrower's annual income must meet the following requirements:" followed by three bullet points: "The Borrower's annual income must be equal to or less than the area median income. [Income eligibility requirements](#) may be different in high cost areas. An exception to the income requirements exists for properties located in designated "[Underserved Areas](#)." Area median income requirements do not apply when borrowers finance a property located in an Underserved Area.", "Underserved Areas are determined at the census tract level. Census tracts generally comprise smaller areas than counties.", and "Native American tribal lands may also be designated as Underserved Areas. For Census Tracts".

Note: The information provided within this document is based on Freddie Mac Single - Family Guide which can be obtained at : <http://www.freddiemac.com/singlefamily/>

Adjustable Rate Mortgage (ARM) 1/1 Convertible

Eligible Terms: 30 Years
Locks: 10 to 60 Day Lock
Max Loan Amount: \$417,000.00 (1 Unit Property)
Caps: Initial 2%, Period 2%, Life 6%

Eligible Property: Purchase, No Cash-Out Refinance, & Cash-Out Refinance, 1 - 4 Unit Primary Residence, Second Homes, including Condominiums, & Planned Unit Developments (PUDs). *Manufactured Homes n/a*
1 - 4 Unit Investment Properties (with additional requirements)

Maximum LTV Purchase & No cash-out Refinance:

1 - 2 Unit Primary Residence OR Second Home 95%
1 - 2 Unit Investment Property 85%
3 - 4 Unit Primary Residence 80%
3 - 4 Unit Investment Property 75%

Cash-Out Refinance:

1 - 2 Unit Primary Residence OR Second Home 85%
1 - 2 Unit Investment Property 85%
3 - 4 Unit Primary Residence 75%
3 - 4 Unit Investment Property 70%

Private Mortgage Insurance (PMI): PMI required for LTV Ratios > 80%

Assumable: No

Buydowns: No

Financial Ratios: Housing Expense to Income less than 28%,
Total Obligation to Income less than 36%. *

Margin: 2.875%

Initial Fixed Rate Period: 12 Months

Periodic Adjustment: Every 12 Months

Index Used: One Year Constant Maturity Treasury (CMT)

Convertible: Yes, without a 30 day past due in the last 12 months.

Conversion Fee: \$250.00
(conversion to Fixed Rate capability, & conversion does not require additional closing costs)

Delivery Fees: Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.

Rates: Refer to CMN Rate Sheet * *Rates / Prices are subject to change without notice*

Adjustable Rate Mortgage (ARMs)
1/1, 3/1, 5/1, 7/1, & 10/1

Eligible Terms: 30 Years

Locks: 10 to 60 Day Lock

Max Loan Amount: \$417,000.00 (1 Unit Property)

Eligible Property: Purchase, No Cash-Out Refinance, & Cash-Out Refinance, 1– 4 Unit Primary Residence, Second Homes, including Condos, Planned Unit Developments (PUDs). *Manufactured Homes only 7/1 & 10/1 AMRs*
1 - 4 Unit Investment Properties (with additional requirements)

Maximum LTV Purchase & Rate Term Refinance:

1 - 2 Unit Primary Residence OR Second Home 95%
1 - 2 Unit Investment Property 85%
3 - 4 Unit Primary Residence 80%
3 - 4 Unit Investment Property 75%

Cash-Out Refinance:

1 - 2 Unit Primary Residence OR Second Home 85%
1 - 2 Unit Investment Property 85%
3 - 4 Unit Primary Residence 75%
3 - 4 Unit Investment Property 70%

Private Mortgage Insurance (PMI): PMI required for LTV Ratios > 80%

Buydowns: No

Financial Ratios: Housing Expense to Income less than 28%,
Total Obligation to Income less than 36%. *

Margin: 2.750%

Index Used: One Year Constant Maturity Treasury (CMT)

Convertible: No

Delivery Fees: Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.

Rates: Refer to CMN Rate Sheet * *Rates / Prices are subject to change without notice*

Adjustable Rate Mortgage (ARMs)

1/1, 3/1, 5/1, 7/1, & 10/1

Continued

Caps, Assumable, Initial Fixed Rate Period, and Periodic Adjustment:

ARM Product	Caps	Assumable	Initial Fixed Period	Periodic Adjustments
ARM 1/1	Initial 2%, Period 2%, Life 6%	Life of Loan	12 Months	Every 12 Months
ARM 3/1	Initial 2%, Period 2%, Life 6%	Life of Loan	36 Months	Every 12 Months (Subsequent to Initial Period)
ARM 5/1	Initial 2%, Period 2%, Life 5%	After Initial Fixed Rate Period Expires	60 Months	Every 12 Months (Subsequent to Initial Period)
ARM 7/1	Initial 5%, Period 2%, Life 6%	After Initial Fixed Rate Period Expires	84 Months	Every 12 Months (Subsequent to Initial Period)
ARM 10/1	Initial 5%, Period 2%, Life 6%	After Initial Fixed Rate Period Expires	120 Months	Every 12 Months (Subsequent to Initial Period)

These ARMs offer a fixed rate for a specified time and an annual adjustment over the remaining term - providing options for prime borrowers who do not intent to stay in their homes for long periods, but who understand that their rate will increase.

- Alternative for homebuyers looking for a lower initial rates and monthly payments.
- Originate with Home Possible® Mortgages 5/1, 7/1, & 10/1 ARMs only.
- Manufactured Homes 7/1 & 10/1 ARMs only.
- 7/1 & 10/1 ARMs only for investment property mortgages where the borrower owns more than one financed investment property.

One Time Closing Construction Permanent 1/1 ARM

- Eligible Terms:** 30 Years with interest only up to 11 months then becoming an ARM for permanent financing.
- Locks:** 350 Day Lock
- Caps:** Initial 2%, Period 2%, Life 6%
- Max Loan Amount:** \$417,000. (1 Unit Property)
- Occupancy:** Primary Residence Owner Occupied OR Second Home
- Maximum LTV:** 1 - 2 Unit Primary Residence OR Second Home 95%
3 - 4 Unit Primary Residence 80%
- Private Mortgage Insurance (PMI):** PMI Required for LTV Ratios > 80%
- Assumable:** No
- Buydowns:** No
- Financial Ratios:** Housing Expense to Income less than 28%,
Total Obligation to Income less than 36% *
- Margin:** 2.875%
- Initial Interest Period:** Construction Period through first 12 months of Permanent Financing.
- Periodic Adjustment:** Every 12 months (subsequent to Initial Period)
- Indexed Used:** One Year Constant Maturity Treasury (CMT)
- Convertible:** Yes, without a 30 day past due in the last 12 months.
- Conversion Fee:** **\$250.00**
- Delivery Fees:** Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.
- Rates:** Refer to CMN Rate Sheet * **Rates / Prices are subject to change without notice**
- The Customer does not pay closing costs twice and opportunity for fixed rate without refinancing.
 - Once qualified will no need to be qualified a second time for permanent financing.
 - Reduction of interest rate risk when compared to the normal separation of construction and permanent financing.
 - Correspondent earns interest income on construction financing.

One Time Closing Construction Permanent Fixed Rate

Eligible Terms: 10 to 30 years with interest only up to 11 months then becoming a fully amortizing loan for permanent financing.

Locks: 350 Day Lock

Max Loan Amount: \$417,000 (1 Unit Property)

Occupancy: Primary Residence Owner Occupied OR Second Home

Maximum LTV: 1 - 2 Unit Primary Residence OR Second Home 95%
3 - 4 Unit Primary Residence 80%

Private Mortgage Insurance (PMI): PMI Required for LTV Ratios > 80%

Assumable: No

Buydowns: No

Financial Ratios: Housing Expense to Income less than 28%,
Total Obligation to Income less than 36% *

First State Bank Fee: **(-0.375)** Extended Lock Fee payable to The First State Bank regardless of loan delivery.

Delivery Fees: Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.

Rates: Refer to CMN Rate Sheet * **Rates / Prices are subject to change without notice**

Correspondent Responsibilities: Administration of construction phase including draws and inspections. Correspondent earns interest on construction phase of financing.

CMN will only purchase the loan when construction is complete and loan is in permanent financing stage.

- The loan must be submitted and scored thru Loan Prospector (LP).
- Rate locked at origination through permanent financing.
- No conversion fee.
- Mortgage file must have documentation/proof of inspections for each phase of construction disbursement.
- Upon completion of the construction you must acquire certificate of completion along with pictures front and back of property.
- FSB will purchase loan when construction is completed and loan is in permanent financing stage (30 days) prior to first Principal & Interest payment).

Fixed Rate Conventional

Eligible Terms:	10 to 40 Years
Locks:	10 to 60 Day Lock
Max Loan Amount:	\$417,000. (1 Unit Property)
Occupancy:	Owner Occupied, Second Homes, & Investment Property
Property Type:	1-4 Unit Primary Residence, Condos, Planned Unit Developments (PUDs), Manufactured Homes, & Investment Property. 1 Unit Second Home * 40-Year Mortgage - Manufactured Homes n/a

LTV Purchase OR No-Cash-Out Refinance:

1 - 2 Unit Primary Residence OR Second Home	<u>95%</u>
1 - 2 Unit Investment Property	<u>85%</u>
3 - 4 Unit Primary Residence	<u>80%</u>
3 - 4 Unit Investment Property	<u>75%</u>

LTV Cash-out Refinance:

1 - 2 Unit Primary Residence OR Second Home	<u>85%</u>
1 - 2 Unit Investment Property	<u>85%</u>
3 - 4 Unit Primary Residence	<u>75%</u>
3 - 4 Unit Investment Property	<u>70%</u>

Private Mortgage Insurance (PMI): PMI Required for LTV Ratios > 80%

Assumable: No

Buydowns: 2-1

Financial Ratios: Housing Expense to Income less than 28%
Total Obligation to Income less than 36% *

Delivery Fees: Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.

Rates: Refer to CMN Rate Sheet * *Rates / Prices are subject to change without notice*

- The borrower has a constant payment over the term of the loan, providing stability to the borrower.
- Principle reductions and prepayment of the mortgage is allowed.
- FSB escrows for taxes, insurance and makes the payment annually.

Manufactured Housing

Eligible Terms:	10 to 30 Years Fixed Rate								
Locks:	10 to 60 Day Lock								
Max Loan Amount:	\$417,000. (1 Unit Property)								
Occupancy:	1 Unit Owner Occupied Primary Residence OR Second Home								
LVT Ratios Primary Residence:	Purchase or No Cash-Out Refinance <u>95%</u> Cash-Out Refinance <u>65%</u>								
LTV Ratios Second Home:	Purchase or No Cash-Out Refinance <u>90%</u> Cash-Out Refinance not available for second homes.								
Private Mortgage Insurance (PMI):	<u>PMI Required for LTV Ratios > 80%</u>								
MI Coverage:	<table><thead><tr><th><u>< 20 Year Term</u></th><th><u>> 20 Year Term & < 30 Year Term</u></th></tr></thead><tbody><tr><td>> 90 <u>30%</u></td><td>> 90 <u>35%</u></td></tr><tr><td>> 85% to 90% <u>25%</u></td><td>> 85% to 90% <u>30%</u></td></tr><tr><td>> 80% to 85% <u>12%</u></td><td>> 80% to 85% <u>17%</u></td></tr></tbody></table>	<u>< 20 Year Term</u>	<u>> 20 Year Term & < 30 Year Term</u>	> 90 <u>30%</u>	> 90 <u>35%</u>	> 85% to 90% <u>25%</u>	> 85% to 90% <u>30%</u>	> 80% to 85% <u>12%</u>	> 80% to 85% <u>17%</u>
<u>< 20 Year Term</u>	<u>> 20 Year Term & < 30 Year Term</u>								
> 90 <u>30%</u>	> 90 <u>35%</u>								
> 85% to 90% <u>25%</u>	> 85% to 90% <u>30%</u>								
> 80% to 85% <u>12%</u>	> 80% to 85% <u>17%</u>								
Assumable:	No								
Buydowns:	No								
Financial Ratios:	Housing Expense to Income less than <u>28%</u> , Total Obligation to Income less than <u>36%</u> *								
Exceptions:	Cash-Out Refinance - Max Term - 20 Years Purchase & No Cash-Out Refinance over 90% - Max Term 20 Year - Must have Title Insurance - No exceptions								
Borrower Funds:	A minimum down payment of 5% must come from Borrower Funds.								
Delivery Fees:	Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.								
Rates:	<u>Refer to CMN Rate Sheet</u> * Rates / Prices are subject to change without notice								

- Value of Property will be the lowest sales price in the past 12 months, or if owned for more than 12 months, the appraised value.
- Purchase price may include documented costs for delivery, setup, site development, installation, and permanent utility connections.
- To be eligible for a Cash-Out refinance transaction, the home must be owned for a minimum of 12 months.

Freddie Mac ALT® 97 Mortgage

- Eligible Terms:** 15, 20, 30 & 40-Years Fixed Rate
- Locks:** 10 to 60 Day Lock
- Max Loan Amount:** \$417,000. (1 Unit Property)
- Eligible Property:** 1 Unit Owner Occupied Primary Residence, including
Condos & Planned Unit Developments (PUDs)
*Manufactured Homes are not eligible
- LTV Purchase OR No Cash-Out Refinance:** 90% - 95% LTV
Must not exceed 90% LTV & 95% TLTV
with secondary financing.
- Private Mortgage Insurance:** PMI 35% Coverage Required for all ALT 97 Loans
- Assumable:** No
- Buydowns:** No
- Financial Ratios:** Housing Expense to Income less than 28%,
Total Obligation to Income less than 36% *
- Minimum Credit Score:** 700 The loan must be submitted and scored thru Loan
Prospector (LP) or manually underwritten.
- Delivery Fees:** Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.
- Rates:** Refer to CMN Rate Sheet * **Rates / Prices are subject to change without notice**
- There are no income or geographic limits.
 - No Reserves Required.
 - FSB escrows for taxes, insurance and makes the payment annually.
 - **5% Down Payment Required** which may come from any of the following options:
 1. Borrower's own funds, including secured borrowings such as a 401 (k) loan.
 2. A gift or unsecured loan from a related person or an agency.
 3. A grant or unsecured loan from a municipality or nonprofit.
 4. Funds from an Individual Development Accounts (IDAs) or Community Savings System.
 5. Employer-assisted housing funds, either in the form of an unsecured loan or a grant.
- Note: Closing costs can come from the same source as down payment sources above and property seller contributions up to 3%.

Home Possible ® 97

Eligible Terms: 15, 20, 30, 40 Years Fixed Rate & 5/1, 7/1 & 10/1 ARMs

Locks: 10 to 60 Day Lock

Max Loan Amount: \$417,000. (1 Unit Property)

Eligible Property: Purchase & "No cash-out" Refinance, 1-4 Unit Primary Residence, Condos, Planned Unit Developments (PUDs), & Manufactured Homes (with additional requirements). *40-Year Mortgage – Manufactured Home - n/a

Maximum LTV Purchase & No Cash Out Refinance:

- 1 Unit property 97%
- 2 - 4 Units 95%
- Manufactured Home 95%

TLTV to 105% with Affordable Seconds (other secondary financing subject to conditions) (Home Possible Mortgages with LTV/TLTV greater than 97% must have an Indicator Score equal to or greater than 700)

Private Mortgage Insurance (PMI): PMI required for LTV Ratios > 80%

LTV Ratio Mortgage Insurance Coverage except Manufactured Homes:

- > 95% to 97% 18%
- > 90% to 95% 16%
- > 85% to 90% 12%
- > 80% to 85% 6%

Lender-Paid & financed mortgage insurance premiums are permitted.

Note: Refer to Manufactured Home mortgage product to obtain LTV Ratio PMI.

Assumable: No

Limited Temporary Subsidy Buydowns: Temporarily reduced up to two percentage points below the Note Rate. Increased up to one percentage point annually for no more than two years. The borrower may be qualified at the initial bought down rate plus 1%.

Temporary subsidy buydowns are not permitted with: Secondary Financing that has a variable interest rate, Mortgage Credit Certificates, Manufactured Homes, & 2 to 4 unit primary residence.

Financial Ratios: Maximum Monthly debt-payment-to-income ratio 43% or LP

Minimum Credit Score: Must be submitted to Loan Prospector (LP)

Mortgages with invalid, ineligible, incomplete assessment, caution ineligible, or A-minus mortgages must be manually underwritten.

- 1 - Unit Primary Residence: minimum Indicator Score 600
- 2 - Unit Primary Residence: minimum Indicator Score 620
- 3 to 4 Unit Primary Residence & mortgages secured by
Manufactured Home: minimum Indicator Score 660

Home Possible ® 97

Continued

Delivery Fees: Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.

Rates: Refer to CMN Rate Sheet *Rates / Prices are subject to change without notice

Income Limits: The borrower's annual income cannot exceed 100% of the area median income limits. **No income limits apply if the Mortgage Premises are located in an Underserved Area.**

Verify all income reported on the Uniform Residential Loan Application. All reported income that has been verified and that is stable monthly income must be used to qualify the Borrower and to determine whether the Borrower meets the income limits.

Reserves: 1 - Unit: No Reserves Required
2 - 4 Units: 2 Months Reserves Required (may not be from Gift Funds)

Down Payment:
1 Unit: 3% of Value , 2 - 4 Units: 5% of Value , Manufactured Homes: 5% of Value

Sources of Funds / Borrower Contribution: Minimum borrower contribution from borrower's personal funds for purchase transactions.

1 - Unit: Not Required
2 - 4 Units: 3% of Value
Manufactured Homes: 5% of Value

USE	Permitted Sources of Funds
Borrowers Contribution No minimum borrower contribution required for 1-unit primary residence, excluding manufactured homes.	Borrower personal funds
Down Payment for purchase transaction	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds
Additional equity if needed for a no-cash-out refinance transaction	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds
Closing Costs, financing costs, prepaids/escrows	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds • Flexible sources of funds
Reserves for Home Possible Mortgages	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds excluding • Gifts Funds • Borrower reserves

Definitions:

Borrower Personal Funds: Funds on deposit checking, savings, money market or certificate of deposit. Proceeds from a loan fully secured by the Borrower's owned assets and proceeds from the sale of Borrower's assets.

Other Borrower Funds: Gifts from a related person, gifts or grants from an Agency, and gift or grant from the seller.

Flexible Source of Funds: Financing concessions, premium financing, proceeds from an unsecured loan from Seller as originating lender.

Reserves: Stocks, Bonds, Mutual Funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace (NYSE, NASDAQ, Midwest SE) whose price can be readily verified through financial publications. Must verify that the security is owned by the Borrower.

Note: All Source of Funds must meet the requirements established by Freddie Mac AllRegs.

Mortgage Credit Certificates MCCs): Seller performs an analysis to determine the amount of the tax credit stated in the MCC that the occupying Borrower is actually entitled to use in the current tax year calculated on a monthly basis, the adjusted amount of the tax credit from the actual monthly housing expense payment and uses the adjusted monthly housing expenses to compute the monthly debt payment-to-income ratio and the monthly housing expense-to-income. Document calculation of the adjusted monthly housing expense, including the analysis of the amount of the mortgage tax credit to be used, using either the MCC Worksheet developed by Freddie Mac or a worksheet containing substantially information and calculations. Mortgage file must contain a copy of the MCC, W-4, and W-4 Worksheet, and MCC Worksheet.

Home Buyer Education: Homeownership education is required before the note date for at least one qualifying Borrower if all Borrower(s) are First-Time Homebuyers. A copy of the Homeownership Education Certification or document containing comparable information must be retained in the Mortgage file. Internet-based homeownership education programs that have been developed by mortgage insurance companies are acceptable.

- **All Borrowers** must occupy the Mortgaged Premises as a primary residence.
- **Borrower may not,** as of the Note Date, have any ownership interest in any other residential properties.

Home Possible
Neighborhood Solution ® 97

Would you like to offer additional flexibilities for teachers, firefighters, law enforcement officers, health care workers and military personnel in your community?

Home Possible Neighborhood Solution® Mortgages must be originated to one of the following who satisfies one of the following descriptions:

Educators

An employee of an accredited or state-recognized private or public school; a certified teacher or administrator in an education agency; or an employee of a post-secondary level educational institution; or

Law Enforcement Officers & Firefighters

An employee of a law enforcement agency or fire department administered by an agency or subdivision of a state or local government; or a sworn law enforcement officer responsible for crime prevention and detection, law enforcement, or criminal incarceration; or a sworn member of a fire department involved in fire suppression or prevention, emergency medical response, hazardous materials incident response, or management or response to terrorism; or

Health Care Workers

A certified, accredited, or licensed health care worker who is a medical resident or fellow; a nurse, nursing assistant, pharmacist, pharmacy technician, physician's assistant or medical technician, technologist or therapist; or

Military Personnel

A member of the United States Armed Forces (United States Army, Navy, Air Force, Marine Corps, and Coast Guard) who is on full-time active duty; a member of a reserve component of the United States Armed Forces (the Army National Guard of the United States, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air National Guard of the United States, the Air Force Reserve, and the Coast Guard Reserve) or a former member of the United States Armed Forces or a reserve component of the United States Armed Forces who has been separated or retired from either active duty or a reserve component for no more than two years at the time of the loan application.

Home Possible Neighborhood Solution ® 97

Eligible Terms: 15, 20, 30 & 40 Years Fixed Rate, 5/1, 7/1 & 10/1 ARMs

Locks: 10 to 60 Day Lock

Max Loan Amount: \$417,000. (1 Unit Property)

Eligible Property: Purchase & “No cash-out” Refinance , 1 - 2 Unit Primary Residence, Condos, Planned Unit Developments (PUDs), & Manufactured Homes (with additional requirements). *40-Year Mortgage – Manufactured Home - n/a

Maximum LTV Purchase & No Cash-Out Refinance:

1 Unit property 97%
2 Unit property 95%
Manufactured Home 95%

TLTV to 105% with Affordable Seconds (other secondary financing subject to conditions) (Home Possible Mortgages with LTV/TLTV greater than 97% must have an Indicator Score equal to or greater than 700)

Private Mortgage Insurance (PMI): PMI required for LTV Ratios > 80%

LTV Ratio Mortgage Insurance Coverage except Manufactured Homes:

> 95% to 97% 18%
> 90% to 95% 16%
> 85% to 90% 12%
> 80% to 85% 6%

Note: Refer to Manufactured Home mortgage product to obtain LTV Ratio for PMI.

Assumable: No

Buydowns: Extended buydowns are for 1 to 2 unit
Limited buydowns are for 1 unit

Extended Temporary Subsidy Buydowns: Temporarily reduced up to 1.5 percentage points below the Note Rate. Increased up to 0.5 percentage points annually for no more than three years.

Limited Temporary Subsidy Buydowns: Temporarily reduced up to two percentage points below the Note Rate. Increased up to one percentage point annually for no more than two years. The borrower may be qualified at the initial bought down rate plus 1%.

Financial Ratios: Maximum monthly debt-payment-to-income ratio 45%
or Loan Prospector (LP)

Home Possible Neighborhood Solution ® 97

Continued

Minimum Credit Score: Must be submitted to Loan Prospector (LP)
Mortgages with invalid, ineligible, incomplete assessment, caution ineligible, or A-minus mortgages must be manually underwritten.

1 - Unit Primary Residence: minimum Indicator Score 600

2 - Unit Primary Residence: minimum Indicator Score 620

Manufactured Home: minimum Indicator Score 660

An Indicator Score 700 or greater is required for mortgages with a TLTV ratio greater than 97%.

Delivery Fees: Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.

Rates: Refer to CMN Rate Sheet *Rates / Prices are subject to change without notice

Income Limits: The borrower's annual income cannot exceed 100% of the area median income limits. **No income limits apply if the Mortgage Premises are located in an Underserved Area.**

Verify all income reported on the Uniform Residential Loan Application. All reported income that has been verified and that is stable monthly income must be used to qualify the Borrower and to determine whether the Borrower meets the income limits.

Reserves: 1 month reserve is required, which may be from Gift Funds.

Down Payment: 1 Units: 3% of Value, 2 Units & Manufactured Homes: 5% of Value

Sources of Funds / Borrower Contribution: Minimum from Borrower's Personal Funds.

1 - Unit: Not Required

2 - Unit: 3% of Value

Manufactured Homes: 5% of Value

USE	Permitted Sources of Funds
Borrowers Contribution	Borrower personal funds
No minimum borrower contribution required for 1-unit primary residence, excluding manufactured homes.	
Down Payment for purchase transaction	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds
Additional equity if needed for a no-cash-out refinance transaction	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds
Closing Costs, financing costs, prepaids/escrows	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds • Flexible sources of funds
Reserves for Home Possible Mortgages	<ul style="list-style-type: none"> • Borrower personal funds • Other borrower funds excluding • Gifts Funds • Borrower reserves

Home Possible Neighborhood Solution ® 97

Continued

Definitions:

Borrower Personal Funds: Funds on deposit checking, savings, money market or certificate of deposit. Proceeds from a loan fully secured by the Borrower's owned assets and proceeds from the sale of Borrower's assets.

Other Borrower Funds: Gifts from a related person, gifts or grants from an Agency, and gift or grant from the seller.

Flexible Source of Funds: Financing concessions, premium financing, proceeds from an unsecured loan from Seller as originating lender.

Reserves: Stocks, Bonds, Mutual Funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace (NYSE, NASDAQ, Midwest SE) whose price can be readily verified through financial publications. Must verify that the security is owned by the Borrower.

Note: All Source of Funds must meet the requirements established by Freddie Mac AllRegs.

Mortgage Credit Certificates MCCs): Seller performs an analysis to determine the amount of the tax credit stated in the MCC that the occupying Borrower is actually entitled to use in the current tax year calculated on a monthly basis, the adjusted amount of the tax credit from the actual monthly housing expense payment and uses the adjusted monthly housing expenses to compute the monthly debt payment-to-income ratio and the monthly housing expense-to-income. Document calculation of the adjusted monthly housing expense, including the analysis of the amount of the mortgage tax credit to be used, using either the MCC Worksheet developed by Freddie Mac or a worksheet containing substantially information and calculations. Mortgage file must contain a copy of the MCC, W-4, and W-4 Worksheet, and MCC Worksheet.

Home Buyer Education: Homeownership education is required before the note date for at least one qualifying Borrower if all Borrower(s) are First-Time Homebuyers. A copy of the Homeownership Education Certification or document containing comparable information must be retained in the Mortgage file. Internet-based homeownership education programs that have been developed by mortgage insurance companies are acceptable.

- **All Borrowers** must occupy the Mortgaged Premises as a primary residence.
- **Borrower may not,** as of the Note Date, have any ownership interest in any other residential properties

Initial InterestSM Fixed-Rate

Term: 30 Year term fixed-rate mortgage only

Interest Only Payments:

Initial Interest 10/20 Fixed Rate Mortgage - a 30-year fixed rate mortgage with a 10-year initial interest only period followed by a 20-year fully amortizing period.

Initial Interest 15/15 Fixed Rate Mortgage - a 30-year fixed rate mortgage with a 15-year initial interest only period followed by a 15-year fully amortizing period.

Locks: 10 to 60 Day Lock

Max Loan Amount: \$417,000. (1 Unit Property)

Occupancy: 1 Unit Primary Residence OR Second Home

Eligible Property: Purchase, "No cash-out" Refinance, & Cash-Out Refinance
1 Unit Primary Residence, Condos, Planned Unit Developments (PUDs).

*Manufactured Homes are not eligible

Maximum LTV & TLTV Requirements for 1 Unit Primary Residences & Second Homes:

Loan Purpose	Maximum LTV With out Secondary Financing	Maximum LTV With Secondary Financing	Maximum TLTV With Secondary Financing	Maximum HTLTV With Secondary Financing
Purchase transaction	95%	90%	95%	95%
"No cash-out" refinance	95%	90%	95%	95%
Cash-out refinance	85%	80%	85%	90%

Private Mortgage Insurance (PMI): Required for LTV Ratios > 80%

Assumable: No

Buydowns: No

Financial Ratios: Housing Expense to Income less than 28%,
Total Obligation to Income less than 36% *

Initial InterestSM Fixed-Rate

Continued

Secondary Financing for Initial Interest Mortgages: (the chart below is based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees)

Product	Financing Structure	Credit Score	LTV Ratios	TLTV Ratios > 76% & ≤ 80%	TLTV Ratios 81%	TLTV Ratios > 81% & ≤ 90%	TLTV Ratios > 90% & ≤ 95%
All Eligible Product	75 / 20 / 5	< 720	> 65% & ≤ 75%	n/a	n/a	n/a	0.50%
	75 / 20 / 5	≥ 720	> 65% & ≤ 75%	n/a	n/a	n/a	0.25%
	80 / 10 / 10	< 720	> 75% & ≤ 80%	0.50%	0.50%	0.50%	n/a
	80 / 10 / 10	≥ 720	> 75% & ≤ 80%	0.25%	0.25%	0.25%	n/a
	80 / 15 / 5	< 720	> 75% & ≤ 80%	n/a	n/a	n/a	0.50%
	80 / 15 / 5	≥ 720	> 75% & ≤ 80%	n/a	n/a	n/a	0.25%
	90 / 5 / 5	< 720	> 80% & ≤ 90%	n/a	n/a	0.50%	0.50%
	90 / 5 / 5	≥ 720	> 80% & ≤ 90%	n/a	n/a	0.25%	0.25%

Delivery Fees: Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.

Rates: Refer to CMN Rate Sheet * *Rates / Prices are subject to change without notice*

- Loan Prospector Accept Mortgage Only
- The borrower is qualified using monthly housing expense that include, but is not limited to, the principal and interest payment on the mortgage.
- For the purpose of qualifying the borrower, the principal and interest payment must be based on a fully amortizing schedule for the term of the mortgage.
- The borrower must be qualified using payments calculated using the Note Rate.
- Principal curtailments are permitted at any time.
- Borrowers who want initial interest-only monthly payments so they can use monthly savings toward other investments.
- Borrowers who fully understand their payment will increase after the initial interest-only period.

Initial InterestSM Adjustable - Rate ARMs

- Term:** 30 Years
- Eligible Products:** 3/1, 5/1, 7/1, & 10/1
- Interest Only Payments:** During Initial Fixed Rate Period
- Locks:** 10 to 60 Day Lock
- Max Loan Amount:** \$417,000. (1 Unit Property)
- Occupancy:** 1 Unit Primary Residence OR Second Home
- Eligible Property:** Purchase, "No cash-out" Refinance, & Cash-Out Refinance
1 Unit Primary Residence, Condos, Planned Unit
Developments (PUDs).
*Manufactured Homes are not eligible

Maximum LTV & TLTV Requirements for 1 Unit Primary Residences & Second Homes:

Loan Purpose	Maximum LTV With out Secondary Financing	Maximum LTV With Secondary Financing	Maximum TLTV With Secondary Financing	Maximum HTLTV With Secondary Financing
Purchase transaction	95%	90%	95%	95%
"No cash-out" refinance	95%	90%	95%	95%
Cash-out refinance	75%	70%	75%	80%

Private Mortgage Insurance (PMI): Required for LTV Ratios > 80%

Assumable: No

Buydowns: No

Financial Ratios: Housing Expense to Income less than 28%,
Total Obligation to Income less than 36% *

Initial InterestSM Adjustable - Rate ARMs

Continued

Secondary Financing for Initial Interest Mortgages: (the chart below is based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees)

Product	Financing Structure	Credit Score	LTV Ratios	TLTV Ratios > 76% & ≤ 80%	TLTV Ratios 81%	TLTV Ratios > 81% & ≤ 90%	TLTV Ratios > 90% & ≤ 95%
All Eligible Product	75 / 20 / 5	< 720	> 65% & ≤ 75%	n/a	n/a	n/a	0.50%
	75 / 20 / 5	≥ 720	> 65% & ≤ 75%	n/a	n/a	n/a	0.25%
	80 / 10 / 10	< 720	> 75% & ≤ 80%	0.50%	0.50%	0.50%	n/a
	80 / 10 / 10	≥ 720	> 75% & ≤ 80%	0.25%	0.25%	0.25%	n/a
	80 / 15 / 5	< 720	> 75% & ≤ 80%	n/a	n/a	n/a	0.50%
	80 / 15 / 5	≥ 720	> 75% & ≤ 80%	n/a	n/a	n/a	0.25%
	90 / 5 / 5	< 720	> 80% & ≤ 90%	n/a	n/a	0.50%	0.50%
	90 / 5 / 5	≥ 720	> 80% & ≤ 90%	n/a	n/a	0.25%	0.25%

Delivery Fees: Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.

Rates: Refer to CMN Rate Sheet * *Rates / Prices are subject to change without notice*

- Loan Prospector Accept
- The borrower is qualified using monthly housing expense that include, but is not limited to, the principal and interest payment on the mortgage.
- For the purpose of qualifying the borrower, the principal and interest payment must be based on a fully amortizing schedule for the term of the mortgage.
- The borrower must be qualified using payments calculated at the higher of the using the Note Rate or the fully indexed rate. The fully indexed rate is the sum of the Margin plus a value of the applicable Index at any time within 90 days preceding the Note Rate, rounded to the nearest one-eighth of 1% (0.125%).
- The initial Note Rate cannot be more than three percentage points below the fully indexed rate.
- Principal curtailments are permitted at any time.
- Borrowers who want initial interest-only monthly payments so they can use monthly savings toward other investments.
- Borrowers who fully understand their payment will increase after the initial interest-only period.

Balloon 30-7 & Balloon 30-5

Term:	30 Years
Locks:	10 to 60 Day Lock
Max Loan Amount:	\$417,000. (1 Unit Property)
Eligible Mortgage Products:	5-year balloon/reset mortgage 7-year balloon/reset mortgage
Property Types:	1 - 4 Unit Primary Residence & Investment Property 1 Unit Second Home
Eligible Mortgages:	Purchase, no cash-out and cash-out refinance transactions
LTV Purchase or No Cash-Out Refinance:	1 - 2 Unit Primary Residence or Second Home <u>95%</u> 1 - 2 Unit Investment Property <u>85%</u>
LTV Cash-Out Refinance:	1 - 2 Unit Primary Residence or Second Home <u>85%</u> 1 - 2 Unit Investment Property <u>85%</u>
Private Mortgage Insurance (PMI):	<u>Required for LTV Ratios greater than 80%</u>
Assumable:	No
Buydowns:	No
Financial Ratios	Housing Expense to Income less than <u>28%</u> Total Obligation to Income less than <u>36%</u> *

Delivery Fees: Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.

Rates: Refer to CMN Rate Sheet **Rates / Prices are subject to change without notice*

- Balloon 30-7 rate reset in 7 years
- Balloon 30-5 rate reset in 5 years
- Payments based on a 30 year amortization schedule
- Principle reductions and prepayment for the mortgage is allowed.
- Enhanced purchasing power, particularly for borrowers who do not plan to stay in their homes for the entire term.

USDA Guaranteed Rural Housing Program Fixed Rate Conventional

Term: 30 Years
Locks: 10 to 60 Day Lock

Max Loan Amounts:

See Individual GRH guide for the Maximum Loan Amount in your county.

Max Income Amounts:

See Individual GRH guide for Maximum Income Amounts in your county.

Eligible Housing: Existing Homes, Condos, Townhouses, 1/2 of a duplex, Modular Homes, New Construction, & New Manufactured Homes

Occupancy: Owner Occupied

Property Type: 1 Unit Owner occupied primary residence

Transaction Type: Purchase transaction only

Equity Position for Purchase / Refinance:

Owner Occupied Single Family Dwelling - 0%

Private Mortgage Insurance (PMI): **None**

Guaranty Fee: -2.000% of the mortgage amount for Purchase
-0.500 % for Refinance of GRH loan
* This guaranty replaces the normally required PMI

Assumable: No

Financial Ratios: Housing Expense to Income less than 29%,
Total Obligation to Income less than 41%*

Restrictions: **Only rural properties are eligible.**

Not just for first time homeowners, but cannot own a home at the time of closing.

USDA Income & Property Eligibility

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

Benefits:

- No Home Inspection necessary for existing homes.
- No Thermal requirements on existing homes (as long as an FHA Roster appraiser includes in the appraisal report that "The subject property meets the current requirements of HUD Handbook 4150.2 & 4905.01).
- Thermal requirements apply to new construction.
- Seller can contribute three percent of loan amount towards closing costs.
- Can finance up to one hundred percent for low to moderate income buyers.
- This program requires less cash for closing compared to standard conventional or FHA programs.
- This program accepts standard conventional appraisals.

Alternative Stated Income Mortgage

Eligible Terms:	15 to 40 years Fixed Rate Mortgages, 5 & 7 year balloon/ reset mortgages, and most standard ARMs
Locks:	10 to 60 Day Lock
Max Loan Amount:	\$417,000. (1 Unit Property)
Occupancy:	Owner Occupied, Primary Residence
Property Type:	1 Unit Primary Residence, including Condos, & Planned Unit Developments (PUDs)
Transaction Type:	Purchase transaction only
Maximum LTV Ratios:	<u>75%</u> LTV / TLTV / HLTIV
Financial Ratios:	Maximum 41% debt-to-income ratio
Minimum Credit Score:	Loan Prospector® Accept with a minimum Indicator Score equal to or greater than <u>720</u> .
Down Payment:	The <u>greater of \$25,000</u> . or <u>25%</u> down payment required from Borrowers funds.
Delivery Fees:	Based on Freddie Mac Exhibit 19 - Postsettlement Delivery Fees.
Rates:	<u>Refer to CMN Rate Sheet</u> * Rates / Prices are subject to change without notice

Eligibility Requirements

The Borrower must be self-employed in the same business for at least 2 years.

The mortgage file contains:

- Evidence confirming current existence of the business. If a business requires a business license to operate, a copy of the current business license is required. If a business license is not required, other evidence or documentation may be provided from a third party, such as a signed statement from Borrower's accountant, verbal verification with a local, or state business regulatory or registration office or trade organization.
- Evidence confirming a two-year history of self-employed in the same business, such as Articles of Incorporation, a signed statement from Borrower's accountant, verbal verification with a local, or state business regulatory or registration office or trade organization, the first business license issued, or two years of the Borrower's federal income tax returns or applicable schedules.

Note: The information provided within this document is based on Freddie Mac AllRegs® Single - Family Seller / Servicer Guide which can be obtained at : <http://www.freddiemac.com/singlefamily/>

Alternative Stated Income Mortgage

Continued

- The Seller is not required to obtain federal business tax returns, balance sheet, or YTD profit and loss for the Borrower's business.
- Signed IRS Form 4506, authorizing the release of information for the most recent two tax years.
- The Mortgage has a minimum Indicator Score equal to or greater than 720. A Mortgage for which the Seller is unable to meet the minimum Indicator Score is not eligible to use stated income.
- At least one Borrower whose income and assets were used for qualification purposes must have a credit history containing 3 tradelines that have been open and active for 2 years.
- Although each Borrower is not required to have a minimum Mortgage payment history, the Seller must verify both current and prior Mortgage payment histories for the last 12 months (whenever a Mortgage payment history exists). If the credit reports obtained do not contain a reference covering at least the most recent 12 months for the Borrower's Mortgage, the Seller must directly verify and document in the Mortgage file the Borrower's Mortgage payment history. The Seller must warrant that during the prior 12-month period, each Borrower was never 30 days or more delinquent on any Mortgage or combination of Mortgages.
- There is no history of bankruptcy, foreclosure or deed-in-lieu of foreclosure in the last 7 years shown on the credit report or elsewhere in the Mortgage file.
- Verification of a minimum of reserves equal to 6 monthly PITI is required.

The Mortgage must not be any of the following:

- Seasoned Mortgage
- Mortgage subject to negative amortization
- ALT97® Mortgage
- Home Possible® Mortgages
- Initial Interest_{sm} Mortgages
- Section 502 GRH Mortgage
- Section 184 Native American Mortgages
- A-minus Mortgages

Note: The information provided within this document is based on Freddie Mac AllRegs® Single - Family Seller / Servicer Guide which can be obtained at : <http://www.freddiemac.com/singlefamily/>

Alternative Stated Income Mortgage

Continued

- The Borrower has provided the greater of \$25,000. or 25% down payment from Borrower Funds. Borrower Funds may come from cash or other Equity, with the exception that gifts, grants, and Sweat Equity are not permitted.

“Cash” is considered to be any of the following:

- Funds on deposit in the Borrower’s checking, savings, money market, or certificate of deposit account or other depository account.
- Proceeds of a loan fully secured by the Borrower’s owned assets.
- Proceeds from the sale of the Borrower’s assets.
- A cash deposit toward the purchase, the source which is verifiable.
- Funds disbursed from a trust.
- Funds on deposit in an Individual Development Account (IDA).
- Funds on deposit in a Community Savings System that are deposited by the Borrower.
- Proceeds from an unsecured loan that is an Employer Assisted Homeownership (EAH) Benefit.
- The amount charged by a Borrower on a credit card to pay fees associated with the Mortgage application, credit report and appraisal report, or a cash advance taken by the Borrower on a revolving credit card account or an unsecured line of credit to pay these fees.
 1. The maximum amount charged or advanced may not exceed one percent of the Mortgage amount. While charges for the credit report and appraisal are not required to be included in the one percent limitation, the total amount charged by the Borrower on a credit card or taken as a cash advance for the credit report and appraisal may not exceed \$500.00.
 2. The amount charged or advanced must be included in the Borrower's total outstanding debt and the repayment of such amount must be included when determining the Borrower's monthly debt payment-to-income ratio.
 3. The Borrower has sufficient funds to pay these fees; however, the Borrower is not required to pay off these charges at closing.

Other Equity:

- The Current appraised value of the lot owned by the Borrower on which the improvement was constructed.
- The portion of prior rental payments credited toward the purchase price under a documented rental/purchase agreement, not to exceed the difference between the market rent.

Note: The information provided within this document is based on Freddie Mac AllRegs® Single - Family Seller / Servicer Guide which can be obtained at : <http://www.freddiemac.com/singlefamily/>

Lender Paid Mortgage Insurance (LPMI)

LPMI is mortgage insurance that is paid by the *Lender* as a single up-front premium.

The cost of the MI is built into the mortgage rate. By charging a slightly higher rate the lender can pay the LPMI premium from the premium received on the sale of the loan. The borrower is not charged PMI premiums either at origination or in monthly payments.

Borrower Benefits:

- One loan rather than two, with secondary financing
- Lower closing costs – no PMI premiums to pay
- One set of closing costs, instead of two
- One low monthly payment
- Higher interest rate may translate into higher tax deductibility
- No borrower-paid MI!
- Can still qualify for a home equity loan down the road

Lender Benefits:

- One loan to process, underwrite & close
- Satisfied customers because you provided an option that is cheaper than Borrower paid MI and easier than secondary financing.

Program Guidelines:

- One- to two-unit properties only
- No manufactured housing
- Balloon mortgages must have a minimum term of 5 years
- No buydowns
- ARMs must be fully amortizing and have maximum adjustments of 2/2/6
- Full or alternative documentation (as defined by Freddie/Fannie for a manual underwrite)
- If present, interest-only feature must be in effect for a minimum of the first 7 years.

Subordinate financing is allowed only if:

- The second lien is a home equity line of credit with no outstanding principal balance at the time of the loan closing.
- The total loan-to-value (TLTV) does not exceed the maximum LTV for any Category. (see chart on next page)

Lender Paid Mortgage Insurance

Continue

Maximum Loan-to-Value (LTV) & minimum primary borrower FICO score:

Occupancy	Loan Purpose	Maximum LTV %	Minimum FICO Score
Owner Occupied Primary Residence	Purchase Money or Rate & Term Refi	97%	680
	Cash-Out Refi	90%	700
Second Home	Purchase Money or Rate & Term Refi	90%	680
	Cash-Out Refi	ineligible	ineligible
Investor Loans	Purchase Money or Rate & Term Refi	90%	700
	Cash-Out Refi	ineligible	ineligible

Maximum debt-to-income ratio:

FICO Score	Maximum Debt-to Income Ratio %	
	Fixed Rate	ARM*
700+	50	45
680 - 699	45	40

Processing / Delivery Remarks:

- Interest rate for LPMI loans should be increased in order to collect enough premium to pay for the LPMI premium.
- The LPMI premium should be disclosed on the Good Faith Estimate and HUD-1 as Paid Outside of Closing.
- Borrowers must be given Initial LPMI Disclosure rather than the traditional borrower paid PMI disclosure, preferably at application but absolutely no later than the date upon which the loan commitment is communicated to the borrower.
- Amortization schedule should still be included in the closing package. It is important for the borrower to understand that, unlike borrower monthly paid MI, the LPMI is paid as a single premium so can never be cancelled. The borrower will pay the higher interest rate for the life of the loan.

Rates: Rates can be obtained at <http://www.mgic.com/is/html/ratefinder.html>
Lender Paid PMI at <http://www.mgic.com/rates/lenderpaid.html>

Note: The information provided within this document is based on MGIC requirements which can be obtained via the websites listed above.

