



## 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. Correspondents should pay careful consideration where layers of risk are present. In today's ever changing market, it is imperative that we continue to make solid, prudent underwriting decisions.

### **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
CREDIT				
<b>Credit Score Requirements</b>	Minimum 620; however must receive AUS approval	<ul style="list-style-type: none"> <li>▪ 620 FHA Streamline</li> <li>▪ All other NO Minimum - FHA minimum is 500</li> </ul>	NO Minimum	<p><b>620 Primary</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>640- Primary</b></p> <ul style="list-style-type: none"> <li>▪ IRRRL no appraisal</li> <li>▪ Cashout Refinance</li> </ul> <p><b>640- 2<sup>nd</sup> Home/Investment</b></p> <ul style="list-style-type: none"> <li>▪ IRRRL(with appraisal to 100% LTV)</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



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	CONVENTIONAL	FHA	RD	VA
<b>Manual Underwrite Available</b>	NO (with exception of manual Refi Plus or Freddie Relief)	Yes. Please refer to FHA "manual " underwriting guidelines	Yes. Must Meet RD Manual Underwriting Guidelines	Yes. Must Meet VA Manual Underwriting Guidelines
<b>Ineligible Loan Terms</b>	ARMs not allowed.			
<b>Ineligible Programs</b>	<ul style="list-style-type: none"> <li>▪ MCC Loans</li> <li>▪ Freddie Home Possible</li> <li>▪ Freddie Home Possible Advantage</li> <li>▪ Fannie Homestyle Renovation</li> <li>▪ Fannie My Community Mortgage</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):               <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>			



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<b>INCOME (continued)</b>				
<b>Tax Transcripts – USDA (RD) Loans</b>	<ul style="list-style-type: none"> <li>• Full transcripts are still required for all borrowers due to program eligibility requirements.</li> </ul> <p><b>4506-t and transcripts are no longer required for adult households members not on loan per USDA updates effective December 21, 2017</b></p>			
<b>Income/Debt Worksheet</b>	We require income/debt calculation worksheets for every file.			
<b>Documentation</b>	Fraud Detection Tool (such as Fraudguard, Dataverify, etc.), 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.			
<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>▪ A 1 year sales history on ALL comparable used by the appraiser</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>▪ A second appraisal may be required at our discretion</li> <li>▪ A copy of all deeds of transfer are required if the property has transferred in the most recent 12 months.</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>▪ Evidence that there was no sale of beneficial interest in the trust</li> <li>▪ Document the interest of the trust are family</li> <li>▪ Copy of the trust agreement</li> <li>▪ A copy of all deeds of transfer are required if the property has transferred in the most recent 12 months</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>			



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<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>			
<b>OTHER</b>				
<b>TEXAS Properties</b>	Texas 50(a)(6) are not allowed	Texas 50(a)(6) are not allowed	Texas 50(a)(6) are not allowed	Texas 50(a)(6) are not allowed
<b>Seasoning for Cash out Refinances</b>	12 month seasoning is required for N/O/O	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>			



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<b>Mortgage Insurance</b>	<p>Only Borrower Paid Monthly, Single Premium Borrower Paid and Single Premium Lender Paid Allowed</p> <p>Approved MI companies are: ARCH, Essent Guarantee, Genworth, MGIC, National MI, Radian and United Guarantee</p>	NA	NA	Must have minimum 25% Guarantee
<b>Maximum LTV/CLTV</b>	<p>Fannie Refi Plus and Freddie Relief Max LTV/CLTV is limited to 125%</p>	NA	NA	<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>▪ Cashout 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) (LCOR defined as maximum cash back to borrower as less than or equal to \$500)</li> </ul>



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<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 and document justification for approval of escrow waiver.</li> <li>▪ Flood must be escrowed</li> </ul>	NA	NA	NA
<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			
<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.			