
Program Guidelines

Overview

This section provides a summary of risk grade credit characteristics, underwriting guidelines, maximum LTVs and maximum loan amounts for liens in first position. For in-depth details on guidelines, refer to [18.6, General Underwriting Guidelines for Subprime Loans](#).

Guidelines for the subprime 80/20 program may be found in [Section 20.3, Subprime 80/20 Program](#).

Credit Score

- When the primary borrower's credit score is used to qualify for the loan, the minimum credit score is 500.
- If the primary borrower contributes less than 75% of the total reported income, all co-borrowers contributing income must have a minimum credit score of 500.
- All borrowers using income to qualify must have a valid credit score. See Valid/Usable Credit Score in [Section 18.6A, Subprime Credit Score-Based Underwriting](#), for requirements.

Higher credit score requirements may be required for certain LTVs, loan amounts and interest-only options. Refer to [Max LTV: Full Doc](#), [Max LTV: Stated Doc –Self-employed](#), [Max LTV: Stated Doc – W-2](#) or [Interest-Only Option Restrictions](#) for complete details.

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Program Guidelines, Continued

Credit History

Borrowers are subject to all of the following credit requirements. For complete information on derogatory or adverse credit, refer to Derogatory or Adverse Information in [Section 18.6, General Underwriting Guidelines for Subprime Loans](#). Guidelines for the subprime 80/20 program may be found in [Section 20.3, Subprime 80/20 Program](#).

Credit Issue	Requirement		
	AA+	AA	A-
Mortgage Credit History	<ul style="list-style-type: none"> Existing mortgage must be current at funding. Maximum 1x30 late payments are allowed in the last 12 months. 		<ul style="list-style-type: none"> Existing mortgage may be 30 days delinquent at funding. Maximum 2x30 late payments are allowed in the last 12 months.
	Rolling mortgage lates are not allowed.	Rolling mortgage lates are acceptable on 30-day lates only, where each consecutive six months rolling counts as 1x30 late.	
Foreclosure Sale or Redemption Date	A foreclosure sale or notice of default must have been released a minimum of three years before the date the loan application is received.		
Chapter 7 or 13 Bankruptcy	Must be discharged one day or dismissed a minimum of two years prior to the date the loan application is received.		
Chapter 13 Buyout	Not allowed		
Treatment of Major Adverse Accounts	Judgments, collections/chargeoffs, and tax liens: For complete details, see Treatment of Major Adverse Credit in Section 18.6, General Underwriting Guidelines for Subprime Loans .		

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Program Guidelines, Continued

Credit History, Continued

Credit Issue	Requirement		
	B	C	C-
Mortgage Credit History	<ul style="list-style-type: none"> Existing mortgage may be 60 days delinquent when the loan closes, but cannot be in foreclosure. Maximum 1x60 late payments are allowed in the last 12 months. Rolling 60s are not allowed. 	<ul style="list-style-type: none"> Existing mortgage may be 90 days delinquent when the loan closes, but cannot be in foreclosure. 30 and 60 day lates are allowed. Maximum 1x90 late payments allowed in the last 12 months. 	<ul style="list-style-type: none"> Existing mortgage may be 90 days delinquent when the loan closes, but cannot be in foreclosure. 30 and 60 day lates are allowed. Maximum 2x90 allowed in the last 12 months.
Foreclosure Sale Date or Redemption Date	A foreclosure sale or notice of default must have been released a minimum of two years before the date the loan application is received.	A foreclosure sale or notice of default must have been released a minimum of one year before the date the loan application is received.	None open at time of closing.

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Program Guidelines, Continued

Credit History, Continued

Credit Issue	Requirement		
	B	C	C-
Chapter 7 or 13 Bankruptcy	Discharged one day or dismissed a minimum of one year prior to date application is received.		Discharged or dismissed one day prior to funding.
Chapter 13 Buyout	<p>May be paid off through escrow. Cash out to borrower and for non-real estate debts is allowed up to a total of \$5,000 excluding Chapter 13 buyout. Trustee payment history is required for risk grades B and C only.</p> <p>For additional requirements, see Buyout of Open Chapter 13 Bankruptcy in Section 18.6, General Underwriting Guidelines for Subprime Loans.</p>		
Treatment of Major Adverse Accounts	Judgements, collections/chargeoffs, and tax liens: For complete details, see Treatment of Major Adverse Credit in Section 18.6, General Underwriting Guidelines for Subprime Loans .		

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Program Guidelines, Continued

Program Restrictions:
AA+, AA and A-

See the following table for program restrictions for AA+, AA and A- risk grades only. Guidelines for the subprime 80/20 program may be found in [Section 20.3, Subprime 80/20 Program](#).

Criteria	Program Restrictions		
	AA+	AA	A-
Maximum Loan Amount	Maximum \$500,000 loan amount for the following transactions: <ul style="list-style-type: none"> • Full Documentation: 12 month Bank Statements for non-self-employed / W-2 borrowers • Owner-occupied 3-4 units • Second homes • Investment properties 		
Maximum Cash out	<ul style="list-style-type: none"> • LTVs between 90.01-100%: \$100,000 cash out. • LTVs between 80.01-90%: \$150,000 cash out. • LTVs less than or equal to 80%: <ul style="list-style-type: none"> – Full Documentation: \$500,000 – Stated Documentation: \$250,000 		
Stated Documentation	Allowed. Verification of employment history is required. For documentation requirements, refer to Section 18.6, General Underwriting Guidelines for Subprime Loans .		
Miscellaneous	3-4-unit owner-occupied: borrowers cannot own any other real estate property (in whole or in part). If the borrower owns other property then the loan is subject to investment property LTV guidelines.		

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Program Guidelines, Continued

**Program Restrictions:
B, C and C-**

See the following table for program restrictions for B, C and C- risk grades only.

Criteria	Program Restrictions		
	B	C	C-
Maximum Cash out	<ul style="list-style-type: none"> • LTVs between 80.01%-85%: \$150,000 • LTVs less than or equal to 80%: <ul style="list-style-type: none"> – Full Documentation: \$500,000 – Stated Documentation: \$250,000 • Bankrupt Chapter 13 Buyouts: Cash out to borrower and for non-real estate debts is allowed up to a total of \$5,000, excluding Chapter 13 buyout (payoff). 		
Stated Documentation	Allowed. Verification of employment history is required. For documentation requirements, refer to Section 18.6, General Underwriting Guidelines for Subprime Loans .	Not allowed.	
Miscellaneous	3-4-Unit Owner-Occupied: borrowers cannot own any other real estate property (in whole or in part). If the borrower owns other property then the loan is subject to investment property LTV guidelines.		Not applicable

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Program Guidelines, Continued

Max LTV: Full Doc

Refer to the following tables for maximum loan amount, minimum credit score and maximum LTV for Full Documentation. Guidelines for the subprime 80/20 program may be found in [Section 20.3, Subprime 80/20 Program](#).

For borrowers with limited or no mortgage history, see restrictions under Limited or No Mortgage History in [18.6. General Underwriting Guidelines for Subprime Loans](#).

MAXIMUM LTV / LOAN AMOUNT¹									
Owner-Occupied Primary Residence: SFR, PUD, Low-/High-Rise Condo, 2 Units									
<i>Refer to the Occupancy/Property LTV Adjustments table for additional LTV adjustments</i>									
Risk Grade	Credit Score	65%	70%	75%	80%	85%	90%	95%	100%
AA+	700	\$1M	\$1M	\$1M	\$1M	\$850K	\$750K	\$700K	\$700K
	680	\$1M	\$1M	\$1M	\$1M	\$850K	\$750K	\$700K	\$650K
	640	\$1M	\$1M	\$1M	\$1M	\$850K	\$750K	\$700K	\$650K
	620	\$1M	\$1M	\$1M	\$900K	\$850K	\$750K	\$650K	\$600K
	600	\$1M	\$1M	\$1M	\$900K	\$800K	\$750K	\$600K	\$600K
	580	\$850K	\$850K	\$850K	\$800K	\$750K	\$650K	\$550K	
	560	\$750K	\$750K	\$750	\$700K	\$650K	\$600K	\$500K	
	540	\$700K	\$700K	\$700K	\$700K	\$650K	\$550K		
	520	\$700K	\$700K	\$700K	\$650K	\$550K			
500	\$700K	\$700K	\$700K	\$650K					
AA	660	\$1M	\$1M	\$1M	\$1M	\$850K	\$650K	\$650K	\$600K
	640	\$1M	\$1M	\$1M	\$1M	\$850K	\$650K	\$600K	\$600K
	600	\$1M	\$1M	\$850K	\$850K	\$750K	\$650K	\$600K ²	\$600K ²
	580	\$850K	\$850K	\$850K	\$850K	\$750K	\$650K	\$550K ²	
	560	\$750K	\$750K	\$750K	\$700K	\$650K	\$600K		
	540	\$700K	\$700K	\$700K	\$650K	\$650K	\$550K		
	520	\$700K	\$700K	\$700K	\$650K	\$550K			
	500	\$700K	\$700K	\$700K	\$650K				
A-	620	\$850K	\$850K	\$850K	\$750K	\$750K	\$600K		
	600	\$750K	\$750K	\$750K	\$750K	\$750K	\$600K		
	580	\$750K	\$750K	\$750K	\$650K	\$650K	\$600K		
	560	\$650K	\$650K	\$650K	\$650K	\$650K	\$600K		
	540	\$650K	\$650K	\$650K	\$600K	\$600K	\$600K		
	520	\$650K	\$650K	\$650K	\$600K	\$550K			
	500	\$650K	\$650K	\$650K	\$600K				
B	600	\$650K	\$650K	\$650K	\$600K	\$600K			
	580	\$650K	\$650K	\$650K	\$600K	\$550K			
	560	\$600K	\$600K	\$600K	\$550K	\$550K			
	520	\$600K	\$600K	\$600K	\$550K	\$500K			
	500	\$600K	\$600K	\$600K	\$550K				
C	600	\$600K	\$600K	\$600K	\$550K				
	580	\$600K	\$600K	\$550K	\$550K				
	560	\$550K	\$550K	\$550K	\$500K				
	540	\$550K	\$550K	\$550K	\$450K				
	500	\$550K	\$550K	\$550K					
C-	500	\$500K	\$500K						

Notes:

- ¹ **Full Documentation using Bank Statements:**
 - Non-self employed / W-2 borrowers: Maximum loan amount of \$500,000 (individual or combined).
 - LTVs greater than 90% require minimum credit score of 600.
 - Owner-occupied 3-4 unit properties are not allowed.
- ² **Cash Out:** Not allowed.

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Program Guidelines, Continued

**Max LTV: Stated
Doc – Self-
employed**

Refer to the following tables for maximum loan amount, minimum credit score and maximum LTV for Stated Documentation for self-employed borrowers. Guidelines for the subprime 80/20 program may be found in [Section 20.3, Subprime 80/20 Program](#).

MAXIMUM LTV / LOAN AMOUNT									
Owner-Occupied Primary Residence: SFR, PUD, Low-/High-Rise Condo, 2 Units									
<i>Refer to the Occupancy/Property LTV Adjustments table for additional LTV adjustments</i>									
Risk Grade	Credit Score	65%	70%	75%	80%	85%	90%	95%	100% *
AA+	700+	\$1M	\$1M	\$1M	\$1M	\$850K	\$750K	\$700K	\$700K
	680	\$1M	\$1M	\$1M	\$1M	\$850K	\$750K	\$700K	\$650K
	640	\$1M	\$1M	\$1M	\$1M	\$850K	\$600K	\$600K	\$550K
	620	\$1M	\$1M	\$1M	\$900K	\$850K	\$600K	\$550K	
	600	\$1M	\$1M	\$900K	\$750K	\$650K	\$600K		
	580	\$850K	\$850K	\$800K	\$650K	\$600K	\$550K		
	560	\$750K	\$750K	\$700K	\$600K	\$550K			
	540	\$700K	\$700K	\$650K	\$600K	\$550			
	520	\$700K	\$700K	\$650K	\$550K	\$450K			
	500	\$700K	\$700K	\$650K	\$550K				
AA	640	\$1M	\$1M	\$900K	\$800K	\$700K	\$550K		
	600	\$1M	\$1M	\$800K	\$700K	\$600K	\$550K		
	580	\$850K	\$850K	\$800K	\$700K	\$600K	\$550K		
	560	\$750K	\$750K	\$700K	\$600K	\$550K			
	540	\$700K	\$700K	\$650K	\$550K	\$550K			
	520	\$700K	\$700K	\$650K	\$550K				
500	\$700K	\$700K	\$650K						
A-	620	\$850K	\$800K	\$700K	\$600K	\$600K			
	600	\$750K	\$700K	\$600K	\$600K	\$600K			
	580	\$750K	\$700K	\$600K	\$550K	\$550K			
	560	\$650K	\$600K	\$550K	\$550K	\$550K			
	520	\$650K	\$600K	\$550K	\$500K				
	500	\$650K	\$600K	\$550K					
B	580	\$550K	\$500K	\$500K					
	500	\$500K	\$500K	\$500K					
C	500	\$400K	\$350K						
C-	n/a								

* **First-time homebuyers:** Reserves of two months housing expense (PITI plus HOA, if applicable) are required. Must be verified with source and seasoned for 60 days.

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Program Guidelines, Continued

**Max LTV: Stated
Doc – W-2**

Refer to the following tables for maximum loan amount, minimum credit score and maximum LTV for Stated Documentation for non-self employed/ W-2 borrowers. Guidelines for the subprime 80/20 program may be found in [Section 20.3, Subprime 80/20 Program](#).

MAXIMUM LTV / LOAN AMOUNT									
Owner-Occupied Primary Residence: SFR, PUD, Low-/High-Rise Condo, 2 Units									
<i>Refer to the Occupancy/Property LTV Adjustments table for additional LTV adjustments</i>									
Risk Grade	Credit Score	65%	70%	75%	80%	85%	90%	95%	100%
AA+	680	\$1M	\$1M	\$1M	\$1M	\$850K	\$600K		
	640	\$1M	\$1M	\$1M	\$1M	\$850K	\$600K		
	620	\$1M	\$1M	\$1M	\$900K	\$850K	\$600K		
	600	\$1M	\$1M	\$900K	\$750K	\$650K	\$600K		
	580	\$850K	\$850K	\$800K	\$650K	\$600K	\$550K		
	560	\$750K	\$750K	\$700K	\$600K	\$550K			
	540	\$700K	\$700K	\$650K	\$600K	\$550K			
	520	\$700K	\$700K	\$650K	\$550K	\$450K			
	500	\$700K	\$700K	\$650K	\$550K				
AA	640	\$1M	\$1M	\$900K	\$800K	\$700K	\$550K		
	620	\$1M	\$1M	\$800K	\$700K	\$600K	\$550K		
	600	\$1M	\$1M	\$800K	\$700K	\$600K			
	580	\$850K	\$850K	\$800K	\$650K	\$600K			
	560	\$750K	\$750K	\$700K	\$600K	\$550K			
	540	\$700K	\$700K	\$650K	\$550K	\$550K			
	520	\$700K	\$700K	\$650K	\$550K				
	500	\$700K	\$700K	\$650K					
A-	620	\$850K	\$800K	\$700K	\$600K				
	600	\$750K	\$700K	\$600K	\$600K				
	580	\$750K	\$700K	\$600K	\$550K				
	560	\$650K	\$600K	\$550K	\$550K				
	520	\$650K	\$600K	\$550K	\$500K				
	500	\$650K	\$600K	\$550K					
B	580	\$550K	\$500K	\$500K					
	500	\$500K	\$500K	\$500K					
C	500	\$400K	\$350K						
C-	n/a								

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Program Guidelines, Continued

Maximum CLTV

Refer to the following table for maximum CLTV for all risk grades and documentation types.

MAXIMUM CLTV		
Qualifying Credit Score	≤ 80% LTV	≥ 80% LTV ²
560	100% ¹	90%
540	95%	90%
520	90%	90%
500	90% ³	Not Allowed

¹ 100% CLTV is eligible for owner-occupied detached SFRs, detached PUDs and low-rise condos only.

² Secondary financing not allowed with LTV greater than 90%.

³ C- Risk Grade: Maximum 90% CLTV eligible with LTVs less than or equal to 70%.

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Program Guidelines, Continued

LTV Adjustments

Adjustments to the maximum eligible LTV are required for select occupancy and property types. Refer to [Max LTV: Full Doc](#), [Max LTV: Stated Doc – Self-employed](#) or [Max LTV: Stated Doc – W-2](#) for the core LTV levels, and then reduce the maximum LTV by the adjustment noted in the table.

LTV REDUCTION				
Property Type	Risk Grade	Owner-Occupied	Second Home¹	Investment¹
Attached SFR Detached SFR	All	0	-10%	-10% ²
Attached PUD Detached PUD	All	0	-10%	-10% ²
Low- and High-Rise Condo/Townhouse	All	0	-10%	-10% ²
2 Unit	All	0	Not eligible	-10% ³
3-4 Units¹	All except C-	-10% ⁴	Not eligible	-15% ³
Rural Housing	Restrictions apply. See Section 18.4, Subprime Loan Property Eligibility, for details.			

¹ Eligible to maximum loan amount of \$500,000.

² Stated Documentation is subject to the following restrictions:

- AA+ risk grade only.
- 620 minimum credit score.
- Interest-only program is not allowed.
- Credit Comeback program is not allowed.
- Borrowers who own five or more properties, including the subject property, are not allowed.
- All funds to close must be verified and either sourced or seasoned 60 days.

³ Eligible with Full Documentation and 12 Months Banks Statements only.

⁴ Owner-occupied 3-4 units: Borrower cannot own any other real estate in whole or in part.

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Program Guidelines, Continued

Credit Comeback Program

The Credit Comeback program offers interest rate reductions following each consecutive 12-month period (eligibility period) as rewards for prompt payments during the first four years of a 40-, 30-, or 15-year fixed-rate loan. Potential interest rate rewards are as follows:

- .375% reduction after the first 12 months.
- Additional .375% reduction after 24 months.
- Additional .375% reduction after 36 months.
- Additional .375% reduction after 48 months.

From month 49 onward, the interest rate remains the same for the life of the loan. A maximum of 1.5% interest rate reduction is allowed over the term of the loan.

One late payment incurring a late charge is allowed during any eligibility period; however, the late payment cannot occur in the twelfth month. In addition, all mortgage payments must be paid in full; partial payments will disqualify the loan for the rate reduction reward for the eligibility period.

In the event the loan does not qualify for an interest-rate reduction during an eligibility period, the borrower(s) may qualify for a rate reduction during the next eligibility period, with the exception of the final period.

If the loan does not qualify for the interest rate reduction for any or all eligibility periods, the number of eligibility periods may not be extended.

The following are ineligible for the Credit Comeback program:

- Adjustable-rate mortgage (ARM) programs.
- Interest-only option.
- Stated documentation: non-owner-occupied properties.
- 10-, 20-, 25-year terms.

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Program Guidelines, Continued

Interest-Only Option Restrictions

The interest-only option is eligible for loans originated under AA+, AA, and A- risk grades and under the following programs:

- [Section 19.3, Subprime Adjustable Rate \(ARM\) 2-Year Fixed/6-Month LIBOR](#)
- [Section 19.4, Subprime Adjustable Rate \(ARM\) 3-Year Fixed/6-Month LIBOR](#)
- [Section 19.6, Subprime Fixed-Rate](#) (30-year term only)

Borrowers may be qualified based on the initial interest-only payment.

Loans must be originated on documents that accommodate the interest-only feature. Refer to [Chapter 21.0, Notes, Riders and Disclosures](#), for samples.

Note: The interest-only option is not available for B, C and C- risk grades.

Guidelines for the subprime 80/20 program may be found in [Section 20.3, Subprime 80/20 Program](#).

Interest-Only Option Restrictions			
	AA+	AA	A-
All Loans	The following are not eligible: <ul style="list-style-type: none"> • 10-, 20-, 25-, and 40-year term. • Rural properties. • Credit Comeback program. 		
Full Documentation/12 months Bank Statements	Minimum credit score: 560.		
Stated Documentation: Self-employed	<ul style="list-style-type: none"> • Minimum credit score: 560. • Maximum LTV/CLTV: 95% (100% CLTV for 80/20 program). • Owner-occupied and second homes only. 		
Stated Documentation: Non-self employed/W-2	<ul style="list-style-type: none"> • Minimum credit score: 620 for all borrowers • Owner-occupied primary residence only • SFR, PUD and low-rise condo only. • Maximum LTV/CLTV: 90% (100% CLTV for 80/20 program). 		Not eligible.

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Program Guidelines, Continued

Minimum Loan Amount

\$50,000

Qualifying Ratios

Maximum 50% debt-to-income (DTI) ratios are allowed.

DTI ratios up to 55% are acceptable for loans that meet the following requirements:

- Stand-alone first lien mortgage with LTV/CLTV less than or equal to 90%.
- For LTV/CLTV greater than 80%:
 - Borrowers must also meet the double disposable income test criteria. Refer to [Section 18.6, General Underwriting Guidelines for Subprime Loans](#), for details.
 - Non-owner occupied properties: Full documentation only.

DTI ratios greater than 50% are not allowed for the following loans:

- Stand-alone equity loans.
 - Loans greater than 90% LTV/CLTV.
 - Stated documentation with non-owner occupied properties.
 - Loans secured by properties located in West Virginia.
-

Reserves

Two months proposed housing expense (PITI plus HOA) are required and must be verified with source and seasoned for 60 days for the following:

- First-lien loan amounts greater than \$650,000, regardless of LTV. This requirement may be waived with Full documentation and proof of two years' income (paystub plus two years' W-2s for wage-earners or two years' tax returns if self-employed). See Salaried Borrowers or Self-Employed Borrowers in Section [18.6, General Underwriting Guidelines for Subprime Loans](#), for additional details. Bank Statements are not available with this option.
 - First-time homebuyers with Stated Documentation and LTV greater than 95%.
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Program Guidelines, Continued

Property Seller Contributions

Property seller contributions are permitted toward allowable closing costs. For complete information, see Property Seller Contributions in [Section 18.6, Underwriting Guidelines for Subprime Loans](#).

Eligible Borrowers

Only individuals are eligible and are subject to the following criteria:

- U.S. Citizen - all borrowers must have a valid social security number.
- Permanent Resident Aliens.¹
- Non-permanent Resident Aliens – LTV restrictions apply.²

¹ Refer to [Section 3.1, Eligible Borrowers](#), for complete details.

² Refer to [Section 18.3, Subprime Loan Borrower Eligibility](#), for complete details.

First-Time Homebuyers

First-time homebuyers are allowed.

LTVs greater than 95% are subject to a minimum credit score of 580 (or the required credit score for the LTV and loan amount, if higher).

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Program Guidelines, Continued

Eligible Properties

Refer to [Section 18.4, Subprime Loan Property Eligibility](#), for complete details on property types.

Eligible Property Types^{2,3}	
Property Type	Eligible Grades
Attached and Detached SFRs	All
Attached and Detached PUDs	All
Low-Rise/High-Rise Condos	All
2 Units	All
3-4 Units	All except C-
Rural Properties ¹	All except C-

¹ Rural properties are eligible up to a maximum 90% LTV. Additional LTV reductions are required for properties greater than 5 acres. Refer to the Rural Properties section in [Section 18.4, Subprime Loan Property Eligibility](#), for complete details.

² Recorded land contracts are eligible up to a maximum 95% LTV; unrecorded land contracts are eligible up to a maximum 90% LTV.

³ Lease option transactions are allowed with LTVs less than 95%.

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Program Guidelines, Continued

Eligible Loan Terms

All Risk Grades			
Fixed-Rate	Fixed-Period ARM	ARM	Balloon
10, 15, 20, 25, 30, and 40 years	2/28, 3/27, 2/38, and 3/37	6-Month *	30/15

* **AA+, AA only:** 6-Month LIBOR ARM is not eligible for LTVs greater than 90%

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Program Guidelines, Continued

Documentation Type

Eligible documentation types are noted by occupancy. Refer to [Section 18.6, General Underwriting Guidelines for Subprime Loans](#), for complete documentation requirements.

Documentation Type	Owner-Occupied	Second Home	Investment
Full	Allowed	Allowed	Allowed
Stated	Allowed	Allowed	Allowed

Review Appraisal Requirements

A review appraisal may be required. Refer to [Section 18.9, Appraisal Requirements](#), for complete details.