

***Home Equity Line of Credit***

**Program Summary**

The “Home Equity Line of Credit” program allows the borrower to obtain multiple advances of the loan proceeds at their discretion for up to ten years with an interest only minimum payment option. Once the ten year draw period is complete the borrower will have a fifteen year amortized repayment period.

**Product Codes**

The following terms are permitted. Please reference the applicable product code on the loan submission form:

2LOC 2<sup>nd</sup> Lien HELOC (10 draw period / 15-year repayment period)

**Eligible States**

BSM Financial currently is allowed to originate second liens in the following states:

- California
- Florida
- Kentucky
- Louisiana
- New Mexico
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<sup>1</sup> Interest rate MAY NOT exceed 12%

**Credit Scores**

Program eligibility is based in part on the borrowers' credit score. The program criteria is divided into the following four categories:

A1	A2	A3	A4
≥720	680-719	640-679	620-639

**Credit Requirements and History**

A three repository merged infile credit report with a minimum of 2 credit scores per borrower or a Residential Mortgage Credit Report (RMCR) with 2 credit scores per borrower is required on all loans. **All borrowers must have a minimum credit score of 620.**

<b>Credit History</b>	<b>A1 - <math>\geq 720</math></b>	<b>A2 - 680-719</b>	<b>A3 - 640-679</b>	<b>A4 - 620-639</b>
Credit Score	Must be $\geq 720$	Must be $\geq 680$	Must be $\geq 640$	Must be $\geq 620$
Mortgage History	<u>All Doc Types:</u> 0X30 in 24 mos	<u>All Doc Types:</u> 0X30 in 12 mos	<u>Full &amp; Alt Doc:</u> 1X30 in 12 mos <u>Reduced Doc:</u> 0X30 in 12 mos	<u>Full &amp; Alt Doc:</u> 1X30 in 12 mos <u>Reduced Doc:</u> 0X30 in 12 mos
Bankruptcy and Foreclosure	Greater than 7 years & re-established credit*	Greater than 5 years & re-established credit*	Greater than 5 years & re-established credit*	Greater than 5 years & re-established credit*
Consumer Credit History	No Limit/credit score must be met.	No Limit/credit score must be met.	<u>Credit Score <math>\geq 660</math>:</u> No limit/credit score must be met. <u>Credit Score <math>&lt; 660</math></u> 3x30 in 12 mos	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.*
Major adverse credit, opened or paid within the last 12 months including collections, charge-offs, judgments, liens, repossessions, garnishments, any 90 day delinquency.	With Prior approval only when over \$200. All must be paid at closing.	With Prior approval only if over \$500. All must be paid at closing.	With Prior approval only if over \$500. All must be paid at closing.	With Prior approval only if over \$500. All must be paid at closing.

\* Minimum of 24 months of re-established credit that must include 3 trade lines in addition to the existing first mortgage with satisfactory payment rating. Accounts opened prior to the bankruptcy or foreclosures are not considered re-established credit. Also, there may be no delinquencies after the bankruptcy or foreclosure.

***Credit Requirements and History Continued:***

- **Using Credit Scores:** Minimum established credit must include at least 2 years of credit history. In addition, a minimum of three tradelines 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 tradelines must have had activity in the last six months.

All borrowers must have a credit score, and each borrower should have a minimum credit score of 620. If three credit scores are available, the primary borrower's middle score should be used to determine the useable score. The highest wage earner is considered the primary borrower. If two scores are used, the primary borrower's lowest score should be used. If the borrowers' incomes are equal, the lower scoring borrower's middle of 3 scores, or the lower of 2 scores should be used.

**Note:** For Reduced Documentation, use the lowest score among all borrowers. Determine the lowest overall credit score by selecting the lower of 2 reported scores for each borrower, or the middle score of 3 reported scores for each borrower.

- **Age of report:** The credit report must be dated no more than 120 days before the date of closing and must be completed by a "Consumer Reporting Agency."
- **Adverse or Derogatory Credit Information:** If the borrower has had a bankruptcy, foreclosure or repossession in the last 7 years (5 years for credit scores greater than or equal to 620), the borrower must have re-established credit and the credit report must include:
  - A minimum 2 year re-established credit history since the dismissal or discharge of the bankruptcy or foreclosure.
  - A minimum of 3 tradelines in addition to the existing first mortgage with a satisfactory payment rating. The tradelines must have been opened after the bankruptcy, foreclosure or consumer credit counseling. In addition, there may not be any delinquencies after the bankruptcy, foreclosure or consumer credit counseling.

## Occupancy

- Primary Residence
- 1-unit Second Homes only
- 1-unit Investment Properties only

## Eligible Properties

- Detached/Attached Single-family residence.
- 2-4 unit family residence.
- Low-rise and high-rise condominiums.
- Attached/Detached PUDs.
- Rural properties less than or equal to 10 acres.

## Ineligible Properties

- Condotels
- Non-warrantable condos
- Manufactured Homes
- Co-Ops
- Rural properties more than 10 acres
- Agricultural
- Geodesic Domes
- Earth Homes
- Properties currently listed for sale or within the last 12 months
- Timeshare

## Eligible Borrowers

- U.S. Citizens permitted with a valid Social Security Number
- Permanent Resident Aliens permitted with a valid Social Security Number
- Non-Permanent Resident Aliens permitted with the following restrictions:
  - Non-permanent resident aliens are permitted with the restriction that the co-borrower must be a U.S. citizen or permanent resident alien.
  - Valid Social Security Number
- Inter Vivos Revocable Trusts
  - Title must be placed in the inter vivos revocable trusts only.
- Non-Occupant co-borrowers may remain on title for equity loans. However, their income or debts may not be used or considered for qualifying purposes.

## Ineligible borrowers

Foreign Nationals

## Multiple Loans to One Borrower

A borrower owning multiple properties may have a maximum of four (4) home equity loans (HELOC or CES).

## Non-occupant Co-Borrowers

Non-occupant co-borrowers may remain on title; however, their income or debt may not be used for qualification purposes.

**Minimum Loan amount**

- **Stand alone second:** The greater of \$10,000 or the state required minimum. Price add-ons apply for loan amounts less than \$15,000.
- **Simultaneous first and second transactions:** The greater of \$10,000 or the state required minimum.

**Maximum Loan Amount**

<b>LTV/CLTV</b>	<b>A1 - <math>\geq 720</math></b>	<b>A2 - 680-719</b>	<b>A3 - 640-679</b>	<b>A4 - 620-639</b>
CLTV $\leq 70\%$	\$300,000	\$300,000	\$300,000	\$300,000
CLTV $\leq 80\%$	\$300,000	\$300,000	\$300,000	\$300,000
CLTV $\leq 90\%$	\$150,000	\$150,000	\$150,000	\$150,000
CLTV $\leq 100\%$ <sup>3</sup>	\$100,000 <sup>3</sup>	\$100,000 <sup>3</sup>	\$100,000 <sup>1,3</sup>	N/A
<ul style="list-style-type: none"> <li>• Reduced Doc</li> <li>• Non-Owner</li> <li>• 2-4 Units</li> <li>• Second Homes</li> </ul>	\$150,000 <sup>2</sup>	\$150,000 <sup>2</sup>	\$150,000 <sup>2</sup>	\$150,000 <sup>2</sup>

<sup>1</sup> CLTV >90% only eligible with credit scores greater than or equal to 660

<sup>2</sup> Refer to the Maximum CLTV Section for CLTV restrictions

<sup>3</sup> HELOCs in first lien position are not eligible for LTVs greater than 90%

**Maximum CLTV**

<b>Owner Occupied Primary Residence Full and Alternate Documentation</b>								
<b>Property Type</b>	<b>A1 - <math>\geq</math>720</b>		<b>A2 - 680-719</b>		<b>A3 - 640-679</b>		<b>A4 - 620-639</b>	
	<b>Purchase</b>	<b>Refi</b>	<b>Purchase</b>	<b>Refi</b>	<b>Purchase</b>	<b>Refi</b>	<b>Purchase</b>	<b>Refi</b>
<ul style="list-style-type: none"> <li>SFR,</li> <li>Detached PUD's,</li> </ul>	100% <sup>3</sup>	100% <sup>3</sup>	100% <sup>3</sup>	100% <sup>3</sup>	100% <sup>1,3</sup>	100% <sup>1,3</sup>	90%	90%
<ul style="list-style-type: none"> <li>Low Rise Condos</li> <li>Attached Housing</li> </ul>	100% <sup>3</sup>	100% <sup>3</sup>	95% <sup>3</sup>	90%	95% <sup>1,3</sup>	90%	80%	80%
High Rise Condos	90%	90%	90%	90%	90%	90%	N/A	N/A
2 Units	95% <sup>3</sup>	90%	95% <sup>3</sup>	90%	95% <sup>1,3</sup>	90%	70%	70%
3-4 Units <sup>2</sup>	90% <sup>2</sup>	80% <sup>2</sup>	90% <sup>2</sup>	80% <sup>2</sup>	90% <sup>2</sup>	80% <sup>2</sup>	70% <sup>2</sup>	70% <sup>2</sup>

<sup>1</sup> CLTV greater than 90% requires a minimum credit score of 660.

<sup>2</sup> Price add-ons may apply. Refer to the Rate Sheet.

<sup>3</sup> HELOCs in first position are eligible to a maximum 90% LTV only.

<b>Second Home<sup>1</sup> Full and Alternate Documentation</b>								
<b>Property Type</b>	<b>A1 - <math>\geq</math>720</b>		<b>A2 - 680-719</b>		<b>A3 - 640-679</b>		<b>A4 - 620-639</b>	
	<b>Purchase</b>	<b>Refi</b>	<b>Purchase</b>	<b>Refi</b>	<b>Purchase</b>	<b>Refi</b>	<b>Purchase</b>	<b>Refi</b>
<ul style="list-style-type: none"> <li>SFR's,</li> <li>Detached PUD's</li> <li>Attached Housing</li> <li>Low Rise Condos</li> </ul>	90%	80%	90%	80%	90%	80%	70%	70%
High Rise Condos	80%	80%	80%	80%	80%	80%	N/A	N/A
2-4 Units	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> Price add-ons may apply for second homes

**Maximum CLTV Continued:**

Investment <sup>1</sup> Full and Alternate Documentation								
Property Type	A1 - $\geq$ 720		A2 - 680-719		A3 - 640-679		A4 - 620-639	
	Purchase	Refi	Purchase	Refi	Purchase	Refi	Purchase	Refi
<ul style="list-style-type: none"> <li>• SFR's,</li> <li>• Detached PUD's</li> <li>• Attached Housing</li> <li>• Low Rise Condos</li> </ul>	80%	80%	80%	80%	80%	80%	70%	70%
High Rise Condos	80%	80%	80%	80%	N/A	N/A	N/A	N/A
2-4 Units	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> Price add-ons may apply for second homes

Reduced Documentaion <sup>1,2</sup>								
Property Type	A1 - $\geq$ 720		A2 - 680-719		A3 - 640-679		A4 - 620-639	
	Purchase	Refi	Purchase	Refi	Purchase	Refi	Purchase	Refi
<ul style="list-style-type: none"> <li>• SFR's,</li> <li>• Detached PUD's</li> <li>• Attached Housing</li> <li>• Low Rise Condos</li> </ul>	90%	90%	90%	90%	70%	70%	70%	70%
High Rise Condos	80%	80%	80%	80%	N/A	N/A	N/A	N/A
<ul style="list-style-type: none"> <li>• 2-4 Units</li> <li>• Second Home</li> <li>• Investment</li> </ul>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> Price add-ons may apply for second homes

<sup>2</sup> Reduced documentation is eligible for owner-occupied properties and self-employed borrowers only.

**Qualifying Ratios**

Maximum CLTV	A1 - $\geq 720$	A2 - 680-719	A3 - 640-679	A4 - 620-639
$\leq 80\%$	$\leq 45\%^{1,4}$	$\leq 45\%^{1,4}$	$\leq 45\%^4$	$\leq 45\%^4$
$\leq 90\%$	$\leq 45\%^{1,4}$	$\leq 45\%^{1,4}$	$\leq 45\%^4$	$\leq 45\%^4$
$\leq 100\%$	$\leq 45\%^{1,4}$	$\leq 45\%^4$	$\leq 45\%^{3,4}$	NA

**Second Lien Position HELOC – Qualifying Ratios Restrictions:**

<sup>1</sup> DTI >45% may be considered on a case-by-case basis and must be approved by the Underwriting Manager. Add-ons may apply if greater than 45%. Refer to the Rate Sheet. DTI > 45% is **not** allowed on Reduced Documentation, 3-4 units, non-owner occupied or second homes.

<sup>3</sup> A credit score greater than or equal to 660 is required.

**First Lien Position HELOC – Qualifying Ratios Restrictions:**

<sup>4</sup> When the HELOC is in first lien position, the maximum ratios allowed are 33/38%.

**Rate Adjustments**

The rate and payment for all equity lines adjust monthly.

**Payment Due Date**

Except for the initial payment, the payment due date is the 15th of each month.

**Note:** the initial payment will be due 25 days after the first billing statement is mailed.

**Billing Statements**

Monthly billing statements are mailed to the borrowers 14 days before the payment due date. The statement will reflect the previous month's activity. The minimum payment for the draw and repayment period will be calculated as specified in the Line of Credit Agreement.

**Note:** The initial statement may take up to 60 days to be mailed.

**Convenience Checks for Equity Lines**

The borrowers will receive a book of checks within 60-90 days of closing. These checks will allow the borrowers to access their available credit. The minimum amount per check is specified in the Line of Credit Agreement.

**Borrower's Access to Equity Line**

Borrowers may begin accessing the equity account as soon as they receive their convenience checks.

**Termination Fees**

Termination fees may apply. Refer to the [Termination Fees Table](#).

**Eligible terms**

Criteria	Requirements
Term	Twenty-five (25) years
Interest Only Draw Period	Ten (10) year draw period – five (5) year initial draw period with a five (5) year renewal option at the investors discretion (period in which the borrower may access funds), with interest only minimum payment option. <sup>1</sup>
Amortization Period <sup>1</sup>	Fifteen (15) year amortized repayment period <sup>1</sup>

<sup>1</sup> Tennessee – 10 year draw, 10 year repay.

**Payment Calculations for Debt-to-Income Ratios**

- First Mortgage Payment Calculation:
  - ARMs: Qualify the borrowers at the maximum interest rate that could be in effect at the beginning of the second year of the mortgage term. If the mortgage is seasoned more than one year, the current interest rate should be used.
  - Negatively Amortizing First Mortgages: If the underlying first mortgage has a negative amortization feature, calculate the borrowers' Debt-to-Income Ratio using the fully indexed rate (current index plus margin), the current principal balance and the remaining term to calculate a payment for the first mortgage.
  - Buydowns: Qualifying the borrowers at the interest rate in effect at the beginning of the second year of the mortgage term. If the first mortgage is seasoned more than one year, the current interest rate should be used.
- Equity Line Payment Calculation:
  - Qualify the borrowers at the fully indexed rate interest only payment based on the total line amount.
 

**Example:** If prime is 8.5% and the margin is 1.5%, then 10.00% (which is 8.50% + 1.5%) x line amount ÷ 12 = monthly payment.

**Eligible First Mortgages**

- Conventional loans.
- VA or FHA loans (stand alone transactions only, no VA Vendee).
- An equity line of credit may be originated as a stand alone behind an existing balloon first lien. The existing balloon first lien must have 36 months or more remaining on its current term

**Ineligible First Mortgages**

- First lien HELOC.
- Contract for deed, contract for purchase or land contracts.
- All-inclusive trust deeds.
- Private party first liens.
- Reverse mortgages or loans that provide for future advances
- Recapture lien.
- Bonds with recapture taxes.
- ARM/negative amortization that has no ceiling or a ceiling in excess of 125%
- FNMA Flex 100 loans.
- Texas loans
- Cal Vet loans.

**Rescission Period**

A HELOC that is secured by an owner-occupied property is always subject to rescission, regardless of whether it is a purchase or refinance transaction. If the HELOC is a purchase money second, even if the entire line amount is drawn at closing, a rescission notice must be issued for the HELOC. While the draw used for the purchase money is not subject to rescission at the time it is used, the HELOC itself is. This is due to the fact that the borrower can repay the funds that were disbursed towards the purchase and then "reborrow" those same funds. The security instrument for the HELOC may be recorded concurrently with the first, but no funds from the HELOC, other than the amount used for the purchase, may be disbursed prior to the expiration of the rescission period.

The "Notice of Right to Cancel – Purchase Money Home Equity Line of "Credit" form is to be used for all HELOC purchase transactions and the "Notice of Right to Cancel" form is to be used for all refinance transactions.

**Employment Verification and Documentation**

<b>Salaried Borrowers</b>
<p>Salaried Borrowers: A minimum of two (2) years in the same field is required. If the borrower has an employment history of less than two years and was previously in school or the military, the underwriter obtains a copy of his/her diploma or discharge papers. Employment gaps of more than 60 days must be explained by the borrower.</p>
<p><b>Full/Alternative Documentation:</b>                      The following documentation is acceptable verification of employment and income for all programs:</p> <ul style="list-style-type: none"> <li>• Current month's pay stub dated within 30 days from funding with YTD earnings.</li> <li>• Two years most recent W2's (W2's and paycheck stubs must be computer generated)</li> <li>• Telephone Employment Verification verifying two (2) years minimum employment.</li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>• Complete Verification of Employment with two-year history and YTD earnings</li> </ul> <p>Although not required, if a "Verification of Employment" is obtained, many experienced underwriters request the borrower to provide the previous year's W2's and current paycheck stubs in addition to the completed Verification of Employment (VOE). The underwriters have found through experience that the person completing the VOE can make mistakes on the monthly income as well as year-to-date income.</p> <p>The year-to-date income section on the paycheck stub provides exact base and salary and/or overtime information through a specific date which makes it easier to calculate the income. In addition, the paycheck stub sometimes shows undisclosed loans or garnishments in the deductions section, which could adversely affect the loan decision.</p>
<p><b>Streamlined Documentation without AUS Certificate</b>                      The following document is acceptable verification of employment for the credit scores 680 or above <b>only</b>:</p> <ul style="list-style-type: none"> <li>• For a salaried borrower with no overtime, bonus, and/or commission income                             <ul style="list-style-type: none"> <li>○ One paycheck stub within 30 days of funding that must include YTD income.</li> <li>○ Telephone Employment Verification verifying two (2) years minimum employment.</li> </ul> </li> <li>• For a salaried borrower with overtime and/or bonus income:                             <ul style="list-style-type: none"> <li>○ A paycheck stub with YTD earnings</li> <li>○ Most recent year's W2 or completed Verification of Employment</li> <li>○ Telephone Employment Verification verifying two (2) years minimum employment.</li> </ul> </li> <li>• For a salaried borrower with commission income:                             <ul style="list-style-type: none"> <li>○ A paycheck stub with YTD earnings</li> <li>○ Most recent year's W2 or completed Verification of Employment</li> <li>○ Telephone Employment Verification</li> </ul> </li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>○ A paycheck stub with YTD earnings</li> <li>○ Most recent year's tax return</li> <li>○ Telephone Employment Verification verifying two (2) years minimum</li> </ul>
<p><b>Streamlined Documentation with AUS Certificate</b>                      When delivering an equity loan that is closing simultaneously with a first lien that has received an "Approve/Eligible DU" or "Accept LP" or CLUEs rating, the equity loan may be delivered with the same documentation as required by the AUS certificate for the first lien loan. A copy of the AUS certificate must be included in the second mortgage file.</p>

***Employment Verification and Documentation Continued:***

<b>Self-Employed Borrower</b>
A minimum of two (2) years in the same business at the same location is required.
<p><b>Full documentation</b></p> <ul style="list-style-type: none"> <li>• The following documentation is acceptable verification of employment and income, and placed in the file:                             <ul style="list-style-type: none"> <li>○ Two (2) years most recent personal and business tax returns.</li> <li>○ YTD P&amp;L dated within five (5) months of time of closing.</li> </ul> </li> </ul>
<p><b>Streamlined Documentation without AUS Certificate</b></p> <ul style="list-style-type: none"> <li>• The following documentation is acceptable verification of employment and income for credit scores above 680 <b>only</b>:                             <ul style="list-style-type: none"> <li>○ One (1) year most recent personal and business tax returns</li> <li>○ Two years self-employed must be verified</li> <li>○ YTD P&amp;L dated within five (5) months of time of closing.</li> </ul> </li> </ul>
<p><b>Streamlined Documentation with AUS Certificate</b></p> <p>When delivering an equity loan that is closing simultaneously with a first lien that has received an “Approve/Eligible DU” or “Accept LP” or CLUEs rating, the equity loan may be delivered with the same documentation as required buy the AUS certificate for the first lien loan. A copy of the AUS certificate must be included in the second mortgage file.</p>

<b>Reduced Documentation Program</b>
<p>Reduced documentation is acceptable for self-employed borrowers only. Verification of income is waived, but the income must be disclosed accurately to allow underwriting the borrower’s ability to repay the mortgage debt. The Reduced Documentation program is <b>not</b> a “no income qualifier.” Ratios are calculated and the borrower must still be qualified for the loan. In addition, the stated income must be deemed reasonable and consistent with the borrower’s profession or occupation.</p> <p>The borrower’s self-employed status must be verified.</p> <p>Because of the nature of a Reduce Documentation Program, special guidelines are put in force and emphasis must be placed on underwriting the property. All guidelines and documentation requirements are uniform for all programs unless specified.</p>
<p><b>Specific Requirements</b></p> <ul style="list-style-type: none"> <li>• Maximum CLTV 90% and maximum loan amount of \$150,000 for credit score 680 or above.</li> <li>• Maximum CLTV 80% and maximum loan amount of \$150,000 for credit scores 620 to 679.</li> <li>• Maximum DTI ratio 45%</li> <li>• Lowest middle score of all borrowers must be used</li> <li>• An add-on may apply. Refer to the Rate Sheet.</li> </ul>

***Employment Verification and Documentation Continued:***

<b>Reduced Documentation Program Continued:</b>
<p><b>Eligible Borrowers</b>                  Only self-employed borrowers are acceptable. A self-employed borrower must be with the same business, at the same location for a minimum of two years. A borrower is considered self-employed if he or she owns 25% or more of a business, or is the owner of a sole proprietorship, a corporation, or a partnership.</p> <p>A valid business license reflecting a minimum of two (2) years self-employment is required to verify a borrower's self-employed status.</p> <p><b>Note:</b> In those cases where the local municipalities do not issue business licenses, the loan file should contain evidence of this, and provide alternate verification that the business exists. For example, a copy of the local yellow pages advertisement or other marketing documentation would be acceptable.</p>
<p><b>Ineligible Borrowers</b>                  Salaried, commissioned, retired, or borrowers with bonus income must use Full/Alternative documentation. Non-occupant co-mortgagors are <b>not</b> allowed.</p>
<p><b>Eligible Properties</b>                  The following owner-occupied primary residences <b>are</b> eligible.</p> <ul style="list-style-type: none"> <li>• SFRs</li> <li>• Attached/Detached PUDs</li> <li>• Low-rise and High-rise Condos</li> </ul>
<p><b>Ineligible Properties</b>                  The following properties are <b>not</b> eligible.</p> <ul style="list-style-type: none"> <li>• Second Homes</li> <li>• Investment Properties</li> <li>• 2-4 unit dwellings</li> <li>• Co-ops</li> <li>• Manufactured Homes</li> <li>• Properties exceeding 10 acres</li> <li>• Attached/Detached PUDs</li> </ul>
<p><b>Loan Requirements</b>                  Verification of the borrower's income is waived, but the income must be disclosed accurately to allow for underwriting the borrower's ability to repay the mortgage debt. The borrower's self-employment status must be verified with a minimum two (2) year history required. All other credit must be valid.</p> <p><b>Note:</b> Borrowers are not eligible for a loan using the Reduced Documentation Program if they have been 30 or more days late on any mortgage within the past 12 months.</p>
<p><b>Required Reserves and Assets</b>                  The borrower is required to provide six months PITI (total housing payment, including the 1<sup>st</sup> and 2<sup>nd</sup>) in verified liquid assets after close to escrow.</p> <p>The borrower's liquid assets should be consistent with the state income. Liquid assets are defined as demand deposits, savings accounts, IRAs, Keoghs, 401K plans, CDs, and publicly traded stocks and bonds and other qualified investment accounts. The borrower must supply two months' bank statements OR Verification of Deposit. Loan proceeds are not an acceptable source of reserves.</p> <p><b>Note:</b> Assets that would <b>not</b> be acceptable are accounts in the name of a corporation or partnership, or other party, and stock in a closely held corporation.</p>

**Assumability**

Not allowed

### **Mortgage Insurance**

Not allowed

### **Section 32**

Not allowed

### **Escrow Accounts**

Not allowed

### **Title Insurance**

- HELOCs in First Lien Position:
  - Regardless of the loan amount, require a full ALTA policy including a Revolving Credit Line Endorsement.
- HELOCs in second lien position:
  - Loan amounts **less than or equal to** \$100,000 require a Title Search or its equivalent.

#### **Exceptions:**

- A full ALTA policy for line/loan amounts greater than \$50,000 is required in Oregon.
  - A full ALTA policy is required only on stand alone transactions in Florida.
  - Vermont requires a full ALTA on all transactions regardless of line/loan amount.
  - Loan amounts **greater than** \$100,000 require a full ALTA policy. A Revolving Credit Line Endorsement is required.
- Simultaneous Transactions:
    - Loan amounts less than or equal to \$100,000 require only a copy of the title commitment from the first mortgage. No additional coverage is required (Except in Oregon and Vermont).
    - Loan amounts greater than \$100,000 require the ALTA policy to cover both the first and second lien, including a Revolving Credit Line endorsement for HELOCs
    - Any loans closed on properties that have a change in vesting or is a leasehold must have a full ALTA policy

### **Title Report Requirements**

When utilizing a title search or its equivalent, the report must be provided by an attorney licensed to practice law in the state where the property is located, by a title company or by a company that regularly performs real property searches. The title search must be current as of loan closing and clear of any judgments and/or liens. The results must be prepared and submitted on company or attorney letterhead and be signed by an authorized representative of the company or an attorney.

In addition, the title report must include the following information:

- Name and vesting or property holder
- Property address, including the zip code
- Legal description
- Liens of record
- Status of paid or unpaid real estate taxes. If taxes are shown delinquent, then proof must be provided in writing that they have been paid.
- Any other legal items such as judgments (public records.)

**Escrow Holdbacks**

Not Allowed

**Maximum Property Value**

Maximum CLTV	A1 - $\geq 720$	A2 - 680-719	A3 - 640-679	A4 - 620-639
$\leq 90\%$	No Limit	No Limit	No Limit <sup>1</sup>	\$750,000
90.01-100%	\$750,000	\$750,000	\$750,000 <sup>1</sup>	Not allowed

<sup>1</sup> A credit score greater than or equal to 660 is required. If credit requirement is not met, then subject to the property value restriction in the lower credit score tier.

**Appraisal Requirements**

Maximum Loan Amount/Property Value	A1 - $\geq 720$	A2 - 680-719	A3 - 640-679	A4 - 620-639
Loan Amounts $\leq$ \$30,000	2055 exterior	2055 exterior	2055 exterior	2055 exterior
Loan Amounts $\leq$ \$100,000	2055 exterior <sup>4,5</sup>	2055 exterior <sup>4,5</sup>	2055 exterior <sup>4,5</sup>	2055 exterior <sup>4</sup>
Loan Amounts $>$ \$100,000	Full Appraisal <sup>1</sup>	Full Appraisal <sup>1</sup>	Full Appraisal <sup>1</sup>	Full Appraisal <sup>1</sup>
Property Value $>$ \$500,000	Full Appraisal <sup>1</sup>	Full Appraisal <sup>1</sup>	Full Appraisal <sup>1</sup>	Full Appraisal <sup>1</sup>
Property Value $>$ \$750,000	Full Appraisal	Full Appraisal and a Field Review <sup>2</sup>	2 Full Appraisals <sup>2</sup>	2 Full Appraisals <sup>2</sup>

<sup>1</sup> For purchase transactions only, 2055 exterior appraisals are allowed if the loan amount is  $\leq$  \$100,000 **and** the property value is  $\leq$  \$750,000.

<sup>2</sup> The lower of the two appraised values must be used to establish the CLTV

<sup>4</sup> 2-4 units are not eligible for Form 2055 exterior and must use Form 1025/72, Small Residential Income Property Appraisal.

<sup>5</sup> AVM property valuations may be used in lieu of 2055 exterior. Refer to [AVM Property Value](#) section for restrictions.

**AVM Property Valuation**

- Alternative appraisal evaluation systems, Automated Valuation Models (AVM), are computer programs that use real estate information, such as demographics, property characteristics, sales prices, and price trends to calculate a property value. BSM Financial allows the use of stated AVM property valuations if the loan meets program requirements and is provided by one of the following approved vendors:
  - ValueFinder (Landsafe)
  - HPA (Experian/1st American)
  - ValuePoint (MRAC)
- AVMs are **not** allowed in the following states

○ Alaska	○ Arkansas	○ Iowa	○ Indiana
○ Kansas	○ Louisiana	○ Maine	○ Missouri
○ Mississippi	○ Montana	○ North Dakota	○ New Hampshire
○ Rhode Island	○ South Dakota	○ Texas	○ Utah
○ Vermont	○ West Virginia	○ Wyoming	

- AVM Requirements
  - AVM may only be used if the program guidelines specify that the alternative appraisal valuation is allowed and the loan meets all of the following requirements:
    - Minimum credit score 660
    - Maximum loan amount less than or equal to \$100,000
    - Minimum property value of \$50,000
    - Maximum property value less than \$500,000
    - Less than or equal to 100% CLTV
    - Owner-occupied primary residence only
    - 1-unit detached SFR or PUD
    - Stand alone second
  - The following loans are **not** eligible for AVM:
    - First lien HELOCs
    - Properties located in soft market areas

**Age of Appraisal**

Appraisals must be dated 6 months or less from the Note date. A recertification of value is required for appraisals dated more than 6 months from the Note date, up to 12 months. Drive by appraisals must be dated no more than 6 months prior to the Note date. If the drive by appraisal is dated more than 6 months from the Note date, a new drive by appraisal is required.