# FHA FIXED RATE PRODUCT

## PURCHASE

<table>
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<tr>
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<th>Reserves</th>
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<tr>
<td>Primary</td>
<td>1-2 Units</td>
<td>96.50%</td>
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<td>580-619</td>
<td>43% with DU approval</td>
<td>Must verify assets to close</td>
<td>Evaluated by DU</td>
<td>Per AUS *</td>
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</tr>
</tbody>
</table>

*Reserves required for manual underwriting/downgrade

3/27/2015
### FHA Fixed Rate Product

#### Loan Terms Available
- 15 and 30 Years
- No ARMS

#### Maximum Loan Amount
- **Max Loan Amt** (See Hi Bal Note)
- **Occupancy**
  - **Primary**: 1-2 Units
  - **Primary**: 3-4 Units
  - **Non Owner**: 1-2 Units
  - **Non Owner**: 3-4 Units

#### Maximum LTV and CLTV
- **Maximum LTV**
- **Maximum CLTV**

#### Minimum FICO and Max Ratios
- **Min FICO**
- **Max Ratios**

#### Minimum Cash Investments and Mortgage/Rental History
- **Minimum Cash Investments**
- **Mortgage/Rental History**

#### Reserves
- **Reserves**

#### General Eligibility
- **FICO**: Minimum 580
- **Cash Investments**: 2 months bank statements when borrower needs own funds to close
- **Occupancy**: Evaluated by DU
- **Reserves**: No Reserves

### Streamline Refinance

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<tbody>
<tr>
<td>Primary</td>
<td>1-2 Units</td>
<td>Determined by County</td>
<td>N/A</td>
<td>N/A</td>
<td>580 ²</td>
<td>2 month bank statements when borrower needs own funds to close</td>
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<td>2 month bank statements when borrower needs own funds to close</td>
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<td>3 month reserves, only if credit qualifying</td>
</tr>
<tr>
<td>Non Owner</td>
<td>1-2 Units</td>
<td>Determined by County</td>
<td>N/A</td>
<td>N/A</td>
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1. If the subordinate lien is a Open End line of credit (HELOC), the maximum CLTV is limited to 97.75%. Must use the maximum accessible credit limit of the subordinate lien to calculate the CLTV.

2. FICO Hit 620-639 reflected on rate sheet applies. Loan must be manually priced, contact Ratelock@bancorp.com

### FHA Underwriting Guidelines
- **Net Tangible Benefit is required for FHA Streamline Refinance Transactions only.**
- **CAIVRS**: Perform and document a CAIVRS screening on all borrowers, except on Streamlines
- **Cash-out Refinance**: Are allowed at maximum LTV/CLTV of 85%. Six months seasoning required, unless inherited the property. Cash out less than 12 months must be calculated using the original sales price or current appraised value whichever is the lesser of the two.
- **Eligible Borrower(s)**: U.S. Citizens, Permanent and Non-Permanent Resident Aliens. Non-permanent aliens require a current EAD card and evidence of previous renewal if expires less than one year. Resident Aliens require a copy of front and back of Resident Alien Card.
- **High Balance**: 1-4 Properties. Min FICO 620 on Streamlines, 30 and 15 year terms. Cash-out Transactions allowed at 85%.
- **Loan Terms Available**: 15 and 30 Years. No ARMS
- **Maximum Number of Properties**: Subject to the “Seven-Unit” Limitation.

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*Reserves required for manual underwriting/downgrade*

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FHA FIXED RATE PRODUCT

Non-Occupying Co-Borrower
- Maximum LTV is 75% or less when a parent is selling a residence to a child and is also a co-borrower.
- Maximum financing is allowed for loans having non-occupant co-borrowers related by blood, marriage or law or for unrelated individuals that can document evidence of a long-term family-type relationship provided the non-occupant co-borrower is not the seller and the property is a single-family residence.
- Maximum LTV is 75% when property is 2 to 4-units and there is one or more non-occupant co-borrower(s).
- Not allowed for cash-out refinances, unless the non-occupant co-borrower(s) are on the loan being refinanced.
- Unless otherwise exempted (e.g., military service with overseas assignments, U.S. citizens living abroad), any non-occupying co-borrowers or co-signers must have a principal residence in the United States. All references to co-borrowers – including the 75 percent LTV limits. (4155.1: 4.A.1.f).
- The borrower’s U.S. residence must be reflected as the present address on the loan application.
- The borrower’s foreign address must be reflected as the mailing address on the loan application.
- A LOE from the borrower must be obtained to explain the borrower’s current residency situation.
- All borrowers, regardless of occupancy status, must sign the security instrument and mortgage note. Note: Co-signers do not execute the security instrument or take title, but they must sign the mortgage note.
- A party who has a financial interest in the mortgage loan transaction, such as the seller, builder, or real estate agent, may not be a co-borrower or a co-signer.
- Exception: Exceptions may be granted when the party with the financial interest is related to the borrower by blood, marriage, or law.
- FHA does not require that additional underwriting criteria, such as specific qualifying ratios, be met by either:
  - Non-occupying borrowers, or
  - Occupying borrowers with sufficient credit.

Property Listed for Sale
* Properties listed for sale within the past 180 days are eligible for rate/term or cash out refinance, however cash out refinances are limited to 70% LTV. Properties listed for sale must have been taken off the market at least one day prior to the date of the application.

Qualifying Fixed Products
- Streamline Refinance
  - Post loan endorsed on or after 01-01-2010. At least one Borrower must be employed. If on fixed income must verify SSI/Pension deposits on bank statements. Must meet FHA’s required Net Tangible Benefit per ML 11-11. Social Security Card and/or SSA89 Validation is required.
  1) Current Residential Bancorp Servicing Loan: A mortgage only rating with FICO score credit report is required. No minimum FICO score is required for qualification. However, if FICO score is below 620, the price adjustment listed on the rate sheet that reads “FICO <620 Streamline RB to RB” applies.
  2) New Borrowers (loans currently not serviced by RB): A mortgage only rating with FICO score credit report is required. Minimum FICO score required is 580. Use the price adjustment reflected on RB’s rate sheet for 580-619.

- Streamline Subordination
  - Process for All CalHFA Junior Loans
  - Homeowners can refinance their first mortgage loans, without being forced to pay off their existing CalHFA Junior loan(s) or declare a hardship.
  1) New first loan must lower borrower's monthly mortgage payment or replace an existing loan with a more stable product.
  2) Borrower must have insufficient funds to pay-off existing CalHFA Junior loan(s), and
  3) Property must continue to be the borrower's principal residence.
  4) Subordination process, procedures and forms can be found at www.calhfa.ca.gov/homeownership/programs/subordination.pdf

Texas Properties
- Texas Cash-out 50(a) (6) is ineligible (this includes any loans with Section 50(a)(6) financing. Note: Once a cash-out always a cash out. Title Survey is required.

CONTRIBUTIONS
- Seller Contribution
  - Sales concessions cannot exceed 6% of the lower or purchase price or appraised value.

CREDIT
- 30-Day Charge Accounts
  - Borrower must have sufficient funds to cover the unpaid balance of all unpaid 30-day charge accounts (e.g., American Express).

Bankruptcy
- 2 years elapsed since the discharged of Ch. 7 and 13 for AUS underwriting. Chapter 13 – manual underwriting, one year pay-out and court approval to purchase subject property.

Collections/Charge Offs
- Collections exceeding cumulative (including non-borrowing spouse) balance of more than $2,000 a) payoff b) to be in payment arrangement to include in DTI c) include 5% of balance in DTI. Medical collections are excluded from payoff. Charge-Offs do not need to be paid.

Debts/Minimum Payment
- The greater of $10 or 5% of balance for revolving/installment accounts if payment not reporting. Include all revolving payments regardless of the number of payments remaining. HELOC: If not shown on the credit report, payments on a HELOC with an outstanding balance may be calculated at 1% of the outstanding balance or use billing statement.

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Disputed Accounts
If Case date is prior to 10/1513: Downgrade to manual underwrite is not required if the disputed account has a zero balance OR marked paid in full / resolved OR the disputed account is both less than $500 and date of dispute is > 24 months old. If Case Date 10/15/13 or after there is a $1,000 tolerance on disputed accounts where no further action is necessary.

Foreclosure
3 years elapsed since completion of Foreclosure.

Inquiries
Credit inquiries within last 120 days require written explanation.

Judgments/Liens
1) All judgments against title are required to be paid in full.
2) Borrowers are not allowed to prepay scheduled payments in order to meet the required minimum months of payments. The underwriter must include the payment amount in the agreement in the calculation of the borrower’s debt-to-income ratio.
3) FHA requires judgments of a non-purchasing spouse in a community property state to be paid in full, or meet the exception guidance for judgments above, unless excluded form state law. All properties in Santa Ana Hoc Jurisdiction, which includes CA, judgments must be paid in full regarding non-purchasing spouse.
4) If TOTAL Mortgage Scorecard generates a “Refer,” the underwriter must manually underwrite and provide a letter of explanation and supporting documentation for the reason of the unpaid judgment.

Lease Payments
The lease payment must be included in the DTI regardless of the remaining number of payments.

Min FICO
Min FICO 580 with AUS “Approve/Eligible” and/or manual downgrade. Non-traditional credit is allowed subject to manual underwriting. Additional reserves are required per ML 2014-02.

Min Trades/Auth User Accounts
Authorized user account cannot be used as an acceptable trade line, unless you provide 12 months cancelled checks the borrower is making the payments on the authorized user account.

Mortgage History
Follow AUS findings report.

Payoff of Revolving Debt
In order to qualify without the monthly payment on the current balance, a credit supplement or letter from creditor to evidence the account is closed prior to funding is required. If the revolving account is paid off, but not closed, the monthly payment shown on credit report (or the greater of $10 or 5% of the outstanding balance, if there is not payment) must be included in the DTI.

Prior Restructure Reflected in credit history
Installment debts may be paid off and cannot be paid down to less than 10 months for qualifying.

Short Sale/ Pre-foreclosure/ Deed in Lieu of
A borrower in default at time of short sale requires three years seasoning.
Borrowers current on the mortgage at time of short sale are allowed, subject to: Borrower was current on the mortgage and all installment debt within the month due for the 12-month period preceding the short sale. There is no waiting period as long as it is determined the borrower did not pursue the short sale to take advance of declining markets or to buy up in value and the proceeds from the short sale serve as payment in full.

Short Refinance/Modifications
Requires DU Approval; Need loan modification documents, must qualify at highest payment. If refinancing, there may be no delinquent interest in payoff.

Student Loans
Deferred >12 months do not need to be considered. All efforts should be made to obtain payment on deferred student loans. If unable to obtain, 2% of balances will be used as payment in determining DTI.

Tax Liens
Tax liens must be paid in full prior to closing unless both of the following items are provided:
1) Fully executed payment arrangement (minimum three (3) months payment history) and
2) Evidence timely payments have been made.
-----The payment must be included in the debt-to-income ratio.
-----Tax liens belonging to a non-borrowing spouse are subject to all of the above requirements when the borrowers live in or purchase a property located in a community property state.
-----The Internal Revenue Service (IRS) routinely takes a second lien position without the need for independent documentation. For this reason, eligibility for FHA mortgage insurance is not jeopardized by outstanding IRS tax liens remaining on the property, unless the lender has information that the IRS has demanded a first-lien position.
-----Tax liens may remain unpaid if the lien holder subordinates the tax lien to the FHA-insured mortgage. NOTE: A borrower must be rejected if he/she is presently delinquent on any Federal debt and currently not making payments.

Amended Tax Returns
The Original filed return with the amended return is required. Tax returns must have been amended prior to the application and execution of purchase contract. Evidence of payment (if any) is required. CANNOT BE AMENDED TO QUALIFY.

Assets / Reserves
Follow A.U.S. Additional documentation at Underwriter discretion

Bonus, Overtime, and Commission Income
Borrower must have a two-year consecutive history of receiving bonus/overtime/commission, and the income must be likely to continue.
### FHA FIXED RATE PRODUCT

**Maximum CLTV 103%, Maximum DTI 43%; Homebuyer education must be completed by at least one occupying borrower.**

- Online via the eHomeAmerica website. http://ehomeamerica.org/
- In-person through NeighborWorks America.

- Typically, the homebuyer education course cost $125.00, is an eight hour course and is monitored by the counseling agency from start to finish.

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- One Year Warranty Required. Borrower must complete "CalHFA Borrower & Lender Affidavit of Loan Analysis Comparison" form.

- Minimum FICO 640 and 660 for Manufactured Homes.

- Borrower contribution no longer required by CalHFA, however, borrower must meet the minimum down payment requirement for FHA. Example: FHA requires a minimum of 3.5% down payment, therefore, three percent (3%) from CHDAP and 5% borrower’s own funds, i.e. gift, checking/savings, etc.

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- Three years tax returns are required.

- Effective March 16, 2015, CalHFA requires borrowers to meet citizenship, alienage and immigration status eligibility as outlined on CalHFA Citizenship, Immigration checklist. This form is located in FAST under InfoCenter (Forms). Note: the more restrictive of the first or second TD requirements apply.

### Employed by Family Member

Requires full documentation regardless of AUS. Two (2) years tax returns, W-2’s and one full months of paystubs, WVOE and evidence borrower owns no more than 25% interest in the company.

### Gifts

Permitted. Donor must be immediate family member, fiancé or domestic partner or as allowed by HUD FHA guidelines.

### Gift Equity

A gift of equity is acceptable. The donor must provide a gift letter. Only family members may provide a gift of equity. ML 2012-3: Child, Parent or Grandparent; Spouse, legally adopted son or daughter, including a child who is placed with the borrower by an authorized agency for legal adoption, Foster child, Brother, Stepbrother, Sister, Stepsister, Uncle, and Aunt. Note: In-laws are NOT acceptable donors for gifts of equity.

### Income documentation

Follow AUS findings report. For manually UW loans- full 30 days’ paystubs, 2 years W-2 and written VOE.

### Joint Accounts

If an account is held jointly a letter will be required from the joint account holder to verify our borrower has 100% access to those funds. This is required regardless of the relationship.

### Large Deposits

AUS and Manual Underwriting: Total unverifiable cumulative deposits exceeding $1,000 or twenty-five (25%) percent of borrower’s gross income per month may be requested by the underwriter to explain and source.

- If the source of the deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer (payroll), the Social Security Administration, or IRS or state income tax refund, or a transfer of funds between verified accounts, no further explanation or documentation is required.

### LIPA (City of Los Angeles Down Payment Assistance)

The City of Los Angeles Housing and Community Development Department (HCIDLA) offers purchase assistance financing to eligible first-time, low income homebuyers seeking to purchase a home in the City of Los Angeles. HCIDLA provides assistance in the form of a deferred loan for purchase assistance which includes down payment, closing costs and acquisition financing. Up to $60,000 for purchase assistance, down payment and closing cost (loan funds may be used to cover closing costs up to five percent (5%) of the purchase price). NOTE: LIPA loan may not be greater than the First Mortgage. Minimum FICO score 620. Refer to Residential Bancorp’s FHA guidelines for additional requirements. Loan Officers who want to originate the LIPA program must have attend the training program through the City of Los Angeles and submit evidence of attendance in the underwriting loan package.

### Rental Income

Requires 2 years’ rental history with filed Sch B on 1040’s; exception may be given if property was purchased after the latest filed tax return. An executed lease agreement will be required with evidence of current month’s rent deposit.

### Verification of Assets

For DU approved loans, 1 month bank statement or VOD with an average balance. For Manually UW loans, 2 months consecutive bank statements or VOD with 1 current bank statement.

### COLLATERAL

**203-K (Streamline) Loan Transactions:**

The 203-K Streamline program permits homebuyers and homeowners to finance up to $35,000 into their mortgage to repair, improve, or upgrade their home. Repair of structural damage is not allowed. All work must be completed within 60 days of closing. Refer to Residential Bancorp’s FHA Program Guidelines for additional requirements. Two disbursement check’s allowed. The first check will be 25% of the total bid amount and the final check 75% of the total bid. Minimum FICO score is 620 (No exceptions).

### Appraisal

Transferred appraisal allowed, subject to obtaining the AMC letter verifying compliance with MDIA and AIR and a copy of the paid invoice.

### Condominiums

FHA Approved condominiums.

### Flips > 20% Increase < 90 days

Current requirements for the 90-day flip rule will expire 12/31/14 (executed sales contract date). Refer to RB’s FHA program guidelines for additional requirements.

- FHA defines the seller’s date of acquisition as the date of settlement on the seller’s purchase of that property. FHA defines the resale date as the date of execution of the sales contract by all parties intending to finance the property with an FHA-insured mortgage (The date the contract was signed and dated by either seller(s) and borrower(s).

### Manufactured Homes

Double wide only, Land owned fee simple, minimum square footage 500, construction to permanent loans are not allowed. Permanent foundation must be completed by Licensed engineer or registered architect. Refer to Residential Bancorp’s FHA Program Guidelines for additional requirements.

### Termite Inspections

Termite Inspection is required if included in the sales contract and if required by appraiser or at underwriter’s discretion.

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*Reserves required for manual underwriting/downgrade*
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Subordinate Financing: The HLTV must be calculated using amount designated on the recorded Mtg/Trust Deed and not based on any modified amount designated in writing.

**MANUAL UNDERWRITING REQUIREMENTS**

Manual Underwriting:
1. Max. 31/43% Ratios (Ratios may be exceed with compensating factors. See Mortgagee letter 2014.02)
2. 2 Months Bank Statements or V.O.D. and 1 Month Bank Statement.
3. 1 Full Month Payslubs & Written V.O.E. fully completed by the employer.
4. Letters of explanation for all derogatory credit and recent inquiries within 90 days.
5. V.O.R. on a credit supplement or borrower explanation letter why no housing expenses are paid.

**Up front & monthly insurance factors for FHA loans with case numbers ordered on or after June 03, 2013**

<table>
<thead>
<tr>
<th>Loan Terms</th>
<th>Up Front M.I.P.</th>
<th>Monthly (Annual) M.I.</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=90%</td>
<td>1.750</td>
<td>1.750</td>
</tr>
<tr>
<td>90.01-95</td>
<td>1.750</td>
<td>1.750</td>
</tr>
<tr>
<td>&gt;95%</td>
<td>1.750</td>
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<tr>
<td>&lt;=78%</td>
<td>80bps</td>
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<tr>
<td>78.01-90</td>
<td>80bps</td>
<td>80bps</td>
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<tr>
<td>&gt;95%</td>
<td>85bps</td>
<td>85bps</td>
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<tr>
<td>90.01-95</td>
<td>70bps</td>
<td>70bps</td>
</tr>
<tr>
<td>&gt;95%</td>
<td>105bps</td>
<td>105bps</td>
</tr>
</tbody>
</table>

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