

AmeriCU Mortgage Agency Overlay Underwriting Policy Third Party Lending

Underwriting Standards/Philosophy:

AmeriCU Mortgage reviews all loans on a case by case basis with careful consideration where layers of risk are present. All loans are subject to underwriter discretion regardless of AUS approve/eligible or Accept response. In today's ever changing market it is imperative that we continue to make solid, prudent underwriting decisions.

Items considered contributing to risk layering:

1. Significant recent increase in qualifying income
2. Income stability
3. Recent job change/time on job/job stability
4. Gifts versus borrower's own funds in transaction
5. High DTI
6. Lack of Reserves
7. Housing payment history/payment shock
8. Property type
9. Thin credit-less than 3 open and active traditional trade lines
10. Prior BK or foreclosure
11. Credit inquiries for most recent 6 months
12. Mortgage term/amortization
13. Loan Purpose
14. Occupancy type
15. Presence of non-occupant co-borrowers
16. 203K
17. High LTV
18. Cash out refinance
19. Retaining current home as "investment"

Underwriting Guidelines:

AmeriCU Mortgage follows all agency guidelines as posted unless otherwise notated within this policy manual, within our SELLER GUIDE posted on line at www.americu.com

Agency Guidelines can be located as follows:

Conventional

www.efanniemae.com -All conventional loans

FHA

www.hud.gov

VA

www.vba.va.gov

AmeriCU Mortgage Wholesale Underwriting Guidelines Overlays to Agency Guidelines

Pre Approvals/Greenslips

We will review loan files prior to a signed purchase agreement for the purpose of approving the borrower. A complete file to include the following must be submitted for underwriting review:

1. Complete 1003 with property address as "123 TBD", correct city, state and zip
2. AUS findings
3. Credit report
4. Income per AUS
5. Assets per AUS
6. Borrowers authorization

Please note: GFE and intent to proceed is not applicable for pre-approvals

Loans with an executed purchase agreement/sales contract are NOT eligible for review as a pre-approval.

	Conventional	FHA	FHA 203K	VA
Credit				
Credit score requirements:	620 minimum credit score	640 minimum credit score 660-FHA streamline refi	640 Minimum credit score	660 Minimum credit score
Thin Credit	A file is considered as a "thin credit" when the borrower has less than 3 traditional trade lines reviewed for the past 12 months regardless of AUS findings. The following will apply to "thin credit" files:			
	>80.01 LTV refer to MI co guidelines ≤80.00 LTV-underwriter discretion	Must provide a minimum of 3 tradelines to be added to the credit report. Must include at least one housing tradeline.	Must provide a minimum of 3 tradelines to be added to the credit report. Must include at least one housing tradeline.	Must provide a minimum of 3 tradelines to be added to the credit report. Must include at least one housing tradeline.
Community Property States	Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin: In Community Property states, a non-purchasing spouse's debts must be included in the borrower's qualifying ratios. Therefore, a separate (full tri-merged) credit report must be run for the non-purchasing spouse. This credit report will not be attached to the D/U findings and the credit score will not be used for any guideline qualifying purposes and should not be input into discovery. The non-purchasing spouse's debts must be added into D/U manually.			
Verification of Rent	<ul style="list-style-type: none"> • VOR must be from management company or 12 months consecutive cancelled checks will be required. • VOR is required when a borrower has thin credit. • Must be added to the credit report 			

	Conventional	FHA	FHA 203K	VA
Assets				
Reserves	Per AUS	Per AUS	Per AUS	2 months PITI
Down Payment Assistance (DPA's)	Must comply with all agency guidelines	Must comply with all agency guidelines	INELIGIBLE	INELIGIBLE
Large Deposits	Explanation and documentation of source of funds for all large deposits is required. These would be deposits over and above the borrower's payroll AND/OR are unusual taking into consideration the borrower's income level. Large deposits are reviewed on a case by case basis at the underwriter's discretion.			
Gift Funds	Immediate family member's only-parents and grandparents are preferred. Siblings considered case by case basis. Must document relationship.			
Income (ALL Income Documentation Must be Supported by TAX TRANSCRIPTS FROM IRS REGARDLESS OF TYPE OF LOAN)				
Non taxable income	When taxable income is present in the file along with non taxable income the maximum gross up allowed is 115% . All non taxable income must be verified with tax returns.			
Utilizing Rental Income when retaining current primary				
	Per Agency Guidelines	See below*	See below*	Per VA guidelines
*FHA Only	<p>Rental income may not be used to offset payment unless:</p> <p>1) <u>Relocations</u>: The borrower is relocating with a new employer or being transferred by his/her current employer to an area outside reasonable commuting distance.</p> <p>2) <u>Maximum 75% LTV on current property</u>: LTV must be determined by either a current appraisal (no more than 6 months old) or by comparing the current unpaid balance to the original sales price of the home (from the original HUD 1 Settlement statement).</p> <p>In both of these cases, AmeriCU will require ALL of the following:</p> <ul style="list-style-type: none"> • The lease must include 1 month minimum security deposit verified by a cancelled check. • A minimum 1 year lease contract. We may require that the lease agreement be notarized. • A comparable rent schedule on the property being leased. This MUST be ordered through AMC. • A minimum of 6 months reserves on the current home must be documented (PITI). Must be own fund (NO GIFTS) and must be LIQUID ASSETS (NO RETIREMENT ASSETS ALLOWED SUCH AS 401K etc.) 			
Verbal Verifications	Must be completed no more than 5 days prior to closing.			
4506T/Transcripts	Required on all loans other than streamlines. Streamlines require SSN verification.			

	Conventional	FHA	FHA 203K	VA
Eligibility				
We do not lend on properties owned by anyone other than a natural person or a bank or mortgage servicer (foreclosure properties). Exceptions will be reviewed on a case by case basis.				
LLC	Following documentation is required: <ul style="list-style-type: none"> • Copies of all LLC papers recorded with the state (articles of incorporation, list of ALL members of the LLC, etc) • A 3 year sales history on ALL comparables used by the appraiser • The appraisal must clearly reflect all rehab done by the LLC and level of rehab must justify any large increase between cost of acquisition and selling price. • A second appraisal may be required at our discretion. • A copy of all deeds of transfer are required if the property has transferred in the most recent 12 months. 			
Trust	If property has been deeded to a trust within the preceding 12 months the following is required: <ul style="list-style-type: none"> • Evidence that there was no sale of beneficial interest in the trust. • Document the interest of the trust are family. • Copy of the trust agreement • A copy of all deeds of transfer are required if the property has transferred in the most recent 12 months. 			
Originating for a family member	Ineligible			
Non-Occupant borrowers	Immediate family members only-parents preferably-grandparents and siblings will be considered on a case by case basis. Must document relationship.			
VA Interest Rate Reduction	N/A	N/A	N/A	Interest Rate Reduction-ineligible
Seasoning for Cash Out Refinances	12 months for NOO cash out	12 months	12 months	12 months
C/O Refinances	No lates in the past 12 months	No lates in the past 12 months	No lates in the past 12 months	No lates in the past 12 months

	Conventional	FHA	FHA 203K	VA
Ratios				
Maximum allowed	31.00/45.00%	31.00/43.00%	31.00/43.00%	29.00/41.00%
Exceptions requirements for DTI-subject to underwriter discretion	Over 45.00% DTI requires Approve/eligible AUS	45.00-49.00% <ul style="list-style-type: none"> ▪ No less than 2 Hud Approved compensating factors ▪ Must be Approve/Eligible ▪ No Non Occupant Co-Borrowers ▪ Thin credit borrowers – minimum 3 HOUSING RELATED TRADELINES (RENT ,UTILITIES, ONE ADDL.) 49.01%-54.00% <ul style="list-style-type: none"> ▪ No less then 3 HUD approved compensating factors (one of which must be liquid reserves) ▪ 6 months liquid reserves ▪ No gifts allowed ▪ No first time homebuyer ▪ Must be Approve/Eligible ▪ Max 120% Payment shock ▪ Must have 12 months recent housing history documented ▪ No Non Occupant Co-Borrowers ▪ NO THIN CREDIT BORROWERS Over 54.01% Ineligible	Same as FHA	Must meet VA residual income guidelines. Subject to u/w discretion.
New Construction Tax Qualification and Calculation	Processors will be responsible for contacting the individual taxing authority to obtain the millage rates for all new construction properties and completing the New Construction Millage Rate worksheet. Please remember that most municipalities have multiple taxes. (city, county, school) therefore be sure to obtain the full tax rate. Form can be located in Avista, Resource Center/Forms and Disclosures/FHA New Construction Millage Rate-can be used for all loan types)			

HUD APPROVED COMPENSATING FACTORS FOR LOANS OVER RATIO

- A. The borrower has successfully demonstrated the ability to pay housing expenses equal to or greater than the proposed monthly housing expense for the new Mortgage over the past 12-24 months.
- B. The borrower makes a large down payment (ten percent or more) toward the purchase of the property.
- C. The borrower has demonstrated an ability to accumulate savings and a conservative attitude toward the use of credit.
- D. Previous credit history shows that the borrower has the ability to devote a greater portion of income to housing expenses.
- E. The borrower receives documented compensation or income not reflected in effective income, but directly affecting the ability to pay the mortgage, including food stamps and similar public benefits.
- F. There is only a minimal increase in the borrower's housing expense.
- G. The borrower has substantial documented cash reserves (at least three months' worth) after closing. In determining if an asset can be included as cash reserves or cash to close, the lender must judge whether or not the asset is liquid or readily convertible to cash and can be done so absent retirement or job termination. Funds borrowed against these accounts may be used for loan closing, but are not to be considered as cash reserves. "Assets" such as equity in other properties and the proceeds from a cash-out refinance are not to be considered as cash reserves. Similarly, funds from gifts from any source are not to be included as cash reserves.
- H. The borrower has substantial non-taxable income (if no adjustment was made previously in the ratio computations).
- I. The borrower has a potential for increased earnings, as indicated by job training or education in the borrower's profession.
- J. The home is being purchased as a result of relocation of the primary wage earner, and the secondary wage-earner has an established history of employment, is expected to return to work, and reasonable prospects exist for securing employment in a similar occupation in the new area. The underwriter must document the availability of such possible employment.

	Conventional	FHA	FHA 203K	VA
Property/Appraisal				
PIW	LTV's over 80% (that require mortgage insurance) are not eligible for property inspection waivers (PIWs). Mortgage insurance companies will not allow PIWs under any loan program (even D/U refi plus). Loans with a property inspection waiver must contain an affidavit (hand written on our borrower affidavit form) stating that the property is not currently listed AND has not been under kind of listing agreement within six months of the application. This affidavit must be cleared prior to CTC.	n/a	n/a	n/a
AVM	N/A	N/A	N/A	AVM must support value
DU Red flag for value	Requires additional QC: <ul style="list-style-type: none"> ▪ u/w to order LARA ▪ must be reviewed by senior u/w ▪ additional comps may be required to support value 	Requires additional QC: <ul style="list-style-type: none"> ▪ u/w to order LARA ▪ must be reviewed by senior u/w additional comps may be required to support value	Requires additional QC: <ul style="list-style-type: none"> ▪ u/w to order LARA ▪ must be reviewed by senior u/w additional comps may be required to support value	n/a
Property Flipping	90 day flipping rule-may be reviewed for exception on a case by case basis. Must have verifiable documented improvements.			
Transferring HVCC compliant appraisals from another lender	Appraisal must come from the LENDER or management company directly and we need evidence it was ordered under HVCC for conventional. Appraisals received from another lender (both conventional and FHA) are subject to u/w review and acceptance.			
Manufactured Housing	Ineligible			
FHA Misc.				
HUD \$100 down program	Max Base Loan Amount Calculated as Purchase Price LESS \$100 EQUALS Max Base Loan Amount (appraisal must support purchase price otherwise borrower must bring in the difference with own funds)			
FHA Max Loan Amount	Regardless of Max County Limits by Number of Units, Max Loan Amount can never exceed the LESSER of the Max County Limit or \$417,000.00			

	Conventional	FHA	FHA 203K	VA
Mortgage Insurance Requirements				
Refer to individual mortgage insurance website for additional guidelines. Genworth is our preferred vendor.				
Assets	2 months PITI required on every loan	N/A	N/A	N/A
Appraisal	Full 1004 is required. (no 2055 or PIW allowed)	N/A	N/A	N/A
Escrow Repair Policy				
	Per Agency Guidelines	Must be HUD REO sold with repairs External repairs only-weather related from Nov-May	N/A	N/A
Homeowners Insurance Requirements				
General Requirements:				
<ul style="list-style-type: none"> • Full Homeowner policies are required –no binders (unless it is a one-year binder) • Deductible may not exceed the lesser of 1% of the FACE AMOUNT OF THE POLICY or \$1000.00 on FHA. • Deductible may not exceed the lesser of 5% of the FACE AMOUNT OF THE POLICY or \$5000.00 on Conventional. • Dwelling amount must cover the full loan amount OR policy must have 100% replacement coverage OR extended replacement coverage that covers the loan amount. • Mortgagee Clause must read: AmeriCU Mortgage ISAOA/ATIMA PO Box 8007, Sterling Heights, MI 48311-8007 • A paid receipt verifying entire one premium is paid in full is required prior to close or premium may be paid at closing ONLY if HOI dec page or letter from HOI company on letterhead to state “Coverage in effect regardless of premium” 				
Condominiums require a copy of the blanket liability policy covering the entire project. “Walls In” coverage is required. Both policies must include the borrowers name, unit number and loan number.				
FAQ’s for HOI:				
<ol style="list-style-type: none"> 1. What verbiage is accepted for paid receipts? The proof of payment can be shown in various ways. The agent may stamp the declarations page as “paid in full” and sign or initial. They may also issue a paid receipt. Must be clear that the premium is paid in full. 2. Example of “extended dwelling coverage”- Loan amount is \$110K. Dwelling amount on policy is \$100K with 20% extended coverage. \$100K X 20%=\$20K. Total coverage amount in this scenario is \$120K 3. How are refinances handled? <ul style="list-style-type: none"> ▪ The existing policy must have at least 60 days remaining on the term of the policy. If less than 60 days the new full year premium must be paid prior to closing. ▪ If the existing policy has an expiration date more than 60 days from the closing we will require evidence that the premiums have been paid to date and we will collect escrows at closing for the policy to be paid when due. ▪ If the borrower chooses to obtain a new policy through a new insurance company the policy must be paid prior to closing. 				

Escrow Waiver Policy

Max LTV: 80.00%

Conventional Loans Only

Credit Standards: Excellent credit history and approve/eligible or Accept AUS response.

Cash Reserves: Generally **6 months** PITI liquid funds required.

Occupany: Owner occupied properties ONLY

Pricing Adjustment: -.25%

- All escrow waivers must be approved by underwriting. The ability to waive escrows is a privilege, not a right and is always at the discretion of the underwriter.
- To request an escrow waiver: The 1008 Transmittal Summary comment section must state "Escrow Waiver Requested". Notes/Memo in Avista must indicate "Escrow Waiver Requested"
- A "Escrow Waiver Disclosure" must be signed by all borrowers and will be required prior to clear to close. (underwriter to clear)
- The loan will be conditioned: "Escrow waiver has been approved for this transaction" upon approval
- **DU REFI PLUS: New loan must meet all of the above guidelines to be eligible for escrow waiver.**

Fees

Compensation - MAX 4.5% - includes all AmeriCU fees

Real Estate Commissions - MAX 8%