



FMFC EQUITY LINE OF CREDIT SELOC

PRODUCT DESCRIPTION	PRODUCT CODE	DOC TYPE	ADDITIONAL INFORMATION
Equity line of credit	SELOC	FULL DOC STATED INCOME/VERIFIED ASSETS EXPRESS	<ul style="list-style-type: none"> • 25 year term • 5 year interest only period • Annual fee / termination fee may apply

PROGRAM DESCRIPTION	FIRST LIENS ARE NOT ALLOWED UNDER THIS PROGRAM	
	<ul style="list-style-type: none"> • Revolving Line of Credit. • Interest only draw period is initially 5 years with a 5 year extension at the discretion of investor. Thereafter the loan becomes fully amortized for the remaining 15 years. There is an initial teaser rate of prime minus one for 3 months for Primary, Full Doc loans. Thereafter the rate is variable based on Prime plus the margin. • Annual Fees and Termination Fees may apply. Please check with Product Development for state-specific fees. 	
CREDIT	<ul style="list-style-type: none"> • All borrowers must have a valid score • Minimum FICO for all borrowers is 620 • Full Doc uses the Primary Borrower (highest wage earner) middle score. If the borrower's incomes are equal, the lowest score, or lowest middle score of all borrower's will be used. • Stated Income / Verified Assets and Express Doc types use the lowest middle score among all borrower's • SPLOC loans are MANUALLY UNDERWRITTEN. You cannot substitute an LP or DU approval for the credit requirements for Full or Stated Income / Verified Assets documentation. (The LP or DU may be used to reduce documentation in certain cases as described in the underwriting guidelines). • DU FICO score allowed for Express Doc type if the Conforming or Jumbo Express first lien received an Approve/Eligible or Approve/Ineligible (ineligible only due to loan amount) • DU findings from first lien must be in second lien file • Credit exceptions will be granted only when a satisfactory decision is received from the appropriate AUS system. Call your underwriter for details. 	
	DOCUMENTATION	STATED INCOME/VERIFIED ASSETS
EXPRESS		<p>Express Doc can only be used for piggyback transactions when first lien is Conforming or Jumbo Fixed or ARM Express product</p> <ul style="list-style-type: none"> • Cash Out transactions NOT allowed as first lien • For this product only, asset verification is not required
ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • SFR • 2-4 units • Low-rise and High-rise Condos • PUD • No Manufactured • No modular on stated income or Express Doc • Absolute max 10 acres, no exceptions on stated income 	
	<ul style="list-style-type: none"> • AR, TX • AZ: Minimum line amount > \$10,100 • CT: Minimum draw amount \$5,100 • KY: Minimum draw amount \$15,100 • OH – All second-lien closings must take place at an FMFC branch location that is licensed to do second-liens in Ohio. 	
GEOGRAPHIC RESTRICTIONS		
LOAN AMOUNT	Minimum lien amount of \$ 10,000	
UNDERWRITING GUIDELINES	<ul style="list-style-type: none"> • FMFC Staff Underwriting or MGIC / GE Contract U/W • No MI required • This program can be used in conjunction with the FLEX100 	



**FMFC EQUITY LINE OF CREDIT
SELOC**

FULL DOC					
OCCUPANCY	PROPERTY TYPE	FICO	CLTV	LOAN AMOUNT	RESERVES (months)
PRIMARY	SFR, PUD, CONDO	700	100	300,000	0
			90	500,000	0
	SFR, PUD, CONDO, 2 UNIT	620	80	300,000	0
		660	100	250,000 ¹	0
		720	80	500,000	0
		720	70	1,000,000	0
SFR, PUD, CONDO, 2-4 UNIT	620	95	215,000	0	
SECOND HOME	SFR, PUD, CONDO	620	95	215,000	0
INVESTMENT	SFR, PUD, CONDO, 2-4 UNIT	700	95	250,000	0
		620	90	215,000	0
STATED INCOME / VERIFIED ASSETS					
PRIMARY	SFR, PUD, CONDO	700	100	300,000	3
			90	500,000	3
	SFR, PUD, CONDO-LOW	680	100	200,000	3
	SFR, PUD, CONDO, 2 UNIT	660	95	200,000	3
		700	100	200,000	3
	SFR, PUD, CONDO, 2-4 UNIT	620	90	150,000	3
		660	90	200,000	3
SECOND HOME	SFR, PUD, CONDO	620	90	150,000	3
INVESTMENT	SFR, PUD, CONDO, 2 UNIT	660	95	200,000	3
		700	95	250,000	3
	SFR, PUD, CONDO, 2-4 UNIT	660	80	200,000	3
		660	75	200,000	3
EXPRESS					
PRIMARY	SFR, PUD, CONDO	680	90	50,000 ⁴	0
		700	95 ²	125,000 ³	0
		90	125,000 ³	0	
SECOND HOME	SFR, PUD, CONDO, 2 UNIT	730	90	125,000 ³	0
		680	90	50,000 ⁴	0
INVESTMENT	SFR, PUD, CONDO	700	90	125,000 ³	0
		680	80	50,000 ⁴	0
		700	80	125,000 ³	0

¹Loan amounts greater than \$100,000: ALL borrowers MUST have a minimum 660 FICO

²CLTV greater than 90% eligible on piggyback purchase transaction with Jumbo Fixed and ARM Express products used for first lien. High Rise Condos are not allowed.

³Maximum loan amount is lesser of \$125,000 or 25% of the principal balance of the first lien at the close of the second lien

⁴Maximum loan amount is lesser of \$50,000 or 25% of the principal balance of the first lien at the close of the second lien

ADDITIONAL CRITERIA:

- Condo refers to Low-Rise and High-Rise unless otherwise noted
- See underwriting guidelines for qualifying ratios
- **Express Doc can only be used for piggyback transactions when first lien is Conforming or Jumbo Fixed or ARM Express product**



FMFC EQUITY LINE OF CREDIT
SELOC

BASE MARGIN OVER PRIME INDEX		101.75 PAID ON DRAW UP TO MAXIMUM OF \$1,750.00 (MINIMUM \$200.00)		
CLTV	720+	680 - 719	640 – 679	620 - 639
0.00-70.00	(0.125)	0.000	0.500	0.500
70.01-80.00	(0.125)	0.000	0.500	0.500
80.01-90.00	1.000	1.375	2.750	3.000
90.01-95.00	1.500	2.125	3.250**	4.000
95.01-100.00	2.000	2.500	3.750***	N/A

**95% stated requires 660 minimum FICO

***100% full doc requires 660 FICO and stated requires 680 FICO

MARGIN ADJUSTMENTS	
FICO > 729 & Loan Amount > \$50,000	(0.500)
FICO 700-729 & Loan Amount > \$50,000	(0.375)
FICO < 700	0.500
STATED AND EXPRESS WITH 700+ FICO & CLTV > 90%	0.500
STATED AND EXPRESS WITH 700+ FICO & CLTV ≤ 90%	0.250
EXPRESS DOC WITH 680-699 FICO	1.000
STATED DOC WITH 660-699 FICO	1.000
STATED DOC WITH < 660 FICO	1.500
N/O/O AND SECOND HOME WITH 700+ FICO	1.000
N/O/O AND SECOND HOME WITH 660-699 FICO	1.500
N/O/O AND SECOND HOME WITH < 660 FICO	2.000
HIGH RISE CONDO	0.500
3-4 UNITS	0.500
DTI > 45% ¹	0.250
1 ST LIEN FMFC MTA OPTION ARM WITH FULL DOC	0.250
1 ST LIEN FMFC MTA OPTION ARM WITH STATED DOC	0.500
¹ 55% DTI (680 FICO, Owner Occupied Primary Residence, SFR, PUD, or CONDO ONLY)	
MINIMUM MARGIN OF (0.250)	

FMFC LINE OF CREDIT UNDERWRITING GUIDELINES

ASSETS

Business accounts (in the name of corporation or partnership) or **proceeds of the transaction may not be used as reserves**

CALCULATION OF CLTV

The CLTV is calculated by adding the current unpaid balance of the first mortgage + total amount of equity loan or line / value of the property

Where the first lien allows negative amortization the current unpaid balance of the first mortgage must be increased by the maximum potential negative amortization and then added to the total amount of the equity line to determine the CLTV. Example, if the current balance is \$100,000 and the maximum potential balance is 110% of the balance, then \$110,000 must be used to calculate the CLTV.

▶ EXCEPTION – if the first lien is an FMFC MTA Option ARM ONLY and the loans are closing simultaneously the negative amortization does not need to be taken into account in calculating the CLTV.

CITIZENSHIP

- US Citizens and Permanent Resident Aliens are allowed
- No non-permanent resident aliens or non-resident aliens **unless borrowing with a citizen or resident alien**
- All borrowers must have a valid US Social Security Number

CREDIT REQUIREMENTS

CREDIT REPORT REQUIREMENTS

- Tri merged (**with 3 scores for each borrower**) or full Residential Mortgage Credit Report (RMCR) (**with minimum two scores for each borrower**)

SELECTING CREDIT SCORE

ALL BORROWERS MUST HAVE A MINIMUM FICO OF 620 – NO EXCEPTIONS

The lower score of two repositories or the middle score of three repositories. Once the score is selected for each Borrower the representative score for the loan is selected as follows:

- Full Income Documentation Loans use the primary wage earner score
- Stated Income and **Express** loans use the lowest selected score among all borrowers is used

MINIMUM CREDIT HISTORY

- Minimum established credit must include at least two years of credit history. In addition, a minimum of three trade lines must be established, and at least one of them must be currently open and not be a collection or a charge-off. One of the three trade lines must have had activity in the last six months.

CREDIT HISTORY	FICO ≥ 720	FICO 680-719	FICO 640-679	FICO 620-639
Mortgage History	0 x 30 in 24 months	0 x 30 in 12 months	Full Doc 1 x 30 in 12 months Reduced Doc 0 x 30 in 12 months	Full Doc 1 x 30 in 12 months Reduced Doc 0 x 30 in 12 months
Other Credit History	In score	In score	FICO ≥ 660 in credit score Credit score < 660 3 x 30 in 12 months	3 x 30 in 12 months
Consumer Credit Counseling	Greater than 2 years and re-established credit	Greater than 2 years and re-established credit	Greater than 2 years and re-established credit	Greater than 2 years and re-established credit
Bankruptcy and/or Foreclosure	Greater than 7 years and re-established credit	Greater than 5 years and re-established credit	Greater than 5 years and re-established credit	Greater than 5 years and re-established credit
Minimum 24 months re-established credit that must include 3 tradelines in addition to the existing first mortgage with satisfactory payment rating. Accounts opened prior to the BK or FC are not considered re-established credit. There may be no delinquencies after the BK or FC				
Major adverse credit (open within the last 12 months including collections, charge-offs, judgments, liens, and 90 day delinquency)	Max in last 12 months = \$200 total All must be paid at closing	Max in last 12 months = \$500 total All must be paid at closing	Max in last 12 months = \$500 total All must be paid at closing	Max in last 12 months = \$500 total All must be paid at closing



DOCUMENTATION REQUIREMENTS

Credit docs can be up to 120 days old at the date of the note except for new constructions credit docs may be up to 180 days old.

FULL/ALT DOC

- Traditional documentation guidelines apply
- Verbal VOE required with VOE or pay-stubs and W-2s for salaried
- Personal and business returns with YTD profit & loss for self employed
- Two months bank statements or VOD with 2 month average balance to document funds for closing and required reserves
- ▶ **May follow the DU or LP approve/eligible findings for documentation only if closing simultaneously with a 1st agency mortgage**

Express DOC

- Use ONLY in conjunction with the Agency Express fixed and arm codes or the Jumbo Express fixed and arm codes.
- The 1st mortgage cannot be cash out.
- Follow AUS findings for the 1st mortgage

STATED INCOME (also called reduced or limited doc)

- Employment must be disclosed on the signed 1003 for a two year period
- All income sources must be itemized on the signed 1003
- Salaried or self employed are allowed
- Income must be reasonable for employment disclosed
- Verbal VOE required for salaried borrowers
- For self-employed borrowers proof of self employment for two years in the same business and same location is required. (CPA letter or business license, etc.) When borrower is moving then documentation to show that the SAME INCOME SOURCE IS CONTINUING AT THE NEW LOCATION (and is feasible) will be required
- **Assets must be verified for reserves, closing costs and required down payment with two months bank statements or VOD with average balance (cannot come from the proceeds of the transaction)**
- Ratios are calculated based on stated income and still must meet ratio guidelines
- **Where passive income constitutes 50% or more of the income the source must be verified (trust income, rental income, notes etc.)**
- ▶ **PASSIVE INCOME IS ALLOWED FOR RETIREES WHERE THE BORROWERS ARE OF A "RETIREMENT" AGE, AND THERE ARE 12 MONTHS OF THE STATED INCOME IN RESERVES**

EQUITY MORTGAGES

All mortgages that are not purchase mortgages are considered equity mortgages. There is no seasoning requirement for equity mortgages – use the appraised value in ALL cases to calculate the CLTV.

INTER-VIVOS TRUST

Allowed in accordance with Agency Guidelines

MORTGAGE INSURANCE

Not applicable

NON-OCCUPANT CO-BORROWER

Allowed as long as the occupant borrower's DTI ratio (based on occupant borrower income and debts) does not exceed 50%

OWNERSHIP OF OTHER PROPERTIES

No limit on ownership of other properties.
No more than 4 total FMFC loans of any kind to one borrower without written exception from secondary marketing.



PROPERTY AND APPRAISAL REQUIREMENTS

APPRAISAL REQUIREMENT

LOAN AMOUNT	FICO 720+	FICO 680-719	FICO 640-679	FICO 620-639
Loan ≤ \$100,000	2055 exterior	2055 exterior	2055 exterior	2055 exterior
Loan > \$100,000	Full appraisal or 2055 interior	Full appraisal	Full appraisal	Full appraisal

PROPERTY VALUES GREATER THAN \$750,000 REQUIRE A FULL APPRAISAL, NO EXCEPTIONS

2-4 UNIT PROPERTIES

- Regardless of the loan amount and FICO these properties always require a form 1025/72

INELIGIBLE PROPERTY TYPES

- Cooperatives
- Condotels
- Manufactured or Mobile Homes
- Dome Homes
- Earth Homes
- Properties with more than 10 acres (except as per below)
- Agricultural
- Commercial/Mixed Use
- Non Warrantable Condos

REQUIRED APPRAISAL ATTACHMENTS

- Three original or digital photographs of the property (front, rear and street scene)
- One original or digital photograph of each comparable used
- Location map showing the property and the comparables
- Diagram of the floor plan, detailing room layout
- Copy of appraiser's current license
- Statement of limiting conditions

AGE OF APPRAISAL

- Drive by (exterior only) appraisals are valid within 180 days of the date of the Note. After 180 days a new drive by must be obtained
- A full appraisal report should be dated within **180** days of the date of the Note. If the appraisal report is dated more than **180** days but less than 365 days from the date of the Note, the original appraiser must provide a re-cert of value stating that the subject has not declined since the date of the original appraisal. Loans with a full appraisal more than one year old at the date of the Note require a new appraisal.

NEIGHBORHOOD PROPERTY VALUES

- Declining values are not allowed.

RURAL PROPERTY

Rural properties are not allowed except as follows.

- Area is at least 25% built up
- 6 months or less marketing time
- All comparables are within 5 miles
- Maximum 10 acres (except see below)
- No working farms or ranches

MAXIMUM ACCEPTABLE ACREAGE

- Ten Acres
- **Up to 20 acres may be acceptable for owner occupied or second home loans, max 90% CLTV, 2 full appraisals are required, no more than 35% of the value of the property is land value, the property is not a working farm and special consideration must be given to any value given to outbuildings on the appraisal**

LOTS WITH MORE THAN ONE CONTIGUOUS LOT

- Value can only be given for the lot upon which the subject property is located



ZONING

- Should be residential. For Legal Non-Conforming Properties the Appraiser must address the issue within the body of the appraisal and specifically state the property may be rebuilt "as is" in the event of a loss

UNIQUELY DESIGNED PROPERTIES

- Uniquely designed properties that may require extended marketing time are not acceptable.

MINIMUM IMPROVEMENTS

- Condominiums or attached properties should be more than 600 square feet and detached dwellings more than 800 square feet.

HEATING

- All properties must have adequate (permanently affixed) legal heating systems suitable for year round occupancy. The only exception is properties in Hawaii

PROPERTY LISTING AND SALES HISTORY

The property may not have been listed for sale within the past 12 months. Exceptions can be made as long as the following requirements are met:

- Copy of MLS acknowledgement that listing has been cancelled
- Maximum of 90% CLTV
- Property cannot be currently listed for sale
- Explanation from borrower and certification that the intent is to continue to occupy and not to sell the property must be provided

CONDOMINIUMS

- Must be fully warrantable Type A/III projects with at least 10 units. A completed HOA Association letter should evidence this. Projects involved in litigation are not allowed.

LEASEHOLD PROPERTIES

- Allowed as long as meets agency guidelines

PURCHASE MORTGAGES

A purchase mortgage involves the purchase of a property as defined by a sale and purchase agreement executed by the borrower and seller. The lower of appraised value or sales price is used to calculate the LTV/CLTV.

QUALIFYING REQUIREMENTS

DTI RATIO FOR ALL OCCUPANCY TYPES

- => 660 FICO 50% DTI
- < 660 FICO 45% DTI
- **55% DTI allowed on FULL DOC equity loans with 680 credit score for owner occupied SFR, PUD, and CONDO, otherwise the MAX DTI is 50%**

CALCULATION OF QUALIFYING SENIOR LIEN PAYMENT

- ARMS: Qualify the borrowers at the maximum interest rate that could be in effect at the beginning of the 2nd year of the mortgage term. If the mortgage is more than one year old then qualify at the current rate.
- Negative Amortization: Qualify the borrowers at the current index plus margin, using the current balance and remaining term to calculate a payment
- Buy down: Qualify the borrowers at the interest rate in effect at the beginning of the 2nd year of the mortgage term. If the mortgage is more than one year old then qualify at the current rate

CALCULATION OF QUALIFYING PAYMENT FOR THE SECOND

- For closed end seconds use the amortizing payment
- For HELOC qualify the borrowers at the fully indexed rate interest only payment based on the total line amount (example if prime is 5 and the margin is 1, the fully indexed rate is 6%. $6\% \times \text{the total line amount} / 12$ is the qualifying payment amount)

THE FOLLOWING DEBTS MUST BE INCLUDED IN THE BORROWER'S DTI RATIO

- Monthly housing expenses
- Revolving charges regardless of balance, # payments remaining
- Installment debt with more than 10 payments remaining
- Real estate loans and net rental losses from real estate owned
- Automobile loans and leases (leases must be included even if fewer than 10 payments are remaining.)



- Alimony, child support or maintenance payments with more than 10 payments remaining
- Student Loans (unless deferred for more than 36 months)

401K LOANS

- Payment for Loans secured by 401(k), life insurance or other liquid asset accounts may be excluded from DTI calculations as long as the secured portion of the asset is excluded from the cash to close or required reserves

DEBT PAYOFF

- The Borrower may pay off revolving or installment debt at closing for qualifying purposes.

CO-SIGNED DEBT

- The payments for these Loans are included in the DTI ratio unless the co-signed loan has been open for at least 12 months AND canceled checks are provided to show that the primary borrower is paying the loan. If there are late payments the obligation must be included in borrower's DTI ratio.

DIVORCE DEBT

- Debts opened jointly with a former spouse will be considered as an obligation of the Borrower unless a legal separation agreement or divorce decree is provided to prove the former spouse is responsible for the debt.

BUSINESS DEBT

- Debts paid by the Borrower's business will not be considered in the Borrower ratios if six months canceled checks drawn on the business account are provided.

SENIOR LIENS

A Copy of the NOTE from the underlying 1st lien is REQUIRED. The following types of loans are allowed as the underlying first lien:

- Conventional, FHA and VA
- 7/23 and 5/25 Balloon Loans: The existing balloon first MUST have 36 months or more remaining on its current term
- ARM loans that have interest rate caps
- ARM or Negative amortization loans that have a ceiling. The CLTV is calculated by using the maximum balance on the first mortgage if negative amortization occurs (current unpaid balance of 1st x maximum negative amortization limit percent from the note)

INELIGIBLE SENIOR LIENS

The following types of loans ARE NOT PERMITTED as senior liens:

- First lien HELOC
- Contract for deed, installment sales agreement or land contract
- Private party financing
- Reverse mortgages
- Loans that allow future advances
- ARM or negative amortization loans that have no payment caps or no ceiling or a ceiling in excess of 125%

TERM

- ALL PRIMARY RESIDENCE LOANS MUST BE 2ND LIENS. 1ST LIEN HELOCs FOR PRIMARY RESIDENCE ARE NOT ELIGIBLE (1st lien HELOC should use NFSLOC)
- 5 year draw period, renewable for additional 5 years at the discretion of investor. During the draw period interest only payments are made. After the draw period ends payments become 1/180th of the principal plus interest due every month for 15 years at which time the full balance will be paid off.

TITLE INSURANCE

- Loan amounts less than or equal to \$100,000 require a title search except as follows:
- Vermont requires a full ALTA policy on all transactions
- Leasehold properties require a full ALTA policy
- Oregon requires a full ALTA policy for line/loan amounts over \$50,000