
Program Guidelines

Overview

The Subprime HELOC (home equity line of credit) program provides borrowers who have less than perfect credit with the opportunity to use the existing equity in their residence to cover a range of major expenses, including home improvement, debt consolidation, and education costs.

Program Restrictions

Subprime HELOC loans are subject to the following additional restrictions:

- The borrower may have only two mortgage loans, including the subprime HELOC.
 - Escrow holdbacks are not allowed.
 - The subject property may not currently be listed for sale.
 - Eligible in select states only. Refer to [Geographic Restrictions](#) for details.
 - Refer to [Origination and Delivery Documents](#) for additional requirements.
-

Lien Position

Second position only.

Eligible Risk Grades

Subprime HELOCs are eligible for AA+, AA and A- risk grades, subject to the requirements outlined in this section.

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Program Guidelines, Continued

Maximum CLTV

Owner-Occupied Primary Residence Full Documentation			
Minimum Credit Score	AA+ *	AA *	A- *
600	90%	90%	85%
580	85%	85%	85%

* For information on how to calculate the CLTV, refer to [CLTV Calculation](#).

Credit Requirements

Criteria	AA+	AA	A-
Mortgage Credit History (last 12 months)	<ul style="list-style-type: none"> Existing mortgages must be current when the loan closes. Maximum 1x30 Rolling mortgage lates are not allowed. 	<ul style="list-style-type: none"> Existing mortgages must be current when the loan closes. Maximum 1x30 Rolling mortgage lates are acceptable on 30-day lates only where each consecutive six months' rolling counts as 1x30 day late. 	<ul style="list-style-type: none"> Existing mortgage may be 30 days delinquent when the loan closes, but cannot be in foreclosure. Maximum 2x30 Rolling mortgage lates are acceptable on 30-day lates only where each consecutive six months' rolling counts as 1x30 day late.
Consumer Credit Adverse Accounts	<p>Consumer credit adverse accounts (unpaid collections, charge-offs, judgements) may be required to be paid off at the underwriter's discretion. The following additional restriction apply:</p> <ul style="list-style-type: none"> All CLTVs: If any adverse account affects title, it must be paid off. CLTVs less than or equal to 90%: All major adverse credit accounts exceeding \$5000 in aggregate, incurred within the past 24 months, must be paid off at closing. 		

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Credit Requirements, Continued

Criteria	AA+	AA	A-
Tax Liens	Tax liens that affect title must be paid off and reconveyed. On a case-by-case basis, tax liens may be subordinated to the new loan. For complete information, refer to IRS / State Tax Liens in Section 18.6, General Underwriting Guidelines for Subprime Loans.		
Previous Bankruptcy	<ul style="list-style-type: none"> • Chapter 7 – Must be discharged or dismissed a minimum of two years prior to the date the loan application was received. • Chapter 13 – Must be discharged or dismissed a minimum of two years prior to the date the loan application was received. • Chapter 13 Buyouts – Not allowed. 	<ul style="list-style-type: none"> • Chapter 7 – Must be discharged or dismissed a minimum of two years prior to the date the loan application was received. • Chapter 13 – Must be discharged or dismissed a minimum of two years prior to the date the loan application was received. • Chapter 13 Buyouts – Not allowed. 	<ul style="list-style-type: none"> • Chapter 7 – Must be discharged or dismissed a minimum of two years prior to the date the loan application was received. • Chapter 13 – Must be filed or dismissed a minimum of two years prior to the date the loan application was received. If Chapter 13 is filed, discharge is required. • Chapter 13 Buyouts – Not allowed.
Foreclosure / Notice of Default	A foreclosure sale or notice of default must have been released a minimum of three years prior to the date the loan application was received.		
No Credit Score Option	Not available		

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**Eligible Loan
Amounts**

Equity Loan Amount	Requirement
Maximum	\$100,000
Minimum	The greater of \$15,000 or the state required minimum.
Combined First and Second Mortgage	Cannot exceed the combined loan amount of \$500,000.

**Geographic
Restrictions**

Subprime HELOC loans may be originated in all states except:

- Alaska
- Arkansas
- Minnesota
- Texas
- West Virginia

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Initial Draw Amount

No minimum initial draw amount unless state requirement.

Draw Period / Term

Criteria	Requirement
Term	25 Years
Draw Period	5-year draw plus 5-year renewal period (interest only payments)
Repayment Period	15 years (payment of principal and interest)

Origination and Delivery Documents

Loans originated under the Subprime HELOC program must use the same home equity line of credit (HELOC) documents provided in [Chapter 17.0, Equity Forms \(State-Specific\)](#):

- HELOC Agreement and Disclosure (standard)
- Security Instrument (standard)
- Subprime HELOC Important Terms Disclosure (program-specific)

Loans delivered to Countrywide for purchase must also include the standard delivery forms required for HELOC loan files which are available in [Chapter 17.0, Equity Forms \(Supplemental\)](#).

Notice of Right to Cancel

Subprime HELOC loans are subject to Regulation Z rescission requirements as detailed in [Section 15.2, Equity Loan Delivery Procedures](#).

Occupancy

Owner-occupied primary residence only.

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Documentation Type

Full documentation only.

Note: The use of 12 months bank statements is not allowed.

First Lien Eligibility

Eligible First Liens	Ineligible First Liens
<p>Countrywide will purchase subprime HELOCs in second position behind the following first lien loans:</p> <ul style="list-style-type: none"> • Fixed Rate • Adjustable Rate • Existing prime or subprime first lien mortgage from Countrywide or another institutional lender. • Concurrent subprime first lien mortgage from Countrywide or another institutional lender. • Concurrent prime first lien mortgage from Countrywide or another institutional lender that was underwritten through the Fannie Mae™ Desktop Underwriter® (DU™) and received an Expanded Approval™ decision. 	<p>Countrywide will not purchase subprime HELOCs in second position behind the following first lien loans.</p> <ul style="list-style-type: none"> • Loans with negative amortization • Balloon loans if due in less than 5 years • Home equity line of credit (HELOC) • Mortgages that contain a recapture clause • Mortgages that are land contracts • Private party • Reverse mortgages

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Program Guidelines, Continued

Piggyback Transactions

Piggyback transactions where Countrywide purchases both the first and second lien loans concurrently are subject to the following requirements:

- First lien loans must be delivered with Full documentation to match the Full documentation requirement for the subprime HELOC.
- On a purchase transaction, borrowers may not pay off debt at closing with funds from the piggyback HELOC as this is considered “cash back” and subject to cash out restrictions, including a rescission period. The borrower may use their own funds to pay off debt at closing, but this must be verified.

Eligible Borrowers

Borrower Types	Requirements
Individuals	All borrowers must have a valid Social Security Number.
Permanent Resident Aliens	Allowed

Refer to [Section 18.3, Subprime Loan Borrower Eligibility](#), and [Section 3.1, Eligible Borrowers](#), for complete details.

Eligible Properties

Property Type *
Detached SFRs
Detached PUDs

* Properties must be in good to average condition and readily marketable. Maximum 10 acres.

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Ineligible Properties

Property Type
2-4 Units
Attached SFRs
Attached PUDs
Low-rise and High-rise Condos
Manufactured Housing
Row Houses
Rural Properties
Leaseholds

CLTV Calculation

The combined loan to value (CLTV) is determined by dividing the sum of the balance of the first mortgage and home equity line of credit limit by the value of the property.

$$\text{CLTV} = \frac{\text{Current Balance of 1}^{\text{st}} \text{ Mortgage} + \text{HELOC Line Amount}}{\text{Value of the Property}^*}$$

*

The value of the property is determined as follows:

- Owned more than one year, use the appraised value.
- Owned less than or equal to one year, use the lesser of the appraised value or sales price.

Note: All liens of record must be included in the CLTV calculation and any lien payments included in the ratios.

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Qualifying Ratios

Maximum debt ratio is 50%

Margin

Refer to the *Equity Rate Sheet*.

Borrower Qualification

Qualify the borrower on the interest-only payment based on the total line amount and calculated using the fully indexed rate (current index plus margin).

Example: If the Prime rate is 4% and the margin is 6.5%, then the fully indexed rate used to qualify the borrower will be 10.5% (4% + 6.5%). The interest-only payment is then determined by:

$$\text{Line amount} \times 10.5\% \div 12 \text{ months} = \text{interest-only payment}$$

Adjustment Date / Due Date

Criteria	Requirements
Adjustment Date	Adjustment date is the first of each month.
Payment	Payment is due on the 15 th of the subsequent month in which the loan closed.

Interest Rate Adjustments

Depending on the Prime Rate, the borrower's interest rate can change monthly.

Interest Rate Ceiling

The maximum interest rate that may be charged over the life of the loan, referred to as the "ceiling", is:

- All eligible states except North Carolina: 18%
- North Carolina: 16%

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The highest Prime Rate as published in the “Money Rates” table of *The Wall Street Journal* as of the first business day of the calendar month.

**Account
Termination Fee**

Account termination fees are subject to state restrictions. Refer to [Section 15.2, Equity Loan Delivery Procedures](#), for details on eligible account termination fees.

Note: If allowed by state, the account termination fee may be charged up to the fifth year in some cases.

**Annual
Maintenance Fee**

Annual fees are subject to state restrictions. Refer to [Section 15.2, Equity Loan Delivery Procedures](#), for details on annual maintenance fees.

**Temporary
Buydowns**

Not allowed

Assumability

Not allowed

**Title
Requirements**

Full ALTA policy is required. Borrower must be vested on the title.

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**Appraisal
Requirements**

Full appraisal required. Refer to [Section 18.9, Subprime Appraisal Requirements](#), for details.

**Construction
Modification**

Not allowed

Spot Relocation

Not allowed
