Indymac Lending Guide

Guideline Overview

General Information

- Secondary Review
  - Approval by e-MITS of loans >$650,000
  - Senior Indymac management approval of loans >$1,500,000
- Exceptions to Guidelines
  - Loans must be submitted to manual underwriting first

Income

- History of receiving stable work income or other sources
- Reasonable expectation of continuance in the foreseeable future
- May come from multiple sources
- Source of income must be adequately verified
- Nontaxable income may be grossed up **25%**

Nontaxable Income

- Sources of income that are nontaxable:
  - Child Support Payments
  - Social Security Payments
  - Disability Retirement Payments (SSI)
  - Workers’ Compensation Benefits
- Verification needed to confirm nontaxable status
- Verification needed to confirm likelihood of continuance for 3 years

Unacceptable Income

- VA education payments
- Rent received from a boarder
- Income tax declared on tax returns
- Income derived from illegal activities
- Any source that cannot be adequately verified

Assets

- Reserve Calculation is composed of the following costs associated with subject property
  - Principal & Interest of 1^{st} mortgage loan
  - Hazard and flood insurance premiums
  - Real Estate taxes
  - Mortgage insurance premiums
  - HOA / Condo Association Dues

Assets *continued*

- Unacceptable Assets
  - Pooled Funds: Funds “pooled” with the funds of other members of an organization which can not be verified
  - Cash-on-hand
  - Sweat Equity (value of labor contributed by borrower)
  - Assets from illegal activities

Assets *continued*

- Unsecured Borrowed Funds: Signature loans, unsecured lines of credit, overdraft protection, credit card lines of credit
- Any assets that cannot be verified as required by guidelines

Verification Documents

- Written Verification
  - Page 2200-6
- Pay Stubs, Payroll Statements & W-2 Forms
  - Page 2200-6
- Tax Returns
  - Copies of individual and business tax returns must include the Borrower's signature(s)

Verification Documents *continued*

- Account Statements
  - Page 2200-7
- Retirement Accounts
  - Must identify Borrower’s vested amount
  - Must include Terms & Conditions for funds withdrawals or Loans
- Age of Documentation
  - Within 120 days of Note

Full Documentation

- For Alt-A Loans
  - Written Verification(s) of Employment; **or**
  - Copies of W-2(s) for **2** most recent tax years; **and**
  - Last 2 consecutive pay stubs reflecting year-to-date earnings
    - The most recent and one no older than 60 days from the date of Note

Full Documentation *continued*

- NonPrime Loans
  - Written Verification(s) of Employment; **or**
  - Copy of W-2(s) for the most recent tax year; **and**
  - Last 2 consecutive pay stubs reflecting year-to-date earnings

Full Documentation *continued*

- Commission Income
  - Last 2 consecutive pay stubs
  - Previous 2 years W2 forms
  - If commission income exceeds 25% of total employment:
    - Copies of signed tax returns, including all schedules, for last two years required
    - At least 6 months of commission income must be reported on latest tax return

Full Documentation *continued*

- Overtime & Bonus Income
  - Verified for last 2 years and probable continuance
- Part-Time or Second Job Income
  - Verify income has been **Uninterrupted** for last 2 years; likelihood for continuance
- Seasonal Income
  - Page 2200-11

Full Documentation *continued*

- Self-Employment Income
  - Copies of signed personal tax returns for the last 2 tax years, including all schedules, **and** (if applicable)
  - Copies of signed business tax returns for the last 2 tax years, including all schedules (if LLC, Partnership or Corporation):
    - General Partner: Form 1065 and K1 Form
    - Limited Partner: K1 Form
    - Corporation: Form 1120 and K1 Form

Full Documentation *continued*

  - Sub-Chapter S Corporation: 1120S and K1 Form; **and**
  - Year-To-Date Profit & Loss Statement

- Rental Income
  - – Copy of signed tax return, including Schedule E, for most recent tax year
  - – If property not listed on Schedule E tax return, copy of current signed lease(s) must be provided
  - – 75% of the gross rental income used for qualifying purposes

Full Documentation *continued*

- Retirement / Pension Income
  - If from a company or the government, proof of continuance not required
  - If disbursements are from annuity payments, 401(k) or IRA monthly distributions, evidence of continuance for at least 3 years
- Social Security / Disability
  - Award Letter and 1 recent bank statement

Full Documentation *continued*

- Disability income:
  - Award Letter
  - Indications of the date or event that will cause income to end
  - Must have at least 3 years continuance
- VA Benefits
  - Must have 3 years of continuance

Full Documentation *continued*

- Alimony or Child Support Income
  - Copy of divorce decree, separation agreement, or court decree that describes payment terms evidencing 3 years continuance
  - One of the following to evidence receipt of payments for the last 3 months:
    - Bank statements reflecting payment deposit to Borrower’s account; or
    - Cancelled checks from obligor; or
    - Correspondence from court indicating payments through court system

Full Documentation *continued*

- Other Income
  - – Dividend / Interest
  - – Note Receivable
  - – Capital Gains
  - – Trust Income
  - – Unemployment or Welfare Benefits
  - – Foster Care
  - – Military

Bank Statements

- Only available for NonPrime Loans
- Not available if employed by relative or in a family business
- Must have 1 year employment with same employer (self-employed, in the same business)
- Copies of most recent **6** months statements
- An average of deposits for the 6 months used to qualify income

Bank Statements *continued*

- All pages of each statement
- Borrower(s) must be only person(s) shown as account holders
  - Statements showing other individuals can not be used for qualifying purposes
- Unusual deposits must be explained
- 100% of deposits from personal accounts
- **50% of deposits from business accounts**

Bank Statements *continued*

- If using business accounts, Borrower must be 100% owner
- Evidence of business ownership required

- Verbal verification of employment
  - Salaried Borrowers: Page 2200-17
  - Non-Salaried Borrowers
    - Letter of documentation from neutral third-party such as:
      - Certified Public Account
      - Regulatory Agency

Bank Statements *continued*

- Letter must state Borrower has been self-employed or has earned income from other sources for at least 1 year

Stated Income

- 2 continuous years of employment (self-employed, in same business)
- Reasonable for Borrower’s type of employment, line of work, assets
- If not 2 years continuous employment, Borrower not eligible for Stated Income program
- Letter stating source of additional income needed
- Alt-A Stated Program:
  - Must use lower of the two credit scores

Stated Income *continued*

- Salaried & Non-Salaried Borrowers: Page 2200-18
- Borrowers employed by a relative or in a family business must go with Full Doc Loan
- Assets used for qualification (if necessary):
  - Depository accounts (checking, savings, certificate of deposit, money market funds)

Stated Income *continued*

- – Stocks, bonds, mutual funds and/or trust funds
- – Retirement accounts (IRA, 401(k), Keogh)
  - Vested value entered into e-MITS
    - – e-MITS will use 70% of entered amount

- Assets must meet or exceed:
  - – ALT-A loan amount >$650,000
    - 2 times the amount of the stated monthly income

Asset Verification

- NonPrime Loans
  - PITI of 2 months for >90% LTV

Asset Documentation

- Checking Account, Savings Account, Certificate of Deposit, Money Market Funds, Stocks, Bonds, Mutual Funds
- Documentation Requirements
  – Written Verification of Deposit (VOD) for each account
  – Current and average balance for 2 months
  – Copies of statements for 2 most recent months

Asset Documentation *continued*

- When one spouse on loan, only their assets may be used
  - Joint assets: 50% of the total value used
- Verification must be completed when joint assets are used by one Borrower
  - Notarized statement by other individual on account indicating Borrower's access
  - A VOD or bank statement indicating joint account and Borrower's access to funds without consent from other party

Asset Documentation *continued*

- Stock Options: Page 2200-25
- Tax Deferred Retirement Accounts (IRA, 401(k), Keogh)
  - Copies of statements for most recent 2 months
  - Documentation regarding the conditions under which funds can be withdrawn
  - Place 100% vested amount into Integra; e-MITS will automatically use 70%
  - Loans from account(s) must be subtracted from account total

Asset Documentation *continued*

- Trust Funds
  - Copy of trust agreement or letter from trustee indicating amount available
  - VOD for each account with current and average balance for last 2 months
  - Proof of liquidity is required
- Life Insurance Net Cash Value
  - Documents to verify cash value of policy
  - Proof Borrower is the policy owner
  - Show period covered

Asset Documentation *continued*

- Ending cash value
- Outstanding loans against policy
- Evidence of liquidity

Credit Report

- Must be three repository, tri-merged report
- No erasures, alterations, or written corrections
- Note date must be within 120 days of credit report date
- e-MITS requires new report when…
  - Borrower added or deleted

Credit Report *continued*

  - Borrower's name or social security number is altered
- Credit Report Corrections (Underwriting)

Credit History

Alt-A Credit Requirements – 1st Mortgage	
Minimum Credit Score	620
Minimum Tradelines Open >=12 by Document Type	Full Doc: 3 Stated Income: 4
Max Mortgage/Rent Delinquencies in Last 12 Months	0
Foreclosure – Completion Date Greater Than	36 months
Bankruptcy – All Chapters – >= to Discharge / Dismissal Date	24 months from discharge / dismissal date

NonPrime Credit Requirements – 1st Mortgages

Credit Level	I++[2]	I+[2]	I[2]	II[2]	III	IV
Minimum Credit Score	500					
Min. Tradelines Open >= 12 months	Full & Bank Statements: 3 Stated Income: 4					
Mortgage Rent / History	12 Months					
Max. Mortgage / Rent Delinquent Payments in Last 12 Months	0x30 0x60 0x90	1x30 0x60 0x90	3x30 0x60 0x90	Unlimited x30 1x60 0x90	Unlimited x30 x60 1x90	Unlimited X30 X60 x90
Foreclosure – Completion Date Greater Than	36 months	36 months	36 months	24 months	12 months	Discharged / dismissed prior to funding
Chapter 7, 11 or 12 BK	Discharged / dismissed prior to application					Discharged / dismissed prior to funding
Chapter 12 BK	Discharged / dismissed prior to application		Filing 24 months prior to application	Filing 18 months prior to application	Filing 12 months prior to application	Discharged / dismissed prior to funding
Open Chapter 13 BK, Max. Post Petition Delinquencies	NA		3x30 0x60 0x90	Unlimited x30 1x60 0x90	NA	

Credit History *continued*

Credit Requirements – 2nd Mortgages	
Minimum Credit Score	620
Minimum Tradelines Open >= 12 Months	Full Doc: 3 Stated Income: 4
Maximum Mortgage / Rent Payments Delinquent Last 12 Months	0x30, 0x60, 0x90
Foreclosure – Completion Date Greater Than	36 months
Bankruptcy – All Chapters – Greater Than	24 months from discharge / dismissal date

Credit History *continued*

- Up to 6 consecutive “rolling” 30 day lates within the most recent 12 month period will be counted as **1x30** late
- After 6 consecutive 30 day lates, each additional late payment is counted individually
- A Delinquency of 120 days is considered a foreclosure, regardless of whether foreclosure action has been commenced

Credit History *continued*

- Bankruptcies that are open at time of application must be satisfied, discharged or dismissed prior to closing
- Open Chapter 13 considerations: Page 2200-44
- Mortgage & Rent Verification: Page 2200-45

Credit History *continued*

- Age of Verifications
  - Date of Note may be no later than 120 days from date of any mortgage, rent or other liability verification
- Delinquent Accounts
  - Must be either brought current or paid in full prior to or at closing
  - All mortgages must be current (Calusa)

Credit History *continued*

- Alt-A Loans
  - Primary and Second Homes
    - Collections and Charge-offs up to **$5,000** aggregate do not have to be satisfied
  - Investment Properties
    - Collections and Charge-offs up to **$250** per account ***and*** **$1,000** aggregate do not have to be satisfied

Credit History *continued*

- NonPrime Loans
  - Medical accounts, regardless of amount, need not be paid
  - Judgments, collections and charge-offs ***older than*** 12 months that do not affect title and no wage garnishments, do not have to be satisfied
  - Collections and charge-offs dated within 12 months up to **$5,000** aggregate do not have to be satisfied

Credit History *continued*

- Twelve Months measured as follows:
  - Charge-offs: The date account became a charge-off
  - Collections: Opening date of the original collection account
    - If sent to collection agency, opening date with agency is used
  - Judgments: Either the date the judgment was granted by the court or the date judgment was filed
- IRS, State Tax Lines: Page 2200-48

Income Ratios

- Revolving Charge Accounts
  - If no minimum amount noted on credit report, **5%** of outstanding balance used as monthly payment amount
- Installment Debt
  - Pay down to 10 payments permissible
  - Alt-A Program
    - Deferred or Forbearance payment accounts, such as student loans, can not be excluded for DTI purposes

Income Ratios *continued*

- NonPrime Loans
  - Deferred or Forbearance accounts may be excluded if evidence is provided:
    - Borrower is currently enrolled in school
    - Student loan has been deferred for at least 6 months from the date of the loan application

- Lease Payments
  - Regardless of the number of months remaining, lease payments must always be considered a recurring monthly debt

Income Ratios *continued*

- Alimony and / or Child Support
  - If payments will be for more than 10 months, payment must be included for DTI purposes
  - If payment is less than 10 months, debt can be excluded from DTI
  - Copy of documentation required to verify amount and term of payments

Income Ratios *continued*

- Cosigned Loans
  - 12 most recent months cancelled checks showing payment from primary obligor required
  - Primary obligor must have made at least 12 payments; if not, can not be excluded from DTI
- 401K / TSP or other loans secured by financial assets
  - Payments may be excluded from the monthly DTI

Income Ratios *continued*

- Business Debt in Borrower's Name
  - 12 months cancelled checks showing payments being made by business

Compensating Factors

- Exceptions to guidelines can include, but are not limited to…
  - 12 or more months of verified PITI reserves
  - Debt to income ratio of 40% or below
  - LTV of 80% or below
  - Decrease in Borrower’s housing payment 15% or more
  - Borrower has owned the subject property 4 or more years

Compensating Factors *continued*

- Credit history reflecting:
  - No more than 1 30 day late on any consumer debt within the last 24 months
  - No unpaid liens, judgments, or collections within last 24 months
  - No late mortgage payments within the last 24 months
  - No foreclosure or bankruptcy action within the last 48 months

Compensating Factors *continued*

- Borrower has been employed with the same employer or in the same field for 4 years or more

Property & Appraisal Standards

- Exclusionary Appraiser List
  - Indymac B2B website
    - Tools & Resources
      - Appraisal Services
- Appraisal must be dated within 120 days of the Note; if not, update needed
- No appraisals accepted dated more than 1 year prior to date of Note

- All comparable sales must have closing dates within 6 months of appraisal date
- If not:
  - Appraiser must provide explanation for lack of recent sales
  - For each comparable used > 6 months, an additional listing or pending sale must be included
- Alt-A Loan >$650,000 and NonPrime >$500,000, 5 comparables needed

- At least 2 comparable sales must be within applicable distances:
  - Within 1 mile for urban & suburban
  - Within 3 miles for rural

Eligible Properties

- Designed for 1 to 4 families
- Accessible as appropriate and customary for the area
  - Must have comparable sales of similar properties
- Must be heated by continuously-fueled heat source permanently affixed to property

Mixed Use Properties

- Must be a single family dwelling that borrower occupies as principal residence
- Business must adhere to all local zoning requirements
- Borrower must be both the owner and operator of business
- Property primarily residential in nature
  - Business use may not exceed 25% of gross living area

Condominiums

- High Rise: 4 or more stories
- Low Rise: 3 or less stories
- 50% of total units must be occupied as primary residences or second homes
- One individual or entity may own no more than 10% of the units

Property with Acreage

Alt-A	
Number of Acres	**Max LTV & CLTV**
20.01 - 30	75%
30.01 - 40	70%
40.01 - 50	65%
> 50	Not Permitted
NonPrime Loans	
Number of Acres	**Max LTV & CLTV**
10.01 - 20	70%
> 20	Not Permitted

Multiple Parcels

- Subject property consists of more than one parcel, parcels must be adjoining

Property Condition

- Properties with maintenance issues, a realistic cost to cure deficiencies:
  - Cost may not exceed lesser of $2,500 or 3% of the appraised value

Ineligible Properties

- Properties not designed for year round use or are not accessible year round
- Properties not common and typical for the area
- Multifamily properties for more than 4 dwelling units
- Time share properties
- Manufactured housing

Ineligible Properties *continued*

- Mobile homes
- The following not permitted for NonPrime loans:
  - Properties listed for sale within the past 6 months
  - Properties < 600 square feet
  - Mixed use properties

Calusa
Your Nationwide Mortgage Source

- By the 25th of each month, proof of mortgage payment needed
- Indymac E-Mits: 1st borrower must have income listed in Integra
- ID must be in file, even if DND'ing for better copy
- Child Support: Must have a court decree

CALUSA
Your Nationwide Mortgage Source

- Indymac Hazard Information
- Sign 1003 within 3 Days of Loan Origination
- South Carolina:
  - Use Fidelity Global for attorney
- Ohio:
  - Closing Protection Disclosure
    - Select ‘No’