



## ACH Trust Mortgage Underwriting Guidelines and Agency Overlays

### **Underwriting Standards**

ACH Trust relies on its correspondents to underwrite all loans in accordance with Agency Guidelines, state and federal regulation and ACH Trust's specific guidelines by product.

### **Underwriting Guidelines:**

ACH Trust follows all agency guidelines as posted unless otherwise notated within the Seller Guide, Product Manual and/or via bulletins

Agency Guidelines can be located as follows:

#### **Conventional:**

[www.efanniemae.com](http://www.efanniemae.com)

[www.freddiemac.com](http://www.freddiemac.com)

#### **FHA:**

[www.hud.gov](http://www.hud.gov)

#### **RD:**

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

#### **VA:**

[http://benefits.va.gov/warms/pam26\\_7.asp](http://benefits.va.gov/warms/pam26_7.asp)



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| Overlays to Agency Guidelines      |  |   |  |   |
|------------------------------------|--|---|--|---|
|                                    | CONVENTIONAL   | FHA   | RD   | VA  |
| <b>CREDIT</b>                      |  |   |  |   |
| <b>Credit Score Requirements</b>   | <ul style="list-style-type: none"> <li>▪ At least one credit score required for all borrowers</li> <li>▪ Minimum 620; however must receive AUS approval</li> </ul> | <ul style="list-style-type: none"> <li>▪ At least one credit score required for all borrowers</li> <li>▪ 620 FHA Streamline</li> <li>▪ All other NO Minimum - FHA minimum is 500</li> </ul>   | <ul style="list-style-type: none"> <li>▪ At least one credit score required for all borrowers</li> <li>▪ NO Minimum</li> </ul> | <ul style="list-style-type: none"> <li>▪ At least one credit score required for all borrowers</li> <li><b><u>620- Primary</u></b> <ul style="list-style-type: none"> <li>▪ Purchase</li> <li>▪ LCOR</li> <li>▪ IRRRL (with appraisal to 100% LTV)</li> </ul> </li> <li><b><u>640- Primary</u></b> <ul style="list-style-type: none"> <li>▪ IRRRL no appraisal</li> <li>▪ Cash-Out Refinance</li> </ul> </li> <li><b><u>640- 2<sup>nd</sup> Home/Investment</u></b> <ul style="list-style-type: none"> <li>▪ IRRRL(with appraisal to 100% LTV)</li> </ul> </li> </ul> <p>*LCOR defined as maximum cash back to borrower as less than or equal to \$500</p> |
| <b>FHA Streamline Refinances</b>   | N/A  | <ul style="list-style-type: none"> <li>▪ Tri-merge Credit Report required</li> <li>▪ All Sections of 1003 must be complete (i.e., employments, liabilities, etc.) * with the exception of income which can be left blank</li> <li>▪ Verbal VOE is required for all borrowers</li> </ul> | N/A  | N/A   |
| <b>Manual Underwrite Available</b> | N/A  | <p>Yes. Please refer to FHA "Manual" Underwriting Guidelines</p> <p>**Manual UW not allowed on 203K loans**</p>   | <p>Yes. Must Meet RD Manual Underwriting Guidelines</p>  | <p>Yes. Must Meet VA Manual Underwriting Guidelines</p>   |



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|                              | CONVENTIONAL   | FHA   | RD   | VA   |
|------------------------------|--|---|------|------|
| <b>CREDIT (Continued)</b>    |  |   |      |      |
| <b>Ineligible Programs</b>   | <ul style="list-style-type: none"> <li>▪ MCC Loans</li> <li>▪ Fannie Homestyle Renovation</li> <li>▪ FNMA Refi Plus</li> <li>▪ FHLMC Relief</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Section 184</li> </ul> | None | None |
| <b>INCOME</b>                |  |   |      |      |
| <b>Tax Transcripts</b>       | <ul style="list-style-type: none"> <li>▪ W/2 transcripts <b>are not required</b> when all income information used to decision a loan is made up <b>exclusively</b> of wage earner income reported on a W-2 and/or <b>fixed income</b> reported on a 1099 (e.g., social security or VA benefits).</li> <li>▪ Either one or two years of the most recent 1040 IRS tax return transcript for the following (depending on the AUS requirements for Conv, FHA, and VA):               <ul style="list-style-type: none"> <li>➤ Borrowers with non-W-2 income used to qualify</li> <li>➤ Self- employed borrowers (including business returns, if required)</li> <li>➤ Commission income representing 25% or more of income used to qualify</li> <li>➤ Borrowers with rental properties</li> <li>➤ Borrowers employed by family members</li> </ul> </li> </ul> <p><b>Note USDA - 4506-t and transcripts are required for all adult household members not on the loan effective October 2018.</b></p> |   |      |      |
| <b>Income/Debt Worksheet</b> | Income/debt calculation worksheets required.   |   |      |      |
| <b>Documentation</b>         | Fraud Detection Tool, Evidence of Credit Monitoring and All federal, state, agency and local compliance/high tests, Underwriter Income Calculation Worksheet and Industry Exclusionary lists, including LDP/GSA are required to be delivered in Loan Package.  |   |      |      |



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|   | CONVENTIONAL  | FHA                        | RD          | VA          |
|---|---|----------------------------|-------------|-------------|
| <b>PROPERTY</b>                                   |   |                            |             |             |
| <b>LLC's as Sellers</b>                           | Following documentation is required when seller is a LLC: <ul style="list-style-type: none"> <li>▪ Evidence of authorized signers</li> <li>▪ 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.</li> <li>▪ Must meet all agency/product Guidelines</li> </ul>   |                            |             |             |
| <b>Trusts as Sellers</b>                          | If property has been deeded to a trust within the preceding 12 months the following is required: <ul style="list-style-type: none"> <li>▪ Copy of the trust agreement</li> <li>▪ Must meet all agency/product Guidelines</li> </ul>   |                            |             |             |
| <b>Loans Currently in Redemption on Purchases</b> | Will accept loans where property is currently in redemption as long as the title insurer will add the full language in its commitment to evidence a specific exception for the unexpired right of redemption. <ul style="list-style-type: none"> <li>▪ Title insurer will affirmatively insure the mortgage against all loss arising out of the exercise of any outstanding right of redemption; without qualification</li> </ul> |                            |             |             |
| <b>Leaseholds</b>                                 | Not Allowed   |                            |             |             |
| <b>Co-Ops</b>                                     | Not Allowed   |                            |             |             |
| <b>Life Estate Interest</b>                       | Not Allowed   |                            |             |             |
| <b>Manufactured Housing</b>                       | Not Allowed   | Allowed – Double Wide Only | Not Allowed | Not Allowed |
| <b>Condition of Property</b>                      | <ul style="list-style-type: none"> <li>▪ We do not purchase loans where condition of property is rated as C6</li> <li>▪ C5 Only acceptable if appraisal is done subject to repairs and escrow funds are held for the repairs(must refer to ACH Repair Escrow Policy)</li> <li>▪ SSR OVF flag acceptable documentation to be provided to support acceptance of value</li> </ul>  |                            |             |             |
| <b>Ineligible Property Types</b>                  | <ul style="list-style-type: none"> <li>▪ Co-operatives</li> <li>▪ Earth Homes, Geothermal, geodesic domes or homes built into or underground either fully or partially</li> <li>▪ Leaseholds</li> <li>▪ Single Wide Mobile/Manufactured Homes</li> </ul>  |                            |             |             |



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|  | CONVENTIONAL   | FHA | RD  | VA                              |
|--|--|-----|-----|---------------------------------|
| <b>OTHER</b>                             |  |     |     |                                 |
| <b>Seasoning for Cash out Refinances</b> | N/A  | N/A | N/A | N/A                             |
| <b>Net Tangible Benefit</b>              | <p>For any refinance transaction, our policy is that the borrower receives a net tangible benefit. Simply put, the benefit of doing the transaction outweighs any costs associated with the loan. A net tangible benefit may be in the form of comparing the COST of doing the loan against the benefit of: a reduced interest rate, a reduced monthly mortgage premium, a shorter term, going from an ARM to a fixed rate or in the instance of a cash out refinance determining if the borrower could raise the same amount of money elsewhere at a much lower cost.</p> <p>We have the option to request a net tangible benefit disclosure form at any time subject to our internal review of the loan and/or if mandated by any state/city/federal/agency guideline.</p> |     |     |                                 |
| <b>Closing in a Trust</b>                | Trust Cert or Attorney Opinion Letter required.  |     |     |                                 |
| <b>Fraud Detection Tool</b>              | Fraud Detection Tool (such as Fraudguard, DataVerify, etc.), must include Liens and Judgement Search, Bankruptcy Search, Ownership & Occupancy, and Associated Business Search (needed for Freddie loans),   |     |     |                                 |
| <b>Texas 50(a)6</b>                      | <ul style="list-style-type: none"> <li>▪ Non occupying Co-Borrower or Co-Signers not allowed on loan or title</li> <li>▪ Trust not allowed</li> <li>▪ Power of Attorney not allowed</li> </ul>   |     |     |                                 |
| <b>Foreign National and DACA</b>         | Not Allowed  |     |     |                                 |
| <b>Mortgage Insurance</b>                | Only Borrower Paid Monthly,<br>Single Premium Borrower Paid<br>and Single Premium Lender<br>Paid Allowed<br><br>Approved MI companies are:<br>ARCH, Essent Guarantee,<br>Genworth, MGIC, National MI,<br>Radian and United Guarantee   | N/A | N/A | Must have minimum 25% Guarantee |



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|---|--|--|--|---|
| <b>OTHER (continued)</b>                |  |  |  |   |
| <b>Maximum LTV/CLTV</b>                 | N/A  | N/A  | N/A  | <p><b><u>620- Primary 100%</u></b></p> <ul style="list-style-type: none"> <li>▪ Purchase</li> <li>▪ LCOR</li> <li>▪ IRRRL (with appraisal to 100% LTV)</li> </ul> <p><b><u>640- Primary</u></b></p> <ul style="list-style-type: none"> <li>▪ IRRRL no appraisal- Unlimited LTV</li> <li>▪ Cash-Out Refinance-90%LTV</li> </ul> <p><b><u>640- 2<sup>nd</sup> Home/Investment</u></b></p> <ul style="list-style-type: none"> <li>▪ IRRRL (with appraisal to 100% LTV)<br/>COR defined as maximum cash back to borrower as less than or equal to \$500)</li> </ul> |
| <b>Escrow Waiver</b>                    | <ul style="list-style-type: none"> <li>▪ Max 80% LTV</li> <li>▪ Must underwrite and approve in accordance to agency guides.</li> <li>▪ Flood Insurance must be escrowed</li> </ul> | N/A  | N/A  | N/A   |
| <b>Repair Escrows</b>                   | See specific guidelines for Repair Escrows   | See specific guidelines for Repair Escrows | See specific guidelines for Repair Escrows | See specific guidelines for Repair Escrows  |
| <b>Buy Downs</b>                        | Not allowed  |  |  |   |
| <b>Minimum Loan Size</b>                | \$50,000   |  |  |   |
| <b>Maximum # of Loans to 1 borrower</b> | Maximum of 4 loans with a max cumulative dollar amount of \$1,500,000  |  |  |   |



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|--|--|-----|----|----|
| <b>OTHER (continued)</b>                   |  |     |    |    |
| <b>Maximum Loan Amount</b>                 | Max Loan amount for Conventional, FHA and RD is per agency guidelines. On VA Loans, the maximum allowed for Loans over \$424,100 and less than max loan amount of \$1 Million will be the Entitlement plus Available Equity (appraised value-new loan amount) must be greater than or equal to 30% of the new loan amount. |     |    |    |
| <b>Higher-Priced Mortgage Loans (HPML)</b> | <ul style="list-style-type: none"> <li>Loans must meet Residual Income requirements.</li> </ul>  |     |    |    |