



# TPO Lending Guide

This TPO Lending Guide (referred to herein as “TPO Lending Guide” or “Lending Guide”) is provided by Union Home Mortgage Corp. (“UHM”), having its principal place of business at 8241 Dow Circle West, Strongsville, OH 44136. UHM publishes this TPO Lending Guide via its secured website to inform UHM TPO Partners of its policies procedures, guidelines, announcements and other TPO communications, and may be amended from time to time. TPO Partners shall review this TPO Lending Guide and are responsible for reviewing any amendments or modifications when such amendments or modifications are published.

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## **Section 100**

### **Section 101**      **Introduction**

#### **100.1**      **Loan Eligibility**

To originate Loans for Union Home Mortgage Corp., Loans must meet certain eligibility criteria, be approved by Union Home Mortgage Corp. and execute in accordance with Agency and/or Investor requirements. For complete information regarding eligibility criteria; please refer to Section 200 of the TPO Lending Guide. Partners agree to be bound and abide by the procedures, terms and conditions set forth in the Guide, which may be amended from time to time.

#### **100.3**      **Programs and Commitment Methods**

Union Home Mortgage Corp. offers a wide variety of programs and products designed to enhance the options available to our customers. The products, as further described in Section 600 and 700, including Conforming (FNMA and GNMA) eligible products.

Union Home Mortgage Corp. offers Single Loan Best Effort Commitments. Detailed information on Commitment options is found in Section 400.

#### **100.5**      **Acceptance of Procedures, Terms, and Conditions**

Partners are bound and must abide by the procedures, terms, and conditions set forth in the TPO Lending Guide, which may periodically be amended.

#### **100.8**      **Purpose of the TPO Lending Guide**

The Union Home Mortgage Corp. TPO Lending Guide sets forth the detailed terms and conditions governing participation in the Union Home Mortgage Corp's TPO Lending Program. The TPO Lending Guide also describes the Loan products that Union Home Mortgage Corp. will offer and the underwriting criteria and guidelines which apply for each Loan to be eligible for delivery by Union Home Mortgage Corp. The Union Home Mortgage TPO Lending Guide may be revised from time to time.

#### **101.1**      **Organization of TPO Lending Guide**

The material contained in the TPO Lending Guide is organized by topic into numbered sections that are subdivided into subsections, as set forth in the preceding Master Table of Contents. For ease of reference, refer to the Correspondence Information for a directory of Union Home Mortgage Corp's addresses, phone numbers and correspondence information. Any and all exhibits, guidelines, and reference material attached to the TPO Lending Guide or referred to in the TPO Lending Guide are incorporated into, and are part of, the TPO Lending Guide.



## **TPO Lending Guide**

Union Home Mortgage publishes the TPO Lending Guide in a computer-readable format available through Union Home Mortgage Corp. TPO Website.

### **101.3 Updates and Amendments**

Union Home Mortgage Corp. may periodically update the TPO Lending Guide to reflect developments in the Lending Program, providing updates from monthly bulletins and will provide each release update through a formal UHM announcement. This written notice will explain the amendment and will specify both the effective date of the change and the Loans to which such change applies.

### **101.5 Communication**

Except as otherwise expressly provided in the TPO Lending Guide, all notices, demands, and other communications from a Partner shall be given in the manner and to the addresses and telephone numbers specified in the Correspondence Information.

### **101.7 Terms**

Throughout the TPO Lending Guide, the terms "UHM" and "We" are used to refer to Union Home Mortgage Corp., the purchaser of Loans. The terms "Partner" and "You" are used to refer to TPO Partners. The term "TPO Lending Guide" and "Lending Guide" is used to refer to this manual. All other capitalized terms herein shall have the meanings set forth in the Glossary, unless the context otherwise requires.

### **101.9 Legal Disclosure**

Union Home Mortgage Corp. has developed this TPO Lending Guide to assist Partners in complying with the terms and conditions governing participation in the Union Home Mortgage Corp. TPO Lending Program. This TPO Lending Guide is intended for use by UHM, its Employees, and its TPO Partners and is not intended for distribution to Borrowers.

## **Section 200 Eligibility**

### **200.1 General Information**

Union Home Mortgage makes the Representations, Warranties and Covenants contained in this TPO Lending Guide for each Loan originated and sold by Union Home Mortgage Corp. as of the respective dates of the Loan Purchase Agreement and each Commitment Letter and as of each Funding Date. Such Representations, Warranties and Covenants are the company's sole responsibility. Each Representation, Warrant and Covenant continues in

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full force and effect for so long as any Loan purchased by Union Home Mortgage remains outstanding and for so long as UHM is subject to any risk of loss or liability.

Union Home Mortgage Corp. acknowledges that Investors purchase the Loans in reliance upon the truth and accuracy of UHM Representations and Warranties set forth in the Program Documents and this TPO Lending Guide, all of which Representations and Warranties relate to a matter material to such purchase. These Representations, Warranties and Covenants shall insure to the benefit of Union Home Mortgage Corp's successors, affiliates and assigns unless the Investor specifically waives a Representation, Warranty or Covenant in writing.

### **200.3 Fair Lending Policy**

UHM's commitment to fairness and equal opportunity is clear and unequivocal. UHM requires the application of fair and consistent origination and underwriting practices in the TPO channel.

In keeping with its commitment to fairness and equal opportunity, UHM requires our Partners to treat all Borrowers and prospective Borrowers in a fair and consistent manner from the first contact with the prospective Borrowers through the last with the Borrowers. All should receive the same level of service. UHM requires TPO Partners and all employees to observe this commitment, in particular, in providing assistance to Borrowers and prospective Borrowers on whether to apply for credit, how best to qualify for credit, how to resolve any issues relating to creditworthiness and other aspects of the credit extension process. UHM requires that all the properties offered to secure the Borrower's Mortgage Loans be underwritten based on property type, occupancy status and the appraised value. The fact that a property is located in an area with a predominant racial or ethnic population is irrelevant.

Discrimination based on race, color, sex, sexual orientation, disability, national or ethnic origin, marital or familial status, religion or age is contrary to UHM's fundamental principle and commitment and is unlawful.

### **200.4 Licensing; Due Organization; Good Standing**

**Licensing, Due Organization; Good Standing** - The Company, TPO Partners and Operations Partners (where applicable) shall continue to be duly organized, validly existing and in good standing under the laws of the United States, and under the laws of each state in which we are incorporated, chartered, organized and conducting business.

Each Employee, Officer, Agent, and Assignee:

- a) has and shall continue to maintain all federal, state and local licenses, registrations and certifications necessary to carry on business; and
- b) is and shall continue to be licensed, qualified and in good standing under the laws of the United States and each state where a Mortgaged Property and/or Borrower is located, as applicable; and
- c) will remain in good standing with state and federal authorities to the extent necessary to ensure enforceability of all Loans; and
- d) have written policies and procedures in place to ensure the compliance, and as applicable each Employee, Officer, Agent and Assignee, with all applicable federal, state



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and local licensing, registration and related disclosure and record retention requirements, at the entity level and the individual employee level; and

- e) have not taken into account any "deminimus" licensing or registration exemptions to deliver to our Investors.

Union Home Mortgage Corp. will disclose all final written reports, actions and sanctions of all federal and state agency and instrumentality reviews, investigations, examinations, audits, actions and sanctions undertaken or imposed within two (2) years prior to the Loan Purchase Agreement effective date.

### **200.6 Ordinary Course of Business**

Consummation of the transactions contemplated by the Program Documents and the terms of this TPO Lending Guide are in the ordinary course of business, and Union Home Mortgage's transfer, assignment, and conveyance of the Notes and the Mortgages pursuant to the Program Documents and the terms of this TPO Lending Guide are not subject to the bulk transfer laws or any similar statutory provisions in effect in any applicable jurisdiction.

### **200.8 Origination/Servicing**

The Loans have been legally, properly, prudently, and customarily originated and serviced in conformance with the highest standards of the residential mortgage origination and servicing business using Accepted Servicing Practices.

### **210.1 Compliance with Business and Property Laws**

Union Home Mortgage Corp. complies with, and shall continue to comply with, and has not violated and shall not violate, any law, ordinance, requirement, regulation, rule, or order applicable to its business or properties, the violation of which might adversely affect an Investor's operations or financial condition the ability to consummate the transactions contemplated by the Program Documents and this TPO Lending Guide.

### **210.2 Mortgage Loans as Described**

No document, report, data or material furnished by UHM relating to any Loan (including, without limitation, the Mortgagor's Loan application executed by the Mortgagor) in any Loan File, whether delivered in hard copy, electronically or otherwise, contains any untrue statement of fact or omits to state a fact necessary to make the statements contained in the Loan File not misleading.

### **210.3 Loan Delivery, Payments Current**

Union Home Mortgage Corp. has made and has credited all payments required to be made through the related Loan's Funding Date under the terms of the Note. No payment required under the Loan is

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delinquent nor has any payment under the Loan been delinquent at any time since the origination of the Loan. For the purposes of this paragraph, a Loan will be deemed to be delinquent if the Mortgagor did not pay any payment due within 15 days of such payment's due date OR the month such payment was due.

### **210.4 Loan Delivery, No Outstanding Charges**

The Mortgagor has not defaulted under the Loan terms, and has paid any and all taxes, including, without limitation, any and all transfer taxes due and payable to any state or municipality relating to the Mortgaged Property's transfer of ownership and occupancy interest. The Mortgagor has paid all governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments and ground rents and other charges that previously became due and owing or will become due and owing within sixty (60) days of the Funding Date, or the Mortgagor has established an escrow account sufficient to pay such charges.

### **210.5 No Advances**

Prior to the Funding Date:

- a) Union Home Mortgage Corp. has not advanced funds, or induced, solicited, or knowingly received any advance of funds by a party other than the Mortgagor, directly or indirectly, for the payment of any amount required under the Loan unless pursuant to an Agency eligible program or, except for interest accruing from the date of the Note or the Loan proceeds disbursement date, whichever is later, to the day that precedes by one (1) month the due date of the first installment of principal and interest; and
- b) the Mortgagor has, in compliance with the applicable Underwriting Guidelines, made any down payment required in connection with the Loan, and has received no concession from the Seller, the Mortgaged Property Seller, or any other third party, unless pursuant to an Agency eligible program.

### **210.6 Original Terms/No Release Notification**

No person or entity has impaired, waived, altered, or modified in any respect, except by a written instrument that UHM has approved, the original Note and Mortgage terms. Any related MI Policy issuer and the title insurer have approved the substance of any Note and Mortgage term waiver, alteration, or modification, to the extent required by the respective policies. No Mortgagor has been released, in whole or in part.

### **210.7 Hazard Insurance**

Pursuant to the terms of each loan, hazard insurance policies meeting UHM's and Agency requirements insure all buildings or other improvements upon the Mortgaged Property and

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obligates the Mortgagor to maintain such hazard insurance policies at the Mortgagor's cost and expense, and upon the Mortgagor's failure to do so, or to provide evidence thereof, authorizes the Mortgagee to obtain and maintain such insurance at the Mortgagor's sole cost and expense, and to seek reimbursement from the Mortgagor. Each hazard insurance policy is the valid and binding obligation of the insurer, is in full force and effect, and will be in full force and effect, to our Investor's benefit upon the consummation of the transactions contemplated by the Program Documents and this TPO Lending Guide. UHM will not engage in any act or omission that would impair the coverage of any hazard insurance policy, the benefits of the endorsement provided for herein, or the validity and binding effect of either. The Loan terms permit the maintenance of an escrow account to pay the premiums for the above-mentioned insurance, and the Mortgagor has not waived the requirement for such escrows, unless otherwise permitted by UHM or required by applicable law. Each loan file delivered on the funding date contains any required guaranteed initial Flood Zone Determination documentation.

### **PRE-CLOSING VALIDATION OF THE MORTGAGE PAYMENT:**

To validate a borrower's payment in accordance with QM, reception of the insurance quote, binder or declaration page early in process is critical. Along the same lines, it is also important to obtain evidence of any and all applicable homeowner's association fees applied to a specific property.

Conservative Payment Estimate Best Practices:

- 1.) TPO Partners are recommended to add 10% to the estimated insurance and association fees at application in the event actual figures are not available.
- 2.) TPO Partners are to work to obtain evidence as early as possible in process.
- 3.) Operations Staff are to review and validate estimated insurance and association fees.
- 4.) In the event the Underwriter has not viewed the insurance or association fee documentation, the Underwriter will condition for a payment "not to exceed" to ensure the file does not have to come back through underwriting once evidence has been obtained.

*The faster and more diligent you can be up-front, the more accurate and efficient we can be when the file is underwritten.*

### **210.8 Origination, Underwriting and Servicing Compliance**

The originating, closing and the servicing of the Loan is in compliance with, and will continue to be in compliance with all applicable laws, rules, regulations, decrees, pronouncements, directives, orders, and contractual requirements with respect to the origination, closing, underwriting, processing, and servicing of each Loan and any and all other applicable federal, state, county, municipal, or other local laws, including, without limitation:

- a) the laws, regulations and regulatory guidance relating to truth-in-lending, real estate settlement procedures, usury limitations, fair lending, equal credit opportunity, unfair, deceptive and abusive practices, collection practices, real estate appraisals and all

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other applicable consumer credit protection laws (the "Consumer Credit Protection Laws"); and

- b) all anti-money laundering laws, rules regulations applicable to the origination and servicing of mortgage loans including, but not limited, to the Bank Secrecy Act, the USA Patriot Act (including its § 326 customer identification program requirements and its §314 information sharing requirements), the regulations of the Office of Foreign Assets Control (collectively the "Anti-Money Laundering Laws").

Union Home Mortgage Corp. has established, implemented, maintained and will continue to maintain a regulatory compliance program to monitor its compliance with the Consumer Credit Protection Laws and the Anti-Money Laundering Laws, and maintains, and will maintain, sufficient information to identify the applicable Mortgagor for purposes of the Anti-Money Laundering Laws.

### **210.9 Loan Status**

No person or entity has satisfied, canceled, subordinated, or rescinded, in whole or in part the Mortgaged Property and no person or entity has released, in whole or in part, the Mortgage Property from the Mortgage lien, nor executed any instrument that would affect any such release, cancellation, subordination, or rescission. There is no assumption, loss draft or payoff pending on the Loan nor has the Seller received a request for approval of, or notice of any proposed assumption, loss draft or payoff of the Loan.

### **211.1 Manufactured Home Mortgage Loans**

Union Home Mortgage Corp. shall not deliver any Mortgage Loans secured by a Manufactured Home, that have not been converted to real property, permanently affixed to real property, its title certificate cancelled or surrendered as applicable and meet all applicable Agency Requirements. For full details please review Manufactured Home Guidance in Section 600 of this TPO Lending Guide.

### **211.2 Location and Type of Mortgaged Property**

The Mortgaged Property is located in the state identified in the Loan File and, unless otherwise provided for in the Program Documents, this TPO Lending Guide or any applicable Underwriting Guidelines, consist of a single parcel of real property with a single family residence erected thereon, or a two-to-four family dwelling, or an individual unit in a planned unit development or condominium project. No portion of the Mortgaged Property is used for commercial purposes in such a manner that knowledgeable and sophisticated Investors active in the residential secondary mortgage market would consider the Mortgaged Property commercial, rather than residential property.

### **211.3 Valid First Liens Secured by Real Property**

The Mortgage is a valid, existing, and enforceable first lien on the Mortgaged Property; on all buildings on the Mortgaged Property; on all installations and mechanical, electrical,



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plumbing, heating, and air conditioning systems located in or affixed to such buildings; and on all additions, alterations, and replacements made at any time with respect to the foregoing. Any mortgaged property that has any existing or simultaneous lien that takes priority over the first mortgage is not eligible for purchase. This includes but is not limited to liens that utilize the municipal tax assessment process or a utility company to ensure payment.

The Mortgage lien is subject only to:

- a) current real property taxes and assessment liens not yet due and payable;
- b) covenants, conditions, restrictions, rights of way, easements, and other matters of public record which as of the date of the lien's recording are or were acceptable to mortgage lending institutions generally, are specifically referred to in the Title Policy or, as permitted by UHM and applicable state law, an attorney's opinion of title, delivered to the Loan originator, and: (a) were referred to or otherwise considered in the appraisal made for the Loan originator or (b) do not adversely affect the Mortgage Property's appraised value set forth in such appraisal; or
- c) other matters to which like properties are commonly subject, which other matters do not materially interfere with the benefits of the security intended to be provided by the Mortgage, or the use, enjoyment, value, or marketability of the related Mortgaged Property.

### **211.4 Loan Documents**

Union Home Mortgage will ensure that all Loan Documents are genuine and complete in all respects and each is the Mortgagor's legal, valid, and binding obligation enforceable in accordance with its terms. All parties to the Note and the Mortgage had legal capacity to enter into the Loan, to execute and deliver the Note and the Mortgage, and did duly and properly execute the Note and the Mortgage. Union Home Mortgage Corp. utilizes the current and valid Agency forms and documents.

### **211.5 The Full Disbursement of Proceeds**

The full principal amount of the Loan proceeds have been advanced to Borrower, either by payment directly to such Borrower or by payment made on such Borrower's request or approval and there is no requirement for future advances in the Loan documents. The unpaid balance of the Loan is as represented by the Seller. Any and all requirements as to completion of any on-site or off-site improvements and as to disbursements of any escrow funds therefore have been complied with. All costs, fees, and expenses incurred in making or closing the Loan and recording the Mortgage were paid, and the Mortgagor is not entitled to any refund of any amounts paid or due under the Note or the Mortgage.

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### **211.6 Ownership of Loans**

Union Home Mortgage Corp. is the sole owner and holder of the Loan. Except for the security interest of a Warehouse Lender, the Loan is assigned or pledged. UHM presents good and marketable title to the Loan, and has full right to transfer and sell the Loan free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim, security interest, right, option, assignment, or servicing agreement with any third party whatsoever.

### **211.7 Title Insurance**

Union Home Mortgage Corp. is the sole insured under the Title Policy. The Title Policy is in full force and effect, will be in full force and effect and is in conformance with applicable Agency requirements.

### **211.8 No Mechanic's Lien**

Unless fully covered by a Title Policy, no loans may contain a mechanic's or similar lien or claim filed for work, labor, or material (and no rights are outstanding that under applicable law could give rise to such a lien or claim), affecting the related Mortgaged Property, which is or may be a lien prior to, or equal with, the related Mortgage's lien.

### **211.9 Improvement Locations; No Encroachments**

All improvements the underwriter considered in determining the Mortgaged Property's appraised value at origination lie wholly within the Mortgaged Property's boundaries and building restriction lines and no improvements on adjoining properties encroach upon the Mortgaged Property (except those encroachments which the title insurer has affirmatively insured over). No improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning law or regulation. All Mortgaged Property improvements, including new construction, have been completed in full compliance with any applicable laws, regulations or building codes and standards, and the improvements comply with the laws, regulations, or building codes and standards as of the Funding Date.

### **212.1 Origination Terms**

The person or entity originating and processing the Loan, originated and processed the Loan in accordance with this TPO Lending Guide's terms and the Loan was underwritten in accordance with the applicable Underwriting Guidelines in effect when the Loan was originated and processed.

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### **212.2 Occupancy Certifications**

The Mortgaged Property is lawfully occupied under applicable law. Union Home Mortgage Corp. has made or obtained from the appropriate authorities all inspections, licenses, and certificates required to be made or issued with respect to all occupied Mortgaged Property portions, or with respect to the Mortgaged Property's use and occupancy (including, without limitation, certificates of occupancy and fire underwriting certificates).

### **212.3 No Additional Collateral**

The Note may not be secured by any collateral except the corresponding Mortgage lien and the security interest of any applicable security agreement or chattel mortgage.

### **212.4 Deeds of Trust**

In the event the Mortgage constitutes a deed of trust, a trustee, duly qualified under applicable law to serve as such, must be properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by UHM to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor or re-conveyance of the deed of trust.

### **212.5 Acceptable Investment**

There is no circumstance or condition with respect to the Mortgage, the Mortgaged Property, the Mortgagor, or the Mortgagor's credit standing, that can reasonably be expected to cause investors to regard the Loan as an unacceptable investment, cause the Loan to become Delinquent or adversely affect the Loan's value or marketability.

### **212.6 Condominium Project Units and Planned Unit Developments ("PUD")**

As to each condominium unit located in a condominium project or planned unit located in a PUD:

All Loans secured by units in condominiums or PUDs must comply with the applicable condominium or PUD requirements set forth in this TPO Lending Guide and/or appropriate Agency guidelines. With respect to any lien held by a homeowners association, special district, or similar organization for assessments, maintenance fees or similar charges against the Mortgaged Property which is, or appears to be, equal to or prior to the Mortgage Loan, the homeowners association, special district or similar organization have agreed to give at least 60 days written notice before foreclosing on the lien and UHM will forward such notice to the holder of the Mortgage Loan at least 45 days before foreclosure.

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- Important Note: Condominium concentration may not exceed 15% for UHM loans in any one association/development.

### **212.7 Loan Recording and Transfer**

Union Home Mortgage Corp. has timely recorded the Mortgage, and the Note if necessary to protect our Investor's interests. UHM has either closed the Loan with MERS as the named nominee, or has assigned the Loan to MERS as the nominee prior to the Investor's purchase of the Loan. If applicable, the Assignment of Mortgage from UHM to MERS has been timely recorded, and validly transfers the Loan, free and clear of any pledge, lien, encumbrance, or security interest.

### **212.8 Due-on-Sale**

When, and to the extent, allowed by applicable law, the Mortgage contains an enforceable provision for acceleration of the Loan's unpaid principal balance in the event that the Mortgagor sells or transfers the Mortgaged Property without the Mortgagee's prior written consent.

### **212.9 No Graduated Payments or Contingent Interest**

Unless otherwise expressly provided for in the Program Documents or this TPO Lending Guide, none of the documents evidencing or securing the Loan is a graduated payment Loan, and the Loan does not have a shared appreciation or other feature providing for contingent interest or contingent principal.

### **213.1 Mortgaged Property Undamaged; No Condemnation**

The Mortgaged Property is undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado, or other casualty so as to affect adversely the Mortgaged Property's value as security for the Loan or the use for which the premises were intended. The Mortgaged Property is in good repair. There are no condemnation proceedings by any federal, state, or local authority pending or, to the best of the Seller's knowledge, threatened against the Mortgaged Property.

### **213.2 Collection Practices; Escrow Deposits**

The collection practices used with respect to the Loan have been in accordance with Accepted Servicing Practices, and have been in all respects legal and proper. With respect to escrow deposits and escrow payments, all such payments are in UHM's possession and there exists no deficiency in connection with the escrow deposits and Escrow Payment for which customary arrangements for repayment have not been made. No escrow deposits or escrow payments, or other charges or payments due the Investor, have been capitalized under the Mortgage or Note. All Loans delivered for Funding shall contain the HUD required Initial Escrow Account Disclosure Statement.

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### **213.3 No Other Hazards**

Union Home Mortgage Corp. will continually validate that the Mortgaged Property is not exposed to Environmental Hazards which are not covered by fire and extended coverage insurance or other available insurance. Environmental Hazards refer to any natural or man-made characteristics that are present in, or affect, the Mortgaged Property or neighborhood, including but not limited to, hazardous wastes, toxic substances, radon gas, asbestos-containing materials, urea-formaldehyde insulation, sulfur-containing drywall (also known as Chinese drywall), except as UHM has specifically and fully remediated and such remediation has been inspected by a professional qualified to verify that the Environmental Hazard has been satisfactorily corrected prior to closing the loan.

### **213.4 Supervision of Union Home Mortgage Corp.**

Union Home Mortgage Corp. is regulated, supervised or examined by a federal or state authority, or by a Mortgagee approved by the Secretary of Housing and Urban Development pursuant to National Housing Act Sections 203 and 211.

### **213.5 Real Estate Appraisals, General Guidance**

Each appraisal conducted in connection with a Loan complies with applicable federal and state law, and applicable Agency requirements; and with respect to any appraisal requirements imposed by or pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), as amended from time to time, the related Loan is eligible for purchase by a financial institution subject to FIRREA, and, in the case of Conforming Balance Loan sizes, by the Agencies. Each appraisal is made by an Appraiser who meets all of the following requirements:

- a) Is either a licensed or certified residential Appraiser or a certified general Appraiser, by the state, as required for the particular appraisal;
- b) Is in good standing with the applicable state appraisal licensing agency;
- c) Is independent of UHM and UHM's affiliates and subsidiaries, and is not involved in the Loan transaction in any way except as the Appraiser;
- d) Does not have any present or prospective direct or indirect interest, financial or otherwise, in the property or transaction that is the subject of the appraisal report;
- e) Has no personal bias, or interest with respect to any of the parties involved in the transaction relating to the appraisal, including but not limited to UHM or UHM's directors, officers, employees or agents;
- f) Made a personal inspection of the property that is the subject of the appraisal report;
- g) Was not assigned the appraisal based on any required or expected minimum or specific valuation of the appraised property, and whose compensation was not based upon reporting a predetermined value of the appraised property or any other

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information contingent upon some event which, at the time of the appraisal, had not occurred;

- h) Was not assigned the appraisal by the same person responsible for the sole approval authority for granting the loan request, and
- i) Demonstrates sufficient experience and education in the appraisal of properties similar to the subject property.

### **213.6 Qualified Mortgages**

Each loan is a "qualified mortgage" within the meaning of Section 860G of the Internal Revenue Code of 1986, as amended (but without regard to Treasury Regulation § 1.860G-2(f) (2) or any similar rule that treats a defective obligation as a qualified mortgage).

All loans, regardless of loan product type must conform to Qualified Mortgage (QM) guidelines per Dodd Frank regulations.

### **213.7 Additional G.S.E. Agency Warranties**

For all Loans originated under either the Fannie Mae and Freddie Mac conventional mortgage programs and Ginnie Mae government programs, all Warranties, Representations and obligations required under the Agencies' respective selling programs are hereby referenced, made a part of, and incorporated in their entirety into this TPO Lending Guide.

### **213.8 FHA, VA and USDA Guidelines**

Each FHA, VA or USDA Loan sold by Union Home Mortgage Corp. meets all requirements and guidelines in effect for such Loan as prescribed by FHA, VA or USDA as applicable, and the Investor at the time of the Investor's.

### **213.9 Error or Fraud**

Neither the Mortgagor nor any other person or entity involved in the Loan transaction or in its underwriting or documentation (including, without limitation, any Appraiser, Credit Reporting Agency, or other provider of underwriting information) has made any false representation and/or has failed to provide information that is true, complete and accurate in connection with such transaction.

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### **214.1 Loan Payments**

Union Home Mortgage Corp. will not make directly or indirectly, any payment on the Loan or on any other Loan of the Mortgagor from any other person or entity; UHM has also not made any agreement with any Mortgagor providing for any variation of the Mortgage Interest Rate, the schedule of payment or other loan terms and conditions.

### **214.2 Adverse Selection**

Union Home Mortgage Corp. does not permit the use of any adverse selection process or procedures in selecting the Loans to be sold by UHM.

### **214.3 Securities Law**

UHM has made no representation concerning the applicability or inapplicability of the Security Act of 1933, as amended (the "1933 Act") or of any state securities laws (each, a "State Act") to the transactions that are the subject of this TPO Lending Guide.

- i) The offer, issuance, sale, and delivery of the Loans under the circumstances contemplated hereunder constitute exempted transactions under the registration provisions of the 1933 Act, and the registration of the Loans under the 1933 Act is not required in connection with any such offer, issuance, sale, or delivery of the Loans; and
- ii) The offer, issuance, sale, and delivery of the Loans under the circumstances contemplated under the Program Documents and this TPO Lending Guide constitute exempted transactions under applicable State Acts, and neither the Loans registration or qualification is required under such State Acts nor is the authorization, approval, or consent of any governmental authority or agency required or necessary in connection with any such offer, issuance, sale, or delivery of the Loans.

### **214.4 Predatory Lending/Home Ownership and Equity Protection Act/High Cost Loans**

No Mortgage Loan is subject to the Provisions of the Home Ownership and Equity Protection Act of 1994 as amended or is considered a "high cost", "covered" or "predatory" loan under any applicable state, federal, or local laws or ordinances.

### **214.5 Fair Lending / Equal Credit Opportunity Act**

Union Home Mortgage Corp. complies with the Fair Lending Act and the Equal Opportunity Act treating all Borrowers in a fair and consistent manner. All borrowers receive the same level of assistance, on whether to apply for credit, how to best qualify for credit, how to resolve any issues relating to credit worthiness and other aspects in the credit extension process.

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### **214.6 Prohibited Practices**

Union Home Mortgage Corp. Partners have not engaged in any of the following practices with respect to loans originated and sold:

- a) Encouraging a borrower to default on an existing loan in connection with the refinance of all or part of the existing loan;
- b) Financing single premium credit life, disability or unemployment insurance products with the proceeds of the Mortgage Loan;
- c) Refinancing of a Special Subsidized Mortgage. A "Special Subsidized Mortgage" means a residential mortgage loan that is originated or subsidized by or through a state, local, or tribal government or nonprofit organization and that in some circumstances:
  - i) does not have to be completely repaid; or
  - ii) requires only partial payments be made.

Examples include, but are not limited to, a mortgage granted by organizations such as Habitat for Humanity or a local housing authority.

- d) Contracting for a prepayment penalty on any product or loan.
- e) Executing documents to evidence or secure the loan which contain an arbitration clause;
- f) Payment to a home improvement contractor from the proceeds of the Mortgage Loan other than by a check made payable either to the consumer, or jointly to the consumer and the home improvement contractor, or through an independent third party escrow agent;
- g) Payment of Mortgage Loan payments in advance from the loan proceeds; and
- h) Contracting for an increase in the interest rate upon default of the loan at a level not commensurate with risk mitigation.

### **214.7 Responsible Lending; Benefit to Borrower; Ability to Repay**

Union Home Mortgage Corp. hereby makes the following Representations, Warranties and Covenants to UHM as to each Loan offered for sale under the Program Documents:

- i) Agrees to use best efforts to ensure that each loan offered to a borrower is consistent with his or her needs, objectives and financial situation.
- ii) Each Mortgage Loan, the proceeds of which have been used to refinance a previous mortgage loan, offers a documented, demonstrable, tangible net economic benefit to the borrower.
- iii) Appropriate assessment and documentation has been performed of the borrowers' ability to repay each Mortgage Loan in accordance with its terms.



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- iv) Timely, sufficient and accurate information has been provided to borrowers concerning each Mortgage Loan's terms, costs, risks, and benefits including but not limited to disclosure of:
  - a. the existence of a prepayment penalty, if applicable, prior to closing and
  - b. on limited documentation products, disclosure of the availability of a lower interest rate in exchange for higher levels of documentation
- v) Total loan compensation for each Mortgage Loan, has been structured to avoid providing any incentive to originate a loan with predatory or abusive characteristics.

### **214.8 Net Tangible Benefit**

A Lender may not knowingly or intentionally make a residential mortgage loan to a Borrower who refinances an existing residential mortgage loan when the new residential mortgage loan does not have reasonable, tangible net benefit to the Borrower, considering all of the circumstances, including, but not limited to, the terms of both the new and refinanced loans, the cost of the new loan and the Borrower's circumstances. Refinancing without providing such a benefit is known as "flipping" a residential mortgage loan. Due diligence must be completed with the following scenarios:

- Cost-Reduction Refinances
- Cash-Out Refinances
- Payment-Reduction Refinances
- Streamline Refinances with and without appraisal
- Risk-Reduction Refinances (ARM to Fixed Rate)

### **214.9 Prepayment Penalties**

Loans including Pre-Payment Penalty terms are no longer permissible. Relevant to current loans being refinanced, all information provided to UHM Investors in any loan file, loan registration, underwriting guidelines or summary, or mortgage loan schedule, regarding the existence, amount, term or calculation of any prepayment penalty or prepayment premium is complete and accurate. For loans originated prior to ATR/QM, each prepayment penalty is permissible and enforceable in accordance with applicable law. Prepayment penalties on mortgage loans are applicable to prepayment resulting from refinancing of the related mortgage properties and the terms of such prepayment penalties do not provide for waiver or release during the term of the prepayment penalty. No mortgage loan provides for the payment of a prepayment penalty beyond the three-year term following the origination of the mortgage loan.

### **214.10 Government Agency Compliance**

If a Mortgage Loan is intended to be insured by a government agency (including but not limited to the FHA, VA or USDA), UHM complies with all said government agency requirements applicable to Agency and Investor requirements and to the Mortgage Loan.

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### **215.1 Ohio Properties**

Each Mortgage Loan secured by property located in Ohio, irrespective of the originating lender's exempt status under the Ohio Consumer Sales Practices Act, relies on full verified documentation of the borrower's financial resources to determine the borrower's probability of repayment, and all supporting documentation used by the originating lender to analyze the probability of repayment at time of origination is contained in the Mortgage Loan File.

### **215.2 Colorado Properties**

For each Mortgage Loan secured by property located in Colorado which involves a mortgage broker, a reasonable inquiry as to the borrower's current and prospective income has been made and appears in the Mortgage Loan File, and an analysis of reasonableness of the income has been performed.

### **215.3 Guaranteed Rural Housing Loans**

Each single family Guaranteed Rural Housing Loan ("USDA Loan") has been underwritten and conforms to (1) UHM USDA Loan policies as set forth in this TPO Lending Guide, and (2) national USDA Guaranteed Rural Housing Loan Guidelines as published in the Rural Development Instruction 1980-D and accompanying notices and announcements, and (3) applicable local USDA Rural Development Office policies. In the event of a conflict between these requirements, the policy that has been applied as controlling is the policy appearing earliest in numerical order herein.

### **215.4 Method of Computing Interest**

With respect to all Government Loans, interest shall be calculated according to a 365-day year unless otherwise required by FHA, VA, or USDA as applicable. In the event that the Product Guide does not specify an amortization period for a specific loan type, interest may be calculated according to a 365-day year, provided that the method used complies with the Program Documents, Agency guidelines, and applicable law.

### **215.5 Eligible Loan Amount**

The Mortgage Loan amount is a minimum of \$50,000.

### **215.6 North Carolina Properties**

No Mortgage Loan meets the definition of a "Rate Spread Home Loan" under North Carolina law, regardless of any theories of exemption or preemption.

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### **215.7 Ability to Repay and Qualified Mortgages, Residual Income Evaluations**

At the time of consummation, based on verifiable documentation, the Loan is a Qualified Mortgage as defined under the ability to repay provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which amended the Truth in Lending Act (TILA), and the implementing regulations. If the Loan is a Qualified Mortgage that is subject to a rebuttable presumption of compliance as defined under TILA, Union Home Mortgage Corp. will perform a residual income evaluation in the underwriting analysis which documents that the consumer has sufficient residual income to meet their monthly reoccurring expenses. Please review ATR/QM Policies and Procedures available on PartnerNet for full details.

### **215.9 Cooperative Share Loans**

No Mortgage Loan may be secured by a Cooperative.

## **Section 300 General/Events of Default, Defining Terms**

### **305.1 General/Events of Default**

This section sets forth events constituting defaults under the terms and conditions of the Program Documents ("Events of Default") and sets forth remedies available to UHM upon the occurrence of an Event of Default. The *Remedies* available to UHM vary based on the Investor, Loan type, manner of underwriting (if applicable), and the applicable representation, warranty or covenant and are in addition to any other remedies UHM may have at law or in equity. These remedies include, but are not limited to:

- Repurchase
- Indemnification
- Reasonable Assurances
- Suspension and Termination
- Set-off (Net Fund)
- Withholding of Fundings

The *Events of Default* for which UHM is entitled to remedies include, but are not limited to:

- Early Payment Default (delinquency or foreclosure)
- Breach of Representation or Warranty
- Uninsurable Loan
- Unmarketable Loan
- Fraud and/or Misrepresentation
- Early Payoff (SRP Premium Recapture)

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### 305.2 Remedies to Events of Default

#### REPURCHASE AND INDEMNIFICATION - SUMMARY MATRICES

The matrices below outline potential Events of Default and the remedies are categorized according to Family Type, Event of Default, underwriting party and from what party will seek a remedy.

Underwritten By:	Union Home Mortgage Corp.		
Default Event	Family Type	Government	Conventional
	Early Payment Default	Not Applicable	Not Applicable
	Breach of Representation or Warranty (Loan)	Repurchase	Repurchase
	Unmarketable Loan	Repurchase	Repurchase
	Uninsurability	Not Applicable <sup>2</sup>	Not Applicable <sup>2</sup>

### 305.3 Early Payment Default

- i) **First Four (4) Payment Default.** Any of the first four (4) payments\* due to the Investor or its assigns on a FHA, VA, or USDA Mortgage Loan (a "Government Loan") or on a Delegated Conforming conventional Mortgage Loan that becomes ninety (90) days or more, delinquent; **or**
- ii) **Other Early Payment Defaults.** Any of the following number of payments due to UHM or its assigns on the referenced insured Government Loan that becomes ninety (90) days or more delinquent:
  - o If a HUD repossession without an appraisal, any of the first twelve (12) payments.
  - o If a VA streamline refinance securing California property and the Seller does not provide a valuation of the property, any of the first twenty-four (24) payments.

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### 305.4 In the event of an Uninsurable Mortgage

- i) **Certificate of Insurance.** The certificate of insurance has not been duly issued by FHA, VA, USDA or a mortgage insurance company or guarantor ("Mortgage Insurer") acceptable to UHM as applicable;
- ii) **Insurance Premium.** The mortgage insurance premium has not been paid to the Mortgage Insurer;
- iii) **Insurance Cancellation or Denial.** The Mortgage Insurer cancels coverage and/or denies a claim under such coverage due to fraud, misrepresentation or omission of a material fact or for any other reason related to the eligibility of the Mortgage Loan for Mortgage Insurance or guaranty.

### 305.5 In the event of a Repurchase

The amount Union Home Mortgage Corp. must pay to the Investor upon a Repurchase request ("Repurchase Price") is calculated as follows:

#### i) **The Purchase Price**

If the Loan has not been pooled, the Purchase Price, including any premium pricing plus the Servicing Release Premium ("SRP") paid to UHM, or

If the Loan has been pooled, the Purchase Price plus the SRP paid to UHM at the time of purchase based on the outstanding principal balance due and owing on the Mortgage Loan as of the date of Repurchase, plus

#### ii) **Modified Loan Amount**

The Investor may, as part of its loss mitigation efforts, enter into an agreement modifying the terms of the Loan (Modification Agreement) with a Borrower suffering an involuntary inability to pay their Mortgage under the original terms of the Note. Such Modification Agreement may increase the amount of the unpaid principal balance due to capitalization of interest, Escrow amount and/or other advances. If default should recur on that Loan, the Repurchase Price will include the outstanding principal balance based on the modified Loan amount, plus

#### iii) **Expenses** — Any and all documentary stamp taxes, recording fees, transfer taxes, and all other expenses payable in connection with any such Repurchase, including, without limitation, any loss relating to the Mortgage Loan, all costs or expenses incurred by the Investor in the course of Repurchasing such Mortgage Loan from a third party, and reasonable attorneys' fees; plus,

#### iv) **Interest, Penalties and Fees** — Accrued but unpaid interest up to the first day of the month following the date of Repurchase and any penalties or fees charged by the Servicer, such as, but not limited to, late fees or restoration fees.

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### **305.6 Indemnification Remedy For Early Payment Event Of Default**

If an Early Payment Event of Default occurs, the Investor, at its sole discretion, and instead of exercising its right to demand repurchase of the related Mortgage Loan offer UHM the option to pay an Indemnification Amount as set forth below.

### **305.7 Indemnification Amounts and Penalties**

The Indemnification Amount, if offered by the Investor in place of Repurchase, shall be as follows:

- i) **Insured Government Loans —**
  - **For Insured FHA Loans:** Any SRP paid to UHM and a non-refundable \$3,000 fee, plus, if the Loan has not been pooled, any above par pricing premium.
  - **For Guaranteed VA Loans and USDA Loans:** Any SRP paid to UHM and a non-refundable \$3,000 fee.
- (ii) **For Delegated Conforming Conventional Loans:** Any SRP paid to UHM and a non-refundable \$1,500 fee, plus, if the Loan has not been pooled, any above par pricing premium.

The indemnification amount is due from UHM within (30) days of the Investor's request.

### **305.8 Early Pay-Off Event of Default**

In the event an FHA, VA, USDA Mortgage Loan (a "Government" loan) or a Conventional Mortgage Loan (defined as all loan types other Government loans) is paid off in full within 120 days of purchase, Union Home Mortgage Corp. shall refund all compensation paid by the Investor including, without limitation, all service release premium and above par pricing premium.

### **305.9 EPO; Questionable Financing Practices**

Questionable financing practices that may result in an early pay-off, constitute a violation of Union Home Mortgage Corp. policy. UHM requires TPO Partners to include appropriate safeguards to preclude the possibility of violating an Investor's prohibitions against questionable financing practices.

### **306.1 Notification of Agencies or Regulators**

UHM will notify any relevant Agency or regulator of the occurrence of an Event of Default involving fraud or misrepresentation.

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### **306.2 Confidentiality**

As a result of its relationship with the Investor, Union Home Mortgage Corp. will learn or have access to various trade secrets, confidential and proprietary methods, techniques, processes, applications, approaches, and other information in various forms, which such information is used or useful in the conduct of UHM's business, including its origination, Loan Purchase, sale, and servicing of Mortgage products, collectively referred to as "Confidential Information." UHM acknowledges that such Confidential Information is the exclusive property of the Investor. UHM shall not, at any time, regardless of if, when, and how its relationship with the Investor may terminate, directly or indirectly use, disclose, publish, reveal, copy, disseminate, or otherwise make available such Confidential Information.

### **306.3 Consumer Privacy**

Notwithstanding anything to the contrary, Union Home Mortgage Corp. will not use or disclose any "nonpublic personal information" on a "customer" or "consumer" of any financial institution affiliated with Union Home Mortgage Corp. that is made available to, provided to, or obtained by the Investor for any purpose other than as required for the performance of UHM's obligations under this TPO Lending Guide. In addition, UHM will not disclose such "nonpublic personal information" to any third party, including (without limitation) to an affiliate of the Investor or to any individual contractor, to carry out the performance of UHM's obligations unless: (1) UHM obtains the prior written consent of the Investor; and (2) such third party agrees in writing to be bound by the terms of this section and will use such "nonpublic personal information" only to perform some or all of UHM's obligations in accordance with applicable law. For purposes of this section, the terms "nonpublic personal information," "consumer" and "customer" shall have the meanings set forth in Title V of the Gramm-Leach-Bliley Act and its implementing regulations, and this section shall survive termination of UHM's Loan Purchase agreement and/or this TPO Lending Guide.

### **306.4 Transfer of Mortgage Loan**

Union Home Mortgage Corp. may upon sale convey and assign to the Investor all of its right, title and interest in and to each Mortgage Loan, including all supporting documentation.

## **Section 400      Registrations and Pricing**

The purpose of the *Registrations and Pricing* section is to explain how to register and/or lock loans or commitments with Union Home Mortgage Corp. This section contains detailed information about UHM's Pricing Policies.

### **400.1 Registrations**

All pricing is completed through the Encompass Software System and the UHM Pricing Engine. In the event you need to speak with a Department Representative, please see below:



## TPO Lending Guide

### Secondary Marketing Desk

For questions regarding the lock, contact UHM's helpdesk at [tporatelocks@unionhomemortgage.com](mailto:tporatelocks@unionhomemortgage.com) or 855-326-7696

#### 400.2 Hours of Operation

- 9:00 a.m.-5:00 p.m. EST - Monday through Friday

#### 400.3 Overnight Best Effort Price Protection

Overnight price protection is available until 8:00 a.m. EST the next business day. Overnight price protection is not available on extensions which must be completed no later than 5:00 p.m. EST on the lock expiration date.

#### 400.4 Holiday Schedule

The UHM Secondary Marketing Department will be closed in observance of the following holidays:

Holiday	Closed
New Year's Day	Closed
Martin Luther King Day	Closed
President's Day	Closed
Good Friday	Closed at 1:00 p.m. EST
Memorial Day	Closed
U.S. Independence Day	Closed
Labor Day	Closed
Veterans Day	Closed
Thanksgiving Day	Closed
Christmas Day	Closed
New Years Eve	Closed at 3:00 p.m. EST

**This schedule is subject to change.**

**Please note:** The Lock Desk attempts to follow the SIFMA holiday closing schedule located at [www.sifma.org/services/holiday-Schedule](http://www.sifma.org/services/holiday-Schedule).



## TPO Lending Guide

### 405.1 Pricing Definitions

**Commitment** - An agreement between UHM and the Investor sell Mortgage Loan(s) under specific terms.

**Best Effort** - An agreement between UHM and the Investor for the sale of specified eligible Mortgage Loans by a specific date for a specified price in which both parties are obligated to perform within the terms of the UHM TPO Lending Guide only if the Loan closes. Best effort commitments are borrower and property specific.

**Agency** - A commitment type that is saleable to Fannie Mae, Freddie Mac and Ginnie Mae.

**Lock Expiration Date** - The date by which all closed and disbursed Loans committed by UHM are due for delivery.

### 405.2 Pricing Programs

Union Home Mortgage Corp. offers the following types of Pricing Programs:

**Registrations (Floats)** - Registrations are available the Best Effort program. The TPO Partner registers a Loan for submission of underwriting packages to UHM. Please note, UHM does not permit float registrations for refinances. All floats must be requested by the customer solely, Loan Officers are not permitted to float the rate with the company while locking a rate with a customer.

When entering into a Lock or Commitment, the TPO Partner agrees to comply with all the requirements outlined in the TPO Lending Guide.

### 405.3 Pricing Indicators

Union Home Mortgage Corp. pricing is available in the proprietary pricing engine and rate sheets are presented daily.

UHM makes every effort to keep the price quotes current; however prices displayed may not be current due to unscheduled price changes. When prices are changed, the pricing engine is updated and UHM will update and distribute revised rate sheets..

### 405.4 Market Price

- *Agency Best Effort*
- The posted base price in the pricing engine is the "Market Price."

### 405.5 Purchase Price

- *Agency*

## TPO Lending Guide

The "Purchase Price" UHM receives for the Loan is the Market Price plus any Adjusters as posted in the TPO Lending Guide or in our pricing engine. The Purchase Price is subject to adjustments in the event of a change of circumstance.

### **405.6 Best Effort Maximum Compensation Guidelines**

UHM pricing falls within Investor maximum compensation caps depending on the outcome of a high-cost test on all Best Effort loans.

### **405.7 Delivery Schedule**

UHM offers Best Effort Locks using the following delivery assumptions:

#### **Delivery Options**

- 15 Day
- 30 Day
- 45 Day
- 60 Day
- 75 Day (-.25 to pricing)
- 90 Day (-.375 up-front price adjustment)
- 120 Day (-.875 up-front price adjustment)
- 150 Day (-1.25 up-front price adjustment)
- 180 Day (-1.50 up-front price adjustment)

### **405.8 Delivery of Funding Package**

UHM must review and complete funding documentation for each Loan by the Commitment Expiration Date. This Commitment period starts the day the Commitment is executed.

### **405.9 Rate Lock Confirmation**

Rate Lock Confirmations will be delivered via email once the pricing engine has confirmed the lock.

### **406.1 Double Locks**

Re-uploading a loan and locking at current market pricing is not allowed.

### **406.2 Re-Submissions**

Re-submissions of Loans previously canceled or denied, up to 30 days past the Commitment

## TPO Lending Guide

Expiration Date, are to be phoned in to UHM Secondary Marketing. If the Loan was locked prior to cancellation or denial, it will be locked at the "worst of" price between the original Commitment price and current market.

If the Loan is 30 or more days past the expiration date, including expired locks will be priced to the current market.

### 406.3 Lock Changes

If circumstances require a change to the Loan parameters and/or program type of a Best Effort Lock, UHM may re-underwrite the Loan. UHM will re-price the Loan based on the type of change as follows:

#### AGENCY

UHM will use the original commitment pricing for changes involving any of the following situations or characteristics:

- Fixed Conventional to fixed Conventional
- Fixed Government to fixed Government
- Interest rate changes
- Term changes in which security term remains the same
  - 30 year to 20 year, 15 year to 10 year
- Changing to or from a government buydown
- Loan amount (may affect SRP)
- Fico Score

UHM will use current market for changes involving any of the following situations or characteristics:

- ARM to fixed or fixed to ARM
- Government to Conforming Conventional
- Conforming Conventional to Government
- Term changes affecting the current hedge and requiring new current market lock
  - 15 year to 30 year
  - 10 year to 30 year
  - 15 year to 20 year
  - 10 year to 20 year

The following may not be changed on existing loans:

- Lock period
- Property address (unless typographical error)
- Borrowers Name (unless typographical error)

**Please Note:** Any changes to loan characteristics may affect applicable Delivery Fees and SRP.

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### 406.4 **Best Effort Lock Extensions**

UHM offers Best Effort lock extensions. The following guidelines apply:

- UHM requires all extension requests be made by the TPO Partner prior to the Commitment Expiration Date. Extensions are not available on loans that have expired. If the extension is requested after the Commitment Expiration Date or the loan is received after the Commitment Expiration date, the loan will be subject to the worst-case pricing. Additionally, extensions requested after 5:00 P.M. EST on the Lock Expiration Date are subject to worst-case pricing.
- UHM will adjust the Market Price based on the Extension Schedule published on the Pricing Policy. The Extension Schedule applies to fixed and adjustable rate products, is subject to change without notice, and is subject to change on the quarterly interest adjustment dates for Government ARMs.
- Extensions can be requested via [tporatelocks@unionhomemortgage.com](mailto:tporatelocks@unionhomemortgage.com) until 5:00 pm EST.
- The cost for extensions is .025 per day; after 30 day the lock is subject to worst-case pricing.
- Costs for extensions are applied to the borrower unless there are extenuating circumstances. The charges will be applied to discount points with Conventional, FHA, VA and Non-Agency Loans, to the Origination Fee for USDA Loans. Material Change Documents must be completed after the extension fee is applied.

### 406.5 **Best Effort Relocks**

UHM requires relocks on Agency Best Effort Loans not purchased by the Commitment Expiration Date. Relocks are only permitted on locks that have already expired 30 days, prior to a 30-day expiration; pricing will be based on the initial pricing plus the applicable extension fees.

### 406.6 **Renegotiations**

In the very rare case that a Loan Officer will lose a Customer because of a downward rate shift, the Loan Officer needs to contact Secondary who may be able to renegotiate the rate, but at a revenue loss.

Keep in mind these instances are considered extremely rare exceptions to this

policy. To be eligible to negotiate a float down:

- Current market pricing for a 60 day lock at the desired lower rate must be +.5 better than the original pricing on the lock.
- The rate is then eligible to be renegotiated down to the desired lower rate.

## TPO Lending Guide

- If approved, the lock is given 30 days from the day of “float down”.

### **Section 500**      **Delivery of the Loan Data File**

UHM delivers Loan Packages as an imaged file through a secure FTP Server which will be set up upon approval.

#### **500.1**      **Submission of the Closing Package**

- *Best Effort deliveries:* UHM must receive complete files in Post-Closing for closed Loans within the applicable lock and delivery period.

#### **500.2**      **Post-Closing Documentation Deficiencies/Suspense Escalation**

**POLICY:** The Company will vigorously pursue bringing suspended loans, and closed loans that cannot be sold to satisfactory conclusion.

**PROCEDURE:** Company Supervisors and Senior Management will be made aware of suspended loans at their appropriate stages. UHM Partners must understand the critical dates and cost associated with loans not purchased or that have been suspended. This procedure explains the process involved if suspended or closed unsalable loans cannot be rectified and made salable.

A closed loan that cannot be purchased without modification or other costs at the company’s expense must be reported immediately to the Vice President National Operations. The President and Chief Executive Officer must be immediately notified as well if a closed loan needs modification or restructuring at the Company’s expense. Procrastinating, or trying to solve the problem without getting Senior Management involved is considered a serious mistake in judgment.

#### **Critical Dates and Costs**

1. Within 24 hours from receipt of suspense, Post Closers are to e-mail the partners they need assistance from. The email must include all conditions that are preventing the loan file from being purchased. In addition, the Post Closing Manager must immediately notify Senior Management on a closed loan that is non-salable for ANY reason. Notification should include the reason for non-salability and possible solutions.
2. The Partner responsible for clearing conditions must respond to the Post Closer within 24 hours acknowledging receipt of e-mail and the steps they are taking to clear the conditions.
3. On day 15, the Post Closer will email the Partner responsible for clearing conditions and also copy appropriate supervisors. At this point supervisors will get involved to find out what items are holding up the loan from being purchased and what they can do to assist.

## TPO Lending Guide

4. On day 30 the loan will be discussed with the Vice President, National Operations Manager during the daily Rudy Leadership meeting. At that time the Operations Manager will be directly involved in all suspense notifications regarding the loan.
5. Day 45 is also the next key date for the warehouse credit line. On day 45, the Company is responsible for using our own funds to purchase 10% of the total note amount off the credit line.
6. On day 60 the Post Closer will email Partners involved including Senior Management notifying them that the loan has reached its next critical stage associated with warehouse credit line cost:
  - The Company must pay down the loan to 70% of the total note amount
7. Day 90 is the drop dead date. Once we reach day 90 the Company is using its own funds to purchase the entire loan off the warehouse credit line and will be servicing the loan until it is in purchasable condition.

### **500.3 Post Closing Mediation**

When Union Home Mortgage Corp. encounters Funding Delays from our Investors, our goal is to work quickly and efficiently to reconcile the error to reduce interest charges on our Warehouse Line of Credit.

UHM consistently strives for 100% accurate application and closing packages. But occasionally errors occur in loan origination, final documents, or closing errors including missing signatures, inaccurate disclosures, escrow holdbacks, etc.

Errors cause funding delays and must be resolved as quickly as possible. Not only does the Company incur interest charges, but additionally the Funding Delay may alter agreed upon pricing as we may be unable to deliver the loan to the Investor within an acceptable timeframe per the original lock/registration.

We are all responsible to work with the Post-Closing Department towards reconciliation. When a funding delay exists, the Post Closing Department will analyze the error and take the following steps:

- A "Suspense Notice" is forwarded electronically to the appropriate party. This notice defines the error and explains the required action.
- If a document revision is required, the revised document(s) will be sent via overnight with return instructions to the Customer(s) at the property address.

## TPO Lending Guide

- The TPO Partner is responsible for contacting the Customer(s) immediately upon reception of the notice, to inform them of the error and to provide instructions.
- As the TPO Partner maintains the relationship with their Customer(s), the Post Closing Department will not contact the Customer(s) directly without the approval of Senior Management.
- If the TPO Partner is unavailable due to vacation, travel, etc., the notification will be forwarded to the General Sales Manager, who will contact the originating Loan Officer or the Customer(s) directly as soon as possible.

### **500.4 Standard Closing File Documentation**

Loans submitted to Post-Closing should contain all applicable documents, listed in the Loan Submission and Document Checklist. Copied documents for all Government Loans are acceptable.

The following documents are required for all Loans:

Original Note (with applicable addenda and riders) endorsed as follows;  
WITHOUT RECOURSE PAY TO THE ORDER OF

Union Home Mortgage Corp.  
(Signature of Officer)  
(Officer's Name and Title)

The Original Note should be delivered to:  
Union Home Mortgage Corp.  
8241 Dow Circle W.  
Strongsville, Ohio 44136

An additional copy of the endorsed note should be included with Loan submissions.

A name stamp or facsimile signature is an acceptable alternative to a "live" signature when endorsing the Note for delivery to UHM.

**Please note:** The note rate on all Loans must end in a multiple of .125.

1. Mortgage or Deed of Trust (with applicable addenda and riders).
  - a) Either the original recorded document or a certified copy. The certification must read, "Certified to be a true and exact copy of the original, which has been submitted for recording."
  - b) When closing with MERS, the Deed of Trust and Mortgage must include the appropriate MERS verbiage, the MIN, and the MERS telephone number prior to recording.

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- c) *For VA Loans:* the Mortgage or Deed of Trust (or a rider) must contain the following paragraph, to ensure a two-month escrow cushion can be collected or specify what the escrow cushion should be:  
  
"Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender to apply the Funds at the time specified under RESPA, and (b) not to exceed the maximum amount a lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow items or otherwise in accordance with Applicable Law."
- d) *For Government and Conventional Loans:* All security instruments must reflect a late charge of no less than four (4) percent for Government Loans **or five (5) percent for Conventional Loans**, to be assessed no later than 15 days from the due date, unless either is not in accordance with applicable law.
- e) *For Guaranteed Rural Housing (GRH) Loans:* Late charges on GRH Loans may not exceed four (4) percent, to be assessed no later than 15 days from the due date, unless either is not in accordance with applicable law.

### 3. Assignment of Mortgage or Deed of Trust.

Union Home Mortgage Corp., a Corp. organized under the laws of Ohio

- a) Either the original recorded document or a certified copy. The certification must read, "Certified to be a true and exact copy of the original, which has been submitted for recording."
- b) If either the body of the Assignment or the notarization statement indicates the use of a corporate seal, we must ensure must verify the seal has been affixed to the document. If an assignment is made to MERS instead of Union Home Mortgage Corp. under the MERS program, the MIN, the MERS telephone number and the appropriate MERS verbiage must be added to the assignment. Failure to do so will require re-recording.
- c) UHM must ensure that all references to the Mortgage or Deed of Trust match the document precisely. Specifically, the date of the Mortgage or Deed of Trust, the Borrower's name(s), the legal description, and the Seller's name must be correct throughout. The Assignment must be signed by an officer of the assigning entity and that signature must be attested by a notary public.

### 4. Title Commitment or Binder.

### 5. Final signed Closing Disclosure with Certification(s).

### 6. Separate written itemization of fees from the final Closing Disclosure.

- The Itemization of the Amount Financed as outlined in Regulation Z, Section 226.18 (c); **or**
- System generated itemization of fees.



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9. Power of Attorney, if applicable.

- a) Another individual may act on behalf of the Borrower(s) at closing, if:
- Proper Power of Attorney forms are executed;
  - The Power of Attorney is recorded in the jurisdiction where the security instrument was recorded. A Power of Attorney is acceptable on a refinance only if it specifically makes reference to the terms of the refinance transaction; and
  - The Title Policy does not contain any exceptions based on the use of such power.

10. Name Affidavit or Certification, must be included if applicable.

- a) The name of the Borrower, as it appear typed on the face of the security instrument and under the signature line, must appear in a consistent manner as it occurs in the documents of the Closing Package.
- b) The signature of the Borrower must match exactly the name typed below it. The Closing Department should pay particular attention to the exact spelling of the Borrower's name. It is acceptable for the Borrower to over sign the document (e.g., sign with a middle initial when none is typed under the signature line).
- c) An Affidavit of Identity is required if there are substantial discrepancies in the Borrower's name or signature, or if the Borrower undersigns the security instrument. The Affidavit must include the variations between the typed name and undersigned signature or the typed name as they differ on the closing documents. Affidavits may be signed by the Borrower, closer, branch personnel or someone that witnessed the Borrower's signature. The name and affiliation of the signer must be shown on the Affidavit or the Affidavit must be notarized. Affidavits of Identity should not be used to correct discrepancies in the Borrower's name which result from errors. Errors must be corrected and the document re-recorded if necessary.
- d) A certified true copy of the Affidavit is acceptable if the original is not available. The certification must read, "Certified to be a true and exact copy of the original."

11. A hazard insurance application, binder, or policy (including as applicable unit interior coverage commonly known as H06), accompanied by proof of payment for one year.
- a) The full name of the Borrower and property address must be exactly as reflected on the Mortgage.

12. Flood Hazard Determination (aka Third Party Flood Certificate)

Both standard/base and life-of-Loan certificates.

13. Copy of the letter to the insurance agent requesting change to the mortgagee loss payable clause.

**For All Agency Loans** the loss payee clause should read:

Union Home Mortgage Corp.  
c/o CENLAR

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ISAOA/ATIMA  
PO Box 202028  
Florence, SC 29502-2028

14. W-9 Form (Social Security Number Verification).

UHM requires a W-9 form to be included with all Loans for purchase. A W-9 form is not required for every Borrower on the Loan, but must be supplied for at least one of the Borrowers.

15. IRS Form 4506-T.

A fully complete and signed IRS Form 4506-T for each Borrower on the Loan.

16. Tax Return Transcripts

17. Right of Rescission and Mortgage Deed of Trust (DOT), as applicable.

Loans sold by UHM where the property is located in a community property, homestead, or dower/curtesy state must contain the following:

A properly completed Notice of Right to Cancel and Mortgage/Deed of Trust (DOT) signed and dated by all vested individuals **and** any non-vested, non-borrowing spouse.

**OR**

A properly completed Notice of Right to Cancel and Mortgage/DOT signed and dated by all vested individuals **and** a completed copy of a recorded quit claim deed, spousal waiver, or warranty deed, showing the non-vested spouse no longer has an interest in the property.

- a) UHM requires a Right of Rescission notice on primary residence refinances.
- b) UHM must ensure all individuals with an ownership interest in the property used as security sign the Notice of Right to Cancel. Individuals who have an ownership interest include (but are limited to):
  - i. Borrowers vested on the property being used as security
  - ii. Non-borrowing individuals who are vested on the property being used as security
  - iii. Non-vested spouses of vested individuals where the property is located in a community property state, homestead state, or dower/curtesy state (borrower or non-borrower)
- c) Property vested as “sole and separate property” (in community property, homestead, or dower/curtesy states) where there is a non-vested spouse require
  - i. a completed copy of a recorded quit claim deed, spousal waiver, or warranty deed, showing the non-vested spouse no longer has an interest in the property

since the vesting of “sole and separate property” alone does not remove the right of rescission for a non-vested spouse.

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- d) The notice must be dated correctly and signed by each person with an interest in the home, even if that person does not sign the Note.
  - e) Right of Rescission notices are not required for a permanent take out of a construction Loan, for the refinance of a second or vacation home or investment property.
18. Final typed and signed application (HUD 92900-1, VA 26-1802a).
19. Borrower Interest Rate Set Date or similar form.
20. Initial Loan Estimate (LE)
- a) The initial Loan Estimate Disclosure to the Borrower(s) as required by applicable federal, state or local law, Freddie Mac and Fannie Mae or other secondary market investors.
21. Final Closing Disclosure (CD)
- a) The final Closing Disclosure to the Borrower as required by applicable federal, state or local law, Freddie Mac and Fannie Mae or other secondary market investors.
  - b) An accurate Interest Rate and Payment Summary table is required.
  - c) All other TILA required disclosures such as assumption type, demand features, variable rate features and security interest must be completed accurately based on the product selected.
23. Evidence of refund of settlement charges that exceed tolerance, if applicable.
24. Appraisal Report and addenda, if applicable.
25. Credit Reports
26. Previous mortgage or rent history, if applicable.
27. Verification of Deposit (VOD), if applicable. Required bank statements
28. Verification of Employment (VOE), if applicable. Required paystubs
29. Tax Returns, if applicable.
30. P & L Statements, if applicable.
31. Gift or Earnest Money Letters, if applicable. Donor ability and required bank statements
32. Loan Application - Fannie Mae Form 1003/Freddie Mac Form 65 (with applicable addenda).
- a) The Seller must provide the initial loan application in all Closed Loan Packages submitted for purchase.
  - b) Mortgage Representative (interviewer) signatures on the loan application signed by someone other than the Mortgage Representative (interviewer), or by someone on behalf of the Mortgage Representative, will not be considered by UHM as signed by the Mortgage Representative.

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33. Purchase Agreement of Sale, if applicable.
34. ECOA, if applicable.
35. Initial Escrow Statement / Payment Breakdown Letter to Borrowers.
36. Wiring Instructions and/or Bailment Agreement.
37. Final Inspection with photographs, if applicable.
38. Warranty of Completion, if applicable.
39. ARM documentation, if applicable.
40. PMI Disclosures, if applicable
41. Any additional documentation required by the particular Loan program.
42. Leasehold agreement, if applicable.
43. Copy of Lender's and Originator's License and NMLS#, if applicable
44. Customer Identification Verification (See Customer Identification Verification)
45. Occupancy and Financial Affidavit. (See Occupancy and Financial Affidavit)
46. Verbal Verification of Employment.
47. Underwriting approval and conditions
48. Termite, Well, Septic Inspections, if applicable.
49. Home Inspection, if applicable.
50. Condominium Documentation/Insurance, if applicable.
51. Environmental Property inspection, if applicable.
  - a) If the Mortgaged Property is exposed to the environmental hazard of sulfur-containing drywall (also known as Chinese drywall), the property inspection would have to state that the property was fully gutted down to the bare studs and all items that were installed are new. Only items that could possibly be reused are tile and some stone. Everything else would have to be new.
52. A termite/pest inspection is required on any FHA loan if evidence exists from the appraisal report or as disclosed on the sales contract that one was performed or should have been performed. Without evidence of an infestation, a contingency waiver may be signed at closing.
53. State Specific Disclosures

### **500.5 Additional Documentation Required for VA Loans**

#### **FOR VA STREAMLINE REFINANCES ONLY:**

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For VA IRRRLs closed are limited to a maximum of two (2) discount points. Additional documentation that may be required includes the following:

- Copy of the Funding Fee Transmittal (VA 26-8986) on VA Loans, and copy of check, if applicable.
- GNMA Notice to Borrower(s) regarding solicitation of refinance), if applicable.

GNMA pooling certifications require that the Borrower(s) must be notified that the Seller will not solicit them for a refinance unless market rates decline. If the Seller does solicit the Borrower(s) for a refinance, a new rate must be offered which is less than the Borrower's existing rate by at least the amount of the decline in the market since closing.

This requirement applies only to Loans 100 basis points or more above the prevailing VA rate at the time of closing.

- Certificate of Commitment.
- Copy of Certificate of Eligibility, both front and back sides (VA 26-83201), or Request For Determination of Eligibility and available Loan Guaranty Entitlement (VA 26-1880).
- Certification of Loan Disbursement (VA 26-1876), if applicable.
- Rate Reduction Refinance Worksheet (VA 26-8923), if applicable.
- VA Indebtedness Letter (VA 26-8937).
- Analysis Worksheet (HUD 92900ws, VA 26-6393).
- Copy of Request for Appraisal (HUD 92800-1, VA 26-1805).
- CRV with conditions (VA 26-1843).
- Compliance Inspection Report (HUD 92051), if applicable.
- Warranty of completion (VA 26-1859), if applicable.
- Seller certification, if applicable.
- Federal collection policy notice.
- ARM Disclosures, if applicable.
- NOV signed by SARR Underwriter
- Any additional documentation required by the particular Loan program.

### **500.6 Additional Documentation Required for FHA Loans**

- GNMA Notice to Borrower(s) regarding solicitation of refinance), if applicable.

GNMA pooling certifications require that the Borrower(s) must be notified that the Lender will not solicit them for a refinance unless market rates decline.

This requirement applies only to Loans 100 basis points or more above the prevailing FHA rate at the time of closing.

- FHA Loan Underwriting and Trans Summary (HUD 92900-LT), if applicable.
- Request for appraisal (HUD 92800-1).

## TPO Lending Guide

- Conditional Commitment with conditions (HUD 92800.5B).
- HUD form 2561 (if 2 or more units), if applicable.
- Compliance inspection, if applicable.
- Warranty of Completion (HUD 92544, VA 26-1859), if applicable.
- FHA Disclosure Statement.
- Homeowner Fact Sheet (refinances only).
- All applicable ARM documentation.
- Notice to Borrower regarding Voluntary Prepayment of Escrows.
- A six month payment history with no 30 day delinquencies.
- Refinance Authorization Results screen-print, if applicable.

Documents in addition to the standardized Refinance Authorization form may be used to determine the original endorsement date. Any document used must be clearly from FHA, contain verbiage 'Refinance Authorization', reflect original endorsement date, and be for the correct Loan.

- Any additional documentation required by the Loan program.

### 500.7 Additional Documentation Required for Conforming Conventional Loans

- Original private mortgage insurance certificate, if applicable.
- Loan sale notice to mortgage insurance company, if applicable.

- Agency Loans:

Union Home Mortgage Corp.

8241 Dow Circle W.

Strongsville, Ohio 44136

ISAOA/ITIMA

Loan No: \_\_\_\_\_

- Fannie Mae Form 1008.
- Appraisal Certification, if applicable.
- A re-certification of value supporting the original appraised value is required for loans purchased more than 60 days after closing (Note date to purchase date).
- Any additional documentation required by the particular Loan program.
- Successful submission through Fannie Mae's Early Check
- UCDP Submission Summary Report from Fannie Mae with a successful submission and no outstanding warnings or hard stops.

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- All Delegated and Prior Approval Conforming loans require AUS Findings
- For Closing: Submission Summary Reports (Fannie Mae and Freddie Mac) from Mercury for all CONV appraisals

### **500.8 Mortgage Electronic Registration Systems (MERS®)**

Where applicable, Loans must be registered in MERS prior to forwarding the closing package to the Investor. A MERS transfer of beneficial rights (TOB) and transfer of servicing rights (TOS) must be initiated by Union Home Mortgage Corp. (ORG ID 1000745).

#### **Registering a Loan with MERS**

Loans delivered must be registered by UHM with MERS at time of delivery. MERS as Original Mortgage (MOM) loans must be registered within seven calendar days of the Note date for non-escrow states or the funding date for escrow states.

The registration process will be performed by the MERS member via either:

- MERS Online, a secure internet connection with MERS
- Batch transactions, use of a computer to computer interface with MERS

### **500.9 Documents Eligible for Delivery via Image**

Other than the original Mortgage Note, and final documents, all documentation listed in this Section shall be delivered as part of the Imaged Loan File prior to sale.

### **501.1 Closing Disclosure (CD) Requirements and Policy**

Union Home Mortgage Corp. is responsible for ensuring that the CD for all Loans comply with all existing and subsequently enacted requirements and guidelines.

- UHM Funding's review of the CD prior to purchase includes:
  - Any disbursement equal to or greater than \$5,000 reflected on the Seller's side of the CD that does not correlate with a lien as shown on the preliminary title report.
  - Cumulative fees, including real estate commission plus any non-lien related disbursements for marketing expenses, finder's fees, referral fees, auction fees, consulting fees, or assignment of sale fees totaling more than 8% of the purchase price will not be allowed for any Loan type.

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### 501.2 Prepaid Interest/First Payment/Interest Credits

All payments on Loans delivered by UHM must be due on the first day of the month following the first full month after the disbursement date.

Interest must be collected in arrears. Interest must have been collected from the date of the Seller's disbursement, including the day of disbursement, through the last day of the month.

UHM will accept Loans closed with interest credit due to the Borrower.

- The maximum number of days interest credit due the Borrower for **FHA Loans** is:  
For purchases, 5 days
- The maximum number of days interest credit due the Borrower for **VA Loans** is:  
For a purchase, 5 days.
- The maximum number of days interest credit due the Borrower for **Conforming Conventional Loans** is 5 days for a purchase.
- The borrower(s) must sign the closing documents the month prior in the event an Interest Credit is to be utilized.

**Please Note:** UHM will not allow a short first payment from the Borrower.

### 501.3 Taxes

Union Home Mortgage Corp. is required to pay tax installments in compliance with RESPA regulations; UHM determines the tax due date by using the Discount Date\* or Economic Loss Date\*\*, when applicable, provided by each taxing authority, which dictate payment dates most beneficial to the Borrower.

\*Discount Date - Certain taxing authorities offer discount dates, which is most beneficial to the borrower, which in compliance with RESPA. When discount dates are offered, UHM is required to include the discount date on the Tax Record Information Sheet.

\*\*Economic Loss Date - In the absence of a discount date, UHM pays taxes based on economic loss dates. Economic loss dates are identified as the last day to pay the tax without incurring a penalty.

UHM will use tax payment dates provided by the completed Tax Record Information Sheet. This form should include the following information:

- Discount Date or Economic Loss Date (next installment to be paid by UHM)
- Full name and address of payee(s).
- Parcel ID number(s).

UHM is responsible for all tax payments with economic loss dates or discount dates prior to Loan delivery and/or within 60 days of first payment due date. When UHM chooses to pay taxes within 60 days of the loan first payment date, UHM must supply a copy of a pay history or supporting documentation in the loan file at the time of delivery along with an updated Tax Record Information Sheet reflecting the discount or next economic loss date UHM is to pay.



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### **501.4 Escrow/Impound Accounts for Taxes and Insurance**

Union Home Mortgage Corp. uses aggregate accounting in the calculation of the escrow/impound account. Escrow/impound accounts for the payment of taxes, ground rents, special assessments, private mortgage insurance, hazard insurance, flood insurance, Guaranteed Rural Housing (GRH) Annual Fee (GRH Loans only), etc., must be established by UHM at closing when required. Adequate funds must be calculated and collected at closing to ensure that a sufficient amount will be available to pay the next installment of taxes and insurance.

Unless in violation of applicable state law, the maximum cushion that UHM may maintain in the escrow/impound account is two months, except the cushion for PMI which is 0 (zero) months. A two-month cushion should be collected for all states. The account balance must reach the minimum balance at least once every 12 months. UHM uses month-end accounting.

The Closing Package must contain an Initial Escrow Disclosure Statement calculated in accordance with the principles of aggregate accounting.

#### **Guaranteed Rural Housing (GRH) Annual Fee**

In order to ensure UHM can remit the annual fee amount in full to Rural Development when due, UHM Funding will require the following for all Guaranteed Rural Housing (GRH) Loans subject to an annual fee:

- 1/12 of the total annual fee amount to be collected as part of each monthly payment and placed in an escrow account.
- Collection of two months' worth of annual fee monthly payments at closing.

### **501.5 Temporary Buydowns**

UHM does not offer products with Temporary Buydowns.

### **501.6 VA Guaranty**

The amount of guaranty on VA Loans must be at least 25 percent of the purchase price or appraised value, whichever is less, on purchase and new construction Loans. The 25 percent threshold must cover the loan amount including the funding fee.

To calculate the Loan guaranty, UHM must use the following procedure. Subtract the mortgage amount from the sales price or certificate of reasonable value (CRV), whichever is less. This equals the equity. Add the equity to the available eligibility and divide by the purchase price or appraised value, whichever is less. This figure is the amount of guaranty.

It is UHM's responsibility to reinstate the veteran's eligibility. The following documents must be in the Loan file to show that the eligibility has been reinstated unless the amount of the guaranty is automatically covered at 25 percent (e.g., Rate Reduction Refinance):

- Revised 26-8320 (Certificate of Eligibility) showing restored entitlement; or

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- Old 26-8320 (Certificate of Eligibility), 26-1880 (Request for Determination of Eligibility), and closing disclosure shows payoff.

### **501.7 Wire Transfer**

Throughout this TPO Lending Guide, the terms Fund Date and Wire Date are used. The Fund Date is the date UHM sets up the loan for funding. The Wire Date is the previous or same business day and the date of the actual transaction of wiring of funds.

### **501.8 Ground Rents (Leasehold)**

All delinquent ground rents must be paid by Union Home Mortgage Corp. in full. Such payment should be made prior to, or at closing. All leasehold and ground rent agreements must be in compliance with either FNMA, HUD or VA guidelines, as applicable.

On all Loans with ground rents that must be paid by the servicer, UHM must provide the Investor with sufficient information to assure proper payment of the ground rents. This information must be completed on the Loan Submission Summary and Document Checklist and the Tax Record Information Sheet.

### **501.9 Special Assessments**

Escrow amounts for pending assessments should not exceed the maximum 2 month cushion permitted by escrow regulations. If applicable state law mandates a lesser escrow amount than the maximum cushion of two months, state law will govern the permissible escrow amounts for pending assessments. Union Home Mortgage Corp. will use the estimate provided by the tax authority to calculate the amount to be escrowed for pending assessments. The funds should be collected at closing by the closing agent (title company, seller or attorney).

### **502.1 Hazard Insurance**

Union Home Mortgage Corp. is responsible for payment of any insurance premiums due within 60 days of loan first payment date or in the case of a purchase, payment for the full first year's premium in advance of or at closing. The hazard insurance policy must be issued by a company with a general policy rating of B and a financial class size of III or better. In addition, the company must be licensed to do business in the state where the mortgage property is located.

**Please Note:** UHM will only accept hazard insurance policies written with a 12 month term, except where mandated by state law.

### **502.2 Hazard Insurance Review Checklist**

The information below reflects UHM requirements regarding hazard insurance.

1. Evidence of insurance.

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- a) Declarations Page or
- b) Certificate of Insurance and

### 2. Evidence of premium payment.

- a) Paid receipt for premium amounts reflected on the hazard policy; or
- b) Closing Disclosure indicating payment of the premium amount reflected on the policy.

### 3. Policy number must be clearly listed

### 4. Accurate Borrower and property information.

- a) Name(s) of Borrower(s) agree with Note.
- b) Property address agrees with Note/Security Instrument.
- c) Mailing address is same as property address *except* on second homes and investment properties; then, it should agree with home address shown on FNMA 1003/FHLMC 65.

### 5. Policies insuring personal property such as cars, boats, etc., **are not acceptable.**

However, riders for coverage of personal items within the dwelling, e.g., furs, jewels, etc., will be accepted.

### 6. Term of coverage

- a) Purchase Loans: Policy must extend for minimum 12 months from the date of closing.
- b) Refinance Loans: Existing policy will be accepted provided:
  - Expiration date of the policy is clearly stated.
  - Sufficient impounds are collected by the Seller to renew coverage at the due date.
  - Existing coverage extends a minimum of 60 days beyond the purchase date. If the policy will expire within 60 days, UHM requires evidence of renewal for one year.
  - Evidence of change of mortgagee is provided, if applicable.

### 7. For all Loans, the loss payee address should read:

Union Home Mortgage Corp.  
ISAOA/ATIMA  
8241 Dow Circle W.  
Strongsville, OH 44136

### 8. Policy is properly countersigned.

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9. Policy must provide for a 30 day written notice of cancellation, reduction in coverage, or other material change to the policy.

10. UHM requires a 100% accurate premium prior to closing. Title Binders are strongly discouraged due to ATR/QM requirements.

### **502.3 Third Party Flood Certificate**

UHM requires where applicable all Loans submitted for closing contain a life of loan, transferable flood certification contract with Corelogic Flood Services verifying whether the property lies in a Special Flood Hazard Area (SFHA). Such contract is assignable to UHM's designee. The Flood Certificate must reflect the information required on FEMA's current Standard Flood Hazard Determination Form, including:

- Collateral Property Address
- Flood Zone
- NFIP Map, Panel, Suffix Number
- NFIP Map Date
- NFIP Community Name
- Community Status
- Name Of the flood certification Vendor
- Vendor's Certificate Number

### **ADDITIONAL NSFH REQUIREMENTS**

In addition to meeting UHM closing requirements, Partners are reminded that they must ensure they are complying with the notice requirements set forth by their applicable regulator.

### **NON-PARTICIPATING COMMUNITIES AND COASTAL BARRIER RESOURCE SYSTEMS AREAS (CRBS)**

Loans secured by properties located in Non-Participating Communities or Coastal Barrier Resource Systems Areas are not eligible for purchase by UHM.

### **502.4 Flood Insurance**

If flood insurance is required, a flood insurance policy or the application for such insurance along with a paid receipt evidencing the first full year's premium has been paid in full is required in the Closed Loan Package delivered by UHM. Insurance must be placed on a property located in an area where flood insurance is required by the National Flood Insurance Act of 1968, as amended.

If the Borrower questions the flood zone determination, UHM and the Borrower may jointly appeal directly to FEMA. UHM cannot require the Borrower to purchase flood insurance until FEMA issues a final opinion on the flood zone determination. However, UHM will not close the Loan until FEMA issues its opinion or a flood insurance policy has been purchased for the property.

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The servicer can require the Borrower to obtain flood insurance based upon any subsequent determination by FEMA that the property is located in an area that requires flood insurance coverage.

The following language must be included in the disclosure Notice of Special Flood Hazards (NSFH):

Flood Insurance Coverage Subject to Change Disclosure: We may assign, sell, or transfer the servicing of your mortgage loan. Your new lender/servicer may require more flood insurance coverage than the minimum amount that has been identified in your Notice of Special Flood Hazards (NSFH). The new lender/servicer may require coverage in an amount greater than the minimum, and has the right to require flood coverage at least equal to the insurable value (also known as replacement cost value) of the building(s) used as collateral to secure the loan or the maximum available under the National Flood Insurance Program (NFIP) for the particular type of building. You should review your exposure to flood damage with your insurance provider, as you may wish to increase your coverage above the minimum amount required at the time of closing your loan versus what subsequently the new lender/servicer may require.

For purchase transactions, UHM requires evidence of premium payment. On all refinance transactions, UHM is responsible for all insurance premiums due prior to the Loan's delivery, or within 60 days of first payment date. However, if an insurance bill due within 60 days of funding has not been paid by the Borrower, UHM will take the escrowed funds and pay the bill on the Seller's behalf.

### 502.5 Mine Subsidence

Mine subsidence insurance is provided to cover a loss suffered when the land on which improvements are located "subsides" due to the collapse of mining tunnels below the surface.

If mine insurance is required, the policy obtained by the Borrower must equal 80% of the value of the structure comprising a part of the property or the maximum insurance available. UHM will accept the following items as evidence of insurance:

- A hazard insurance policy that includes mine subsidence insurance.
- If the Loan is a refinance, the original or a photocopy of an existing mine subsidence insurance policy and an Assignment of Interest Endorsement form.
- A signed Request for Mine Subsidence Insurance Information form and an Assignment of Interest Endorsement form.

A signed Request for Mine Subsidence Insurance Information form, an Assignment of Interest Endorsement form and a town map which shows the location of the property.

### 502.6 Elective Insurance

UHM does not accept escrows for *any* elective insurance. Elective insurance is any coverage not required by state law or Agency guidelines. This includes escrows for flood insurance policies on properties which are not designated to be in SFHA zone A or V.

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### 502.7 Disasters; General Guidance

All designated counties, for each state, can be accessed at the FEMA web site:  
<http://www.fema.gov/>.

All counties listed in the **Individual Assistance** category on the FEMA site must be checked and must adhere to the Agencies requirements described in this announcement.

Proper due diligence must be done to fully review any property located in an area in which the disaster has occurred, regardless if FEMA has declared the area for individual assistance. Depending on the situation and the type of disaster FEMA may take several weeks to report the affected areas for individual assistance. Until determined, UHM must obtain and provide in the loan file proof that the property involved in the transaction is in the same condition after the disaster as it was prior to the occurrence of the disaster.

UHM performs a disaster due diligence on all loans prior to closing. Additional documentation may be required prior to the closing of the loan should due diligence indicates the subject property is located in one of the following areas:

- Designated FEMA disaster areas with Individual Assistance, or
- Known disaster areas where FEMA has not officially declared any of the areas as federal disaster areas eligible for individual assistance

The requirements in this policy remain in effect for 90 days following the disaster. If the disaster is catastrophic the duration might be extended and communicated on a case by case basis by Union Home Mortgage Corp. See sections 700 for additional details for Disaster policy requirements.

### **FHA Full Doc Transactions**

UHM must determine whether the subject property has been affected by a recent disaster. When the property is in a FEMA declared county the following will be required.

All inspections for FHA transactions must be completed by an FHA Roster Appraiser. FHA does not require a specific form for a damage inspection report.

- Complete Interior/Exterior Inspection with Interior/Exterior Photos

#### Damage Noted

- Damage is <\$5,000 AND properties are habitable and meets MPR/MPS requirements:
  - a) Inspection should be conducted by the Appraiser who performed original appraisal, but may be conducted by other Appraiser or an Inspector; If not the original Appraiser then a copy of the original appraisal must be provided to the Appraiser or inspector performing the inspection;
  - b) An itemized list of damages and repair estimates must be retained in the loan file;
  - c) Repair escrow must be established with funds held at one and one half (1 1/2) times the cost to repair;
  - d) Loan can close;
    1. Repairs completed;

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2. Final Inspection required on FNMA Form 1004D (Parts A&B) to determine if there has been a change in the value of the property\* and that repairs have been completed. Release escrow funds.
  - Damage is > \$5,000
    - a) Loan cannot close;
    - b) Inspection should be completed by Appraiser who performed the original appraisal or if structural or other complex issues, by a technically qualified 3rd party:
      1. Technically qualified 3rd parties should have expertise for the component being inspected (Structural Engineer, Electrician, Plumber, Roofer, licensed Home Improvement or Building Contractor, etc.).
    - c) If the original Appraiser does not do the inspection then a copy of the original appraisal must be provided to the Appraiser or Inspector performing the inspection;
    - d) An itemized list of damages with repair estimates must be retained in the loan file;
    - e) Repair estimates over \$5,000 and/or repairs involving structural or other specialized repairs must be made by technically qualified 3rd party;
    - f) Damage must be repaired prior to endorsement, even in cases of insurable losses;
    - g. If required by local jurisdiction, copies of building permits, inspection results and, if applicable, certificate of occupancy must be in the loan file;
    - h. Final Inspection required on FNMA Form 1004D (Parts A&B) to determine if there has been a change in the value of the property\* and that repairs have been completed.

**\*If the market value has declined since the effective date of the original appraisal, a new appraisal is required that supports the loan amount prior to purchase.**

For loans that have closed but are not yet endorsed, FHA requires:

- A drive-by inspection with exterior photos;
- A statement as to the dwelling habitability; and
- A statement as to whether the property sustained damage is
  - Below \$5,000 or
  - Above \$5,000
- For damage less than \$5,000, the Appraiser must provide UHM with a damage inspection report that includes an itemized repair estimate with costs;
- If the damage inspection report provided by the Appraiser reveals damage in excess of \$5,000, then an itemized estimate from a qualified third-party, such as a licensed Contractor or Insurance Company is required.

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Since utilities may not yet be restored FHA will not require the Appraiser to ensure utilities are on at the time of this inspection.

Damage inspections should be completed by the original Appraiser. However, if the original Appraiser is not available, another FHA Roster Appraiser in good standing and having geographic competence in the affected market may be used. If a different Appraiser is used to inspect the property, the Appraiser performing the damage inspection must be provided with a complete copy of the original appraisal.

All damages must be repaired by licensed Contractors or per local jurisdictional requirements. All damages, regardless of amount, must be repaired and the property restored to pre-loss condition with appropriate and applicable documentation.

### **Appraisal validity period has been extended when a property inspection reveals property with sustained damage due to the disaster.**

For loans that are not closed prior to the Incident Period in Disaster Areas where a damage inspection report reveals property damage, the appraisal validity period is extended from 120 days to a maximum of one year from the effective date of the original appraisal.

In no instance will an appraisal be acceptable for loan closing that has an effective date beyond one year. Loans with appraisals having effective dates in excess of one year will require a new appraisal.

### **FHA Streamline Transactions**

FHA streamline transactions will require property inspections by

- o A property Inspector or state licensed Appraiser

### **VA Full Documentation and IRRRL Transactions**

The following requirements must be met in order to obtain VA loan guaranty.

Properties located in a FEMA declared county must be inspected to determine if the property sustained damage, by

- The original Appraiser, for full-doc transactions
- A property Inspector or state licensed Appraiser for VA IRRRL transactions

In either case the Veteran may not be charged for the inspection.

### **If the property sustained damage:**

- **It must be repaired and restored to its pre-disaster condition or better with a final inspection prior to Purchase.**

Additionally, UHM must obtain the following certifications. The form for these certifications can be found in the Exhibits folder of AllRegs.

### **All VA transactions, full-doc and streamlines require the following:**

- Veteran Certification completed and signed by the Veteran

### **Additionally for all full-doc transactions the following is required:**

- Lender Certification completed and signed by the lender



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**VA Loan Summary Sheet (VA Form 26-0286).** The Remarks section of this form must be annotated "Lender and Veteran Disaster Certifications Enclosed."

Additionally, if local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be provided. Neither VA nor the Veteran purchaser shall bear the expense of any disaster-related inspection of repairs.

**Decline in Value.** For full-doc transactions if there is an indication that the property, despite repairs, will be worth less at the time of loan closing than it was at the time of appraisal, we must have the VA appraiser update the original value estimate. The payment of the Appraiser's fee for that service will be a contractual matter between the buyer and seller. If the property value has decreased, the loan amount must be reduced accordingly.

For properties in an affected area, but not FEMA declared follow the due diligence requirements to determine if damage has occurred. If damage is identified a re-inspection will be required for a full doc loan and a property inspection will be required on an IRRRL and the above requirements met prior to purchase.

**VA will no longer issue a circular for specific disasters. They have posted a policy regarding natural disasters on their website that can be accessed at:**

[http://www.benefits.va.gov/homeloans/docs/va\\_policy\\_regarding\\_natural\\_disasters.pdf](http://www.benefits.va.gov/homeloans/docs/va_policy_regarding_natural_disasters.pdf)

### USDA Transactions

UHM must determine whether the subject property has been affected by a recent disaster. When the property is in a FEMA declared county the following will be required.

All inspections for USDA transactions must be completed by an FHA Roster Appraiser. USDA does not require a specific form for a damage inspection report.

- Complete Interior/Exterior Inspection with Interior/Exterior Photos

#### Damage Noted

- Damage is <\$5,000 AND properties are habitable and meets MPR/MPS requirements:
  - e) Inspection should be conducted by the Appraiser who performed original appraisal, but may be conducted by other Appraiser or an Inspector; If not the original appraiser then a copy of the original appraisal must be provided to the appraiser or inspector performing the inspection;
  - f) An itemized list of damages and repair estimates must be retained in the loan file;
  - g) Repair escrow must be established with funds held at one and one half (1 1/2) times the cost to repair;
  - h) Loan can close;
- 3. Repairs completed;

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4. Final Inspection required on FNMA Form 1004D (Parts A&B) to determine if there has been a change in the value of the property\* and that repairs have been completed. Release escrow funds.
  - Damage is > \$5,000
    - g) Loan cannot close;
    - h) Inspection should be completed by an Appraiser who performed the original appraisal or if structural or other complex issues, by a technically qualified 3rd party:
      1. Technically qualified 3rd parties should have the expertise for the component being inspected (Structural Engineer, Electrician, Plumber, Roofer, licensed Home Improvement or Building Contractor, etc.).
    - i) If the original Appraiser does not do the inspection then a copy of the original appraisal must be provided to the Appraiser or Inspector performing the inspection;
    - j) An itemized list of damages with repair estimates must be retained in the loan file;
    - k) Repair estimates over \$5,000 and/or repairs involving structural or other specialized repairs must be made by technically qualified 3rd party;
    - l) Damage must be repaired prior to endorsement, even in cases of insurable losses;
    - i. If required by local jurisdiction, copies of building permits, inspection results and, if applicable, a certificate of occupancy must be in the loan file;
    - j. Final Inspection required on FNMA Form 1004D (Parts A&B) to determine if there has been a change in the value of the property\* and that repairs have been completed.

**\*If the market value has declined since the effective date of the original appraisal, a new appraisal is required that supports the loan amount prior to purchase.**

For loans that have closed but are not yet purchased, USDA requires:

- A drive-by inspection with exterior photos;
- A statement as to the dwelling habitability; and
- A statement as to whether the property sustained damage is
  - Below \$5,000 or
  - Above \$5,000
- For damage less than \$5,000, the Appraiser must provide UHM with a damage inspection report that includes an itemized repair estimate with costs;
- If the damage inspection report provided by the Appraiser reveals damage in excess of \$5,000, then an itemized estimate from a qualified third-party, such as a licensed contractor or insurance company is required.

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Since utilities may not yet be restored USDA will not require the Appraiser to ensure utilities are on at the time of this inspection.

Damage inspections should be completed by the original Appraiser. However, if the original Appraiser is not available, a FHA Roster Appraiser in good standing and having geographic competence in the affected market may be used. If a different Appraiser is used to inspect the property, the Appraiser performing the damage inspection must be provided with a complete copy of the original appraisal.

All damages must be repaired by licensed Contractors or per local jurisdictional requirements. All damages, regardless of amount, must be repaired and the property restored to pre-loss condition with appropriate and applicable documentation.

### **Appraisal validity period has been extended when a property inspection reveals property with sustained damage due to the disaster.**

For loans that are not closed prior to the Incident Period in Disaster Areas where a damage inspection report reveals property damage, the appraised validity period is extended from 120 days to a maximum of one year from the effective date of the original appraisal.

In no instance will an appraisal be acceptable for loan closing that has an effective date beyond one year. Loans with appraisals having effective dates in excess of one year will require a new appraisal.

UHM will not close USDA transactions unless the above requirements have been met.

## **502.8 Other Hazards**

If UHM determines that the mortgaged property is or may be exposed to hazards, hazardous wastes, toxic substances, radon gas, asbestos-containing materials, urea-formaldehyde insulation, sulfur-containing drywall (also known as Chinese drywall) not covered by fire and extended coverage insurance or other available insurance UHM, in such an event, will not close the loan until the hazard(s) are remediated per Agency guidelines.

## **502.9 Escrow Hold Backs**

### **AGENCY CONVENTIONAL AND GOVERNMENT**

The escrowing of funds to holdback for repairs to property being sold brings extreme risks to the Company. In addition, the escrowing of funds to holdback for repairs also creates additional validation and reconciliation procedures which impact interdepartmental time-management and efficiency challenges based on the delivery of the loan.

When UHM closes a loan with an escrow holdback, UHM has a responsibility to the Investor or Agency to complete the work that's escrowed. HUD and city Point-of-Sale Inspectors hold UHM responsible for the satisfactory completion of the work; not the Buyer or Seller who are in a better position to manage the repairs. After a loan closes and the TPO Partner receives compensation, Union Home Mortgage Corp. holds the escrow and the legal liability to pay the expenses for repairs. If the repairs

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are unsatisfactory, or exceed costs estimates, UHM is responsible for the additional costs to remedy the situation. Setting up Escrows to holdback costs for repairs to close a loan transaction is always a last resort.

Escrowing holdback funds for repairs are generally not acceptable at UHM. TPO Partners should make every attempt to encourage Buyers and Sellers to complete required repairs before title transfer. Escrowing holdback funds for repairs required for closing a transaction cannot be done by a TPO Partner at origination but require special conditions:

- The repairs are to the exterior of the property and are indeed a contractual requirement of completing the transaction. Escrowing funds for interior repairs are not permitted.
- The TPO Partner has made every attempt to convince the Borrower and the Seller to complete the repairs before closing. UHM rarely provides escrow holdbacks and only then on an exception basis with a strict approval process.
- .
- The TPO Partner must be willing to make the extra effort to understand the nature and scope of the required repairs, manage the process of bidding and vendor selection with those interested parties, and the flow of documentation through the process.
- The TPO Partner must thoroughly understand and strictly adhere to the procedures outlined in this policy.
- The TPO Partner must convey to the Borrower and Seller, all associated costs involved and all terms of the escrow holdback agreement that may be applicable to either party.
  - The Holdback amount will be based on 1.5 times of the final determined estimate. A minimum of two estimates are required.
    - **1 Time Holdback Exception:** With new construction, UHM will permit a holdback of 1 times the contractual construction estimate (from building specifications) for the work or 1 times the Appraiser estimate for the work to be held back.
  - Minimum Holdback amount \$500.00.
  - A minimum re-inspection fee of \$100.00 is to be collected from held funds prior to the distribution of the remaining holdback funds
  - A Repair Escrow Administration Fee is required to be applied towards the Borrower's closing costs as indicated in the section immediately following.

### Escrow Holdbacks, Associated Closing Costs to the Borrower:

In the event an Escrow Holdback request is approved, the following tiered charges will be applied as a cost to the Borrower:

- **Repair Hold-Backs \$500.00 - \$1,000.00: \$100.00 Repair Escrow Administration Fee to UHM listed on line 801g**
- **Repair Hold-Backs \$1,001.00 - \$2,500.00: \$150.00 Repair Escrow Administration Fee to UHM listed on line 801g**

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- **Repair Hold-Backs \$2,501.00 - \$5,000.00: \$200.00 Repair Escrow Administration Fee to UHM listed on line 801g**
- **Repair Hold-Backs \$5,001.00 - \$7,500.00: \$250.00 Repair Escrow Administration Fee to UHM listed on line 801g**
- **Repair Hold-Backs \$7,500.00 - \$10,000.00: \$300.00 Repair Escrow Administration Fee to UHM listed on line 801g**
- **Repair Hold-Backs >\$10,001.00: \$350.00 Repair Escrow Administration Fee to UHM listed on line 801g**

**IMPORTANT NOTE: The Repair Escrow Administration Fee is not permitted with any Loans in the state of North Carolina.**

### **Escrow Holdback, Associated Closing Costs – UHM Procedures:**

1. **Prior to Live Application:** In the event the Escrow Holdback is approved by the National Underwriting Manager prior to formal application, the TPO Partner is required to add the applicable Escrow Holdback fee on line 801g of the 2015 itemization prior to the initial disclosure.
2. **Transactions in Process:** Upon approval of the escrow holdback request by the National Underwriting Manager, the Underwriter must address conditions of the approval in the Underwriting Findings.
3. **The Broker Coordinator is to add the Repair Escrow Administration Fee (Hold Back Administration Fee) based on the above requirements.**
  - The Repair Escrow Administration Fee will be charged to the Borrower on line 801g of the 2015 itemization in the LOS by the Broker Coordinator.
4. **The Broker Coordinator is to complete the Material Change Package to disclose to the borrowers.**
5. **The Broker Coordinator is responsible for the timely disclosure and return of the MCD Package.**

### **Approved Escrow Holdback Instructions:**

On a “case-by-case” basis Union Home Mortgage Corp. may allow funds for exterior repairs to be escrowed due to the weather or as a “Limited Scope Exception” based on contractual requirements. The TPO Partner must contact the Account Executive in advance of origination for approval and acceptability under our underwriting guidelines outlined below if it is known that an Escrow Holdback will be necessary prior to origination.

All interior repairs must be completed prior to title transfer, with no allowances for a holdback unless the repairs are financed based on the acceptable guidelines of the loan program (203k, 203b with repair escrow, etc.).

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Exterior repairs that are not weather related are strongly recommended to be completed prior to title transfer and not included in an escrow holdback.

Exterior repairs that cannot be completed due to weather or contractual time restraints may be considered for escrow holdback but the following rules apply:

1. There must be two itemized estimates for the work required and the minimum allowable escrow amount is \$500 dollars. For repairs at or under \$500.00 (painting for FHA) we require only one Contractor estimate or a written estimate from the Appraiser that states the estimated cost of repairs at or under \$500.00.
2. The re-inspection fees are set by HUD at \$100 per visit. The re-inspection fee must be accounted for in the collection of funds. If more than one inspection is required, the fee will be taken from the remaining funds. Effectively it is the TPO Partner's responsibility to convey to all parties that the appropriate re-inspection fees will be added to the full cost analysis. The Broker Coordinator is responsible to add any and all re-inspection fees to the final Holdback Agreement.
3. Septic Systems: Escrow Holdbacks for Septic Systems bring a greater risk and potential liability to the company. In addition to noting what work is needed, the estimates provided for Septic Systems have to clearly explain what is currently wrong with the system to determine if a holdback is allowable. In essence, we have to be able to verify that the system is viable and working to determine if the Borrower can move into the property prior to the completion of repairs. A County Inspection may be utilized in conjunction with the estimate provided the information is thoroughly detailed. The Contractor is required to note on the estimate the time-frame in which the work can be completed to assist in determining acceptability.
4. It must be apparent that the Contractor is qualified to perform the work required in a timely fashion as determined by references and reputation. In the event a qualified Contractor cannot complete the work within 30 days, a search for an alternate Contractor may be required.
5. Weather-related repairs with FHA or VA loans require completion by June 1<sup>st</sup> regardless of circumstances. Time is of the essence with every holdback.
6. The Underwriter reserves the right to request additional estimates if the estimates do not appear accurate (lowball) or if the estimates do not itemize all of the work to be completed.
7. The normally acceptable amount to be held in escrow will be 150% (one and a half) of the higher of the two estimates. The Underwriter reserves the right to require a higher percentage of funds deposited if deemed necessary.

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8. The Contractor estimates must accurately itemize all the work to be completed. The estimate must match all the work required from the repair sheet. If it doesn't, or two more estimates covering the remaining work overlooked must be submitted.
9. When the estimates are approved, the TPO Partner must communicate with the Operations Staff whose money (Buyer or Seller) will be held after title transfers so that the escrow holdback documents (to be signed with the closing package) can be prepared and signed prior to closing.
10. If the Buyer's money will be held, the funds needed for the escrow will be added to their funds needed to close on the loan for final loan approval.
11. The Broker Coordinator will not print final papers until the escrow of repairs is approved by underwriting. The escrow papers will be in the final closing package for execution by the Buyers and Sellers. It is important for the estimates to arrive at least one to two weeks before papers are to be printed. *TPO Partners Must Manage This Process!*
12. Depending on the type of work required, repairs should be scheduled as quickly as possible with an ideal timeframe of completion within 30 days of closing. Repairs that cannot be completed within 30 days or are not weather-related FHA/VA repairs may be accepted as a "Limited Scope Exception" with the approval of the Underwriting Manager.
13. In addition to this policy – Escrow Holdbacks are not able to be disbursed to contractors in draws. All repairs must be completed prior to any release for payment of the holdback funds. Union Home Mortgage Corp. will not release funds without evidence that all work has been completed to the satisfaction of the Buyers, Sellers and Union Home Mortgage Corp.
14. Changes To The Escrow Agreement: If the Buyer or Seller change Contractors after the initial escrow agreement is signed, or if the scope of the work is altered in any way, Senior Management needs to review the new Contractors bid and a revised escrow agreement will be prepared to be signed by all parties. Any changes have to be approved prior to proceeding with the work.

### **503.1 FHA Insurance**

The upfront Mortgage Insurance Premium (MIP) must be paid by Union Home Mortgage Corp. In cases where the MIP is paid on a monthly basis, an escrow account must be established at closing.

UHM will collect escrowed funds, and remit these payments to HUD.

### **503.2 Private Mortgage Insurance**

Mortgage insurance is required for Conventional Loans as specified by product type, LTV (subject to state law), and applicable Agency and UHM requirements. Union Home Mortgage Corp. is responsible for remittance of all PMI payments for all Loan payments they collect.

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UHM permits borrower paid monthly and lender paid upfront single premium mortgage insurance . Monthly mortgage insurance policies require monthly premiums to be paid, beginning the month that the Loan closes, and continuing every month thereafter. If the Loan is amortized, UHM is also responsible for remitting the mortgage insurance for any Loan payments received.

UHM encourages the use of the Zero Up-Front premium PMI (LPMI) policies. There are no intermediate MI premiums due so less money is required from the borrower at closing.

### **503.3 Maximum Debt-to-Income Ratios**

Maximum debt-to-income ratio for all Loan products is determined by the AUS findings and the underwriting review based on the strength of the loan package. Please review UHM Overlays for FNMA and GNMA Delivery for specific requirements.

### **503.4 IRS FORM 4506T and Tax Transcripts**

UHM requires a fully completed and signed (or e-signed) IRS FORM 4506T for each Borrower, and the form must be wet-signed at closing. The form must be fully completed prior to the borrower(s) signature, per IRS requirements. The completed forms must be accurate, complete and legible.

#### **When transcripts are required**

To align with agency guidelines, UHM requires IRS Transcripts for the following loan types and scenarios:

- USDA Loans
- Investor Specific Loans (if required by an Investor outside of Agency)
- Self-Employed
- Commission Income
- Borrowers employed by Family Members
- Borrowers with Investment Properties
- Borrowers with Hand-Written Pay Stubs or W-2s
- Those employed in the trades (Plumbing, Electrical, etc.)
- Underwriter Discretion

Tax Return Transcripts are not required for loans or scenarios outside of those listed above.

#### **Transcript Process/Requirements (When Required)**

In the event tax transcripts are unable to be obtained due to an error on the form, a wet-signed IRS FORM 4506-T will be required.



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The immediate past year Tax Return Transcripts are required for loans that fit within the requirements previously listed that are closing on or after June 15, the current year (example, 2017 as the current year). Tax Return Transcripts are required as follows:

- All transactions must have an executed 4506T (verified tax transcript from the IRS) covering at least the most recent one-year period prior to Final Approval. If the AUS requires more than one year tax returns to verify income, then the number of years required by the AUS must be validated with tax transcripts.
- The most recent year's 1040 IRS Tax Return Transcript for all Borrowers must be included in the closed loan file when income was used in the underwriting decision
- Transcripts must be obtained directly from a tax transcript vendor or the IRS by the Correspondent. Transcripts cannot be obtained by the borrower or a third-party originator
- Any difference between income documented in the tax transcript and income used to qualify the loan must be reasonable and supported by information and documentation in the loan file
- For retired Borrowers: In cases where the borrower is not required to file tax returns, transcripts are still required. If "No results" feedback is received, provide a copy of the feedback.

Tax Return Balances Owed: Any due taxes must include evidence of payment (cancelled check) and funds sourced. UHM will permit a waiver of this requirement if the amount of the balance is  $\leq$  \$2,000.00 and the Borrower maintains sufficient funds to pay the amount after the required funds-to-close and any reserve requirements are met.

Tax Return Extensions - If the borrower has filed an extension for the 2016 tax returns, all of the following documentation is required and must be included in the loan file:

- Copy of the filed extension
  - IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS, and/or
  - Form 7004 filed with the IRS for most business returns
- 2016 Tax Transcript reflecting
  - "No Results"
  - "No Record Found," or
  - IRS Verification of Non-Filing form
- For salaried borrowers
  - 2015 Tax Transcripts,
  - Current paystub, and

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- 2016 W-2 form
- For self-employed borrowers
  - 2015 Tax Transcript, and
  - 2016 P&L

### **503.5 Title Insurance Basic Requirements**

With the exception of HUD PD Properties (HUD's Property Disposition, aka HUD Repos) which do not require a title policy, UHM requires all Loans submitted to closing to have a Mortgagee title insurance policy (or Iowa Title Guaranty Certificate for Iowa property) that meets the following requirements:

- The most current version of an American Land Title Association (ALTA) Loan policy, or other form of title insurance acceptable to Fannie Mae, Freddie Mac or Ginnie Mae issued by a title insurer approved by the Agencies and qualified to do business in the jurisdiction where the property is located, insuring the appropriate priority of the lien of the Mortgage in the original principal amount of such Loan.
- The minimum acceptable title insurance coverage must be at least equal to the Loan amount at closing.
- The protection and benefits from the title insurance policy must insure UHM, its successors and assigns as their interests may appear.
- Mortgages securing a condominium or planned unit development (PUD) must have title insurance coverage that is comparable to that provided by ALTA endorsement #4 or PUD endorsement #5.
- Any lien for subordinate financing must be listed on the title insurance policy and must specifically state that the lien is subordinated to the lien of the first Mortgage.
- Title to the property must be vested in the names of the mortgagors (Borrowers) as they appear in the security instrument.
- The effective date of the policy must be on or after the recording date of the security instrument.
- If the security instrument has been re-recorded to correct the legal description or to correct the Mortgage amount, the effective date of the policy must be amended to be the date of the re-recording, or after.
- The names of the Borrower(s), Mortgagee or beneficiary, Loan amount, closing date, and recording information indicated on Schedule A must agree with the security instrument.
- An ALTA Leasehold Policy for all leasehold estates.
- The following countersigned endorsements will generally be required by UHM if appropriate for the product or property type:
  - ALTA Form 4 / Condominium Endorsement
  - ALTA Form 5 / PUD Endorsement
  - ALTA Form 6 / Variable Rate Endorsement

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- ALTA Form 8.1 / Environmental Lien Protection
- ALTA Form 9 / Comprehensive Endorsement
- Additional state specific endorsement in California and Florida
- Trust Riders as applicable
- Closing Protection Letter is required for all UHM Prior Approval Loans

### 503.6 Waived Title Exceptions

UHM requires affirmative coverage over all defects unless the defect is subject to one of the following General Title Waivers:

- Customary easements and rights of way for underground conduits that are in place and do not extend under any buildings on the subject property.
- Customary surface easements and rights of way along property lines for public utilities and for drainage and irrigation ditches provided the exercise of the rights do not interfere with the use and enjoyment of any present improvements on the subject property or proposed improvements where the appraisal or Mortgage is based.
- Customary easements and rights of way for public roads, water lines and sewers, and for private wells, driveways and party walls situated partly on the subject property and partly on adjoining property.
- Any encroachment on an easement or right of way for public utilities by a garage or any other improvement, except those improvements that are attached to or are a portion of, the main dwelling structure, provided such encroachment does not interfere with the use of the easement or the exercise of rights or repair and maintenance in connection therewith.
- Encroachments on the subject property by improvements on adjoining property where such encroachments:
  - extend one foot or less over the property line of the subject property;
  - do not touch any buildings; and
  - do not interfere with the use of any improvements on the subject property.
- Encroachments on adjoining property by eaves or other projections attached to improvements on the subject property where these encroachments do not exceed 1 foot.
- Misplacements of hedges or removable fences on either side of the property line of the subject property, provided that neither the misplacement, nor a future correction thereof, will interfere with the use of any improvements of the subject property or the use of the balance of the subject property and the property not occupied by improvements.

**Please Note:** Misplaced concrete walls or driveways are not covered by the General Title Waiver.

- Encroachments onto adjoining property by driveways belonging to the subject property where such encroachments do not exceed 1 foot, provided that there exists a clearance of at

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least 8 feet between the buildings on the subject property and the property line affected by the encroachment.

- Variations between the length of the subject property lines as shown by the record, survey or drawing, provided that such variations do not interfere with the use of any of the improvements on the subject property and that they do not involve a deficiency of more than 2 percent with respect to the length of the front lot line or more than 5 percent with respect to any other line.
- Agreements or restrictive covenants of record relating to costs, use set-back, minimum size, building materials, architectural, aesthetic or similar matters (other than single family use restrictions on 2-4 family properties), provided that the title insurance policy expressly assures that:
  - there is no reversion or forfeiture of title in the event of violation thereof; and
- such agreements or restrictive covenants do not create or provide for a lien of any kind that would be prior to the lien of the subject Mortgage.
- Restrictive covenants based on race, color or creed, even where the violation of these restrictions provides for a penalty or reversion or forfeiture of title or a lien for liquidated damage.
- Outstanding oil, water or mineral rights (or damage caused by the exercise of such rights) which are customarily waived by prudent lending institutions and leading attorneys in the community.
- The priority of the lien as to any sum repaid and subsequently re-advanced under the terms of the Mortgage thereby.
- For Mortgages securing 1-4 family or non-owner occupied properties, rights of parties to occupy the property as tenants only under leases predating the Mortgage if the remaining term of the lease is less than 12 months at the time of origination.

### **503.7 Survey Requirements**

UHM requires that any survey exception be deleted from the final title policy. If the title company requires a new survey in order to delete the exception, then UHM will be required to obtain a new survey.

### **503.8 Post-Closing Reconciliation**

For all Loan types, specific post-purchase reconciliation questions may be directed to UHM's Post Purchase Customer Service Department.

### **503.9 Change of Servicer**

Whenever there is a change of mortgagor, a change of servicer, or a sale of a HUD-insured mortgage, HUD should be advised within 15 calendar days of the action in order that its records can be amended to show the change so that future premium notices and correspondence may be



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properly directed. It is Union Home Mortgage Corp.'s responsibility to notify HUD of the new holder and servicer of record. Effective December 1, 2005, only the existing holder of record is allowed to provide HUD with the Mortgage Record Change to update a new holder of record.

It is UHM's responsibility to prepare and deliver a notification of a Loan sale and change of servicer (Good-Bye Letter) to the Borrower(s) at least fifteen (15) days prior to the first payment due. Notifications must be prepared on the UHM's letterhead. UHM must provide the Borrower(s) with a short-year escrow account statement within 60 days of the servicing transfer. This applies when UHM has collected escrow funds, even those without disbursements prior to the sale of the Loan to the Investor.

Loans funded immediately prior to the monthly cut-off date require the generation and delivery of the RESPA Notice of Loan Sale and Change of Servicer (Good-Bye Letter), often as quickly as the same day we fund. This creates a very aggressive time frame to generate the Good Bye letter. The Transfer Date is always the 1st and no other day of the month may be used.

### **Notification to Borrowers:**

For all loan types, the notification to the Borrower must indicate that all future payments, tax information, MIP information, and Borrower correspondence for Loans funded by UHM must be sent as follows unless the Investor will be capable of collecting the first payment. In the event the Investor will collect the first payment, review the first payment information listed appropriately in the Loan Origination System.

### **Payments**

**Union Home Mortgage Corp.  
8241 Dow Circle W.  
Strongsville, OH 44136**

### **Overnight Delivery & Written Correspondence**

**Union Home Mortgage Corp.  
8241 Dow Circle W.  
Strongsville, OH 44136**

## **504.1 Mortgage Record Change**

It is Union Home Mortgage Corp.'s responsibility to notify HUD of the new holder and servicer of record. "Effective December 1, 2005, **only the existing holder of record** is allowed to provide HUD with the Mortgage Record Change to update a new holder of record.

## **504.2 Tax Record Information Sheet**

Union Home Mortgage Corp. is responsible for providing complete and accurate tax information. The information on the Tax Record Information Sheet is critical to begin the administration of the Tax

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escrow account for servicing. Any incorrect information could result in a tax penalty. The most critical items on the Tax Record Information Sheet are as follows:

- Name of the taxing authority,
- Tax ID/parcel number, and
- Next economic loss date or Discount date, if applicable.
- Date of last tax payment

UHM is responsible for all tax payments with economic loss dates or discount dates due prior to the Loan delivery and/or within 60 days of first payment date. However, if taxes are due within 60 days of first payment date, UHM will take the escrowed funds and pay the bill. The documents in the file should support the option that is required. These documents include but are not limited to; Closing Disclosure, the Tax Record Information Sheet and a bill or a copy of the bill for the taxes due within 60 days of first payment date. When UHM chooses to pay taxes within 60 days of first payment date, UHM must supply a copy of a pay history or supporting documentation in the loan file at the time of delivery along with an updated Tax Record Information Sheet reflecting the discount or next economic loss date UHM is to pay.

### **504.4 Outstanding Final Documents Report**

The Document Performance Detail (DPD) Report is an all-inclusive list of Union Home Mortgage Corp.'s loans for which any one or more of the following remain unresolved:

- Outstanding Final Document(s)
- Deficient Final Document(s)
- Unpaid/Underpaid Mortgage Insurance Premium (MIP)
- Uninsured Loan(s)

The Outstanding Final Documents Report is reviewed daily to expedite delivery delays.

### **504.5 Final Documentation Requirements**

The closing documents must be the most current FHA, VA, or Rural Development forms. UHM Operations, Compliance and Systems Administration are responsible for using the current documents and ensuring that all documents, including, without limitation, any document supplied by UHM, conform with all applicable state and federal laws.

Where applicable, Loans must be registered in MERS with a MERS transfer of beneficial rights (TOB) and transfer of servicing rights (TOS) must be initiated by Union Home Mortgage Corp., within ten (10) business days of delivery by UHM.

The documents listed below include all the follow-up documents required for review. The Outstanding Final Documents Report available after Loan funding will indicate the specific time period.

- Original or County Certified Copy of Recorded security instrument.

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- Final title policy with appropriate endorsements, including but not limited to:

ALTA 4	Condominium Endorsement
ALTA 5	PUD Endorsement
ALTA 6	ARM Endorsement
ALTA 8.1	Environmental Protection Endorsement
ALTA 9	Comprehensive Endorsement
CLTA 100	"Off Record" Endorsement (Extension of Coverage)
CLTA 100.24	Surface Rights Waiver (Minerals)
CLTA 103.1	Unlocated Easement
CLTA 103.5	Damage Caused by Water Extraction
CLTA 116	Survey/Address Endorsement
CLTA 110.5	Modification Endorsement - For any Loans with security instruments that UHM must correct and re-record. This endorsement insures the lien-holder the corrected security instrument is not considered to be a new security instrument filing, but instead relates back to and amends the original security instrument. In cases where the correction of the original security instrument involves an increase in the principal balance, this endorsement would not be appropriate. UHM requires increased coverage be obtained due to the title insurer's coverage limitation to the face amount of the original policy.

- OTHER ENDORSEMENTS - UHM may specify other endorsements as it deems appropriate.
- Recorded Intervening Assignments, if applicable.
- Additional documentation UHM may specify on the Outstanding Final Documents Report.

### Electronic Disclosures (Borrower and Seller)

While Borrower documents are permitted to be e-disclosed at application, all Borrower closing documents must be wet-signed. A seller's e-signed contract or closing package is acceptable with exception to the deed.

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### **504.6 FHA/VA/Rural Development Insuring/Guaranty/Guarantee Document Requirements**

- Mortgage Insurance Certificate (MIC) will be required prior to delivery.
- Loan Guaranty Certificate (LGC) will not be required prior to delivery when obtaining the Commitment and providing evidence the Funding Fee has been paid in full.

#### **MIC - Original Mortgage Insurance Certificate (FHA Loans only)**

UHM obtains the E-MIC version of the Mortgage Insurance Certificate for all FHA loans. The insuring document will be removed from the Outstanding Insuring Report once UHM has confirmation, from FHA Connection, that the loan has been insured.

#### **LGC - Loan Guaranty Certificate (VA Loans only)**

- Spelling of Borrower's name matches the Note
- Percentage of guaranty is 25%
- Loan amount matches the note
- Signed and dated by an authorized signatory of the Agency
- Mortgagee is Union Home Mortgage Corp. or assignor

#### **LNG - Loan Note Guarantee (Rural Development Guaranteed Rural Housing Loans Only)**

- Correct Borrower's name
- Correct property state
- Loan amount matches the note
- Signed and dated by an authorized signatory of the Agency

### **504.7 Recorded Security Instrument Requirements**

Union Home Mortgage Corp. must record the original security instrument, together with all appropriate Riders, including if applicable, Assignment of Rents. UHM will not accept any documents that contain white-outs or erasures. UHM will accept strike-overs *only* if the Borrower has initialed any such strike-over. The original or county certified copy of the security instrument is required.

#### **SECURITY INSTRUMENT REVIEW CHECKLIST**

- ❖ Security Instrument is complete, legible, and is in accordance with common and customary practices (e.g., closing agent).
- ❖ When closing with MERS, the Deed of Trust and Mortgage must include the appropriate MERS verbiage and the MIN prior to recording.
- ❖ Document date agrees with date of all other legal documents.
- ❖ Name(s) of Borrower(s) agree(s) with name(s) shown on all other legal documents.



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- ❖ The security instrument does or will vest in title all parties who are named in and who have executed the security instrument. Also, all parties vested in title are named in and have executed the security instrument. Additionally, parties who have an equitable interest (e.g., spouses in community property states) have signed the security instrument.
- UHM must ensure all individuals with an ownership interest in the property used as security sign the Mortgage/DOT and Notice of Right to Cancel. Individuals who have an ownership interest include (but are limited to):
  - Borrowers vested on the property being used as security
  - Non-borrowing individuals who are vested on the property being used as security
  - Non-vested spouses of vested individuals where the property is located in a community property state, homestead state, or dower/curtesy state (borrower or non-borrower)
- Property vested as “sole and separate property” (in community property, homestead, or dower/curtesy states) where there is a non-vested spouse require
  - ❖ a completed copy of a recorded quit claim deed, spousal waiver, or warranty deed, showing the non-vested spouse no longer has an interest in the property since the vesting of “sole and separate property” alone does not remove the right of rescission for a non-vested spouse.
- Name and address of originating/closing lender is correct and complete and agrees with Note.
  - Loan terms are correct and agree with Note, including:
  - Loan amount and
  - Loan term (first and last payments).
- Legal description agrees with title work.
- Address of subject property is correct and complete, agrees with appraisal and, where applicable, the title report.
- All Borrowers' signatures agree with signatures on the Purchase Contract, if applicable, and/or original signed Fannie Mae 1003/Freddie Mac 65/Uniform Residential Loan Application.
- Notary acknowledgment is complete and correct, and, if applicable:
  - Notary seal/stamp appears on the document.
  - Commission expiration date is included.
- Document form is correct for product type and state where property is located and is the most recent revision required by UHM.
- UHM has prior approved any alternatives to the UHM required form.
- Appropriate Agency Riders are required including, without limitation, the following:

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- Planned Unit Development ("PUD")
- Condominium
- One-to-four Family
- ARM

### **PUDS** - PUD Rider required

- a) Date agrees with security instrument.
- b) Name of Seller agrees with security instrument.
- c) Property address agrees with security instrument.
- d) Information describing declaration is complete.
- e) Project name agrees with legal description, title work and appraisal.
- f) Fully executed by Borrower(s).

### **CONDOS** - Condominium Rider required

- a) Date agrees with security instrument.
- b) Name of Seller agrees with security instrument.
- c) Property address agrees with security instrument.
- d) Information describing declaration is complete.
- e) Project name agrees with legal description, title work and appraisal.
- f) Fully executed by Borrower(s).

### **ALL MULTI-FAMILY AND/OR INVESTMENT PROPERTIES** - One- to Four-Family Rider required

- a) Date agrees with security instrument.
- b) Name of Seller agrees with security instrument.
- c) Property address agrees with security instrument.
- d) Fully executed by Borrower(s).

### **ARM LOANS** - ARM Rider required

- a) All data is correct and agrees with Note.
  - b) Date agrees with security instrument.
  - c) Fully executed by Borrower(s).
- All Borrowers who signed the security instrument executed all Riders (unless otherwise indicated); signatures agree with signatures on Purchase Contract, if

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applicable, and/or original, signed Fannie Mae 1003/Uniform Residential Loan Application and are consistent with security instrument.

- Any correction to security instrument or Rider(s) has been initialed by all Borrowers who executed the security instrument.
- Consolidation, Extension, and Modification Agreement ("CEMA") if required.
- Living "Inter Vivos" Trust Documents.

### 504.8 Assignment of Mortgage Requirements

Where applicable, Loans must be registered in MERS.

#### **ASSIGNMENT REVIEW CHECKLIST**

- Non-MOM (MERS as Original Mortgagee) Documents Require an Assignment of Mortgage.
- Loans closed on non-MOM (MERS as Original Mortgagee) documents, assignments to MERS must be recorded for all Loans in all states. Assignments made to MERS, must include the MIN, MERS toll free phone number and the appropriate MERS verbiage. Failure will result in re-recording with these costs being charged back to the Seller.
- There is an Assignment for each endorsement appearing on the Note.
- Loan information, (e.g., Borrowers, Loan amount, Date of Loan, Seller), agrees with Note and security instrument.
- Notary acknowledgment is correct and complete.
- Legal description and/or property address, if required, agrees with security instrument and title work.
- Date of execution is included.
- Contains a signature of an authorized officer of the Lender.
- Includes appropriate notarization, seal and witness, if required by applicable state
- White-out was not used to make corrections.

### 504.9 Title Insurance Coverage Requirements

Union Home Mortgage Corp. must obtain the most current form of ALTA Mortgage Title Policy, or the equivalent if an ALTA policy is not available in a specific geographic location. The Short Form Policy, Residential Loan Certificate, or ATI Title Opinion Plus covering the Loan is also acceptable. An Attorney's Final Opinion of Title is required if the property is located in the state of Iowa. A Final Title Insurance Policy is not required for HUD repos. The Title Insurer must be qualified to do business in the jurisdiction in which the property is located, and the policy must insure UHM, together with its successors and assigns, that the Loan is in first lien position in the original principal amount of the Note. The Title Policy must insure Union Home Mortgage Corp. as its name appears in the security instrument and must also include the language, "its successors and assigns as their interest may appear."

#### **ENDORSEMENTS AND AFFIRMATIVE COVERAGE**

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UHM generally requires the following countersigned endorsements, if appropriate, for the product or property type:

ALTA Form 4	Condominium Endorsement
ALTA Form 5	PUD Endorsement
ALTA Form 6	Variable Rate Endorsement
ALTA Form 8.1	Environmental Lien Protection
ALTA Form 9	Comprehensive Endorsement

In addition, and unless prohibited by applicable state title industry regulations, all Title Policies must include the ALTA 100 form (or its equivalent) with respect to affirmative coverage over violation of building and use restrictions, covenants and conditions, encroachments, etc., or other specific affirmative language insuring that there has been no violation of any such matters, which violation would result in a forfeiture or reversion of title.

UHM may require additional endorsements as it deems appropriate to provide UHM with full title insurance protection

### **SURVEY REQUIREMENTS**

UHM requires that the title company delete any survey exception from the final Title Policy. If the title company requires a new survey in order to delete an exception, then UHM requires a new survey is obtained.

### **TITLE POLICY DOCUMENTS**

UHM requires the original Title Policy. If the property is located in an area where a final Title Policy is not normally available at closing, or there is a delay associated with recording, UHM may obtain a binding commitment, provided that such binding commitment:

- i) is binding upon the title insurance company issuing the Title Policy;
- ii) has been "marked-up" by an authorized agent of the title insurance company issuing the Title Policy; and
- iii) shows, among other things, which items will be deleted from the Title Policy, which endorsements will be required to accompany the Title Policy, etc. If applicable, the UHM must include a copy of each instrument necessary to complete the identification of exceptions shown.

### **TITLE INSURANCE REVIEW CHECKLIST**

- UHM is named as proposed insured, with the inclusion of "Its successors and assigns, as their interest may appear," if the policy definition of "Insured" does not cover successors/assignees.

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- Vesting Requirements:
  1. Purchase Loans: Immediately prior to subject Borrower's acquisition of the property, title vested in the Seller as named in purchase contract and the HUD Settlement Statement.
  2. Refinance Loans: Title vested in subject Borrower(s).
  3. Title (held by subject Borrower) is not held in trust (except for an Illinois Land Trust or Living "Inter Vivos" Trust), by Corp's or business entities.
  4. All parties to be vested in title have executed the security instrument, subject to state law.
- Title to the property has not been conveyed within the most recent 12 months. If title has been conveyed within most recent 12 months, UHM may require further review by its underwriter and/or additional documentation to ensure acceptability of transaction (e.g., not a flip sale).
- Title held is fee simple or, if a leasehold, UHM has specifically approved the policy prior to closing.
- Legal description agrees with all legal documents (security instrument, Assignment or Mortgage, etc.).
- **Title Exceptions:**
  1. Tax payments are current.
  2. Survey exceptions have been deleted, or appropriate affirmative coverage obtained.
  3. All existing liens and judgments have been or will be paid/released.
  4. Surface entry rights are waived or contain appropriate affirmative coverage endorsement.
  5. All references to taxes as exceptions to the coverage of the Title Policy state "Not yet due and payable" or "Paid." Generally speaking, UHM will accept only those title exceptions acceptable to secondary market investors.
- Contains all UHM required additional title endorsements either as a condition to funding or as follow-up documentation (e.g., ARM, PUD, Condominium Endorsement, Environmental Lien Endorsement, etc.).
- An authorized agent has properly countersigned the title binder/commitment.
- Amount of title insurance equals the Note's face amount.
- Preliminary report/title commitment to include 24 months of title and dated within 6 months of closing and MUST include the Preliminary CD statement. The Processor must confirm the reconciliation of the escrows by closing prior to underwriting.

### **Specific to Rate/Term Refinances of Owner Occupied Homestead Property in Texas**

Special title insurance coverage must be obtained when impounds for prepaid expenses are included in the new loan amount. The following must be included as a Schedule B Exception:

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"Possible defect in lien of the insured mortgage because of the insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage"

**UHM recommends, but does not require, that the title policy include the P-39 Express Insurance Coverage endorsement.**

### **ALTA SHORT FORMS OF TITLE**

UHM will also accept the following ALTA Short Forms of Title:

- i) the Short Form Residential Loan Policy, or
- ii) the Residential Loan Certificate to a Master Policy, subject to the following:
  - Acceptable for residential one-to-two family dwellings.
  - If the Residential Loan Certificate is used, the Loan File contains copies of the master policy with any and all addenda or endorsements.
  - If the short form Residential Loan policy is used, the Loan contains a copy of a warranty deed.
  - The forms are from Fannie Mae approved title insurers.
  - Contains evidence of current vesting in the property.
  - Any short forms of title policies have the applicable ALTA endorsements.

## **505.1 Title Holder General Requirements, Living (Inter Vivos) Trusts**

This Revocable Trust Guide is provided by Union Home Mortgage Corp. ("UHM"), having its principal place of business at 8241 Dow Circle West, Strongsville, OH 44136. UHM publishes this Guide via its secured website to inform Employees and TPO Lending Partners of its policies, procedures, guidelines, announcements and other communications, and may be amended from time to time.

### **Introduction**

Subject to investor guidelines, programs, parameters and restrictions, Union Home Mortgage Corp. (UHM) may permit a residential mortgage loan to be made to an individual(s) who currently holds legal title in the name of his/her/their trust (refinance) or desires to purchase property and at the time of acquisition vest legal title in the name of his/her/their trust/trustee.

As a transfer out of trust may have ancillary consequences, no employee of UHM shall suggest, infer, demand or require that a borrower transfer property out of trust as a condition of loan approval. If a borrower voluntarily and not under duress and without collusion offers this alternative, he/she should be instructed to seek the advice of his/her independent professionals.

### **General Requirements**

The Inter Vivos Revocable Trust, or a/k/a Family Trust, or Living Trust, must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s)

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establishing the trust. If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.

The borrower must be the Settlor or Trustor (the individual that created the trust and transfers assets such as the subject property, to hold and manage on behalf of the trust), the Trustee (the person selected by the Settlor acting on behalf of the trust to administer the terms of the trust) and the primary beneficiary (the person identified by the Settlers for whose benefit the trust is administered).

### Restrictions

UHM does not permit the use of:

- Irrevocable Trust
- Land Trust (including Illinois)
- Qualified Personal Residential Trust
- Institutional Trust
- Corporate Trust
- Trust established under outside of or under the laws of any jurisdiction other than one of the 50 states or the District of Columbia,
- Survivor Trust where the Trust is no longer Revocable
- Testamentary Trust
- Blind Trust

### Power of Attorney

A power-of-attorney may not be used under any circumstances to sign any documents, from initial application through and including closing, on behalf of a Trustor, Settlor, Beneficiary, Trust and/or Trustee.

### Underwriting Considerations

The mortgage must be underwritten as if the individual establishing the trust (or at least one of the individuals, if there are two or more) were the borrower (or a co-borrower, if there are additional individuals whose income or assets will be used to qualify for the mortgage).

All property and occupancy types may be eligible subject to program and investor restrictions. For properties that are the borrower's principal residence, at least one individual establishing the trust must occupy the security property and sign the loan documents.

The trust must be valid in: a) the state in which the subject property is located; b) the state where the trust was created; and c) the state of controlling law and interpretation if specified in the trust .

The borrower(s) must provide a copy of the entire trust agreement, if the law of the property state allows a lender to require a copy of the entire trust agreement

**OR**

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A Certification of Trust in the following states:

Alabama	Arizona	California	Delaware
District of Columbia	Florida	Idaho	Illinois
Indiana	Iowa	Kansas	Maine
Michigan	Mississippi	Minnesota	Nebraska
Nevada	New Hampshire	New Mexico	North Carolina
North Dakota	Oregon	South Carolina	South Dakota
Tennessee	Texas	Utah	Virginia
Vermont	West Virginia	Wyoming	

NOTE: Table includes information on states in which UHM is not licensed.

In all cases UHM will request the complete trust agreement. However in those states where a lender is prohibited from requiring a full copy of the trust, a Certificate of Trust may be acceptable. Excerpts of the trust may be required in accordance with the laws of the property state and to validate the trust meets guidelines.

UHM does not at this time require an Attorney Opinion Letter for all trust reviews, but specifically reserves the right to require the borrower(s) to submit should the trust/trust certificate be outdated, aged, ambiguous, amended, restated, or complex.

A thorough review of the complete trust agreement or Trust Certificate and the title commitment must be completed by the Underwriter. All of the trust documents must be retained in the loan file.

The Underwriter must complete the Trust Checklist along with their signature and date acknowledging the Underwriter has reviewed and approved the trust documents.

The Underwriter shall submit a written request to UHM's Compliance Department at for an opinion that the Trust under review meets the requirements of state law. The anticipated decision time is end of the next business day unless circumstances require an extended time frame.

### Title and Insurance Requirements

UHM must retain in the individual mortgage file a copy of any trust documents that the title insurance company required in making its determination on the title insurance coverage.

Title held in the trust does not in any way diminish investor or agency rights as a creditor, including the right to have full title to the property vested in investor or agency should foreclosure proceedings have to be initiated to cure a default under the terms of the mortgage.

- The title insurance policy ensures full title protection to investor or agency.
- The title insurance policy states that title to the security property is vested in the Trustee(s) of the inter vivos revocable trust.



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- The title insurance policy does not list any exceptions with respect to the Trustee(s) holding title to the security property or to the trust.

Title to the security property is vested solely in the Trustee(s) of the inter vivos revocable trust, jointly in the Trustee(s) of the inter vivos revocable trust and in the name(s) of the individual borrower(s), or in the Trustee(s) of more than one inter vivos revocable trust.

### Closing Requirements

The following executed collateral documents are required when closing a loan in a trust:

- the original note,
- trust addendum to the note,
- mortgage/deed of trust,
- trust rider to the mortgage/deed of trust.

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### Signature Requirements

Due to the multi-capacity of parties involved in an inter vivos trust (for example Settlor, Trustee and Beneficiary), the loan documents must be executed by all required parties and in a specific manner.

#### Original Note

- The borrower must sign as an individual and trustee of the trust.
- Each individual, **not** a Trustee whose income or assets were used to qualify for the loan (i.e. co-borrower).
- Each Settlor whose income or assets were used to qualify for the loan.

#### Trust Addendum to the Note

- Each Trustee as Trustee of the trust.
- Each Settlor whose income or assets were used to qualify for the loan.

#### Mortgage/Deed of Trust

- Each Trustee as Trustee of the trust.
- Each individual that has a vested interest in the property but is **not** a Trustee of the trust. (The borrower does not have to sign as an individual unless title will be vested in both the name of the trust and the individual which is rare and uncommon).

#### Trust Rider

- Each Trustee as trustee of the trust.
- Each individual that has an interest in property.

A trust is the legal entity. Vesting will be in the name of the trustee/trust. If there is more than one borrower and the borrower is not a Settlor or Trustee of the trust the additional borrower must sign all documents individually only.

If the borrower is the Trustee, Settlor, Beneficiary and the borrower's spouse will not be a party to the loan transaction a (non-borrowing spouse), marital vesting may not be applicable in states where dower, homestead or community property are required by state law. State law will determine if the non-borrowing spouse is required to release dower, homestead or community property rights.

## **Section 600 Underwriting and Loan Products**

### **600.1 General Guidelines Government Loans**

Loans insured by the Federal Housing Administration (FHA), guaranteed by the Department of Veterans Affairs (VA) or guaranteed by the US Department of Agriculture Rural Development Program (USDA – RD), are eligible and supported by Union Home Mortgage Corp.

Unless otherwise stated in Section 600 in this TPO Lending Guide, all FHA, VA and USDA Loans sold to UHM must conform to applicable FHA, VA or USDA one-to-four family housing requirements. All FHA Loans must be insurable by FHA, VA Loans must guaranteed by VA, RD Loans must be

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guaranteed by USDA and all Loans must be eligible for inclusion in pools of mortgage-backed securities fully guaranteed by the Government National Mortgage Association (Ginnie Mae). UHM will not approve any Loan which does not meet these guidelines.

All Loans must be prudently underwritten and be of sound investment quality.

### 600.2 Eligible Government Loan Types

**The following Loan types are eligible for financing by UHM:**

- Loans guaranteed by the VA under Sections 3710 and 3720 of title 38, U.S. Code and the VA Loan Guaranty Standards.
- Fixed Rate,
- 3/1 and 5/1 ARMs with 1/1/5 Caps
  - FHA and VA ARM transactions must meet Ginnie Mae guidelines requiring grouped interest rate change dates and strict delivery time frames. Transactions must be purchased by the agreed upon change date to maintain the commitment price. The ARM interest rate change date is provided at the time of commitment.

Loans insured by the FHA under any combination of the following:

Eligible Section of the Act	ADP Code	Brief Description
203(b)	703	Fixed Rate Loan
203(b)	729	ARM Loan
203(b)	734	Fixed Rate Condominium
203(b)	731	ARM Condominium
234 (c)	734	Condominium Fixed Rate Loan
234 (c)	731	Condominium ARM Loan

**The following Program ID Codes are acceptable ADP Codes:**

00 - No Special Program Code - Standard

Loans with Program Codes other than "00" should be identified by including the program code on the FHA Loan Underwriting and Transmittal Summary Form 92900-LT (FHA Transmittal).

**FHA loans originated under other combinations are not eligible.**

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### 600.3 Other Eligible Government Loan Types

#### Flip Properties

IF Seller has been in title ...	AND...	THEN...
Greater than 90 days	Meets the FHA Flip Waiver [24 CFR 203.37a(b)(2)] requirements	Comply with HUD requirements
90 days or less		New sales price must not exceed 120% of the acquisition cost paid by the seller when the property was acquired

- UHM will accept loans that meet the FHA Flip Waiver [24 CFR 203.37a(b)(2)] in accordance with the guidelines noted below:
- Flip transactions requiring a second appraisal must comply with the following requirements:
  - Cost of the second appraisal may not be charged to the borrower, and
  - Appraisal must be completed by an eligible Appraiser
  - Additionally, if the sale price is greater than 20% the seller's acquisition price there must be a property inspection performed on the property (though the inspector does not need to be an "FHA inspector)." If the inspection report notes that certain repairs are required due to "health and safety" then those repairs must be completed prior to the closing of the sale.

#### HUD PD (REO)

- UHM will accept for purchase HUD PD (REO) loans that meet HUD PD guidelines
  - As with all Loans, HUD PD (REO) Loans must be of investment quality.
  - **Loans with Down Payment Assistance Program (DAP)**
- UHM will accept *first* mortgage Loans originated in conjunction with Down Payment Assistance Programs in accordance with agency requirements. These may include, but are not limited, to such programs as Down Payment Assistance Programs (DAP), Up-Front Cost Assistance Programs (UCAP), and Housing Assistance Programs (HAP).

### 600.4 Eligibility and Documentation Requirements

#### Minimum Loan Score

Regardless of the AUS Recommendation, UHM requires the following minimum Loan Score as follows:

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Loan Class	Documentation Type	Minimum Score Required
FHA	Full Doc Purchase/RT Refinance	<b>600*</b>
FHA	Streamline Refinance/Manual Underwrite	<b>620*</b>
FHA	Cash-Out	640
FHA High Balance	Full Doc/Streamline Refinance	640 (A/E Only)
VA	Full Doc/Streamline Refinance (IRRRL)	600
VA	Cash-Out Refinance >90% LTV	660
	Cash-Out Refinance <=90% LTV	640
VA High Balance	Purchase or Refinance	660 (A/E Only)
USDA - RD	Purchase	620

### **\*Credit Scores under 660 with payment shock:**

All Borrowers with credit scores <=660 combined with 100% payment shock are required to be underwritten by an Underwriting Team Leader and will require a Pre-Funding Review. Borrowers that maintain these characteristics and are renting must provide one of the following in order of preference: 1.) 2 months bank statements showing the rent withdraw, 2.) 2 months cancelled checks or 3.) UHM will complete a verbal certification completed by the Loan Processor validating the amount of the previous rent payment listed on the application.

### **Streamline Refinances:**

Non-Credit Qualifying Streamline Refinances and VA Interest Rate Reduction Refinance Loan (IRRRL) transactions are included in this Loan Score requirement. A tri-merge credit report is required to solely validate the Loan Score.

- **Credit Score Methodology**

- The following criteria may be used to determine each individual borrower's Credit Score using the "middle/lower" method.
  - If there are three valid credit scores for a borrower, the middle score (numerical middle of the three scores) is used.

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- If there are three valid scores for a borrower but two of the scores are the same, the duplicate score is used.
- If there are two valid scores for a borrower, the lower of the two scores is used.
- If there is one valid score for the borrower, that score is used.
- **Loan Score Selection**
  - After selecting the appropriate Credit Score for each borrower, the Loan Score must be determined.
    - If there is more than one borrower, the lowest selected Credit Score among all borrowers is the Loan Score.
    - When there is only one borrower, the selected Credit Score for that borrower is the Loan Score.

### Tax Return Transcripts

### Verbal Verification of Employment

- A Verbal Verification of Employment (VVOE) is required within 7 days of closing regardless of the AUS findings or documentation type. Self-employed borrowers must have independent 3<sup>rd</sup> party verification within 30 days of closing.

### Credit History

- Only traditional credit histories are acceptable; all borrowers must have traditional credit established with valid credit scores.
- For FHA Streamline Refinance and VA Interest Rate Reduction Refinance Loans must be current and have no 30 day or greater mortgage late payments in the most recent 12 months.

### Loan Amounts/Limits

#### FHA:

- Current statutory limits apply to Loan amount limits. All loans must be submitted in whole dollar amounts.

#### VA:

- The VA guaranty plus cash/equity must be equal to at least 25% of the loan amount (including the funding fee) purchase price or Notification of Value (NOV), whichever is less, on purchases, new construction, and non-IRRRL refinances. All loans must be submitted in whole dollar amounts. The total loan amount (base plus funding fee) may not exceed \$417,000.

#### USDA:

- Current statutory limits apply to Loan amount limits.

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### LTV/CLTV Limits

Loan Class	Documentation Type	Maximum LTV/CLTV %*
FHA	Cash-out Refinance	85.00 / 85.00
FHA	Rate/Term Refinance	96.50 / 96.50
VA	Purchase	100.00 / 100.00
VA	Rate/Term or Cash Out Refinance	100.00 / 100.00
FHA	Purchase**	96.50 / 100.00
USDA	Purchase or Refinance	100.00 / 100.00

**\*Maximum LTV/CLTV is based on the base loan amount prior to any upfront MIP being financed.**

### Property Types

UHM will accept all property types including Manufactured Housing Homes. As with all loans, the property must be investment quality and meet the appropriate investor guidelines.

### Appraiser/Appraisal

Appraiser Independence must be followed for all loan types. All FHA case numbers assigned on or after January 1, 2012 require Uniform Appraisal Dataset (UAD) compliant appraisal report forms.

All VA Loans must comply with the VA Appraiser guidelines. All VA Loans effective January 1, 2012 require Uniform Appraisal Dataset (UAD compliant appraisal report forms).

### Disaster Inspection Requirements

All full documentation loan transactions must comply with the requirements as stated in Section 500 of this guide. In addition:

#### VA Full Documentation Loan Transactions

VA will no longer issue a circular for specific disasters. VA has posted a policy regarding natural disasters on their website that can be access at:

[http://www.benefits.va.gov/homeloans/docs/va\\_policy\\_regarding\\_natural\\_disasters.pdf](http://www.benefits.va.gov/homeloans/docs/va_policy_regarding_natural_disasters.pdf)

In addition to the VA policy the following are required:

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- Lender Certification must be completed and signed;
- Veteran Certification must be completed and signed;
- VA Summary Sheet (26-0286) must contain the following in the remarks section: "Lender and Veteran Disaster Certifications Enclosed";
- If local law requires the property to be inspected and approved by the local building inspection authority, a copy of the appropriate local report(s) must be provided. Neither VA nor the veteran purchaser shall bear the expense of any disaster-related inspection or repairs.

### FHA/VA Streamline Refinances Without Appraisal

FHA streamline transactions will not require property inspections.

The following requirements must be met in order to obtain VA loan guaranty.

Properties located in a FEMA declared county must be inspected to determine if the property sustained damage, by

- A property Inspector or state licensed Appraiser for VA IRRRL transactions. The Veteran may not be charged for the inspection.

#### If the property sustained damage:

- It must be repaired and restored to its pre-disaster condition or better with a final inspection prior to Final Approval

Additionally, the following certification must be obtained:

- Veteran Certification completed and signed by the veteran

### Sales Contract

UHM will accept a re-negotiated purchase agreement subsequent to the completion of the appraisal. The loan-to value will be based on the lower of the original purchase price or the appraised value, unless:

- Re-negotiation of only seller paid closing costs and/or prepaids when seller paid closing costs/prepaids are common and customary for the market and supported by the comparables;
- An amended purchase agreement for new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal must be obtained to verify the value of the modifications/changes.

**IMPORTANT, Please Note:** UHM will not accept re-negotiated purchase agreements that increase the sales price after the original appraisal has been completed if:



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- the appraised value is higher than the contracted sales price provided to the Appraiser; *and*
- the new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received; *and*
- the only change to the purchase agreement is an increase in sales price.

### **600.5 Number of Financed Properties, Government Loans**

UHM limits the maximum number of properties financed for FHA borrowers with all Lenders at four, including UHM held mortgages. The maximum of four financed properties includes the subject property along with any other financed mortgages with no more than two Investment Properties, conventional or government.

### **600.6 Additional Requirements for FHA Streamline Refinances and VA Interest Rate Reduction Refinance Loans (IRRRLs)**

- **Regardless of who is servicing the loan, FHA Streamline Refinances and VA IRRRL loans must be current and have no 30-day or greater mortgage late payments in the most recent 12 months.**
- Neither Form 4506-T or Tax Return Transcripts are required on a non-credit qualifying FHA streamline refinance or non-credit qualifying VA IRRRL transaction;
- Evidence the existing loan is current;
- If the loan is seasoned 12 months or more, evidence that the existing loan has not had any 30-day or greater mortgage late payments in the past 12 months;
- If the loan is seasoned less than 12 months, evidence:
  - The existing loan has no 30-day or greater mortgage late payments since the inception of the loan; and
  - No 30-day or greater mortgage late payments for any other first mortgage loans associated with the property and borrower(s) in the most recent 12 months.

#### **FHA Streamline Refinance Loans**

- **UHM's maximum CLTV is 100%.**
- Owner Occupied Properties
  - Property may be a second home or investment property as long as they meet standard FHA requirements and the requirements in this section for non-credit qualifying FHA Streamline refinance transactions without an appraisal.

#### **FHA Streamline Program with the High Balance FHA Loan Program**

The *High Balance Loan Program* is eligible with the FHA Streamline Programs. When the base loan amount exceeds the applicable dollar amount below, the transaction is

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considered a High Balance FHA Streamline transaction *and must meet additional UHM criteria.*

For properties located in:	With the following number of units:	The maximum BASE mortgage amount exceeds:
48 Continental States and District of Columbia	1-unit	\$417,000
	2-unit	\$533,850
	3-unit	\$645,300
	4-unit	\$801,950

### [Loan Limits Link](#)

**For the High Balance FHA Streamline Program *both* the UHM FHA Streamline and FHA Streamline Program requirements must be met *in addition to* the following requirements:**

- The higher loan limits are only allowed with Section 203(b)
- The loan must be a 30 year fixed rate, 3/1, or 5/1 ARM.
  - ARMs may have a margin of 2.25%.
  - The maximum CLTV is capped at the maximum LTV (max LTV = Max CLTV)

### **VA Interest Rate Reduction Loans**

- Pay History
  - A minimum of a six month payment history on the current mortgage.
- Owner Occupied Properties
- Secondary/Vacation and Investment Property (1-4 Family) - Are eligible for VA IRRRL transactions\*
  - \*The loan file must contain documentation that the veteran previously occupied the subject property as their primary residence at one point in time.

### **VA Streamline Refinances, Net Tangible Benefit**

As a reminder, the VA does not consider pre-paid expenses as a portion of closing costs which are required to be considered in the net tangible benefit recoupment calculation.

## **600.7 USDA Discount Points, Borrower Costs and Seller's Concessions**

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USDA acknowledged that discount points can only be included in the loan or the seller concession if the application is within the “low to moderate income” category and the discount points are being used to reduce the interest rate from an eligible rate. The consideration from USDA relates to concessions and the potential artificial inflation of the sales price based on those concessions leading to financed costs.

USDA is clear that bona-fide discount points are permitted to be paid through seller’s concessions with “low to moderate income” borrowers. For all other scenarios, discount points are permissible but must be borrower paid and cannot be included in seller’s concessions. These borrower paid discount points also include any extension fees required and applied to discount points.

### **600.8 Texas Refinances**

#### **General Guidance:**

Refinance transactions in the state of Texas must adhere to all Agency delivery requirements and state law. UHM supports the Texas Section 50(a)(6) program through conventional deliver (government loans are not permitted).

#### **Of Importance:**

- A traditional “no cash” out refinance is as standard
- If the Borrower receives cash back at closing while completing a “limited cash out” or “cash out” loan, the loan qualifies under the Section 50(a)(6) program requirements
- In the event a borrower has previously refinanced and the loan qualified as a Texas Section 50(a)(6), all subsequent refinances must meet the Section 50(a)(6) qualifying criteria regardless of whether cash out is provided to the borrower after closing
- Texas Section 50(a)(6) refinances require an LTV  $\leq$  80% LTV
- UHM will utilize the law firm [Black, Mann & Graham, LLP](#) to review the legal document package

#### **Fannie Mae Delivery:**

##### Texas Section 50(a)(6) Mortgage Eligibility

This topic contains information on Texas Section 50(a)(6) mortgage eligibility, including:

- [Refinance Classifications](#) ➤
- [Eligible Mortgage Products and Transaction Types](#) ➤
- [Texas 50\(a\)\(6\) Security Property](#) ➤

#### Refinance Classifications:

Lenders should be aware that Fannie Mae’s classification of mortgage transactions as “cash-out refinance” or “limited cash-out refinance” may differ from the way mortgages are classified under Texas law for purposes of compliance with the Amendment.

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Texas law determines whether or not a mortgage is a Texas Section 50(a)(6) mortgage, and Fannie Mae's policy determines whether the mortgage must be delivered as a cash-out refinance transaction or as a limited cash-out refinance transaction. The lender is responsible for determining:

- the applicability of Section 50(a)(6) of the Texas Constitution, regardless of Fannie Mae's definitions of cash-out and limited cash-out refinance transactions; and
- if the mortgage should be delivered to Fannie Mae as a cash-out refinance (including SFC 003 and payment of all applicable LLPAs) or a limited cash-out refinance transaction (including SFC 007).

All mortgages that constitute Texas Section 50(a)(6) mortgages under Texas law must comply with these provisions, regardless of whether the mortgage loan is classified as a "cash-out refinance" or "rate/term refinance" in the *Selling Guide*. See [B5-4.1-03, Texas Section 50\(a\)\(6\) Underwriting and Collateral Considerations](#).

Accordingly, lenders should not rely on Fannie Mae's categorization of refinance mortgages for purposes of determining whether compliance with the provisions of Section 50(a)(6) is required. Rather, such lenders should consult with their counsel to determine the applicability of Section 50(a)(6) to a particular loan transaction.

### Eligible Mortgage Products and Transaction Types

Texas Section 50(a)(6) mortgages must be fully amortizing mortgages with payments due on a monthly basis. The following are eligible as Texas Section 50(a)(6) mortgages:

- first liens only;
- fixed-rate mortgages; and
- certain five-, seven-, and ten-year ARM plans (shown in the table below).

### Eligible ARM Plans

#### Five-year ARMs

- 2737

#### Seven-year ARMs

- 2727

#### Ten-year ARMs

- 2729

These ARM plans should be structured in the same way that they are for other mortgages, except that the mortgage may not be assumable at any time over its full term. Only the ARM plans listed above are eligible, due to the MBS disclosure impact resulting from the non-assumable nature of these ARMs.

The following are not eligible as Texas Section 50(a)(6) mortgages:

- loans that are not in first-lien position,
- ARM plans not listed in the Eligible ARM Plans table above, and
- loans with temporary interest rate buydowns.

### Texas 50(a)(6) Security Property

A Texas Section 50(a)(6) mortgage must be secured by a single-unit principal residence constituting the borrower's homestead under Texas law. Mortgages secured by two- to four-unit properties, investment properties, or second homes are not eligible. The security property may be

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- a detached dwelling,
- an attached dwelling,
- a unit in a PUD project,
- a unit in a condo project, or
- a manufactured home. (A manufactured home is eligible only if it is classified as real property under Texas law, and satisfies all special Fannie Mae eligibility criteria for manufactured homes.)

The borrower's property may not exceed the applicable acreage limit as determined by Texas law when the Texas Section 50(a)(6) mortgage is originated.

A borrower that owns adjacent land must submit appropriate evidence, such as a survey, that the mortgaged homestead property is a separate parcel that does not exceed the permissible acreage.

Note: An *inter vivos* revocable trust that meets Fannie Mae's borrower eligibility criteria (as described in [B2-2-05, Inter Vivos Revocable Trusts](#)), may be a borrower under a Texas Section 50(a)(6) mortgage, provided that the trust meets the requirements for a "qualifying trust" under Texas law for purposes of owning residential property that qualifies for the homestead exemption.

### Texas Section 50(a)(6) Underwriting and Collateral Considerations

This topic contains information on Texas Section 50(a)(6) underwriting and collateral considerations, including:

- [LTV/CLTV](#) ➤
- [Underwriting and Loan Documentation](#) ➤
- [Property Valuation](#) ➤

#### LTV/CLTV

Per Texas law, the maximum allowable LTV and combined LTV is 80%, notwithstanding any conflicting provisions of this Guide or any specific DU recommendation or finding. HELOC subordinate financing is not permitted, so no maximum HCLTV is applicable.

#### Underwriting and Loan Documentation

Texas Section 50(a)(6) mortgages are eligible for the reduced documentation requirements recommended by DU, provided that all other terms and conditions described herein for Texas Section 50(a)(6) mortgages shall apply.

This includes, but is not limited to, the additional representations and warranties, and requirements related to mortgage documentation, property valuation, title insurance, committing and delivery and servicing.

For a mortgage that represents the refinance of a Texas Section 50(a)(6) mortgage, the borrower must requalify even if the lender is currently servicing the existing mortgage that is being refinanced.

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Manually underwritten Texas Section 50(a)(6) mortgages are subject to minimum credit score requirements per the Selling Guide, based on the transaction as either a cash-out refinance or a limited cash-out refinance, as applicable.

Note: Texas Section 50(a)(6) mortgages are eligible for refinance under DU Refi Plus and Refi Plus. See [DU Refi Plus and Refi Plus Eligibility](#).

### Property Valuation

Lenders must obtain a new full appraisal, including both interior and exterior inspections, to determine current value on either Uniform Residential Appraisal Report ([Form 1004](#)), or Individual Condominium Unit Appraisal Report ([Form 1073](#)), even if DU recommends a different property valuation method.

The appraisal for the property and the acknowledgment of fair market value must not include any property other than the homestead.

The survey (or other acceptable evidence) must demonstrate that:

- the homestead property and any adjacent land are separate parcels, and
- the homestead property is a separately platted and subdivided lot for which full ingress and egress is available.

The lender selling the mortgage to Fannie Mae must not have any interest (such as an option to purchase, a security interest, or an easement) in any parcel adjacent to the homestead property that is owned by the borrower, if such interest could constitute additional security for the Texas Section 50(a)(6) mortgage.

### Also – Delivery Considerations for Texas A6 loans

#### Texas Section 50(a)(6) Mortgage Delivery Considerations

This topic contains information on Texas Section 50(a)(6) mortgage delivery considerations, including:

- [Special Feature Codes and Pricing](#) ➤
- [Servicing](#)

### Special Feature Codes and Pricing

All Texas Section 50(a)(6) mortgages must be identified at delivery with SFC 304, defined as follows:

- SFC 304: Texas Section 50(a)(6) mortgage. Used to identify a mortgage that is originated under the provisions of Article XVI, Section 50(a)(6), of the Texas Constitution.
- This code must be used in conjunction with either SFC 003, if the transaction is classified as a cash-out refinance transaction under Fannie Mae's policy, OR SFC 007 if the transaction is classified as a limited cash-out refinance transaction under Fannie Mae's policy.
- Applies to both whole loan and MBS pool deliveries.

The lender must enter the following special feature codes at loan delivery, for all Texas Section 50(a)(6) mortgages:

- SFC 304 and SFC 003 for each Texas Section 50(a)(6) mortgage that is classified as a cash-out refinance under Fannie Mae's policy; or

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- SFC 304 and SFC 007 for each Texas Section 50(a)(6) mortgage that is classified as a limited cash-out refinance under Fannie Mae's policy.

If the lender determines that a mortgage secured by a homestead property in Texas is classified as a cash-out refinance per this Guide but is not subject to Article XVI, Section 50(a)(6), of the Texas Constitution (i.e., is not a Texas Section 50(a)(6) mortgage), then the mortgage should be delivered as a standard (non-Texas Section 50(a)(6) mortgage) cash-out refinance transaction but should not be identified with SFC 304. (See [B2-1.2-03, Cash-Out Refinance Transactions](#).)

At delivery, all Texas Section 50(a)(6) mortgages that are classified as cash-out refinance transactions are subject to the loan-level price adjustments applicable to cash-out refinance mortgages per this Guide, as may be amended from time to time.

### Servicing

A lender that delivers a Texas Section 50(a)(6) mortgage to Fannie Mae may either service the mortgage, enter into a subservicing arrangement with another lender, or assign the servicing concurrent with its delivery to Fannie Mae, provided that the assignee servicer is approved by Fannie Mae to sell and service Texas Section 50(a)(6) mortgages.

Except as otherwise noted in the Servicing Guide, standard Fannie Mae servicing requirements apply to Texas Section 50(a)(6) mortgages.

### [Freddie Mac Delivery](#)

While the majority of loans will be delivered to Fannie Mae, Freddie Mac guidelines are available for review. Guidelines and requirements will align with Fannie Mae guidelines.

### **Additional Guidance, POC Items, Review and 12-Day Letter:**

In addition to standard rate/term refinance guidelines, the following guidelines apply to all rate/term refinances secured by Owner Occupied, Homestead properties in the state of Texas:

1. Total financed closing costs must fit within ATR/QM requirements and cannot exceed 10% of the new loan amount.
2. Special title insurance coverage must be obtained when impounds for prepaid expenses are included in the new loan amount. The following must be included as a Schedule B Exception:

*Possible defect in lien of the insured mortgage because of the Insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage.*

UHM recommends, but does not require the title policy include the following P-39 Express Insurance Coverage endorsement:

"Company insures the Insured against loss, if any, sustained by the Insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that divests the Insured of its interest as Insured because of this right, claim or interest. Company agrees to provide the defense to the Insured in

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accordance with the terms of this Policy if suit is brought against the Insured to divest the Insured of its interests as Insured because of this right, claim or interest."

\* Prepays are defined as funds collected for the payment of:

- Real estate taxes (includes non-delinquent taxes which are due and payable, as well as reserves)
- Hazard insurance premiums

3. Monthly MI premiums covering any period after the settlement date

### Options When POCs are Credited to Closing Costs

4. The amount of paid outside closing (POC) costs up to \$1,000 may be applied as a principal reduction at closing. However, the principal and interest payment on the loan may not be adjusted and the loan may not be re-amortized. If the amount to be credited exceeds \$1,000 the loan amount must be reduced and the closing documents redrawn.
5. The amount of the POC may be applied as a credit towards closing costs reducing the amount of cash needed to close.
6. The POC may be applied as a credit to closing costs resulting in reimbursement to the borrower of not more than the amount paid prior to closing. Please note this is the only circumstance when the closing disclosure may reflect any cash back to the borrower on rate/term refinance transactions of Homestead property in Texas. Incidental cash back at closing is not allowed.

UHM requires a certification be obtained from the borrower (Texas Refinance Borrower Acknowledgment) acknowledging that any refund received at settlement is reimbursement of funds paid prior to closing and does not constitute proceeds from the new Loan.

- Once a borrower has executed a home equity/cash out refinance on an owner-occupied, homestead property under Section 50(a)(6), Article XVI of the Texas Constitution, all subsequent transactions are considered home equity/cash out transactions until title is transferred. In other words, once a cash-out, always a cash-out. UHM will require documentation (title insurance binder, Mortgage / Deed of Trust, and/or CD) in each Loan package which verifies that a home equity/cash out Loan {Section 50(a)(6)} has not previously been originated on the subject property. If the purpose of the Loan is not clearly identified on the title binder, it will be necessary to provide the previous Deed of Trust or closing disclosure for each transaction originated on or after 1/1/98 to verify the purpose of the existing Loan.

\* Section 50(a)(6) is defined as the section of Amendment 50, Article XVI of the Texas Constitution that has been amended to allow for cash-out/equity transactions on homestead, owner occupied properties in Texas.

- Payoff of subordinate financing used for purchase or home improvements:

If any subordinate financing exists, its purpose **must** be verified. UHM will require documentation (title insurance binder, Mortgage/Deed of Trust, and/or CD) in each Loan package which verifies the purpose of the subordinate financing. If that purpose is not clearly identified on the title binder, it will be necessary to provide the previous Mortgage/Deed of



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Trust and/or Closing Disclosure for each transaction originated on or after 1/1/98 to verify the purpose of the existing subordinate financing.

Depending on the purpose of the subordinate Loan, the following options are available:

- If the subordinate Loan was used for purchase of the home, the closing disclosure settlement statement from that transaction must be provided as evidence and the title binder may not reflect that Loan was originated as a home equity/cash out {Section 50 (a)(6)} Loan.
- If the subordinate Loan was used for home improvements, it must have been originally closed with the purpose to use the entire amount for home improvements as evidenced by a Mechanics' lien on the title binder. Documenting the home improvements by obtaining canceled checks, invoices, receipts, lien waivers, etc. is not acceptable.

In either of the above situations, the financing may be paid off, paid down, or re-subordinated as a rate/term refinance provided the first mortgage was not originated as a home equity/cash out {Section 50 (a)(6)} Loan.

- If the borrower received any cash back from the subordinate financing and the Loan is being paid off or paid down, the lien is subject to Texas Equity provisions and considered a home equity/cash out {Section 50 (a)(6)}.
- If the subordinate lien was used for a purpose other than the purchase of the home or home improvements, then it must be re-subordinated. The subordinate financing may not be paid off or paid down with the proceeds of the refinance since the entire transaction would then be considered a cash-out/home equity transaction which is ineligible for purchase by UHM. The first mortgage may not have been originated as a home equity/cash out {Section 50 (a)(6)} Loan.

### **Twelve Day Letter Exhibit:**

#### NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION 50(a)(6), ARTICLE XVI, TEXAS CONSTITUTION:

SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION ALLOWS CERTAIN LOANS TO BE SECURED AGAINST THE EQUITY IN YOUR HOME. SUCH LOANS ARE COMMONLY KNOWN AS EQUITY LOANS. IF YOU DO NOT REPAY THE LOAN OR IF YOU FAIL TO MEET THE TERMS OF THE LOAN, THE LENDER MAY FORECLOSE AND SELL YOUR HOME. THE CONSTITUTION PROVIDES THAT:

(A) THE LOAN MUST BE VOLUNTARILY CREATED WITH THE CONSENT OF EACH OWNER OF YOUR HOME AND EACH OWNER'S SPOUSE;

(B) THE PRINCIPAL LOAN AMOUNT AT THE TIME THE LOAN IS MADE MUST NOT EXCEED AN AMOUNT THAT, WHEN ADDED TO THE PRINCIPAL BALANCES OF ALL OTHER LIENS AGAINST YOUR HOME, IS MORE THAN 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME;

(C) THE LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE UNLESS YOU OR YOUR SPOUSE OBTAINED THIS EXTENSION OF CREDIT BY ACTUAL FRAUD;



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- (D) THE LIEN SECURING THE LOAN MAY BE FORECLOSED UPON ONLY WITH A COURT ORDER;
- (E) FEES AND CHARGES TO MAKE THE LOAN MAY NOT EXCEED 3 PERCENT OF THE LOAN AMOUNT;
- (F) THE LOAN MAY NOT BE AN OPEN-END ACCOUNT THAT MAY BE DEBITED FROM TIME TO TIME OR UNDER WHICH CREDIT MAY BE EXTENDED FROM TIME TO TIME UNLESS IT IS A HOME EQUITY LINE OF CREDIT;
- (G) YOU MAY PREPAY THE LOAN WITHOUT PENALTY OR CHARGE;
- (H) NO ADDITIONAL COLLATERAL MAY BE SECURITY FOR THE LOAN;
- (I) THE LOAN MAY NOT BE SECURED BY HOMESTEAD PROPERTY THAT IS DESIGNATED FOR AGRICULTURAL USE AS OF THE DATE OF CLOSING, UNLESS THE AGRICULTURAL HOMESTEAD PROPERTY IS USED PRIMARILY FOR THE PRODUCTION OF MILK;
- (J) YOU ARE NOT REQUIRED TO REPAY THE LOAN EARLIER THAN AGREED SOLELY BECAUSE THE FAIR MARKET VALUE OF YOUR HOME DECREASES OR BECAUSE YOU DEFAULT ON ANOTHER LOAN THAT IS NOT SECURED BY YOUR HOME;
- (K) ONLY ONE LOAN DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION MAY BE SECURED WITH YOUR HOME AT ANY GIVEN TIME;
- (L) THE LOAN MUST BE SCHEDULED TO BE REPAYED IN PAYMENTS THAT EQUAL OR EXCEED THE AMOUNT OF ACCRUED INTEREST FOR EACH PAYMENT PERIOD;
- (M) THE LOAN MAY NOT CLOSE BEFORE 12 DAYS AFTER YOU SUBMIT A LOAN APPLICATION TO THE LENDER OR BEFORE 12 DAYS AFTER YOU RECEIVE THIS NOTICE, WHICHEVER DATE IS LATER; AND MAY NOT WITHOUT YOUR CONSENT CLOSE BEFORE ONE BUSINESS DAY AFTER THE DATE ON WHICH YOU RECEIVE A COPY OF YOUR LOAN APPLICATION IF NOT PREVIOUSLY PROVIDED AND A FINAL ITEMIZED DISCLOSURE OF THE ACTUAL FEES, POINTS, INTEREST, COSTS, AND CHARGES THAT WILL BE CHARGED AT CLOSING; AND IF YOUR HOME WAS SECURITY FOR THE SAME TYPE OF LOAN WITHIN THE PAST YEAR, A NEW LOAN SECURED BY THE SAME PROPERTY MAY NOT CLOSE BEFORE ONE YEAR HAS PASSED FROM THE CLOSING DATE OF THE OTHER LOAN, UNLESS ON OATH YOU REQUEST AN EARLIER CLOSING DUE TO A DECLARED STATE OF EMERGENCY;
- (N) THE LOAN MAY CLOSE ONLY AT THE OFFICE OF THE LENDER, TITLE COMPANY, OR AN ATTORNEY AT LAW;
- (O) THE LENDER MAY CHARGE ANY FIXED OR VARIABLE RATE OF INTEREST AUTHORIZED BY STATUTE;
- (P) ONLY A LAWFULLY AUTHORIZED LENDER MAY MAKE LOANS DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION;

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(Q) LOANS DESCRIBED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION MUST:

(1) NOT REQUIRE YOU TO APPLY THE PROCEEDS TO ANOTHER DEBT EXCEPT A DEBT THAT IS SECURED BY YOUR HOME OR OWED TO ANOTHER LENDER;

(2) NOT REQUIRE THAT YOU ASSIGN WAGES AS SECURITY;

(3) NOT REQUIRE THAT YOU EXECUTE INSTRUMENTS WHICH HAVE BLANKS FOR SUBSTANTIVE TERMS OF AGREEMENT LEFT TO BE FILLED IN;

(4) NOT REQUIRE THAT YOU SIGN A CONFESSION OF JUDGMENT OR POWER OF ATTORNEY TO ANOTHER PERSON TO CONFESS JUDGMENT OR APPEAR IN A LEGAL PROCEEDING ON YOUR BEHALF;

(5) PROVIDE THAT YOU RECEIVE A COPY OF YOUR FINAL LOAN APPLICATION AND ALL EXECUTED DOCUMENTS YOU SIGN AT CLOSING

(6) PROVIDE THAT THE SECURITY INSTRUMENTS CONTAIN A DISCLOSURE THAT THIS LOAN IS A LOAN DEFINED BY SECTION 50(a)(6), ARTICLE XVI, OF THE TEXAS CONSTITUTION;

(7) PROVIDE THAT WHEN THE LOAN IS PAID IN FULL, THE LENDER WILL SIGN AND GIVE YOU A RELEASE OF LIEN OR AN ASSIGNMENT OF THE LIEN, WHICHEVER IS APPROPRIATE;

(8) PROVIDE THAT YOU MAY, WITHIN 3 DAYS AFTER CLOSING, RESCIND THE LOAN WITHOUT PENALTY OR CHARGE;

(9) PROVIDE THAT YOU AND THE LENDER ACKNOWLEDGE THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LOAN CLOSES; AND

(10) PROVIDE THAT THE LENDER WILL FORFEIT ALL PRINCIPAL AND INTEREST IF THE LENDER FAILS TO COMPLY WITH THE LENDER'S OBLIGATIONS UNLESS THE LENDER CURES THE FAILURE TO COMPLY AS PROVIDED BY SECTION 50(a)(6)(Q)(x), ARTICLE XVI, OF THE TEXAS CONSTITUTION; AND

(R) IF THE LOAN IS A HOME EQUITY LINE OF CREDIT:

(1) YOU MAY REQUEST ADVANCES, REPAY MONEY, AND REBORROW MONEY UNDER THE LINE OF CREDIT;

(2) EACH ADVANCE UNDER THE LINE OF CREDIT MUST BE IN AN AMOUNT OF AT LEAST \$4,000;



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- (3) YOU MAY NOT USE A CREDIT CARD, DEBIT CARD OR SIMILAR DEVICE, OR PREPRINTED CHECK THAT YOU DID NOT SOLICIT, TO OBTAIN ADVANCES UNDER THE LINE OF CREDIT;
- (4) ANY FEES THE LENDER CHARGES MAY BE CHARGED AND COLLECTED ONLY AT THE TIME THE LINE OF CREDIT IS ESTABLISHED AND THE LENDER MAY NOT CHARGE A FEE IN CONNECTION WITH ANY ADVANCE;
- (5) THE MAXIMUM PRINCIPAL AMOUNT THAT MAY BE EXTENDED, WHEN ADDED TO ALL OTHER DEBTS SECURED BY YOUR HOME, MAY NOT EXCEED 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LINE OF CREDIT IS ESTABLISHED;
- (6) IF THE PRINCIPAL BALANCE UNDER THE LINE OF CREDIT AT ANY TIME EXCEEDS 50 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME, AS DETERMINED ON THE DATE THE LINE OF CREDIT IS ESTABLISHED, YOU MAY NOT CONTINUE TO REQUEST ADVANCES UNDER THE LINE OF CREDIT UNTIL THE BALANCE IS LESS THAN 50 PERCENT OF THE FAIR MARKET VALUE AND;
- (7) THE LENDER MAY NOT UNILATERALLY AMEND THE TERMS OF THE LINE OF CREDIT.

THIS NOTICE IS ONLY A SUMMARY OF YOUR RIGHTS UNDER THE TEXAS CONSTITUTION. YOUR RIGHTS ARE GOVERNED BY SECTION 50, ARTICLE XVI, OF THE TEXAS CONSTITUTION, AND NOT BY THIS NOTICE.

I have received a copy of this notice concerning extensions of credit defined by section 50(a)(6), article XVI, of the Texas Constitution this day of , 20 .

\_\_\_\_\_

### Homestead Owner #1

I have received a copy of this notice concerning extensions of credit defined by section 50(a)(6), article XVI, of the Texas Constitution this \_\_\_\_ day of \_\_\_\_\_ , 20

\_\_\_\_\_

### Homestead Owner #2

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The law firm Black, Mann and Graham will be utilized to review documents and to validate the loan fits within Texas state law. Closing Costs must be closely scrutinized to ensure proper coverage as well as to fit within UHM guidance.

### **600.9 Use of an Automated Underwriting System (AUS)**

#### **GENERAL INFORMATION**

Union Home Mortgage Corp. utilizes approved Automated Underwriting Systems, Fannie Mae's Desktop Underwriter (DU), Freddie Mac's Loan Prospector (LP), and USDA's Guaranteed Underwriting System (GUS) to obtain appropriate Agency guidance.

#### **Desktop Underwriter (DU)**

UHM will accept the underwriting and documentation differences specified in the Lenders Handbook for applications evaluated by DU, applicable to the Desktop Underwriter Software License and User Agreement.

#### **DU Special Circumstances FHA**

- **DU Recommendation of Approve/Eligible is required**
- DU Recommendation of Approve/Eligible is required. DU Recommendation of Approved/Ineligible is allowed only when the program is a Good Neighbor Next Door and/or \$100 Down HUD REO and the reason for ineligibility is due to LTV.

#### **Loan Prospector (LP)**

UHM will accept the underwriting and documentation differences for applications evaluated by LP, applicable to the Loan Prospector Lenders Handbook for applications evaluated by LP, applicable to the Loan Prospector Software License and User Agreement.

#### **LP Special Circumstances FHA**

- **LP Credit Risk Classification of Accept**
- LP Credit Risk Classification of Accept/Ineligible is allowed only when the program is a Good Neighbor Next Door and/or \$100 Down HUD REO and the reason for ineligibility is due to LTV.

#### **Guaranteed Underwriting System (GUS)**

UHM will accept the underwriting and documentation differences specified in the Lenders Handbook for applications evaluated by GUS, applicable to USDA User Agreement.

GUS Findings will maintain Accept or Refer acknowledgements. Refer Findings will require the appropriate compensating factors for a credit or ratio waiver as defined by USDA. Please review the USDA Underwriting and Closing Guide link available on UHM's TPO Website.

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### General AUS FHA Requirements

- Loans must be processed and closed in accordance with HUD guidelines.
- Loans must comply with HUD's policy as well as UHM's requirements for FHA loans.
- A complete copy of the most recent AUS findings must be included in the closed loan file in order to be eligible for purchase.
- Terms and conditions of the closed Loan and underwriting information in the Loan file will match the data on which the classification is based, and other conditions specified in the governing section of the AUS verification messages were based.
- The subject Mortgage must pass all the eligibility and underwriting tests performed by Desktop Underwriter, Loan Prospector or GUS and any verification message or approval conditions specified on the Finding Report/Feedback Certificate must be satisfactorily resolved before closing.
- HUD Form 92900-LT (FHA Loan Underwriting and Transmittal Summary must reflect ZFHA for the CHUMS ID# when the Loan receives a DU "Approved/Eligible" or "Approved/Ineligible" or LP "Accept" or "Accept/Ineligible" Credit Risk Classification.
- Except for underwriting and documentation differences specified in the Lender's Handbook for applications evaluated by an AUS, UHM maintains responsibility for assuring that all HUD requirements are met for all Loans.

### LOAN DELIVERY REQUIREMENTS

Loans delivered to UHM for purchase must include:

- All documents as indicated by the most recent Desktop Underwriting Findings, Loan Prospector Feedback Certificate, including all conditions or GUS Findings
- DU Underwriting Findings report, LP Feedback Certificate or GUS Findings.

### 600.10 Manufactured Housing Requirements

Mortgage Loans secured by manufactured housing are eligible providing they meet all applicable Agency requirements.

#### GENERAL

Manufactured homes must meet the following minimum requirements for loan to be eligible with Union Home Mortgage Corp.

- Borrower Credit Scores:
  - TPO: >=620

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- Must be a multi-width unit, no single-width units are permitted.
- Evidence of the Surrender of Title is required with all transactions.
- All units must be built on a permanent chassis according to applicable HUD Codes for manufactured homes in effect as of the date the manufactured home was constructed.
- Manufactured Home must be affixed to permanent foundation in compliance with HUD Codes. If the manufactured home was installed prior to October 20, 2008, the permanent foundation must be designed for the site conditions, home design features and the loads the home was designed to withstand in accordance with the manufacturer's instructions or a design by a licensed (registered) professional engineer. The foundation must meet all applicable local, State or federal codes
- Size: The unit must be a minimum of at least twelve (12) feet wide with at least six hundred (600) square feet gross living area.
- Year Built: Manufactured home must have been built on and after June 15, 1976. Loans on mobile/manufactured homes produced before that date are unacceptable.
- The unit must be constructed in conformance with the HUD codes for Manufactured Homes in effect as of the date the Manufactured Home was constructed, as evidenced by a permanently affixed "HUD Certification Label". If the HUD Certification Label has been removed, the HUD Data Plate located near the main electrical panel (or in another readily accessible and visible location) may be used as evidence of compliance with HUD Codes. The HUD certification number appears on each HUD Certification Label in each section of the Manufactured Home, and all HUD certification numbers for the Manufactured Home are found on the HUD Data Plate. ([http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/ramh/mhs/faq](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/ramh/mhs/faq))
- IBTS Reports: For Conventional financing, UHM defers to Fannie Mae and Freddie Mac requirements. In the event one or more of the HUD Certification Labels (affixed to the outside of the units) and/or HUD Data Plate (located on the interior of the subject property near the electrical panel) that contains the manufactures name and trade/model number are missing or covered, an IBTS (Institute for Building Technology and Safety) report is required. For FHA financing, in the event both of the HUD Certification Labels (affixed to the outside of the units) and/or the HUD Data Plate (located on the interior of the subject property near the electrical panel) that contains the manufactures name and trade/model number are missing or covered, an IBTS (Institute for Building Technology and Safety) report is required. FHA requires at least 1 of the HUD Certification Labels and HUD Data Plate is present. (See Previous Bullet Point concerning "HUD Codes for Manufactured Homes" for further detail concerning the HUD Certificate and Plate requirements)
- The anchoring system must comply with HUD Codes. If the Manufactured Home was installed prior to October 20, 2008, the anchoring system must comply with the manufacturer's design or a design by a licensed (registered) professional engineer. Anchoring systems pertain to all

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components of the anchoring and support systems and any other equipment, materials and methods of construction that support and secure the Manufactured Home to the ground.

- Any structural modifications to an existing Manufactured Home must be approved by a licensed professional engineer or the local, State or federal authority.
- The manufactured home must have a pitched roof and assume the characteristics of site-built housing, including permanent utilities.
- The home must be a single-family dwelling that is legally classified as real property, and taxed as real estate by the local taxing authority.
- The towing hitch, wheels, and axles must be removed (including tongues, axles, brakes, wheels, and lights) and the dwelling must assume the characteristics of site built housing, permanently affixed to a permanent foundation. The land on which the manufactured home is situated must be owned by the borrower in fee simple.
- Mortgages secured by manufactured homes located on leasehold estates or within condominium projects are not eligible.
- Must be permanently connected to a septic tank or sewage system and to other utilities (including power and water) in accordance with HUD Codes.
- The mortgage premises must conform to all applicable use restrictions and must be zoned for residential use.
- All improvements must be completed prior to closing. Specifically, the following must be completed:
  - Site preparation for delivery of the manufactured home, attachment of the manufactured home to the permanent foundation system, permanent connection to all necessary utilities (water, electricity, gas service, etc.). Exceptions to the foregoing may be only for minor items that do not affect the ability to obtain an occupancy permit (e.g. landscaping, a driveway, a walkway, etc.). Mortgages secured by *existing* manufactured homes that have incomplete items, such as a partially completed addition or renovation, or defects, or needed repairs that affect livability, are not allowed until the necessary work is completed.
- The mortgage amount cannot include the financing of furniture or mortgage life insurance.
- The value of appliances, air conditioning and carpeting normally included in the value of site built homes may be Included in the appraised value. At least two comparable sales used in the appraisal must be similar permanently attached manufactured housing units.
- The security instrument must accurately describe both the land and the manufactured unit in such a way as to be considered a fixture filing under the UCC. At a minimum, the unit description should include the Manufacturer's Name, Model Year, Model Name, Model Number, Serial Number and the length and width of the unit.
- The Certificate of Title must be surrendered to the state. Documentation must be included in the loan file showing that the Certificate of Title has been surrendered. If the Certificate of Title has not been surrendered.



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- The title policy must identify the manufactured unit as part of the real property and contain an ALTA Form 7 or equivalent endorsement.
- The borrower must sign a written statement (such as Affidavit of Affixation) to acknowledge their intent that the manufactured home is a part of the real property that secures the mortgage.
- An Insured Closing Protection letter is required unless prohibited by state law or regulation.
- A mortgage/deed of trust must be recorded in the land records and must identify the encumbered property as including both the home and the land. It must also include the VIN, Serial numbers from HUD Data Plate of the manufactured home along with the description of the land.
- Structural Engineer Report: Manufactured homes must meet all FHA/HUD codes including a foundation inspection by a licensed professional engineer. If a licensed engineer's report was previously completed on the subject manufactured home's foundation and is less than 1 year old at the time of closing, it can be used in lieu of obtaining a new one. The requirement for the Engineer Report is waived for a Streamline Refinances only.

### **APPRAISAL**

- The Appraiser must be knowledgeable and experienced, including education/training, in appraising Manufactured homes.
- The Appraiser must have access to appropriate data sources to establish an opinion of value.
- Manufactured Home Appraisal Report (FNMA Form 1004C or FHLMC 70B) must be completed. No alternative appraisal forms will be accepted when the subject property is a Manufactured Home, regardless of LP findings.
- For Purchase Money Transactions, the lender must provide the Appraiser copies of:
  - Executed contract(s) for sale of manufactured home and land, as applicable.
  - Dealer invoice for manufactured home, if home is new.
- If the Manufactured Home was installed after October 20, 2008, the lender must provide the Appraiser with a copy of the Certificate of Installation or the comparable State-specific form, and any additional information that may be needed.
- The Appraiser must support the opinion of market value based on the sales comparison approach and further support by the cost approach to value. Solely using the cost approach is unacceptable.
- The Manufacturer's serial number(s) and the HUD Certificate Label number(s) on the dwelling must match the numbers on the contract for sale, manufacturer's invoice and any other documentation provided.
- At least two comparable sales used in the appraisal must be similar permanently attached manufactured housing units.

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### **SURRENDER OF TITLE**

- All Manufactured Home transactions require documentation as evidence that the original chattel title certificate was surrendered. In the event of a future foreclosure, this documentation is absolutely required.
- Evidence of the surrender of title must be forwarded to the UHM Underwriting Help Desk upon loan submittal for approval.

### **STREAMLINE REFINANCES:**

- A full appraisal is required with FHA Streamline Refinances. No appraisal is required with VA IRRRL Refinances

### **601.1 Condominium Interior (HO-6) and Planned Unit Development Insurance Requirements**

For loans that are in an attached condominium project (including 2-4 unit projects), the Lender must review the entire condo project insurance policy to ensure the HOA maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The insurance requirements vary based on the type of HOW master or blanket insurance policy as follows:

**Single Entity Policy:** The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, common personal property and supplies belonging to the HOA. The policy must also cover fixtures, equipment and replacement of improvements and betterments that have been made inside the individual unit being financed. The amount of coverage must be sufficient to restore the condo unit to its condition prior to a loss claim event. If the unit interior improvements are not included under the terms of this policy type, the Borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to the loss claim event.

Loans delivered by Union Home Mortgage Corp. for that are in attached planned unit development (PUD) projects require the insurable replacement cost of the unit's exterior and interior improvements, whether originally installed or subsequently upgraded.

When the HOA Master/Blanket Policy does not provide coverage for the interior (or "walls in" coverage) of the project units, then the borrower is responsible for obtaining a walls in policy for the individual unit. The walls-in policy must be sufficient to repair the interior of the unit, including any additions, improvements and betterments to its original condition in the event of a loss.

Between the project's Master or Blanket policy and the walls-in policy (or its equivalent), the insurance must cover the insurable replacement cost of the unit's exterior and interior improvements and betterments, (such as kitchen cabinets, lighting, flooring, plumbing fixtures like the toilets or tubs), whether originally installed or subsequently upgraded.

#### **Note:**

- This change does not impact *detached* PUDS.

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- Walls-in coverage is homeowners/hazard insurance; therefore, standard homeowners/hazard insurance escrow/impound account requirements must also be applied to walls-in policies.
- For attached PUD transaction, Union Home will be reviewing all Loan types for compliance prior to purchase.

### **601.2 UHM Insurance Requirements (Hazard and Flood)**

The TPO Lending Guide defers to the full UHM Insurance Requirements (Hazard, Condominium, HO-6, and Flood) Guide as an exhibit of the RLG. Please review the full policy and procedures guide available as an exhibit or in [www.uhwholesale.com](http://www.uhwholesale.com).

### **601.3 Ineligible Government Transactions**

**UHM will *not* accept, the following transactions:**

- VA Loans, Including VA IRRRLs
  - Life Estates
  - VA Indian Leasehold properties
  - Cooperatives
- VA IRRRL Transactions
  - No 30-day or greater first mortgage late payments are permitted in the most recent 12 months
- Cash out refinance loans in the state of Texas
- FHA and VA loans with any Section 50(a)(6) financing
- FHA Section 8 loans
- FHA Refinance Loans for Borrowers in Negative Equity Position (ML 2010-23)
- FHA Military Impact Area Loans
- FHA loans to Non-profit organization borrowers
- HOPE for Homeowner's Program
- HUD 184 Program - Indian Reservations
- Hawaiian Homelands
- FHA loans subject to FHA Test Case requirements (refer to Section 300.02)
- FHA loans approved based on non-traditional credit history (a traditional credit report with Loan Scores is required)
- FHA Construction Permanent Mortgage Program as detailed in the 4155.1 Chapter 6, Section A Subsections 3-5.

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- FHA, & VA transactions with water purification systems, which are needed to make the water safe and meet code when individual water supply is unsafe for human consumption, are not eligible for sale to UHM.
- Unexpired Redemption Rights

**Please note:** Although UHM does not deliver the specific FHA Construction Permanent Mortgage Program referenced above (where the FHA loan funds are taken as draws and used to finance the construction of the property); UHM does continue to purchase FHA New Construction Loans that meet the following criteria:

- The permanent loan had interim construction financing that was not provided by FHA, or
- The loan proceeds were used to pay off a builder, and
- The loan meets all other UHM and FHA policies and documentation requirements.

### HUD Properties

The "as-is" appraisal or HUD statement of value must be obtained from the marketing company that is selling the property for HUD. The conditions of the property must be taken into consideration by the consultant in performing the work write-up. Provide the consultant with a copy of the "as-is" appraisal along with the work order.

Note: A title policy is required by UHM on all HUD properties as additional protection for everyone.

### Mortgage Insurance Certificate

UHM requires that FHA loans be submitted to HUD for insuring and insured within 30 days of closing. UHM verifies submission for insurance by FHA Connection.

## 601.4 Large Deposit Validation Requirements, Government Loans

### *TOTAL Scorecard Accept/Approve or Refer Recommendation*

**FHA:** Provide an explanation and documentation for recent large deposits in excess of 1% of the adjusted value for a purchase (lesser of the sales price or appraised value), or appraised value for a refinance. Statements are reviewed on an individual basis. Please note: In the event of a pattern of deposits without evidence of origin within a short period of time, the Underwriter may validate deposits even if less than 1%.

**USDA, Rural Development:** No deposit requirements. HUD guidelines to apply.

\*While USDA does not maintain standard source requirements, USDA will require a Borrower letter of explanation (LOX) for large or unusual deposits that are not consistent with the previous history to determine the source and reoccurrence of funds. The LOX validation is relevant to deposits that may be factored into other sources of income which may impact the family income calculation.

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**VA:** No deposit requirements unless otherwise required by the AUS. UHM only needs to verify that funds on deposit are available to cover all costs. VA Guidelines apply.

\*VA Example: Borrower has seasoned funds to cover costs as described above, no deposit validation over and above is required.

### Footnotes:

1. Deposits referenced are outside of identifiable employer based income.
2. Joint asset statements are viewed as joint accounts utilizing total income for all account owners following the scope of this policy. Separate asset statements (example, two un-married borrowers with separate statements) are viewed on an individual basis utilizing the account owner's sole income in the analysis.
3. Backing out large deposits to utilize the remaining balance on a statement is not permitted when utilizing FHA financing. This is acceptable when utilizing Conventional, VA and USDA financing.

### 601.5 Qualifying Properties with Tax Abatement

Lenders must qualify Borrower's utilizing the base calculation for real estate taxes of no less than the current assessed value. For New Construction where the initial taxes are assessed based on the land solely, a comprehensive analysis of the estimated taxes based on the value of the land and completed improvements must be utilized for the Borrower's qualification.

If the transactions is new construction and there is a Tax Abatement:

- If the Tax Abatement on the subject property will last for no less than 10 years from the note date, the reduced tax rate may be used in the qualification.
- If the Tax Abatement on the subject property will last for 10 years with annual real estate tax increases in years 1 through 10, the Borrower must qualify using the annual taxes required at the end of the 5<sup>th</sup> year after the first mortgage payment date.

In any instance where a Borrower is qualified with reduced taxes, a Borrower attestation is required at closing noting the Borrower clearly understands the initial reduced real estate tax amount, and the increased real estate taxes will increase their payment and escrow requirements based on the trigger date(s).

## TPO Lending Guide

### 601.6 Down Payment Assistance Programs, Government Loans

Down Payment Assistant in the form of a grant or HUD approved Community Second Mortgage are acceptable forms of assistance.

### 601.7 Overlays for GNMA Delivery

#### Ability to Repay/Qualified Mortgages (ATR/QM)

#### QM SAFE HARBOR REQUIREMENTS:

- Government Approve/Eligible loans can exceed 43% provided the loans fits all cost tolerances and ATR guidelines
- Government Manually underwritten loans (Refer/Eligible) are acceptable within a 43% back-end ratio (\*UHM overlay), must meet FHA/VA/USDA investor guidelines, must be insurable, must meet ATR guidelines and fit within all cost tolerances

#### QM REBUTTABLE PRESUMPTION REQUIREMENTS (Exceeding HPML/HPCL):

- Approve/Eligible Only
- No Refer/Eligible or Manually Underwritten Loans
- FHA/USDA Residual Income Test/Reserve Requirements Required:
  - ❖ Qualifying Primary Residence
    - $\geq$  \$2,500.00 Residual Income, AUS to determine required reserves if applicable
    - $\geq$  \$800.00 to \$2,499.00 Residual Income, The greater of three months (3) or AUS required Reserves Required
    - $<$  \$800.00 Residual Income, Not Permitted, Automatic Denial
  - ❖ Qualifying Second Home
    - $\geq$  \$2,500.00 Residual Income, Acceptable
    - $<$  \$2,500 Residual Income, Not Permitted, Automatic Denial
  - ❖ Investment Properties with Cash-Out financing
    - $\geq$  \$2,500.00 Residual Income, Acceptable
    - $<$  \$2,500 Residual Income, Not Permitted, Automatic Denial
- Note: Investment Properties are traditionally exempt. Investment Properties with Cash-Out are only exempt if the cash-out funds are utilized to purchase another investment property or to rehabilitate the current home. For all other purposes, Cash-Out Refinances of Investment Properties fall within QM requirements.

## TPO Lending Guide

<p><b>CORRESPONDENT/WHOLESALE MINIMUM LOAN AMOUNT:</b></p>	<ul style="list-style-type: none"> <li>• <u>VA Residual Income Test As Standard with no additional reserve requirements</u></li> </ul> <p>\$50,000.00 (due to ATR/QM Qualifications)</p>
<p><b>All Loan Types:</b></p>	<p>All Borrowers with credit scores <math>\leq 660</math> combined with 50% payment shock requires a Pre-Funding Review. Borrowers that maintain these characteristics and are renting must provide one of the following in order of preference: 1.) 2 months bank statements showing the rent withdraw, 2.) 2 months cancelled checks or 3.) UHM will complete a verbal certification completed by the Loan Processor validating the amount of the previous rent payment listed on the application.</p> <p>Non-Sufficient Funds (NSF), Rule of Two:</p> <ul style="list-style-type: none"> <li>• A combination of <math>\geq 2</math> NSF's (non-sufficient funds) on bank statements combined with a DTI <math>\geq 43\%</math> requires an acceptable letter of explanation (LOX) and an Underwriting second signature</li> <li>• Late payments (excluding medical collections) after a Chapter 7 BK and within 4 years require two compensating factors (to be added to the Risk Committee/Team Leaders 2 out of 3 rule first combination area). Please review GNMA Overlays, FHA section for rule guidance.</li> </ul>
<p><b>FHA: EXCLUSIONS:</b></p>	<ul style="list-style-type: none"> <li>▪ No HECM Loans (Reverse Mortgages)</li> <li>▪ No Construction/Permanent Mortgages</li> <li>▪ No Assumptions</li> <li>▪ Manufactured Homes built before June 15, 1976</li> <li>▪ Manufactured Homes utilizing 203(k) or 203(h) programs</li> <li>▪ No Negative Amortization Loans (Short Refinances)</li> <li>▪ No Co-Ops</li> <li>▪ No Texas Cash-Out (A-6)</li> <li>▪ Condominium concentration may not exceed 15% for UHM loans in any one association/development.</li> <li>▪ Automatic Denial, Credit Risk Layers; Include a combination of:             <ul style="list-style-type: none"> <li>○ Prior Bankruptcy (7) <math>&lt; 4</math> years of discharge, and</li> <li>○ Credit Score <math>&lt; 660</math>, and</li> <li>○ 100% Payment Shock</li> </ul> </li> <li>▪ Automatic Denial, Credit Risk Layers if all three factors are met:</li> <li>▪ Debt-to-Income Ratio <math>\geq 43\%</math></li> </ul>

## TPO Lending Guide

<p><b>FNMAPROCEDURES:</b></p>	<ul style="list-style-type: none"> <li>▪ Credit Score &lt;620</li> <li>▪ Payment Shock &gt;50%</li> <li>▪ Tax Transcripts (See Production Bulletin U15-0002-A and TPO Lending Guide 503.4)</li> <li>▪ Verbal VOE within 7 days of closing</li> <li>▪ Appraisal to be in Average or Better condition</li> <li>▪ FHA Streamline and Cash-Out Seasoning Requirements: Six (6) consecutive months of mortgage payments are required on the loan being refinanced beginning with the payment made on the first payment due date, and the first payment due date of the new loan cannot occur earlier than 210 days after the first payment due date of the previous loan. If the Borrower assumed the mortgage that is being refinanced, they must have made six payments since the time of the assumption.</li> </ul>
<p><b>OVERLAY:</b></p>	<ul style="list-style-type: none"> <li>▪ All files with Extenuating Circumstances require an Underwriting second signature.</li> <li>▪ If more than one (1) Housing/Mortgage late payment in the past 12 months, a Risk Committee Review is required.</li> <li>▪ Manufactured Housing Acceptable with <math>\geq 620</math> credit scores.</li> <li>▪ Manufactured Housing Streamline Refinances require a full appraisal.</li> <li>▪ FHA Approve/Eligible Manual Underwriting Downgrade due to credit history, score or ratio require:             <ul style="list-style-type: none"> <li>▪ Minimum 620 qualifying FICO score; and</li> <li>▪ Maximum Ratios 37/43; and</li> <li>▪ One of the following:                 <ul style="list-style-type: none"> <li>▪ <math>\leq 50\%</math> payment shock</li> <li>▪ Residual income based on the ATR/QM qualifying rule</li> </ul> </li> </ul> </li> <li>▪ No Score Borrowers: Treated on an exception basis to include the following:             <ul style="list-style-type: none"> <li>▪ File must be submitted as a pre-approval file to Risk (subject to Risk approval)</li> <li>▪ Sufficient <a href="#">compensating factors</a> must be presented</li> <li>▪ If approved, Secondary must be notified that Comerica is required as the Warehouse Lender</li> </ul> </li> <li>▪ All standard <a href="#">FHA requirements</a> (in ratio) apply</li> <li>▪ Minimum FICO Score 600 for Purchases and Rate/Term Refinances with satisfactory credit and an Approve/Eligible</li> <li>▪ Minimum FICO Score 620 for Purchases, Rate/Term Refinances &amp;</li> </ul>



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	<p>Streamlines on Manual Underwrites with satisfactory credit.</p> <ul style="list-style-type: none"> <li>▪ Minimum FICO Score 640 for Cash-Out Refinances with satisfactory credit and an Approve/Eligible</li> <li>▪ FHA High Balance: Minimum Fico Score 640 for High Balance Loans with satisfactory credit and an Approve/Eligible 203B only (require an underwriting second signature from the Underwriting Team Leader or Senior Underwriting Manager)</li> <li>▪ FHA High Balance 203(k), Minimum Fico Score of 660.</li> <li>▪ Maximum loan amount &lt;=1 Million</li> <li>▪ No Foreclosure, Short-Sales, Deed in Lieu of Foreclosure in the past 7 years on High Balance Mortgages</li> <li>▪ Past Bankruptcy (2) or Foreclosure (3), less than 2* or 3 years discharged that have extenuating circumstances require an underwriting second signature from the Underwriting Team Leader or Senior Underwriting Manager *</li> </ul> <p><a href="http://portal.hud.gov/huddoc/13-26ml.pdf">http://portal.hud.gov/huddoc/13-26ml.pdf</a></p> <ul style="list-style-type: none"> <li>▪ No water purification systems if the system is required to make water safe</li> <li>▪ Utilities: Utilities must be on at the time of the appraisal inspection</li> </ul>						
	<p><b>RISK COMMITTEE/TEAM LEADER REVIEW (2 OUT OF 3 RULE)</b></p>						
	<table border="1"> <tr> <td style="width: 25%;"><b>Required Risk Review or Team Lead Second Signature:</b></td> <td> <p>Combination of:</p> <ul style="list-style-type: none"> <li>• Prior Bankruptcy (7) &lt;4 years of discharge, and</li> <li>• Credit Score &lt;660</li> </ul> <p>(Requires 2 Compensating Factors for Second Signature Review, otherwise an automatic Risk Review is required prior to application)</p> </td> </tr> <tr> <td><b>Required Risk Review or Team Lead Second Signature:</b></td> <td> <p>Combination of:</p> <ul style="list-style-type: none"> <li>• Prior Bankruptcy (7) &lt;4 years of discharge, and</li> <li>• 100% Payment Shock</li> </ul> <p>(Requires 3 Compensating Factors for Second Signature Review, otherwise an automatic Risk Review is required prior to application)</p> </td> </tr> <tr> <td><b>Required Risk Review or Team Lead Second Signature:</b></td> <td> <p>Combination of:</p> <ul style="list-style-type: none"> <li>• Refer Eligible Findings (Manual Underwrite), and</li> <li>• Credit Score &lt;660</li> </ul> <p>(Requires 3 Compensating Factors for Second Signature Review, otherwise an automatic Risk Review is required prior to application)</p> </td> </tr> </table>	<b>Required Risk Review or Team Lead Second Signature:</b>	<p>Combination of:</p> <ul style="list-style-type: none"> <li>• Prior Bankruptcy (7) &lt;4 years of discharge, and</li> <li>• Credit Score &lt;660</li> </ul> <p>(Requires 2 Compensating Factors for Second Signature Review, otherwise an automatic Risk Review is required prior to application)</p>	<b>Required Risk Review or Team Lead Second Signature:</b>	<p>Combination of:</p> <ul style="list-style-type: none"> <li>• Prior Bankruptcy (7) &lt;4 years of discharge, and</li> <li>• 100% Payment Shock</li> </ul> <p>(Requires 3 Compensating Factors for Second Signature Review, otherwise an automatic Risk Review is required prior to application)</p>	<b>Required Risk Review or Team Lead Second Signature:</b>	<p>Combination of:</p> <ul style="list-style-type: none"> <li>• Refer Eligible Findings (Manual Underwrite), and</li> <li>• Credit Score &lt;660</li> </ul> <p>(Requires 3 Compensating Factors for Second Signature Review, otherwise an automatic Risk Review is required prior to application)</p>
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<p>In this section, the combination of these characteristics requires a Risk Committee</p>							

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<p><b>AUS REMINDER (All Channels):</b></p>	<p>review prior to live application unless the Borrower maintains 2 or 3 of the compensating factors as described above and below. In the event the Borrower maintains compensating factors as required, a Team Leader second signature is required and the file may avoid a Risk Committee Review.</p> <p>Acceptable Qualifying Compensating Factors:</p> <ul style="list-style-type: none"> <li>▪ The Borrower has successfully paid housing expense =&gt; proposed 12-24 months</li> <li>▪ The Borrower makes a down payment =&gt;10% from their own funds</li> <li>▪ A conservative attitude toward use of credit</li> <li>▪ Previous credit history shows the Borrower has the ability to devote a greater portion of income to housing expense</li> <li>▪ The Borrower receives documented compensation that directly affects ability to pay mortgage (ex. Clergy income, car allowance, section 8)</li> <li>▪ There is only a minimal (20% or less) increase in the Borrower's housing expense</li> <li>▪ The Borrower has documented liquid reserves (at least 6 months PITI after closing)</li> <li>▪ The Borrower has substantial (25%+) nontaxable income currently not being considered in qualifying ratios</li> <li>▪ The Borrowers (VA calculated) residual income to be greater than or equal to 120%</li> </ul>							
	<table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2" style="text-align: center;"><b>AUTOMATIC PRE-APPLICATION RISK COMMITTEE REQUIREMENTS (PRIOR TO LIVE APPLICATION SUBMISSIONS)</b></th> </tr> </thead> <tbody> <tr> <td style="width: 20%;"><b>Required Risk Review:</b></td> <td>Combination of: <ul style="list-style-type: none"> <li>• Credit Scores 620-640 with a Debt-To-Income Ratio <math>\geq 50\%</math></li> </ul> </td> </tr> <tr> <td><b>Required Risk Review:</b></td> <td>Combination of: <ul style="list-style-type: none"> <li>• Credit Score <math>\leq 619</math>, and</li> <li>• Debt-To-Income Ratio <math>\geq 43\%</math></li> </ul> </td> </tr> <tr> <td><b>Required Risk Review:</b></td> <td>Combination of: <ul style="list-style-type: none"> <li>• Credit Score <math>\leq 619</math>, and</li> <li>• Payment Shock <math>\geq 50\%</math></li> </ul> </td> </tr> </tbody> </table> <p>An AUS Approval does not guarantee loan approval. Decisions are based on the overall evaluation of the credit and collateral packages.</p>	<b>AUTOMATIC PRE-APPLICATION RISK COMMITTEE REQUIREMENTS (PRIOR TO LIVE APPLICATION SUBMISSIONS)</b>		<b>Required Risk Review:</b>	Combination of: <ul style="list-style-type: none"> <li>• Credit Scores 620-640 with a Debt-To-Income Ratio <math>\geq 50\%</math></li> </ul>	<b>Required Risk Review:</b>	Combination of: <ul style="list-style-type: none"> <li>• Credit Score <math>\leq 619</math>, and</li> <li>• Debt-To-Income Ratio <math>\geq 43\%</math></li> </ul>	<b>Required Risk Review:</b>
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<p><b>VA:</b></p> <p><b>EXCLUSIONS:</b></p>	<ul style="list-style-type: none"> <li>▪ No Texas Cash-Out (A-6)</li> <li>▪ No Construction Loans (end-loans permitted)</li> <li>▪ No Non-Traditional Credit</li> </ul>							

## TPO Lending Guide

<p><b>PROCEDURES:</b></p>	<ul style="list-style-type: none"> <li>▪ No Co-Op Properties</li> <li>▪ All files with Extenuating Circumstances require an Underwriting second signature</li> <li>▪ All Refer/Eligible Manually Underwritten loans require Compensating Factors</li> <li>▪ No properties in Fair condition</li> <li>▪ VA Streamline Refinances (IRRRL) require the past mortgage to be paid current the month due</li> <li>▪ Verbal VOE required within 3 days of closing</li> <li>▪ VA Streamline and Cash-Out Seasoning Requirements: Six (6) consecutive months of mortgage payments are required on the loan being refinanced beginning with the payment made on the first payment due date, and the first payment due date of the new loan cannot occur earlier than 210 days after the first payment due date of the previous loan.</li> </ul>
<p><b>OVERLAY:</b></p>	<ul style="list-style-type: none"> <li>▪ If more than one (1) Housing/Mortgage late payment in the past 12 months, a Risk Committee Review is required.</li> <li>▪ Manufactured Housing Acceptable with <math>\geq 620</math> credit scores</li> <li>▪ Manufactured Homes built before June 15, 1976 are not permitted.</li> <li>▪ No water purification systems if the system is required to make water safe</li> <li>▪ Manual Underwriting Residual Income: Residual Income Factor must be <math>\geq 120\%</math> for a Refer/Eligible Manually underwritten loan</li> <li>▪ Minimum FICO Score with Approve/Eligible <math>\geq 600</math></li> <li>▪ Minimum FICO Score with Refer/Eligible <math>\geq 610</math></li> <li>▪ VA ATR/QM Guidelines <a href="#">Link</a></li> <li>▪ An appraisal is not required with a VA IRRRL</li> <li>▪ UHM requires a full tri-merge credit report for all VA IRRRL loans</li> <li>▪ VA IRRRL Cost Recoupment Requirements (one of two qualifying options): <ul style="list-style-type: none"> <li>▪ Validate Closing Costs can be recouped <math>\leq 36</math> months as a standard Qualified Mortgage</li> <li>▪ If Closing Costs cannot be recouped within 36 months as a Rebuttable Presumption Option: <ul style="list-style-type: none"> <li>▪ Borrower maintains a 6 month timely payment history, <b>OR</b></li> <li>▪ If the payment history is <math>&lt; 6</math> months, loan must be completed as a full credit qualifying streamline with VA residual requirements verified.</li> </ul> </li> </ul> </li> <li>▪ Cash-Out Refinances permitted to 90% LTV with credit scores <math>\geq 640</math> and an Approve/Eligible</li> </ul>

## TPO Lending Guide

	<ul style="list-style-type: none"> <li>▪ Cash-Out Refinances permitted to 100% LTV with credit scores <math>\geq 660</math> and an Approve/Eligible</li> <li>▪ VA High Balance: Minimum Fico Score 660 for High Balance Loans with satisfactory credit and an Approve/Eligible (require an underwriting second signature from the Underwriting Team Leader or Senior Underwriting Manager)</li> <li>▪ Maximum loan amount <math>\leq 1</math> Million</li> <li>▪ No Foreclosure, Short-Sales, Deed in Lieu of Foreclosure in the past 7 years on High Balance Mortgages</li> <li>▪ Regardless of loan amount, the VA guaranty plus cash/equity must be equal to at least 25% of the purchase price or Notification of Value (NOV), whichever is less, on purchases and non-IRRRL refinances.</li> <li>▪ Valuation, IRRRL: An AVM is required and the value must maintain a <math>\leq 10\%</math> variance to the loan amount and an FSD (Forecast Standard Deviation) threshold <math>\leq 25</math>. In the event the valuation is <math>&gt; 10\%</math> and FSD threshold is <math>&gt; 25</math>, a full appraisal is required.</li> <li>▪ Utilities: Utilities are not required to be activated at the time of the inspection but UHM requires the Borrowers to sign a Hold Harmless agreement in acknowledgement of this scenario.</li> </ul>
<p><b>USDA:</b></p> <p><b>PROCEDURES:</b></p> <p><b>EXCLUSIONS:</b></p> <p><b>OVERLAY:</b></p>	<ul style="list-style-type: none"> <li>▪ All loans are required to be run through GUS; Refer/Eligible loans require a Manual Underwrite subject to Rural Development credit and ratio waiver guidelines, all remaining guidelines per USDA</li> <li>▪ No Texas Cash-Out (A-6)</li> <li>▪ Manufactured Homes: Follow USDA Guidelines</li> <li>▪ No water purification systems if the system is required to make water safe</li> <li>▪ Minimum FICO score 620</li> <li>▪ No Co-Ops</li> <li>▪ Credit Score Limited Scope Exception: UHM may permit a no credit score borrower with strong compensating factors to include a Risk Committee review with each submission</li> <li>▪ Utilities: Utilities must be on at the time of the appraisal inspection</li> </ul>
<p><b>ADDITIONAL CRITERIA:</b></p>	<ul style="list-style-type: none"> <li>▪ Minimum 3-4 trade-lines for all government loans (including housing) where possible with Refer/Eligible Manually underwritten loans</li> <li>▪ Collection Accounts and Judgments applicable to manually underwritten FHA loans must contain documented reasons for approving the mortgage</li> </ul>

# TPO Lending Guide

	<p>per Mortgagee Letter 2013-24 effective with case numbers assigned 10-15-13 and after</p> <ul style="list-style-type: none"> <li>Not every scenario can be addressed, additional documentation may be required. Please contact your Underwriter, Underwriter Team Leader or Senior Underwriting Team with unique situations</li> </ul>
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Expansion of FHA 2 out of 3 Rule, Additional Guidance:

ADDITIONAL RISK COMMITTEE REQUIREMENTS	
Required Risk Review:	Combination of: <ul style="list-style-type: none"> <li>Prior Bankruptcy (7) &lt;4 years of discharge, and</li> <li>Credit Score &lt;660</li> </ul>
Required Risk Review:	Combination of: <ul style="list-style-type: none"> <li>Prior Bankruptcy (7) &lt;4 years of discharge, and</li> <li>100% Payment Shock</li> </ul>
Required Risk Review:	Combination of: <ul style="list-style-type: none"> <li>Refer Eligible Findings (Manual Underwrite), and</li> <li>Credit Score &lt;660</li> </ul>

Exhibit:

"2 out of 3" Rule Loans	
Characteristic Combinations	# of Comp Factors Required
Prior BK (7) < 4 years of discharge; and Credit Score <660	2
Prior Bankruptcy (7) <4 years of discharge; and 100% Payment Shock	3
Refer/Eligible Findings; and Credit Score <660	3
<p>***See RLG for list of 8 acceptable Comp Factors</p> <p>All "2 out of 3" rule files with acceptable comp factors require a 2nd review from UW Team Lead.</p> <p>All "2 out of 3" rule files without the required comp factors require a RISK approval.</p>	

This overlay applies to FHA loans with any of the following combinations of characteristics. The amount of required compensating factors is listed next to each combination.

- Prior Chapter 7 BK <4 years with a FICO <660** (Requires 2 Compensating factors from list below)
- Prior Chapter 7 BK <4years with 100% payment shock** (Requires 3 Compensating factors from list below)
- Refer Eligible with FICO <660** (Requires 3 Compensating factors from list below)

## TPO Lending Guide

### Acceptable Compensating Factors:

- The Borrower has successfully paid housing expense => proposed 12-24 months
- The Borrower makes a down payment =>10% from their own funds
- A conservative attitude toward use of credit
- Previous credit history shows the borrower has the ability to devote a greater portion of income to housing expense
- The Borrower receives documented compensation that directly affects ability to pay mortgage
- There is only a minimal (20% or less) increase in the Borrower's housing expense
- The Borrower has documented liquid reserves (at least 6 months PITI after closing)
- The Borrower has substantial (25%+) nontaxable income currently not being considered in qualifying ratios

Recommendation: Prior to live application, files that fall into this overlay category may be submitted to RISK for approval. Once the file is a live application, it must be reviewed in underwriting and appropriate steps will apply. If the file has the required compensating factors and UW recommends approval, the file is submitted an UW Team Lead for a 2<sup>nd</sup> review (reason = "2 out of 3"). Underwriter must document his/her analysis and compensating factors on the LT and in conversation log. Loans that do not meet UHM compensating factor requirements must be escalated to Risk Committee (if UW recommends approval).

### **601.8 FHA, Alimony utilization for Qualification**

Most recurring obligations, including child support and alimony are considered in computing the debt-to-income ratios. Debts lasting less than ten months must be counted if the amount of the debt affects the borrower's ability to make the mortgage payment during the months immediately after loan closing, this is especially true if the borrower will have limited or no cash assets after loan closing.

Because of tax consequences of alimony payments, UHM may treat the monthly alimony obligation as a reduction from the Borrower's gross income in calculating qualifying ratios, rather than as a monthly obligation.

For more information, see [HUD Handbook 4155.1:4.C.4.a-d](#)



## TPO Lending Guide

### **Section 700 General Underwriting and Lending Requirements, Appraisals, Conventional Loans**

Loans delivered to Fannie Mae, Freddie Mac and Conventional Loans delivered to correspondent Investors are eligible and supported by Union Home Mortgage Corp.

Unless otherwise stated, all Conventional Agency Loans sold by UHM must conform to applicable Fannie Mae, Freddie Mac or Investor one-to-four family housing requirements.

#### **700.1 UHM Underwriting Philosophy**

Loans delivered by Union Home Mortgage Corp. are prudently underwritten to the standards and guidelines of the Agency unless guidelines indicate otherwise. UHM relies on the standards established by the Agencies and encourages "common sense" underwriting. It is important that files are documented to support the Underwriter's decisions.

UHM is responsible for the validity of each Borrower's social security number and requires that all Social Security numbers be validated for accuracy according to Fannie Mae LQI requirements.

In the event that a borrower does not obtain Loan approval, UHM is responsible for issuing the applicant the denial notice required by the Equal Credit Opportunity Act (ECOA).

We understand that because of the multitude of factors involved in a Loan transaction, no Product or Lending Guide or set of guidelines can contemplate every potential situation. Therefore, each case is weighed individually on its own merits.

UHM's underwriting philosophy requires Underwriters to weigh all risk factors inherent to the Loan file. This entails giving consideration to the individual transaction, borrower profile, the level of documentation provided, and the property used to collateralize the debt.

Our commitment to fairness and equal opportunity is clear and unequivocal. UHM mandates the application of fair and consistent underwriting practices and is reflected in the underwriting guidelines outlined in this TPO Lending Guide.

As the funding process is impacted by external market variables, it will be necessary for UHM to re-evaluate the guidelines included in this TPO Lending Guide from time to time. Therefore periodically, revisions will be made. As applicable, individual notifications and TPO Lending Guide updates will be provided and published as necessary to keep Partners informed of our requirements.

#### **700.2 Risk Committee, All Loan Types**

**PURPOSE:** All lenders are facing intense scrutiny at the state and federal level. The Risk Committee was designed to lead, manage and mitigate all risk for Union Home Mortgage Corp.

**RESPONSIBLE OFFICER:** Chief Risk Officer



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**POLICY:** The Risk Committee is responsible for managing corporate risk relevant to:

1. Risk of (EPD) early payment default and (EPO) early pay-offs.
2. Loan Indemnification from Investors.
3. Loan repurchase requests.
4. Loan fraud by a Borrower against the company.
5. Loan origination, processing, underwriting or closing mistakes.
6. Risk using outside vendors, closers and title companies.
7. Technological Errors, ensuring our system calculations and documents are correct for the appropriate loan program.
8. Loan Representations (misrepresentation), and warranties to the Investor, misrepresentation from the Borrower, or from a UHM Partner, or from a TPO Partner (example, non-disclosed debt).
9. Quality Control risk.
10. \*Daily underwriting loan level risk of approving loans including Limited Scope Exceptions.

The Risk Committee’s focus includes researching all investor requests, formulating strategy for mitigating risk to the company, formal responses to Investors or GSE, negotiating the final outcome, reviewing internal policies/procedures, training all Partners on errors and to review current policies and procedures to determine necessary changes.

The Risk Committee meets consistently at the request of the Senior Management Team to review QC requests, re-purchase requests and loan misrepresentation notifications.

When reviewing loan level requests, the Risk Committee meets every Tuesday and Thursday, 3:00 p.m. to 5:00 p.m. EST. Loan level reviews will be completed with Limited Scope Exception Pre-Approval files and Live Files submitted by Underwriting. Please review the Risk Committee Loan Level Procedural guide on UHM’s TPO Website for all guidance and protocol updates.

<b>The Union Home Risk Management group consists of:</b>	Chief Risk Officer
Underwriting Team Leaders	Underwriting/Processing Supervisor
Operations Consultant	Compliance Officer
General Sales Manager	
Administration	

**IMPORTANT NOTE:** If an Investor, PMI Company or any Vendor contacts a TPO Partner during or after the loan process, TPO Partners are not permitted to provide any information (other than to non-Delegated Underwriters) and must contact a member of the Senior Management Team (President, Operations Manager or Sales Manager) to inform them of the Investor/Vendor contact.



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As a Partner, you are responsible for following guidance set forth by the Risk Committee and must consider requests a high priority. Our Risk Committee provides the best chance to steer clear of “icebergs” in the market that if you hit one, or more, could damage the company. In this current market, the difference between surviving, thriving or dying is managing current risk. Managing risk with clear structure provides a solid future for all Partners.

**Please review procedures for Limited Scope Exception Pre-Approval and Live Application Risk Submission Procedures on UHM’s TPO Website.**

### 700.3 UHM Counter-Offer Procedures

#### Loan Submitted to Underwriting, Suspended On Current Terms, Counter Offer Presented

- The Underwriter suspends the Loan based on the file review and current information presented. Underwriter is to complete the Underwriter Summary Screen indicating the Suspend.
- Immediately following the Suspend the Underwriter is to complete the Counter Offer. Underwriter is to complete the Underwriter Summary Screen indicating the Counter Offer.
- Underwriter to change all required information in Encompass to support Counter Offer terms. (Loan amount, Program, Interest Rate, Program, ect.) This can be done from the 1003 or the Itemization Screen.
- All changes are to be saved, loan re-approved within the AUS system being used, and loan conditions added as applicable.
- The Counter Offer is generated (Counter Offer available for 10 days)
  - Statement of Credit Denial, Termination or Change Form completed with the following screen procedures:
    - Date Denied is not completed, this date must remain blank
    - Mailed On Date is completed,
    - Denial reasons completed,
    - Description of Action Taken must include the acknowledgement of the Counter Offer terms.
  - If the Borrower does not accept the terms or there is no response within 10 days, the Loan is “Declined” by Underwriting based on the original terms.
  - If declination is issued, Underwriter must complete the HMDA screen in Encompass. The origination information must be completed as seen below and at least one, but up to three reasons for denial must be chosen.

Origination Information	
Type of Purchaser	Loan was not originated or not sold
Action Taken	Application denied
Action Date	08/17/2015
Reason(s) for Denial	
Reason for Denial #1	
Reason for Denial #2	
Reason for Denial #3	

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- Underwriter Pipeline View, Sorted by initial Counter Offer Date.
- The Underwriter will complete the conditional approval milestone based on the Counter Offer
- The Underwriter is to email Secondary, TPO Partner and Broker Coordinator indicating all changes made (as referenced in bullet #3). The email is to include instruction for Secondary to unlock the current loan and relock under the new terms.
- Secondary to confirm with TPO Partner. Once confirmed, loan to be relocked. The Broker Coordinator must ensure the registration is complete, mortgage insurance (if applicable) and the closing costs are updated accurately.
- Secondary to notify Broker Coordinator to re-disclose the new terms.
- TPO Partner to forward the Statement of Credit Denial, Termination or Change Form with the Counter Offer terms to the Borrower
- Auto-Email notifies Broker Coordinator.
- \*A full package is generated by the TPO Partner or Broker Coordinator and forwarded to the Borrower with the current date reflected as the application date.
- Instructions:
  1. Go to disclosure tracking screen in Encompass
  2. Exclude original app package and any re-disclosures from the timeline
  3. Send out new application package
  4. Add everything back into the timeline
  5. Change the application date back to the original application date on page 3 of the 1003
  - If the financing type remains the same (i.e. Conventional to Conventional, FHA to FHA), only an MCD package is required
- Upon return of the new package, the remains in Processing review and is prepared for resubmission.

### Loan Submitted To Processing/Re-Structure Determination

- Through the file review process, it has been determined terms of the loan must be revised.
- The Conversation Log is updated with notes for the Underwriter to acknowledge the potential adjustments required.
- The file process remains as listed above, the Underwriter will determine if the recommended Counter Offer is acceptable.

### 700.4 Mortgage Insurance

UHM will not purchase mortgage Loans that have been credit underwritten by a mortgage insurance company contract underwriter. To maximize the benefit of surety coverage provided by Mortgage Insurance companies, all Conventional loans with credit scores <660 will require a full underwriting review by the Mortgage Insurance company.

	<p><b>Eligible MI Providers include:</b></p> <ul style="list-style-type: none"> <li>• United Guaranty</li> </ul>
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<b>Mortgage Insurance</b>	<ul style="list-style-type: none"> <li>• National MI</li> <li>• Essent Guaranty</li> </ul>
	<b>Eligible Programs</b>
	<p>Standard Coverage Required</p> <p>Lender Paid Single Premiums</p> <p>Borrower Paid Monthly Premiums</p>
	<p><b>Ineligible Programs:</b></p> <p>Agency Minimum Coverage</p> <p>Lender Paid Monthly Premiums</p> <p>Borrower Paid Single Premiums</p>

### 700.5 Identity of Interest Transactions

UHM defers to Agency or Investor Guidelines.

### 700.6 Sales Contract Changes

UHM will not accept re-negotiated purchase agreements that increase the sales price **after** the original appraisal has been completed if:

- the appraised value is higher than the contracted sales price provided to the appraiser; and
- the new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received; and
- the only change to the purchase agreement is an increase in sales price.

If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the loan-to value will be based on the lower of the original purchase price or the appraised value, unless:

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- Re-negotiation of only seller-paid closing costs and/or pre-paids where seller-paid closing costs/pre-paids are common and customary for the market and supported by the comparables; *or*
- An amended purchase agreement for a new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal must be obtained to verify the value of the modifications.
- Additionally, all Chattel must be removed from the contract

### 700.7 Investment Quality

Loans delivered by UHM should be readily salable on the secondary market and have reasonable likelihood of timely repayment. UHM considers an investment quality Loan to be one that:

- Has been prudently underwritten to UHM guidelines (and Agency guidelines as required by product);
- Contains adequate documentation to support the Underwriter's decision;
- Has been reviewed with a diligent approach to any questionable elements of the transaction;
- Is able to be sold into the secondary market without a discount, and is not later subject to a demand for repurchase;

Loans must not have multiple risk characteristics or layered risks without compensating factors to offset the risk.

### 700.8 Required Submission Documents

**All files submitted by UHM for purchase must include:**

1. **Tax Return Transcripts**
2. **Verbal Verification of Employment**

A verbal verification of employment is required for all borrowers that are using income to qualify for the loan. This policy applies to all income types with the exception of passive income.

- For salaried borrowers, the verbal verification of employment must be completed within 3 business days prior to note date.
- For self-employed borrowers, the verbal verification of employment must be completed within 30-days prior to note date with supporting documents, i.e. Good Standing with the Secretary of State, Professional License.
- For military income, a military Leave and Earnings Statement dated within 30-days prior to note date is acceptable in lieu of a verbal verification of employment.

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### 3. Credit History

- Tri-merged credit report for all borrowers
- Only traditional credit histories are acceptable; all borrowers must have traditional credit established with valid credit scores.

All Conventional Loans require a credit score for each Borrower. Each Credit Bureau offers a product which scores the applicant's credit report using the Fair, Isaac and Company ("FICO") model. Trademark names include The Experian Fair Isaac Credit Score, Trans Union Emperica Score and Equifax Beacon Score. All are acceptable to UHM and are referred to as the "Credit Score."

UHM has adopted the term **Loan Score** to refer to the overall credit score applicable to a specific Loan as determined using the Agencies' "middle/lower, then lowest" credit score selection methodology. UHM's **Loan Score** is equivalent to Fannie Mae's *Representative* credit score.

- **Minimum Loan Score**

The minimum credit score is 620 unless a higher credit score is required based on product parameters.

Exception: Fannie Mae No Score Borrowers (new offering with DU 10.0) and Freddie Mac No Score Borrowers in LP. Also, FHA No Score Borrowers are permitted as a limited scope exception.

No score Borrowers may be permitted following Fannie Mae, Freddie Mac and Ginnie Mae Guidelines and UHM Overlays. Please review UHM Overlays for Fannie Mae, Freddie Mac and Ginnie Mae Delivery in this guide for full program requirements.

- **Credit Score Methodology**

- The following criteria may be used to determine each individual borrower's Credit Score using the "middle/lower" method:
  - If there are three valid credit scores for a borrower, the middle score (numerical middle of the three scores) is used.
  - If there are three valid scores for a borrower but two of the scores are the same, the duplicate score is used.
  - If there are two valid scores for a borrower, the lower of the two scores is used.
  - If there is one valid score for the borrower, that score is used.

- **Loan Score Selection**

- After selecting the appropriate Credit Score for each borrower, the Loan Score must be determined.
- If there is more than one borrower, the lowest selected Credit Score among all borrowers is the Loan Score.
- When there is only one borrower, the selected Credit Score for that borrower is the Loan Score.

## TPO Lending Guide

### 4.A fully completed Loan Submission and Document Checklist

#### 5. Desktop Underwriter® (DU) Findings

### 700.9 Appraiser Policy and Requirements

UHM reserves the right to deem an appraisal unacceptable due to appraisal or quality concerns.

Union Home Mortgage Corp. expects all Appraisers and the reports they provide to meet the Uniform Standards of Professional Appraisal Practice (USPAP) and applicable FNMA, FHLMC, FHA, VA, USDA-RD and UHM policies and requirements. The value for property pledged as collateral for all loans must be accurately assessed and fully supported. Analyzing property values and appraisal reports is a critical part of ensuring the soundness of loans funded and delivered by UHM.

All appraisals must be provided by qualified, independent, disinterested Appraisers licensed and certified in accordance with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989. Appraisals are expected to be completed in accordance with USPAP in addition to any other UHM product requirement. Any party having an interest in the transaction is prohibited from applying pressure or influence on the Appraiser to encourage providing specific results or findings. UHM is not prohibited from questioning the Appraiser's findings or requesting additional information from the Appraiser if deemed necessary in UHM's sole judgment.

UHM continually monitors and evaluates its quality standards and requirements. As a result, UHM reserves the right to choose to accept, or not, appraisals completed by Appraisers that do not meet its standards and guidelines.

Upon notification to UHM Partners, steps must be taken to ensure that no appraisal or other third-party service is delivered to UHM if prepared by an Appraiser or other provider that is unacceptable. UHM may take disciplinary action with the appropriate bodies (up to and including legal action) against any Appraiser or other third-party vendor. UHM maintains business controls in place to ensure Partners or other interested parties do not compromise the accuracy and integrity of appraisal reports.

UHM appraisal standards prohibit the development of a property value that is based on race, color, religion, sex, handicap, familial status or national origin.

UHM supports conforming and non-conforming first lien mortgages secured by a 1-4 family principal resident, 1-4 family investment properties and single-family second homes subject to the parameters of the individual loan products.

The properties may be single-family detached or attached as well as 2-4 family properties, unless otherwise limited by the parameters of a particular loan product.

### **ADVERSE MARKET CONDITIONS/HOUSING TRENDS AND COMPARABLE SALES**

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The level of collateral risk associated with housing trends indicating values are unstable or declining combined with the risk of specific loan products, purposes and occupancy may require a reduction in the LTV/CLTV/HCLTV.

**All new construction transactions regardless of market conditions:** Appraisals for properties located in a new construction subdivision or development must include at least one current sale from the subject development/builder and either one closed sale from a competing development/builder *OR* one closed sale from the subject development that has closed within 30-days of the date of the appraisal.

**Adverse Markets:** Special requirements apply to appraisals that identify adverse market conditions for the subject property (for example, declining values, an over-supply of properties or marketing times in excess of six months). These appraisals need to be documented and reviewed carefully. Required documentation includes:

- At least two of the three comparables must be dated within 90 days of the appraisal date.
- A minimum of one listing or pending sale is required. Ideally, and when possible, at least two additional comparable listings or pending sales should be provided.
- The Appraiser must address the impact on marketability and value of both favorable and unfavorable factors and avoid using subjective, racial or stereotypical terms, phrases or comments within the report.
- Days-on-market must be reported for the subject property and each comparable sale. This must support the average marketing time listed on page 1 of the appraisal.
- If the Appraiser is unable to provide two comparables within 90-days and/or current listing(s), the Appraiser must provide a detailed explanation and identify whether value adjustments resulted. The explanation from the Appraiser must be consistent with other tools utilized to review the appraisal. When the Appraiser is unable to provide this (or other) information, second level reviews through UHM escalation process may be required.
- The maximum LTV/CLTV on any property located in a soft or declining market is limited to the lesser of 95% or the maximum LTV/CLTV for the specific product and loan type.
- Time adjustments, when deemed appropriate by the Appraiser must reflect the difference in market conditions between the date of sale of the comparable and the effective date of appraisal for the subject property.

### GENERAL GUIDELINES

- As determined by DU/LP/GUS.
- UAD (Uniform Appraisal Data) compliant appraisals are required.
- All conventional appraisals must be AIR compliant.
- Age of appraisal:
  - UHM will not accept appraisals dated more than 12 months prior to the note date.
  - An Appraisal Update is required on all appraisals dated more than 120-days prior to the note date. The new Update Appraisal Form (1004D) must be used.

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- If the value of the property is less than the original appraised value then a new appraisal will need to be ordered.
- If the value of the property is more than the original appraised value then the Appraiser must notate on the appraisal the reason for the change and the Underwriter may request a new appraisal.
- If the appraisal indicates that the subject property was previously sold within the last 12 months, the Underwriter is required to determine the change in value. If the value has increased 20% or more, UHM must document improvements that support the increase and/or the Appraiser must document rapid increases in value within the market.
- If the subject property is located in a FEMA Disaster Area, see the “Disaster Requirements” section of this TPO Lending Guide.
- All appraisals must reflect the current transaction information.
- All appraisals must contain the Market Conditional Addendum to the Appraisal Report (Form 1004MC)
- A full appraisal is required in the following scenarios regardless of AUS findings:
  - The subject property is mixed-use.
- Generally, refinances which the most recent transaction was the purchase of an REO property require a new appraisal. In the event of a UHM to UHM transaction, the appraisal may be utilized if completed within 12 months of the note date; an appraisal update will be required if in excess of 4 months from the note date.
- Appraisals on new construction properties cannot be dated more than 120-days from the Note Date. If the appraisal is dated more than 120-days from the note date, a recertification of value will be required supporting the original appraised value.
- When the appraisal indicates the property has a privately owned and maintained street, a private road maintenance agreement is required regardless of LTV.
  - The agreement must include the following terms and should be recorded in the land records of the appropriate jurisdiction:
    - Responsibility of payment of repairs, including each parties representative share,
    - Default remedies in the event a party to the agreement or a covenant fails to comply with obligations,
    - The effective term of the agreement, in most cases should be perpetual and binding on any future owners.

Note: If the property is located within a state that has statutory provisions that define the responsibilities of property owners for maintenance and repair of a private street, no separate agreement is required.

- Utilities must be on at the time of inspection by the Appraiser to ensure safety and soundness of the subject property.
- Bedroom count must be captured on all 1-4 unit investment properties and all owner-occupied 2-4 unit properties regardless of the AUS, appraisal type and regardless of whether the borrower uses rental income to qualify.
  - Bedroom count information can be obtained from one or more of the following sources:
    - Lease agreements
    - Tax returns



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- Single Family Comparable Rent Schedule (Form 1007)
- Appraisal
- Public record data that does not provide current property valuation
- See “High Balance Mortgage Loans” within this section.

### APPRAISAL ALTERNATIVES:

- Fannie Mae Property Inspection Waiver option (PIW) and Freddie Mac Property Inspection Alternative (PIA) dated within 120 days of the note.
  - Allowed with DU/LP approval
  - Price Adjustments may apply
- Escrow Holdbacks are not permitted
- Not eligible for properties located in disaster areas or for new construction

### 700.10 Appraisal Forms

Standard interior/exterior appraisal forms for the property type required. Union Home Mortgage Corp. must ensure all applicable appraisals have been completed in compliance with Agency Guidelines.

**Condition of Improvement requirements** - The appraisal report must contain an accurate description of the improvements and any factors that may affect the market value of the marketability of the subject property.

The appraisal report must identify and describe physical deficiencies that could affect a property's safety, soundness, or structural integrity. If the appraiser has identified any of these deficiencies, the property must be appraised subject to completion of the specific repairs or alterations. In these instances, the property condition and quality ratings must reflect the condition and quality of the property based on the hypothetical condition that the repairs or alterations have been completed.

**Properties with Condition Ratings of C5 or C6 are not eligible for delivery to UHM in 'as is' condition; deficiencies that caused the rating and/or hypothetical condition must be completed prior to Loan delivery to UHM.**

### 700.11 Property Conditions, Basement and Structure Underwriting Guidance

**Dampness:** If the Appraiser does not comment or if there is a concern relative to the appraisal and structure, the Underwriter must ask for updated commentary from the Appraiser. If updated commentary does not suffice, a certification from a licensed or certified contractor is required (Licensed or Certified Home Inspector, Contractor, Basement/Waterproofing Company, Structural Engineer).

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**Ponding or Puddles; obvious signs of water damage:** A certification from a licensed or certified contractor is required (Licensed or Certified Home Inspector, Contractor, Basement/Waterproofing Company, Structural Engineer).

**Appraisal commentary regarding previous and/or active pest infestation and potential structural hazards:** A Pest Inspection is required. Underwriter's to closely review the Appraisal and Pest Inspection to determine if a further certification is required.

- If a property disclosure includes information relevant to the previous infestation and acknowledges the infestation has been remedied, no additional requirements apply.
- If the Appraiser recommends a remedy, the appropriate action must take place.

**Repairs:** In the event an inspection provides guidance of recommended repairs, repairs must be completed or escrowed for if acceptable to UHM.

**Hold Harmless:** In all instances, a Hold Harmless agreement must be signed at closing.

### **701.1 Appraisal, Transfers, Recertification and Acknowledgement**

Appraisals must comply with all applicable (i) laws, rules and regulations including, without limitation, the Uniform Standards of Professional Appraisal Practice ("USPAP") as published by the Appraisal Standards Board of the Appraisal Foundation, the Dodd-Frank Wall Street Reform and consumer Protection Act ("Dodd-Frank"), the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989, (ii) Agency rules, regulations, announcements, notices, directives and instructions including, without limitation, appraiser independence and the Uniform Appraisal Dataset (UAD), and (iii) Union Home Mortgage Corp. appraisal guidelines. For purposes of this Agreement, "Agency" shall mean Fannie Mae, Ginnie Mae, FHA, USDA-RD, as applicable.

Appraisals must comply with the Uniform Appraisal Dataset (UAD) requirements.

Each appraisal report must be submitted through the Uniform Collateral Data Portal ("UCDP") and have a successful Submission Summary Report ("SSR") from Fannie Mae for every conventional loan transaction, with no outstanding errors, warnings or hard stops.

#### **Transfer of Appraisals**

UHM will accept reassigned appraisals with FHA and VA transactions in accordance with FHA and VA guidelines provided the appraisal is deemed acceptable to the Underwriter. The appraisal must meet all guideline requirements and must be current in age.

UHM will not accept reassigned appraisals with Conventional financing (transferred appraisals with Conventional Financing are accepted on an exception basis. Exception must be requested by Account Executive and exception approved prior to submission of the Loan to Union Home Mortgage).

#### **Borrower Appraisal Acknowledgment**

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All Loans with an appraisal must include written acknowledgement from the borrower that either they received all appraisal reports three days prior to close or waived their right to receive such reports within the time frame set out in the regulation.

### **Recertification and Update Requirements**

In accordance with changes to USPAP with regard to recertification of property valuations, this policy is effective for all conventional loan products.

A recertification of value is normally required on appraisals dated more than 120 days prior to closing. The Form 442 – Satisfactory Completion Certificate has been utilized in the past to provide the recertification of value, but is no longer acceptable.

Appraisals are effective for 120-days from the date of the initial inspection. The acceptable appraisal form for a recertification of a property's value is 1004D (Rev 3/05). A Full appraisal – using the appraisal form initially required – will be required if the recertification indicates a decline in the property's value from the initial appraisal.

Form 442 or 1004D (Rev 3/05) will be acceptable to certify the completion of work performed on appraisals made “subject to” the completion of escrow holdbacks.

### **701.2 Appraisal Disaster Requirements**

In reaction to a severe storm notification, Union Home Mortgage Corp. will require UHM Partners, Brokers and Sellers to follow Disaster Policy including requiring an interior inspection for all direct or indirectly impacted properties prior to closing. Please note that “directly or indirectly impacted properties” refers to either Disaster defined and/or Declared Emergency Areas (see FEMA website <http://www.fema.gov/disaster>).

Collateral procedures to follow should include: Appraiser to provide detailed interior and exterior re-inspection form to confirm the subject property is free from damage and the disaster has had no effect on value or marketability. If the requested statement is not applicable, Appraiser to describe in detail, any damage observed (include specific photos) and/or explain any effect on value or marketability due specifically to the disaster or emergency. Appraiser to perform a visual inspection of the subject property and the surrounding neighborhood. Must include photos depicting interior of the premises and all sides of the exterior of the subject property (including specific damage) and multiple street scene photos to show the relative condition of the neighborhood. Loan transactions for which automated findings or the loan program do not require an appraisal, an exterior inspection is required. If upon exterior inspection evidence of damage is noted, an appraisal with interior and exterior inspection is required. If the full appraisal results in a different value, UHM must utilize the lesser of the two values.

### **701.3 Reconsideration of Appraisal**

When parties to a mortgage transaction feel there is a flaw in the original appraisal, please follow these guidelines when requesting a reconsideration of the appraisal:

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1. Review any concerns presented to determine that they are not in violation of the Appraisal Independence Guidelines.
2. **Focus on errors or professional deficiencies** contained in the original appraisal report and provide supporting documentation. Indicating that borrowers, sellers, or realtors do not agree with the valuation is not and will never be considered a valid argument. If the claim that the appraisal is deficient cannot be clearly supported, it follows that the original appraisal will not be adjusted.
3. Please acknowledge any valid concerns or questions in writing (bullet point format is very favorable since it is brief and to the point).
4. Send your request to the Appraisal Department at [TPOappraisal@unionhomemortgage.com](mailto:TPOappraisal@unionhomemortgage.com) and your account executive.
5. If the Underwriter deems a sufficient case, the TPO Appraisal Management Team will submit the request to the AMC for consideration.
6. Remember **THE TPO APPRAISAL MANAGEMENT TEAM CANNOT DISCUSS VALUE** with the Appraiser. The Team **CANNOT** directly or indirectly point the Appraiser in the direction of the desired value necessary to consummate the transaction.

### **TPO Partners may not contact the Appraiser.**

The process must be handled through the TPO Appraisal Management Team. TPO Partner contact with the Appraiser violates current company policy and also violates state/federal laws.

### **When questioning comparables, keep in mind the following:**

Appraisers are required to use the best, most recent comparables available!

When there is a comparable transfer on the same street, similar in style and number of bedrooms, and recently sold ... it cannot be ignored.

An Appraiser cannot decide to use a different style house as a comparable when there are plenty of similar style house transfers.

There are times when a different style must be used because there is simply nothing else.

Appraisers must analyze each comparable and find out as much as they can about it. If something looks suspicious, it cannot be used.

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*For example, if all of the two bedroom, ranch style houses are selling for \$100,000 with an estimated exposure time of 200 days, and one sold for \$120,000 in 10 days and some pertinent MLS information is omitted, it raises a question mark about the validity of the sale.*

The TPO Partner may send comparables that the TPO Partner, the borrower, or the agent thinks should be considered. MLS listings that reflect sales price or indicate value in any way cannot be forwarded. State laws and the Appraisal Independence Guidelines indicate that lenders cannot directly or indirectly allude to the value desired. Simply provide the Appraisal Department with the property addresses that justify reconsideration and the information will be given to the Appraiser. **Generally, Appraisers are looking for comparables sold within the last 90 days and within one (1) mile of the subject when available.**

### **Room count & square footage:**

Additional bathrooms and rooms below ground level (basement rooms) are not counted in the total room count or square footage.

### **When questioning the value of upgrades:**

Some examples include:

*Remodeled kitchens, baths, new flooring, windows, roof, furnace, central air, etc. - Just because a house has a newer vanity in the bathroom and the rest of the house is outdated, it does not qualify the property to be considered remodeled. The opposite is also true: if a property has everything new, but two bedrooms have old carpeting, that does not justify a rating of "average condition."*

### **What happens if the appraiser refuses to correct a legitimate error or deficiency?**

*If the Appraiser fails to make appropriate corrections where errors or professional deficiencies exist, the Corporate or Regional Operations Manager may review the appraisal and supporting documentation with the Risk Committee to determine if a second appraisal is warranted.*

**Lastly, the Appraisal Department will make every effort to ensure that your concerns are reviewed as quickly as possible.**

## **701.4 Appraisal Escalation, Field Review Requirements**

This guide has been developed to provide comprehensive instructions relevant to best appraisal review practices. At times Field Reviews are requested to substantiate value and these simple procedures will assist in the determination when and if a Field Review is required.

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The following items are being noted as examples of potential escalation cases for the purposes of agency appraisal review requirements, UHM appraisal underwriting and investor requirements:

- Unacceptable Comparable Properties (housing type, outside of market area, distance)
- Excessive Adjustments not properly explained or warranted
- Excessive Acreage and/or Building Structures
- Rapid Increases in Value
- Subject Property greater than the Predominate Value
- Concerns for Safety and Structural Integrity
- AUS Excessive Value Warning
- Combination of Over Supply and greater than Six Month Market Timeframe
- Questionable Property Highest and Best Use

### Determination Steps:

1. In the event the Automated Underwriting Engine issues an excessive value indicator, only the initial appraisal is to be ordered. The automatic ordering of an initial appraisal and a Field Review simultaneously is prohibited with Investor or Agency Direct loans.
2. The Underwriter reviews the initial appraisal.
3. Initiate Fraud Guard and review the Subject Property variances, if any.
4. Directly engage the appraiser to provide additional comps/commentary if concerns are noted.
5. Review revised appraisal.
6. **PRIORITY REVIEW:** If the Underwriter is not satisfied with the initial or updated appraisal, escalate a joint review with the UW Team Leader for a second signature. This is a time sensitive review process.
  - a.) **If the appraisal is approved by the Team Leader**, the Underwriter is to proceed with appraisal and to document conversation log that the appraisal was reviewed with the Team Leader and approved to proceed without additional documentation.

-or-
  - b.) **If the Underwriter and Team Leader are not satisfied with the appraisal**, a PRIORITY REVIEW must be escalated to Senior Management. Determination will be made at a Senior Underwriting level if a Field Review is to be ordered. This will be a time sensitive situation.
7. The Senior Underwriting Team will notify all involved parties when a Field Review is mandatory referencing the Customer's last name and loan number in addition to an update in the Encompass Conversation Log.
8. The decision to stand or proceed is to be without dispute due to the written policy.
9. Upon notification, the Field Review to be ordered by original Underwriter requested through the Appraisal Management Team. The TPO Partner/Processor will be notified and the loan is to be conditioned appropriately.

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10. The Field Review is to be reviewed with the Underwriting Team Leader and/or the Senior Underwriting Team and the values will be compared. Based on the determination of the team, the best appraisal will be utilized in qualifying. In the event of a valuation reduction, the Underwriter is to immediately communicate the reduced valuation of the original value submission as this may affect purchase contracts, locks, mortgage insurance, overall qualification, etc. Communication must be forwarded to Secondary, the TPO Partner, Processor and Closer. Upon completion, condition loan appropriately for all required revisions and the Conversation log is to be documented that collateral was approved using the Field Review method and documenting the value being used to complete the transaction. Only the approved appraisal to be kept in the file.

### Tracking:

All approvals will be tracked by the Senior Underwriting Team to measure the percentage of Field Reviews ordered and to account for costs to the Company. Reports will include geographical areas, trends, etc. distributed via a spreadsheet distributable corporately.

### Footnotes:

- Borrower Requests: When an appraisal is acceptable based on UHM standards and the Borrower requests an additional appraisal, the Borrower is 100% responsible for paying the additional appraisal fee in advance of order.
- Desk Reviews: UHM will no longer utilize Desk Reviews in process.
- Turn-Times for Field Review orders and reviews must be a priority in all departments
- The determination to order and utilize a Field Review in accordance with the aforementioned procedures will be completed regardless of the loan terms.

### 701.5 Appraisal Requirements - High Balance Mortgage Loans

- Any Jumbo loan or High Balance conforming loan will require a secondary signature.
- The National Underwriting Manager will sign off for appraisals.
- Any collateral that National Underwriting Manager or Wholesale Operations Manager may find questionable can be escalated to the Risk Committee.
- The Risk Committee at its discretion can approve as submitted or require supplemental information (i.e. Desk Review, Field Review or Secondary Appraisal).

### 701.6 Appraisal Requirements - Higher Priced Mortgage Loans as defined by Regulation Z

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<p><b>RULE BASICS:</b></p> <p><b>Effective Date</b></p> <p><b>Covered Transactions</b></p> <p><b>Disclosure Requirement</b></p> <p><b>Appraisal Requirement</b></p> <p><b>Second Appraisal Requirements</b></p>	<p>The new rules is effective with applications taken on or after January 18, 2014</p> <ul style="list-style-type: none"> <li>• High Priced Mortgage Loans (HPML) that are not Qualified Mortgages (QM)</li> <li>• UHM must provide the applicant with a statement that any appraisal or statement of value obtained for the mortgage is for the sole use of the creditor, and that the applicant may choose to have a separate appraisal done for their own use at their expense. The disclosure must be given to the applicant(s) within 3 business days of application, or if the loan was not a HPML loan at application, the disclosure must be given within 3 business days of when it was determined to be a HPML loan.</li> <li>• A full appraisal is required on HPML loans (AVM's are not permitted)</li> <li>• A second appraisal is required for HPML loans that meet the definition of a flip (a) the seller is reselling the property within 90 days of acquiring it and the resale price exceeds the sellers acquisition price by more than 10 percent, or (b) the seller is reselling the property within 91-180 days of acquiring it and the resale price exceeds the seller's acquisition price by more than 20 percent. The second appraisal must be completed by a certified or licensed appraisal that is not affiliated with the first appraiser. The 2nd appraisal must be given to the borrower(s) within 3 business days of the closing. The appraisal must include an analysis of the difference in sales prices (i.e., the sale price paid by the seller and the acquisition price of the property as set forth in the consumer's purchase agreement), changes in market conditions and any improvements made to the property between the date of the previous sale to the current sale.</li> <li>• The cost of the 2nd appraisal cannot be paid for by the borrower(s).</li> </ul>
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<p><b>Standard Exemptions:</b></p>	<ul style="list-style-type: none"> <li>• Government Streamline Refinances</li> <li>• True Rate/Term Loans, all proceeds from the refinance must be used to satisfy the existing obligations and to pay amounts attributed solely to the costs of refinancing.</li> <li>• Loans =&lt;\$25,000.00</li> <li>• Loans for Manufactured Homes through July 17, 2015</li> </ul>
<p><b>Second Appraisal Exclusions and Exemptions:</b></p>	<p>A second appraisal is not required when the seller is:</p> <ul style="list-style-type: none"> <li>• Is a local, state or federal government agency or acquired title:</li> <li>• through foreclosure or other similar judicial or non-judicial procedure as a holder of a defaulted mortgage loan</li> <li>• Is a non-profit entity as part of a local, State or Federal government program under which the non-profit entity is permitted to acquire single family properties for resale from a seller who acquired title to the property through the process of foreclosure or other similar judicial or non-judicial procedure</li> <li>• acquired title to the property by inheritance or pursuant to a court order of dissolution of marriage, civil union, or domestic partnership, or of partition of joint or marital assets to which the seller was a party</li> <li>• from an employer or relocation agency, in connection with the relocation of an employee</li> <li>• from a service member who received deployment or permanent change of station orders after purchasing the property</li> <li>• If the property is located in an area designated by the President as a federal disaster area with regulatory waiver available</li> <li>• If the property is located in a “rural” county, as defined in the CFPB ATR 2013 Final Rule</li> </ul>

### **701.7 Appraisal Orders, Communication and Anti-Coercion**

Union Home Mortgage Corp. has adopted an Appraisal Anti-Coercion Policy as a result of the adopted Home Buyer’s Protection Act & other state Predatory Lending Laws.

TPO Partners are strictly prohibited from any contact with an Appraiser, all requests and communicated relevant to an appraisal are completed through the Appraisal Management Team and Underwriting Department.

#### **APPRAISAL ORDERS**

Appraisal requests are ordered through the AMC of the TPO Partners choicethe following information should be forwarded to the AMC:

- Contact information for all relevant parties
- The Sales Contract (Purchases)

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- Evidence of Real Estate Taxes
- Evidence of the Property Transfer History

### COMMUNICATION

- All direct communication between UHM and the Appraiser is completed by the Appraisal Department, Underwriter or National Risk Manager, and AMC.
- The National Operations Manager and National Risk Manager may communicate with Appraisers directly in the event of a performance concern.

### PROHIBITIONS

- No TPO Partner may at any time speak to or communicate with an Appraiser
- For refinances, an estimated value may not be forwarded to or communicated to the Appraiser in any way
- UHM Partners may not compensate, instruct, induce, coerce or intimidate, or attempt to compensate, instruct, induce or coerce, or intimidate a person licensed or certified under Chapter 4763 of the Revised Code for the purpose of corrupting or improperly influencing the independent judgment of the person with respect to the value of the dwelling offered as security for repayment of a mortgage loan;"
- Further, UHM Partners may not communicate any inference of value directly with the Appraiser prior to or after ordering an appraisal

### 701.8 Appraiser Qualifications

All appraisal reports must be completed by an Appraiser in good standing, duly licensed or certified in the state in which the subject property is located. Appraisers holding a "Trainee" or similar license may not be utilized.

**No appraisal report may be completed by an Appraiser on any of the industry exclusionary list, including but not limited to; Limited Denial Participation (LDP) List, Excluded Parties List System (EPLS).**

### 702.1 Appraiser Monitoring Procedures

In compliance with UHM Quality Control Procedures, we will continue to monitor Appraiser performance through our Underwriting, Risk and Quality Control Departments.

Quality Control continually reviews a 10% sampling of all production including all lending types. Key deficiencies determined through the Quality Control Process in addition to additional items of importance include:

- Investor Audits and Deficiency Reports
- Fraud or Misrepresentation

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- Discrepancies found during Desk or Field Reviews
- Customer, Referral Partner and Partner Complaints
- Appraiser Customer Service Complaints
- Productivity and Turn-Times in excess of expectations
- Response Times
- Underwriting requests based on negative appraisal trends (quality of work, ongoing repetitive requests relative to comparable property selection and the size of adjustments, quality of work, continually errors,

All notifications of Appraisal deficiency or misconduct as determined by the Senior Underwriting Team, Appraisal Department or upon request from an internal Partner or external source (Customer, Referral Partner or Investor) must be investigated thoroughly by the Senior Risk Team (National Underwriting/Processing Manager and National Risk Manager).

Based on the type of deficiency and results of the investigation, Appraisers will either receive a verbal warning, written warning or notification of removal from our Panel Roster from the Senior Underwriter. The review process includes the following characteristics:

1. Serious Deficiency, Fraud, Misrepresentation requires immediate dismissal
2. Production Standard Deficiencies and Complaints will be reviewed by the group and issued a verbal or written warning.
3. In the event an Appraiser has received a verbal and written warning, that Appraiser will be immediately removed from our pane.

### **702.2 Appraiser Approved and Exclusionary List**

UHM Appraisal Management will continually monitor Agency and Investor Approved and Exclusionary Lists and will comply with Agency and Investor requirements. In the event an Appraiser is removed from the Approved list due to performance or Agency/Investor requirements, the list will be continually monitored to ensure the Appraiser remains inactive until such time as a remedy as determined by UHM or by the Agency/Investor has been appropriately documented and approved.

### **702.3 Fannie Mae Desktop Underwriter**

Union Home Mortgage Corp. primarily utilizes Desktop Underwriter to deliver **Conforming** Loans submitted through Fannie Mae's Desktop Underwriter program.

UHM complies with all Condominium and PUD project requirements, unless the DU Findings Report permits the UHM to perform a Limited Review. Any condominium transaction not eligible for Limited Review may be documented and warranted to comply with appropriate UHM Project Review Option or Fannie Mae's other published guidelines.

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### UHM will accept the following Loans underwritten with Desktop Underwriter:

Desktop Underwriter is available on standard Fannie Mae products currently offered by UHM.

#### Loans with LTV $\geq$ 95% and $\leq$ 97% are eligible with the following criteria

- One-unit properties
- Principal residences
- Purchase
- Fully amortizing fixed-rate products
  - As a reminder, UHM will *not* accept cash-out refinance Loans for Owner Occupied Homestead properties located in Texas, or Loans with financed mortgage insurance even if permitted by Desktop Underwriter.

#### The following Fannie Mae offerings are not eligible for purchase by UHM:

- Manual underwriting
- Interest-Only loans
- MyCommunityMortgage (MCM) - (product phased out by FNMA)
- Any loan receiving a "Refer"\* or "Refer with Caution" from DU
- Any loan receiving an Expanded Approval\* or Out of Scope recommendation
- Loans with LTV  $>$  97%
- Loans with LTV/CLTV  $>$  97% when combined with subordinate financing
- Loan term exceeding 30 years
- Homestyle Home Improvement Mortgages
- Less than Standard MI Coverage
- Minimum Level Mortgage Insurance option
- Financed MI
- Split Premium MI
- Timely Payment Rewards
- Streamlined Purchase Money Mortgage program
- HomePath® Renovation Program
- Lease-Purchase
- Community Land Trust
- Loans with a temporary interest rate buydown
- Loans that receive a DU Social Security Number (SSN) Verification message
- Loans delivered with Fannie Mae Special Feature Code 162
- Loans from a Housing Finance Agency not formally approved through UHM

UHM must ensure that the final submission to DU accurately reflects the closed loan terms, loan amount and all borrower information. Prior to delivering the closed loan package, UHM must confirm that the most current DU submission Findings reflect the loan as it was closed.

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### Loans with an "Approve/Eligible" Recommendation through Desktop Underwriter

- The subject Mortgage Loan must pass all the eligibility and underwriting tests performed by Desktop Underwriter and any verification messages or approval conditions specified on the Desktop Underwriter Findings report must be satisfactorily resolved before closing.
- Terms and conditions of the closed Loan and underwriting information in the Loan file must match the data on which the Desktop Underwriter recommendation/verification messages are based.

### Loans with a "Refer"\* and "Out of Scope" to Lender's Underwriter Recommendation through Desktop Underwriter

- UHM does not deliver any Loan scoring a "Refer" or "Refer with Caution" recommendation from DU.
- UHM will not accept conventional manually underwritten loans. Manually underwritten loans are defined as loans that receive one of the following responses due to insufficient or invalid credit only:
  - o **Fannie Mae DU Response:**
    - Refer/Eligible Refer/Ineligible
    - Refer/w/Caution
    - Out of Scope
    - Loan manually underwritten and not entered into DU

\*Refer recommendations and Expanded Approval recommendations are no longer offered with DU 9.0.

### 702.4 UHM Overlays for FNMA Delivery

<b>EXCLUSIONS:</b>	<ul style="list-style-type: none"> <li>■ No Expanded Approval (See DU Release)</li> <li>■ No Co-Ops</li> <li>■ Condominium concentration may not exceed 15% for UHM loans in any one association/development.</li> </ul>
<b>Ability to Repay/Qualified Mortgages (ATR/QM):</b>	<p><b>QM SAFE HARBOR REQUIREMENTS:</b></p> <ul style="list-style-type: none"> <li>• Conventional Approve/Eligible can exceed 43% provided the loans fits all cost tolerances and ATR guidelines</li> <li>• No Conventional Manually underwritten loans permitted</li> </ul> <p><b>QM REBUTTABLE PRESUMPTION REQUIREMENTS (Exceeding HPML/HPCL):</b></p> <ul style="list-style-type: none"> <li>• Conventional Approve/Eligible Only</li> <li>• No Refer/Eligible or Manually Underwritten Loans</li> <li>• Residual Income Test/Reserve Requirements Required:           <ul style="list-style-type: none"> <li>❖ Qualifying Primary Residence</li> </ul> </li> </ul>

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<p><b>CORRESPONDENT/WHOLESALE MINIMUM LOAN AMOUNT:</b></p>	<ul style="list-style-type: none"> <li>○ <math>\geq</math> \$2,500.00 Residual Income, AUS to determine reserves if applicable</li> <li>○ <math>\geq</math> \$800.00 to \$2,499.00 Residual Income, The greater of three months (3) or AUS required Reserves Required</li> <li>○ <math>&lt;</math> \$800.00 Residual Income, Not Permitted, Automatic Denial</li> </ul> <p style="text-align: center;">❖ Qualifying Second Home</p> <ul style="list-style-type: none"> <li>○ <math>\geq</math> \$2,500.00 Residual Income, Acceptable</li> <li>○ <math>&lt;</math> \$2,500 Residual Income, Not Permitted, Automatic Denial</li> <li>○ Note: Investment Properties are traditionally exempt. Investment Properties with Cash-Out are only exempt if the cash-out funds are utilized to purchase another investment property or to rehabilitate the current home. For all other purposes, Cash-Out Refinances of Investment Properties fall within QM requirements.</li> </ul> <p>\$50,000.00 (due to ATR/QM Qualifications)</p>
<p><b>PROCEDURES:</b></p> <p><b>OVERLAY:</b></p>	<ul style="list-style-type: none"> <li>▪ Verbal VOE within 7 days of closing</li> <li>▪ All files with Extenuating Circumstances require an Underwriting second signature.</li> <li>▪ Non-Sufficient Funds (NSF), Rule of Two:             <ul style="list-style-type: none"> <li>○ A combination of <math>\geq</math>2 NSF's (non-sufficient funds) on bank statements combined with a DTI <math>\geq</math>43% requires an acceptable letter of explanation (LOX) and an Underwriting second signature</li> <li>○ Late payments (excluding medical collections) after a Chapter 7 BK and within 4 years require two compensating factors (to be added to the Risk Committee/Team Leaders 2 out of 3 rule first combination area). Please review GNMA Overlays, FHA section for rule guidance.</li> </ul> </li> <li>▪ Projected Income, Employment Offers and Contracts             <ul style="list-style-type: none"> <li>○ Purchase Primary Single-Family only</li> <li>○ A Non-Contingent Employment Contract or verification from employer listed contingencies are removed is required</li> <li>○ The higher of AUS required reserves or 3 Month PITI Reserves required</li> <li>○ Borrower must start the new job and income must be validated with a pay stub dated within 30 days of closing. Income does not have to be a full cycle but must be able to</li> </ul> </li> </ul>

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	<p>validate the income utilized in qualifying.</p> <ul style="list-style-type: none"> <li>▪ HomeReady Product <ul style="list-style-type: none"> <li>○ No ARMS, Fixed Rate Only</li> <li>○ No Renovation</li> <li>○ No Buy-Downs</li> <li>○ No Manual Underwriting</li> </ul> </li> <li>▪ Fannie Mae No Credit Score Borrowers (new offering from DU 10.0) Overlays: <ul style="list-style-type: none"> <li>○ Must have an Approve/Eligible Finding</li> <li>○ Requires approval from Essent Guaranty only</li> <li>○ Requires funding through Comerica with advance communication to Secondary and Funding</li> <li>○ All remaining standard conditions (single-family principal residence only, no manufactured housing, purchase or limited cash-out, fixed rate mortgage, LTV&lt;=90%, DTI &lt;39%, two current non-traditional credit references one of which must be housing over 12 months old and paid as agreed)</li> </ul> </li> <li>▪ Maximum Number of loans per borrower(s) – no more than 4 loans total with UHM, but <b>maximum investment properties is 2.</b> Example, Borrower can have 1- primary, 1- 2<sup>nd</sup> home and 2- investment properties. If a Borrower does not have a 2<sup>nd</sup> home, they could have 1-primary and 2-investment properties.</li> <li>▪ Note: This overlay is not to be confused with the maximum number of financed properties a Borrower maintains when financing with UHM.</li> <li>▪ <b>If more than one (1) Housing/Mortgage late payment in the past 12 months, a Risk Committee Review is required.</b></li> <li>▪ Move Down borrowers – 2<sup>nd</sup> signature required.</li> <li>▪ High Balance Loans permitted for primary residences with an Approve/Eligible and a 2<sup>nd</sup> underwriting signature.</li> <li>▪ DU Refi Plus – Unlimited LTV/CLTV with a minimum credit score of 680. Credit scores of 620 – 679 LTV/CLTV limited to 105%.</li> <li>▪ Investment Properties: Maximum agency LTV with MI non-Delegated (top coverage required)</li> <li>▪ Property Condition: Subject property to be in average, or better condition. No Fair or C-5</li> <li>▪ Utilities: Utilities are not required to be activated at the time of the inspection; UHM requires a hold-harmless agreement at closing.</li> <li>▪ Loans with Private Mortgage Insurance that include Borrowers with credit scores &lt;=660 in addition to an LTV &gt;85% require a non-Delegated review by the Mortgage Insurance Company (applies to all applicable loans including FNMA 97 and FNMA MCM).</li> </ul>
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	<ul style="list-style-type: none"> <li>▪ Manufactured Homes: Require 640 middle score, maximum LTV 90%, a Structure Certification and evidence of Surrender of Title (see state requirements in Manufactured Home Guidance Exhibit). Land Contract conversions are not permitted. <ul style="list-style-type: none"> <li>○ Manufactured Homes built before June 15, 1976 are not permitted.</li> <li>○ Home Ready financing is not permitted for Manufactured Homes</li> </ul> </li> <li>▪ FNMA 97% LTV (MCM and Non-MCM); Reserves must be from Borrower's own funds if required by the AUS.</li> <li>▪ FNMA 97% LTV (MCM and Non-MCM); Require Approve/Eligible Findings, Manual Underwriting not permitted.</li> </ul>
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### 702.5 UHM Overlays for Freddie Mac Delivery

<b>EXCLUSIONS:</b>	<ul style="list-style-type: none"> <li>▪ No A-Minus/Caution</li> <li>▪ No ARM Products</li> <li>▪ No Projected Income Loans (FNMA only)</li> <li>▪ No Co-Ops</li> <li>▪ Condominium concentration may not exceed 15% for UHM loans in any one association/development.</li> </ul>
<b>Ability to Repay/Qualified Mortgages (ATR/QM):</b>	<p><b>QM SAFE HARBOR REQUIREMENTS:</b></p> <ul style="list-style-type: none"> <li>• Conventional Accept can exceed 43% provided the loans fits all cost tolerances and ATR guidelines</li> <li>• No Conventional Manually underwritten loans permitted</li> </ul> <p><b>QM REBUTTABLE PRESUMPTION REQUIREMENTS (Exceeding HPML/HPCL):</b></p> <ul style="list-style-type: none"> <li>• Conventional Accept Only</li> <li>• No Caution or Manually Underwritten Loans</li> <li>• Residual Income Test/Reserve Requirements Required: <ul style="list-style-type: none"> <li>❖ Qualifying Primary Residence <ul style="list-style-type: none"> <li>○ <math>\geq</math> \$2,500.00 Residual Income, AUS to determine reserves if applicable</li> <li>○ <math>\geq</math> \$800.00 to \$2,499.00 Residual Income, The greater of three months (3) or AUS required Reserves Required</li> <li>○ <math>&lt;</math> \$800.00 Residual Income, Not Permitted, Automatic Denial</li> </ul> </li> <li>❖ Qualifying Second Home <ul style="list-style-type: none"> <li>○ <math>\geq</math> \$2,500.00 Residual Income, Acceptable</li> <li>○ <math>&lt;</math> \$2,500 Residual Income, Not Permitted, Automatic Denial</li> </ul> </li> </ul> </li> </ul>



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<p><b>CORRESPONDENT/WHOLESALE MINIMUM LOAN AMOUNT:</b></p>	<ul style="list-style-type: none"> <li>○ Note: Investment Properties are traditionally exempt. Investment Properties with Cash-Out are only exempt if the cash-out funds are utilized to purchase another investment property or to rehabilitate the current home. For all other purposes, Cash-Out Refinances of Investment Properties fall within QM requirements.</li> </ul> <p>\$50,000.00 (due to ATR/QM Qualifications)</p>
<p><b>PROCEDURES:</b></p> <p><b>OVERLAY:</b></p>	<ul style="list-style-type: none"> <li>▪ Verbal VOE within 7 days of closing</li> <li>▪ All files with Extenuating Circumstances require an Underwriting second signature.</li> <li>▪ Non-Sufficient Funds (NSF), Rule of Two:             <ul style="list-style-type: none"> <li>○ A combination of <math>\geq 2</math> NSF's (non-sufficient funds) on bank statements combined with a DTI <math>\geq 43\%</math> requires an acceptable letter of explanation (LOX) and an Underwriting second signature</li> <li>○ Late payments (excluding medical collections) after a Chapter 7 BK and within 4 years require two compensating factors (to be added to the Risk Committee/Team Leaders 2 out of 3 rule first combination area). Please review GNMA Overlays, FHA section for rule guidance.</li> </ul> </li> <li>▪ Maximum Number of loans per borrower(s) – no more than 4 loans total with UHM, but <b>maximum investment properties is 2</b>. Example, Borrower can have 1- primary, 1- 2<sup>nd</sup> home and 2- investment properties. If a Borrower does not have a 2<sup>nd</sup> home, they could have 1-primary and 2-investment properties.</li> <li>▪ <b>If more than one (1) Housing/Mortgage late payment in the past 12 months, a Risk Committee Review is required.</b></li> <li>▪ Move Down borrowers – 2<sup>nd</sup> signature required.</li> <li>▪ Condominiums: Require a Condo Questionnaire regardless of review type (full or streamline)</li> <li>▪ Super Conforming (High Balance Loans) permitted for primary residences with an Accept and a 2<sup>nd</sup> underwriting signature.</li> <li>▪ Freddie Open Access – Unlimited LTV/HTLTV with a minimum credit score of 680. Credit scores of 620 – 679 LTV/HTLTV limited to 105%. Freddie Open Access - 2<sup>nd</sup> underwriting signature required.</li> <li>▪ Freddie Mac Home Possible and Home Possible Advantage 97% LTV Released 3/23/15 (overlay summary):             <ul style="list-style-type: none"> <li>○ Reserves: Must be from Borrower's own funds if required by the AUS.</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>○ Underwriting: Require Accept, Manual Underwriting not permitted.</li> <li>○ No Manufactured Homes with Home Possible Program(s)</li> <li>○ No Construction or Renovation</li> <li>○ No ARMS, Fixed Rate Products Only</li> <li>○ No Financed BPMI</li> <li>○ No Buy Downs</li> <li>▪ Freddie Mac No Credit Score Borrowers, Overlays:             <ul style="list-style-type: none"> <li>○ Must have an Approve/Eligible Finding</li> <li>○ Requires approval from Essent Guaranty only</li> <li>○ Requires funding through Comerica with advance communication to Secondary and Funding</li> <li>○ All remaining standard conditions (single-family principal residence only, no manufactured housing, purchase or limited cash-out, fixed rate mortgage, LTV&lt;=95%, DTI per AUS, two current non-traditional credit references one of which must be housing over 12 months old and paid as agreed)</li> <li>○ <a href="#">Requirements Link</a></li> </ul> </li> <li>▪ Investment Properties: Maximum agency LTV with MI non-Delegated (top coverage required)</li> <li>▪ Property Condition: Subject property to be in average, or better condition. No Fair or C-5</li> <li>▪ Utilities: Utilities are not required to be activated at the time of the inspection; UHM requires a hold-harmless agreement at closing.</li> <li>▪ Loans with Private Mortgage Insurance that include Borrowers with credit scores &lt;=660 in addition to an LTV &gt;85% require a non-Delegated review by the Mortgage Insurance Company (applies to all applicable loans including FHLMC Home Possible when released in 2015).</li> <li>▪ Manufactured Homes: Require 640 middle score, maximum LTV 90%, a Structure Certification and evidence of Surrender of Title (see state requirements in Manufactured Home Guidance Exhibit). Land Contract conversions are not permitted.</li> <li>▪ Manufactured Homes built before June 15, 1976 are not permitted.</li> </ul>
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### 702.6 General Information

The information contained in this section represents exceptions to the standards and guidelines of Fannie Mae. In some instances, UHM has also included a clarification of our interpretation of the

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Agency guidelines. **Conventional Loans sold to UHM should be underwritten to the standards and guidelines of Fannie Mae unless indicated otherwise in this section.**

### 702.7 Freddie Mac, Alternate Investors/Products

Union Home Mortgage Corp. maintains a direct relationship with Fannie Mae, but supports Freddie Mac products.

### 702.8 General Agency Requirements, Borrower Eligibility

#### ELIGIBLE BORROWERS

- US Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens; Temporary residents, granted the right to live and/or work in the US for a specified period of time.
  - One of the following valid visas are required: H-1B Temporary Worker, L-1 Intra-Company Transferee, E-1 Treaty Trader, E-2 Treaty Investor, G Series (G-1, G-2, G-3 and G-4) and TN or TC NAFTA Visa used by Canadian or Mexican citizens.
  - **C-33 (DACA): C-33 (DACA) Borrowers may utilize FHA, VA and USDA financing only (Conventional excluded) provided all qualifying criteria is confirmed and investor guidelines apply.**
  - Note: Please review current FHA guidelines for updated tolerances.

Note: An approved Notice of Action (Form I-797A) is acceptable in lieu of an unexpired visa provided the form reflects an acceptable visa type as mentioned above.

- All Non-Permanent Resident Aliens must have a minimum 2 year history of residency, credit, employment, currently reside and work in the U.S. Income should be expected to continue for at least 3 years.
- If tax returns are required, they must be U.S. federal returns. If income is in foreign currency, 75% of the currency exchange value may be used for qualifying the borrower.
- Funds for closing must be in U.S. bank accounts. If funds were transferred from a foreign depository, the borrower must provide evidence that they owned the funds prior to the transfer.

#### INELIGIBLE BORROWERS

- **C-33 (DACA) Borrowers with Conventional Financing (FHA, VA and USDA eligible, see above)**
- Foreign Nationals (unless permitted by specific portfolio product)
- Borrowers with diplomatic immunity
- Borrowers without social security numbers
- More than 4 borrowers per transaction

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### **702.9 Credit, Validation and Supplements**

A credit supplement is a service process in which our credit vendor will verify and update the particulars for an item providing a comprehensive and up-to-date understanding of that item traditionally with third-party verification. A supplement can be an addition, correction or an update to a trade-line, public record, employment record, address, landlord inquiry, to name a few of the items involved.

The use of credit supplements has increased significantly which in turn can lead to cost increases for our borrowers. It is our goal to provide proper guidance when the use of a supplement is required and when the use of a credit supplement may be deemed unnecessary. Providing Borrower supplied documentation deemed acceptable to UHM may be able to save time and money, so please review the following basic guidelines related to the most common forms of supplements.

**1.) Revolving debt paid off to qualify and verification of account closure (if required):**

- UHM does not require a credit supplement provided we retrieve an accurate statement from the Creditor showing the account is closed and the balance is paid to zero.
- In the event the aforementioned cannot be obtained and validated, a credit supplement is required.

**2.) Installment debt paid off to qualify and verification of account closure:**

- UHM does not require a credit supplement provided we retrieve an accurate statement from the Creditor showing the account is closed and the balance is paid in full.
- In the event the aforementioned cannot be obtained and validated, a credit supplement is required.

**3.) Current Housing Mortgage Paid Current Refinance (all lending types)**

- UHM does not require a credit supplement provided one of the following items can be obtained:
  - Payment history is current as of the date of the credit report. In the event the credit report is dated in excess of 30 days of the date of closing, one of the following are required:
  - UHM obtains cancelled check(s) validating the current month's payment is paid or;
  - UHM obtains the current monthly Creditor's statement(s) showing the payment has been made (validate by next payment due date) or;
  - UHM obtains a current bank statement(s) showing the ACH withdraw for that month or;
  - In the event of a refinance, the pay-off statement validates clearly the most recent payment has been made. Otherwise, a supplement is required.
- In the event any one of the options above cannot be obtained and validated, a credit supplement is required.

**4.) Current Housing Mortgage Paid Current Purchase (all lending types)**

- UHM does not require a credit supplement provided the following item can be obtained:
  - Payment history is current as of the date of the credit report.

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### 5.) Verifying all REO mortgages are paid to current

- In the event REO mortgages include a clear payment history and the credit report is current date is valid (within 120 days), further validation is not required.

### 6.) Standard Verification of Rent (VOR) when required

- UHM does not require a credit supplement provided the following items can be obtained:
  - UHM obtains twelve (12) month's cancelled checks validating the timely payments
  - UHM obtains twelve (12) month's bank statements validating the timely payments via check distribution or automatic withdraw
  - UHM obtains a valid Verification of Rent (VOR) from the Landlord reviewing the past twelve months to current
- In the event any one of the options above cannot be obtained and validated, a credit supplement is required.

### 7.) Two-Month Verification of Rent (VOR) documenting payment shock related to 660 credit score/payment shock Overlay

- UHM does not require a credit supplement provided the following items can be obtained:
  - UHM obtains two (2) month's cancelled checks validating the timely payments
  - UHM obtains two (2) month's bank statements validating the timely payments via check distribution or automatic withdraw
  - UHM obtains a valid Verification of Rent (VOR) from the Landlord reviewing the past two months to current
- In the event any one of the options above cannot be obtained and validated, a credit supplement is required.

### 8.) Student Loans-Terms

- A credit supplement by exception only is required only if UHM cannot obtain accurate payment information per individual student loan.
- Need to confirm an approval for a limited scope exception order through the National Underwriting Manager.

**Note:** USDA does not accept credit supplements as a second validation of the payment.

### 9.) Adding Non-Traditional Credit

- UHM must obtain a letter from the Creditor showing the account, balance, payment, minimum twelve month history paid to current.
- In the event the aforementioned cannot be obtained and validated, a credit supplement is required.

#### Alternative Credit Reminders:

- All original alternative credit letters must be signed by the individual who wrote the letter and must appear on letter-head or must clearly indicate the company name, address, access phone number and title of the signing party.

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- If you have a company that refuses to sign a credit letter such as Columbia Gas, a Processor certification may be acceptable as a “Limited Scope Exception”. Print-outs showing your borrower’s payment history must include additional company information, blank print-outs are not acceptable. As a last resort, in lieu of, Processors may assist with certifications with major utility companies only.

### 10.) **Judgments Paid-In-Full (PIF)**

- A credit supplement is not required provided UHM obtains irrefutable evidence a judgment is paid-in-full
- In the event the aforementioned cannot be obtained and validated, a credit supplement is required.

### 11.) **Credit Report expiration, New Credit Report required**

- UHM will not require updated credit supplements with the new report provided the Underwriter is comfortable that the previous supplements include accurate and final documentation.

### 12.) **An inquiry that resulted in new debt not appearing on the credit report**

- A credit supplement is not required provided UHM obtains the most recent statement or loan note from the borrower and accounts for the liability on the application. The account may appear on the Loan Review Report.
- In the event the aforementioned cannot be obtained and validated, a credit supplement is required.

## 702.10 **Credit, Disputed Accounts (all loan types)**

Below you will find general guidance and procedures for Underwriting Disputed Accounts:

### **Conventional:**

Generally follow DU & LP findings. Please note that in many instances the dispute must be removed by the consumer and you must then run a new credit report with the dispute removed. This action is required regardless of whether the account is paid off or paid as agreed.

### **FHA:**

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**FHA TOTAL Mortgage Scorecard User Guide, Chapter 2, Disputed Accounts**

FHA TOTAL Mortgage Scorecard utilizes information from a borrower's credit report to determine the borrower's overall credit risk. Because disputed credit accounts are generally not considered in the borrower's credit report, FHA requires loans of borrowers with derogatory disputed accounts of \$1,000 or more (excluding medical) to be manually underwritten.

With this ML, FHA is revising policy on manual downgrades to reflect the risk associated with derogatory disputed accounts for factors such as age and size of outstanding balance.

If	And	Then
the Automated Underwriting System using the TOTAL Mortgage Scorecard rates the mortgage loan application as an Accept,	the total outstanding balance of all disputed derogatory credit accounts ( <b>excluding medical</b> ) is less than \$1,000	<b>downgrade</b> to a manual underwrite is <b>not required</b> .
	disputed derogatory credit accounts ( <b>excluding medical</b> ) have an aggregate balance equal to or in excess of \$1,000	<b>downgrade</b> to a manual underwrite.

### VA:

Lenders may consider a veteran's claim of bona fide or legal defenses regarding unpaid debts except when the debt has been reduced to judgment. Account balances reduced to judgment by a court must either be paid in full or subject to a repayment plan with a history of timely payments. For unpaid debts or debts that have not been paid timely, pay-off of these debts after the acceptability of applicant's credit is questioned does not alter the unsatisfactory record of payment.

### USDA:

When an applicant's credit report indicates a tradeline or public record is in dispute, an automated underwriting recommendation of ACCEPT may need to be downgraded by the Lender to a REFER. A downgrade is not required if any of the following conditions are met in regards to the disputed items listed on the credit report.

- 1.) The tradeline has a zero balance
- 2.) The tradeline is marked "paid in full" or "resolved"
- 3.) The tradeline has a balance owed of less than \$500.00 and is more than 24 months old.

In the event an automated underwriting recommendation is downgraded to a REFER, the Lender must indicate the downgrade on the Credit/Underwriting page in GUS and remit a fully underwritten case file to the Agency.

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### **702.11 Temporary Buy-Downs**

Loans that include a temporary buydown are not eligible for delivery by UHM.

### **702.12 Borrower Projected Income, General**

Union Home Mortgage Corp.'s fiduciary responsibility to our Investors and minimizing inherent risk is and has always been to verify employment and to obtain a minimum of one pay-stub matching the contractual income prior to closing. Projected Income or Hypothetical Income generally is not acceptable for qualifying purposes although Fannie Mae, Freddie Mac and FHA permit projected income with a guaranteed contract, permissible income validate time-frames before delivery along with other conditions. VA and USDA do not permit the use of projected income, Freddie Mac is restricted for delivery with UHM as of 4/3/15. Please review Fannie Mae Overlays within this guide for specific requirements.

In the case of a Borrower whose job start date is later than our closing date, a Limited Scope Exception may apply within the following parameters:

- Prior to submitting formal application, the TPO Partner, Account Executive, and the Underwriting/Risk Manager must review the scenario to ensure the scenario meets Agency guidelines and is acceptable to the risk standards set forth by UHM.
- The Borrower must have a guaranteed irrevocable contract with the employer and a VOE must be obtained.
- The Borrower must have started on the job prior to closing and UHM must collect a Borrower pay-stub within 30 days of closing. It is the stop Partner's responsibility to follow up with the customer to obtain the pay stub.
- While the aforementioned time-frame is the recommended method, the latest a Borrower can forward a pay-stub post closing is before the first loan payment due date, but this is a very rare exception that must be approved by the Underwriting/Risk Manager in advance of live application.
- The Borrower must have sufficient funds-to-close plus reserves to cover the all applicable liabilities listed on the 1003.
- Limited Scope Exceptions will be based on the overall strength of the file and the risk involved. Typically lower LTV loans and loans with high credit scores, reserves, strong employment history, etc. are those that will be viewed as potential exceptions.
- These guidelines are designed to protect UHM and our Partners. Our strength as a company lies in Risk Management. Please contact your Account Executive if you have any questions.



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### **702.13 Title Holder General Requirements**

UHM does not offer financing for properties held in:

1. Illinois Land Trusts
2. Blind Trusts
3. Life Estates
4. Unexpired Redemption Rights

#### **Private Transfer Fee Covenants**

Loans with private transfer fee covenants are not permitted by Fannie Mae or Freddie Mac. Because of this, UHM does not permit the origination of loans on properties encumbered by private transfer fee covenants.

### **703.1 Separated Borrowers**

When the Borrower indicates that he/she is separated, it must be determined whether it is a legal separation.

If the Borrower is legally separated, a copy of the legal separation agreement must be provided to determine the division of assets, liabilities and potential obligations. If there is no legal separation, a letter from the attorneys of both parties involved specifying the proposed settlement terms must be provided. If no documentation can be obtained to verify the division of assets and liabilities, the Loan will generally be considered an unacceptable risk. If the Borrower states there are no plans for a legal separation, no further documentation is necessary; he/she is legally married and qualified accordingly.

### **703.2 Number of Financed Properties per Borrower, Conventional Loans**

#### **Property Ownership Limitations**

For a primary residence, there is agency guidance with respect to the limits on the number of properties owned and/or financed by the borrower.

For Owner Occupied Properties:

Fannie Mae/Freddie Mac: A borrower may own an unlimited number of properties but the maximum number of financed properties the borrower may maintain is 10 units including the financed property.

For Second Homes and Investment Properties:

- Both agencies maintain an unlimited number of properties may be owned by the borrower but the limit of financed properties the borrower may maintain is \*10 units with Fannie Mae, \*6 units with Freddie Mac including the financed property.
- \*\*UHM Overlays limit the number of financed properties with UHM to 4 units for any one borrower.
- This limitation includes joint or total ownership and is cumulative across all borrowers on the loan, including borrowers who are obligated on a note without being the owner of



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record. This must be manually applied on all loans as applicable regardless of DU/LP tolerances.

### All Borrowers

Union Home Mortgage Corp. must follow all requirements in the Fannie Mae Selling Guide Section B2-2-03 for borrowers with multiple financed properties.

Investor and second home borrowers with seven to ten financed properties must meet the following eligibility requirements:			
Transaction Type	Number of Units	Maximum LTV/CLTV/HCLTV Ratio	Minimum Credit Score
<b>Second Home or Investment Property</b>			
Purchase	1 unit	Loans subject to general loan limits	720
Limited Cash-Out Refinance		FRM: 75%	
Cash-Out Refinance (only if within 6 months of purchase and all delayed financing exception requirements are met)	1 unit	Loans subject to general loan limits	720
		FRM: 70%	
<b>Investment Property</b>			
Purchase	2-4 units	Loans subject to general loan limits	720
Limited Cash-Out		FRM: 70%	

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Cash-Out Refinance (only if within 6 months of purchase and all delayed financing exception requirements are met)	2-4 units	Loans subject to general loan limits  FRM: 65%	720
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### 703.3 Number of Loans for one Borrower financed by UHM

\*UHM will not finance more than two (2) properties to one individual in any 12 month period and no more than four (4) total servicing retained.

### 703.4 Conventional Loan Eligibility Matrices

#### STANDARD FIXED RATE ELIGIBILITY MATRICES

PURCHASE AND RATE TERM REFINANCE				
Property Type	Units	Credit Score	DU LTV/CLTV/HCLTV <sub>1, 2, 4</sub>	LP LTV/CLTV/HCLTV <sub>1, 2, 4</sub>
Primary Residence	1	Per AUS	97/97/97	95/95/95
	1	Per AUS	95/95/95	95/95/95
	2	Per AUS	85/85/85	85/85/85
	3	Per AUS	75/75/75	75/75/75
	4	Per AUS	75/75/75	75/75/75
Second Home	1	Per AUS	90/90/90	85/85/85
	1	Per AUS	80/80/80	80/80/80
Investment Property	1	Per AUS	<b>Purchase 85/85/85 Rate/term 75/75/75</b>	<b>Purchase 80/80/80 Rate/term 75/75/75</b>
	2	Per AUS	75/75/75	75/75/75
	3	Per AUS	75/75/75	75/75/75
	4	Per AUS	75/75/75	75/75/75
CASH-OUT REFINANCE				
Property Type	Units	Credit Score	DU LTV/CLTV/HCLTV <sub>1, 2, 4</sub>	LP LTV/CLTV/HCLTV <sub>1, 2, 4</sub>
Primary Residence	1	Per AUS	80/80/80	80/80/80
	1	Per AUS	80/80/80	80/80/80
	2	Per AUS	75/75/75	75/75/75
	3	Per AUS	75/75/75	75/75/75
	4	Per AUS	75/75/75	75/75/75

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Second Home	1	Per AUS	75/75/75	70/75/75
Investment Property	1	Per AUS	70/70/70	75/75/75
	2-4		70/70/70	70/70/70

LTV Requirements will adjust for Adjustable Rate Mortgages. Please review the updated Agency matrices:

[Fannie Mae](#)

[Freddie Mac](#)

### Footnotes:

1. CLTV represents the loan amount of a closed-end second or the disbursed amount of the HELOC plus the first mortgage amount, divided by the sales price/appraised value of the subject property. When subordinate financing exists, the LTV cannot be within 5% of the maximum CLTV/HCLTV. For example, if the CLTV/HCLTV is 95%, the maximum LTV cannot exceed 90%.
2. HCLTV represents the HELOC credit line plus the first mortgage amount, divided by the value of the subject property. If the secondary financing is a HELOC, the loan amount plus the draw amount cannot exceed the CLTV and the loan amount plus the total line amount cannot exceed the HCLTV. When subordinate financing exists, the LTV cannot be within 5% of the maximum CLTV/HCLTV. For example, the CLTV/HCLTV is 95%; the maximum LTV cannot exceed 90%.
3. Investment condos are ineligible as a Streamline Review
4. Florida condos are limited to 95% LTV/CLTV/HCLTV for primary residences and 90% LTV/CLTV/HCLTV for second homes. New and newly converted condos are not allowed in Florida.

### CONFORMING FIXED RATE WITH HIGH BALANCE LOAN AMOUNTS

- [See standard Agency Eligibility Matrix](#)

### Footnotes:

1. CLTV represents the loan amount of a closed-end second or the disbursed amount of the HELOC plus the first mortgage amount, divided by the sales price/appraised value of the subject property.
2. HCLTV represents the HELOC credit line limit plus the first mortgage amount, divided by the value of the subject property. If the secondary financing is a HELOC, the loan amount plus the draw amount cannot exceed the CLTV and the loan amount plus the total line amount cannot exceed the HCLTV.
3. The maximum loan amount is subject to individual high-cost county limits defined by the Federal Housing Finance Agency (FHFA).

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4. Certain counties may be subject to limited MI availability including but not limited to LTV reductions and loan amount limits. Please see Mortgage Insurance section.
5. Florida Condos are limited to 95% LTV/CLTV/HCLTV. New and newly converted condos are not allowed in Florida.
6. Rate/Term refinances in Hawaii with loan amounts greater than \$625,500 are limited to 80% LTV/CLTV/HCLTV.

### 703.5 Citizenship Required Documents

#### **Social Security Number — U.S. Citizens and Non-U.S. Citizens**

Each borrower on the loan transaction must have a valid Social Security number.

In addition, any borrower who is not a U.S. citizen must meet the requirements in the following section.

#### **Permanent Resident Aliens Green Cards**

A copy of the Green Card is required for all permanent resident aliens whose income and/or assets are being used to qualify for a loan. A copy of the front and back of the card is required and must be included in the loan file.

- While the Green Card itself states “Do Not Duplicate” for the purpose of replacing the original card, U.S. Citizenship and Immigration Services (USCIS) allows photocopying of the Green Card. Making an enlarged copy or copying on colored paper may alleviate any concerns the borrower may have with photocopying.

#### **Non-Permanent Resident Aliens Required Visas**

All non-permanent resident aliens must provide evidence of a valid, acceptable visa. A copy of the unexpired visa must be included in the loan file evidencing one of the following visa classes:

- Series (A-1, A-2, A-3): these visas are given to officials of foreign governments, immediate family members and support staff. Only those without diplomatic immunity, as verified on the visa, are allowed.
- E-1 Treaty Trader and E-2 Treaty Investor: this visa is essentially the same as an H-1 or L1; the title refers to the foreign country’s status with the United States.
- G series (G-1, G-2, G-3, G-4, G-5): these visas are given to employees of international organizations that are located in the United States. Some examples include the United Nations, Red Cross, World Bank, UNICEF and the International Monetary Fund. Verification that the applicant does not have diplomatic immunity must be obtained from the applicant’s employer and/or by the viewing the applicant’s passport.
- H-1 (includes H-1B and H-1C), Temporary Worker: this is the most common visa given to foreign citizens who are temporarily working in the United States.
- L-1, Intra-Company Transferee: an L-1 visa is given to professional employees whose company's main office is in a foreign country.

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- TN, NAFTA visa: used by Canadian or Mexican citizens for professional or business purposes.
- TC, NAFTA visa: used by Canadian citizens for professional or business purposes.
- C-33 (DACA): C-33 (DACA) Borrowers may utilize FHA, VA and USDA financing only (Conventional excluded) provided all qualifying criteria is confirmed and investor guidelines apply.

All standards for determining stable monthly income, adequate credit history and sufficient liquid assets must be applied in the same manner to each borrower including borrowers who are non-permanent resident aliens.

### Foreign Nationals

Foreign nationals who have no lawful residency status in the U.S. are not considered to be non-permanent resident aliens and are not eligible for financing.

### Diplomatic Immunity

Due to the inability to compel payment or seek judgment, transactions with individuals who are not subject to United States jurisdiction are not eligible. This includes embassy personnel with diplomatic immunity. Verification the borrower does not have diplomatic immunity can be determined by reviewing the visa, passport or the U.S. Department of State's Diplomatic List at <http://www.state.gov/s/cpr/r1s/>.

## 703.6 Income Analysis

### Employment by Relatives or Transaction Participants

If the borrower is employed by a relative, a closely held family business, the property seller, real estate agent, or any party to the real estate transaction, the following documentation must be obtained:

- Borrower's signed and completed personal federal income tax returns for the most recent two-year period, and
- Verification that the Borrower does not have 25% or more ownership, and
- Verification of Employment form (VOE) and

Current income reported on the VOE or pay stub may be used if it is consistent with W-2 earnings reported on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current VOE or pay stub, further investigation is needed to determine whether income is stable.

### Nontaxable Income To Adjust the Borrower's Gross Income

UHM requires special consideration to regular sources of Income that may be nontaxable, such as child support payments, social security or retirement benefits and certain types of public assistance payments.

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If the income is verified to be nontaxable, and the income and its tax-exempt status are likely to continue, Lenders may develop an “adjusted gross income” for the Borrower by adding an amount equivalent to 25% (Conventional, VA, USDA at 25% or 15% for FHA) of the nontaxable income to the Borrower’s income.

The standard formula for adding a Borrower’s income includes adding the percentage to the base income to retrieve the adjusted gross income using a 25% calculation in this example (ex. \$1000,00.00 monthly income x 25% + \$250.00 = \$1,250.00 adjusted gross income).

### 703.7 Down Payment

#### Minimum Down Payment

- LTV ≤ 80%: 1-to-4 unit Primary Residence & Second Homes – No minimum borrower contribution. 100% gift funds permitted.
- LTV ≤ 80%: Second Home - No minimum borrower contribution. 100% gift funds permitted.
- LTV > 80%: 1-unit Primary Residence - No minimum borrower contribution. 100% gift funds permitted.
- LTV > 80%: 2-to-4 unit Primary Residence & Second Homes - Borrower must make a 5% minimum contribution from his/her own funds\*. After the minimum contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves. \*If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancé or fiancée, the gift is considered the borrower’s own funds and may be used to satisfy the minimum borrower contribution requirement as long as both individuals will use the home being purchased as their principal residence.

Gift funds are not permitted on Investment Property transactions.

# TPO Lending Guide

Fannie Mae Single Family  
 2016 Selling Guide  
 Part B, Origination Through Closing  
 Subpart B3, Underwriting Borrowers  
 Chapter B3-4, Asset Assessment  
 Section B3-4.3, Verification of Non-Depository Assets  
 B3-4.3-04, Personal Gifts (09/29/2015)

[E-mail Link](#)

## Minimum Borrower Contribution Requirements

The following table describes the minimum borrower contribution requirements for transactions that contain gifts.

LTV, CLTV, or HCLTV Ratio	Minimum Borrower Contribution Requirement from Borrower's Own Funds	
80% or less	One- to four-unit principal residence Second home	A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
Greater than 80%	One-unit principal residence	A minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift.
	Two- to four-unit principal residence Second home	The borrower must make a 5% minimum borrower contribution from his or her own funds. <sup>1</sup> After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves.  <a href="#">See B5-6-03, HomeReady Mortgage Underwriting Methods and Requirements (11/03/2015)</a> , for HomeReady mortgage minimum borrower contribution and down payment requirements.

<sup>1</sup> If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the last 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the minimum borrower contribution requirement as long as both individuals will use the home being purchased as their principal residence.

## 703.8 Subordinate Financing

Subordinate financing is permitted on most UHM loan programs. There are two types of subordinate financing:

- Home Equity Line of Credit (HELOC): a mortgage loan that allows the borrower to obtain multiple advances from a line of credit at his/her discretion and that is typically in a subordinate position.
- Closed End Loan: a mortgage providing a single advance of funds at the time of loan closing and that is not eligible for additional draws.

### Terms

For transactions including subordinate financing, the following requirements apply for both **HELOC and Closed End Loans**:

- The subordinate financing must be recorded and clearly subordinate to UHM's first mortgage.
- The maximum LTV/ CLTV may not exceed the guideline limits for the product and occupancy type shown in the applicable product guide.
- If there is/will be an outstanding balance at the time of closing, the payment on the subordinate financing must be included in the calculation of the borrower's debt-to-income ratio(s).



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- Negative amortization is not allowed; scheduled payments must be sufficient to cover at least the interest due.
- Equity share or shared appreciation is not allowed.
- Subordinate financing from the borrower's employer may not include a provision requiring repayment upon termination.

**Note:** The HCLTV ratio is calculated by adding the HELOC credit line limit (rather than the amount of the HELOC in use) to the first mortgage amount, plus any other subordinate financing, and dividing that sum by the value of the mortgaged premises.

### **For new Closed End subordinate financing the following also applies:**

- Maturity date or amortization basis of the junior lien must not be less than five years after the Note date of the first lien Mortgage, unless the junior lien is fully amortizing
- The loan cannot have a balloon or call option within five years of the date of the Note.

The terms of a HELOC may provide for a balloon or call option within the first five years after the Note date of the first Mortgage.

### **Acceptable Documentation**

The terms of any subordinate financing must be verified. The following sources of verification are acceptable:

- Existing subordinate loans (loans that will be re-subordinated):
  - A copy of the credit report, **or**
  - A copy of the mortgage note, **or**
  - A direct verification from the lender, **or**
  - A copy of the loan statement

*Reminder for home equity lines of credit (HELOC):* If an existing HELOC is reduced without modifying the original Note, the original line limit must be used to calculate the Combined-Loan-to-Value ratio.

- New subordinate loans obtained prior to or at closing:
  - A copy of the mortgage note, **or**
  - A direct verification from the lender, **or**
  - A copy of the commitment letter from the lender **or**
  - A copy of the Closing Disclosure evidencing proceeds

### Notes:

- Whether the subordinate financing is existing or new, a full underwrite of the documentation provided is required to ensure the subordinate financing meets the requirements identified in this TPO Lending Guide.
- If the subordinate lien's terms cannot be verified in their entirety with a single source of verification, the use of a combination of the above documentation options is acceptable.

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- If the subordinate financing is a community second it is ineligible for financing with UHM.

### 703.9 Assets

#### Cash Assets for Down Payment and Closing Costs

In addition to standard liquid assets, the following are considered to be cash assets at 100% of the verified amounts:

- Group savings
- Pooled funds
- Proceeds from the sale of the borrower's personal property
- Individual Development Account

#### Credit Card for the Payment of Fees

A credit card may be used to pay fees associated with the Mortgage as follows:

Acceptable fees are:

- Appraisal
- Credit Report
  - Please note that the associated items paid by a credit card cannot be counted towards minimum contribution requirements.

#### General Requirements

The Loan must meet all of the general requirements along with the purchase or limited cash-out specific requirements when using a cash advance on a credit card for closing costs:

- Borrower must have sufficient liquid assets to pay the amount they charged (in addition to all other closing costs)
- Closing Disclosure must reflect a paid outside of closing (POC) credit to the borrower for the amount charged
- The credit report and appraisal fees may be charged.

#### Cash Assets Requiring Liquidation

The following may be counted as cash assets at 100% of the verified liquidated amounts:

- Cash value of life insurance
- Publicly Traded Stocks
- Bonds
- Mutual Funds
- Government Securities

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- Savings Bonds

If the account has not been liquidated than for qualification purchases only 60% of the vested amount should be used to determine sufficient assets necessary for the transaction

### **Publicly Traded Stocks, Bonds, Mutual Funds, U.S. Government Securities**

A copy of the account statement for the most recent month/quarter is required; proof of liquidation is required provided that the existence of these accounts is fully documented.

When the asset is needed to complete the transaction verify:

- The borrower's ownership of the asset,
- The value of the asset at the time of sale or liquidation, and
- The borrower's actual receipt of funds realized from the sale or liquidation into the borrower's checking or savings account

### **Retirement Plans**

IRA, SEP IRA, 401(k), KEOGH, 403(b) and other IRS qualified retirement plans may be verified with a copy of the most recent monthly/quarterly statement evidencing the Borrower as the owner and the value of the account.

When the asset is needed to complete the transaction UHM must verify:

- the borrower's ownership of the asset,
- the value of the asset at the time of sale or liquidation, and
- the borrower's actual receipt of funds realized from the sale or liquidation into the borrower's checking or savings account.

### **Savings Bonds**

- A copy of the bond certificate(s) must be provided evidencing the Borrower is the owner and the current value of the bonds, OR
- Include a statement from the financial institution attesting that it has seen the bonds and listing the serial numbers of the bonds, dates of maturity, type and amount, and stating that the borrower is the owner. A copy of the appropriate U.S. Treasury Table evidencing the current values of the bonds should also be provided.

When the asset is needed to complete the transaction verify:

- the borrower's ownership of the asset,
- the value of the asset at the time of sale or liquidation, and
- the borrower's actual receipt of funds realized from the sale or liquidation.

### **Sale of Personal Property**

The following are required to document the sale of personal assets for funds to close:

- Bill of sale reflecting:

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- Date of sale
- Appraised Value
- Asset to be sold
- Sales price
- Signatures of buyer and seller
- Copy of the check from the purchaser of the asset or the borrower's bank statement verifying the deposit of proceeds from the sale.

### Tax Pro-Rations

Tax Pro-Rations may not be utilized as an asset or counted towards a borrower's minimum contribution requirements.

### Assets, Joint Asset Letters

The UHM Communications Policy Group has reviewed requirements for each agency to review joint access letter requirements when two individuals appear on asset statements which include a non-borrower party. It has been concluded that joint access letters are required for all FHA loans and for instances where the individuals listed on the account are listed to include "AND" or "OR" (ex. Johns Smith and Mary Smith). If the statements do not include "AND" or "OR" and the loan is not an FHA loan, a joint access letter is not required.

## 704.0   Gifts and Grants

### Gift from Related Persons

A gift letter or the application must list the donor's name, address (city, state and zip), relationship to the borrower, and the dollar amount of the gift. A Gift Letter signed by the donor, is always required.

### Gift Letter Requirements Include:

- Specify the dollar amount of the gift;
- Specify the date the funds were transferred;
- Include the Donor's statement that no repayment is to be expected; and
- Indicate the Donor's name, address, telephone number and relationship to the Borrower

### Donor Requirements

All loan types require the donor to be:

- A family member by blood, marriage or other dependent, legal guardianship or adoption.

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- A fiancé/fiancée or domestic partner

Government programs will permit a donor who is a close personal relationship that can be documented.

### *Seller as Donor*

The donor can be the seller of the subject property who meets the above rules; however the donor may not be, or have any affiliation with the builder, the developer, the real estate agent or any other interested party to the transaction. Refer to the guidelines on Interested Party Contributions. Maximum allow contribution limits and rules based on the product type and LTV, still apply.

### *Wedding Gifts*

Wedding gift money is generally acceptable when there is adequate documentation to support the event and timing of a large deposit.

*Refer to the section Grants and Funds from Entities for additional acceptable sources of gift funds.*

### Gift Documentation – Funds Received Prior to Closing

- When the gift funds were received **prior** to the initial verification of assets (i.e. the bank statement balance already includes the gift funds), the loan file must contain the following documentation for all product types:

Gift letter meeting UHM requirements and one of the following:

- a) Front/back copy of cancelled check and deposit slip, or
- b) Certified bank check showing the donor as remitter and deposit slip, or
- c) Money order showing the donor as remitter and deposit slip, or

FHA loans must include evidence of donor's funds to give. The donor's asset statement or a 30-day print-out from the bank including all applicable information listing the name of the donor(s), account number, notification of funds accessibility and withdraw/transfer can be obtained.

- When the gift funds have been received **after** the initial verification of assets, (i.e. the bank balance does not include the gift) the loan file must contain the following documentation:
  - Gift letter meeting UHM requirements, and
  - Verification of the transfer of the gift funds from the donor to the borrower. Transfer of funds can be verified by a copy of the donor's withdrawal slip and borrower's deposit slip OR by a copy of the donor's front/back copy of the canceled check and evidence of a deposit into the borrower's account

## Gift of Equity

- A gift of equity in the subject property is an acceptable source of down payment, as long as the amount of equity has been verified.

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- A gift of equity is permitted for principal residence and second home purchase transactions. The acceptable donor and minimum borrower contribution requirements for gifts also apply to gifts of equity.
- The donor must provide an acceptable gift letter with supporting documentation. This includes:
  - Closing Disclosure shows the gift amount that matches the gift letter
  - Gift letter signed by the donor meeting UHM requirements

### Gifts Transferred at Closing – Wire Transfers

In the event of Donor having their bank wire the gift funds to the title company, UHM requires the gift letter to match the amount of funds that are received by the title company. The funds received by the title company have to be verified that they came from our gift Donor's account. The wire will reflect the Donor's name, account number and amount of the transfer. This has to be a condition of the loan and verified by UHM.

Acceptable evidence of the Donor's funds includes:

- a) The most recent statement
- b) A computerized (online) statement including all required information and evidence of withdrawal
- c) A print-out from the bank that references the Remitter's name, partial account number, balance and evidence of withdrawal.

### Donor Evidence of Withdrawal Requirements

Gift documentation must include evidence the donor withdrew the funds from his/her account in the following cases:

- a) The check or money order for the gift does not show the donor's name as remitter
- b) The loan is an FHA loan and the borrower does not have a copy of the front and back of the cancelled check used for the deposit.

#### *Gifts From Business Accounts*

If the source of the gift is from a business account, the Donor must verify he/she is the account owner.

### Grants and Funds from an Entity

A grant is any donation to the borrower from an entity. In some cases the entity may be calling it a gift because it is not expected to be repaid. In other cases the entity may have an agreement signed by the borrower that spells out terms and conditions that must be met in order to maintain that the gift does not need to be repaid.

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Types of allowable entities include:

- Government grant and loan programs available under homeownership initiatives
  - This includes Housing Financing Agencies at the State government level
  - Municipalities
- Disaster relief grants or loans
- Churches
- Nonprofit organizations (excluding credit unions)
- Federal Home Loan Bank (under one of its affordable housing programs)
- Any public agency

*Checklist for gifts and grants from an entity that must be documented:*

- The gift or grant does not have to be repaid
- The gift or grant is given as part of an established program (need proof such as program materials)
- The entity is not an interested party
- The funds were not obtained from an interested party either directly or through a third party
- The subject property is owner occupied (no second homes or investment properties allowed)
- Funds must be received by the Borrower or by the Seller on the borrower's behalf (need proof)
- Documentation from the entity identifies the donor's mailing address.
- Borrower must meet the Minimum Required Investment, unless the funds are from a Disaster relief grant or loan(Fannie Mae)

### **704.1 Reserves**

#### **Required Reserves**

Document the loan file according to Agency and AUS requirements.

### **704.2 FHA Gift Funds as Reserves**

May be utilized with 1-2 unit properties, prohibited for use with 3-4 unit properties.

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### 704.3 Other Assets for Down Payment

#### 1031 Tax Deferred Exchanges

Section 1031 of the Internal Revenue Code allows investors to defer payment of state and federal capital gain taxes by exchanging investment property rather than selling investment property. This code section provides a strategy for the deferral of capital gains taxes, which in turn provides a property owner with substantially more proceeds to reinvest in a replacement property.

A tax deferred exchange, therefore, is the process of rolling over funds from one investment property into another, without having access to those funds. In a taxable sale, the property owner is taxed on any gain realized by the sale of the property. In an exchange; however, the tax is deferred. This section of the IRS code does not apply to primary residences.

#### Restrictions

UHM will allow 1031 exchanges to be used towards down payment for **investment property purchases only** with the following restrictions:

- Reverse exchanges are not allowed because the borrower is not in title to the property at the time of closing.
- Product grade must allow second homes and investment properties.
- No Seller provided subordinate financing.
- The Loan closing must be handled by a qualified intermediary. A qualified intermediary is an entity (usually a subsidiary of a title company) who enters into a written agreement with the taxpayer. The qualified intermediary cannot be an agent, attorney, accountant, investment banker or broker. This Exchange Agreement requires the qualified intermediary to acquire and transfer the relinquished property and to acquire and transfer the replacement property. The relinquished property is the property "sold" and the replacement property is the property "acquired".
- Copies of all closing documents and Purchase Agreement on the relinquished property must be obtained. Required documentation includes:
  - 1031 Exchange Agreement
  - Settlement Statement
  - Title Transfer
- Both Purchase Agreements (relinquished and replacement properties) must contain appropriate language to identify the 1031 exchange. An example of satisfactory language is:
  - **Phase I (Sale):** "Buyer is aware that Seller is to perform a 1031 Tax Deferred Exchange. Seller requests Buyer's cooperation in such an exchange and agrees to hold Buyer harmless from any and all claims, liabilities, costs or delays in time resulting from such an exchange. Buyer agrees to an assignment of this contract by the Seller."
  - **Phase II (Buy):** "Seller is aware that Buyer is to perform a 1031 Tax Deferred Exchange. Buyer requests Seller's cooperation in such an exchange and agrees to hold Seller harmless from any and all claims, liabilities, costs or delays in time resulting from such an exchange. Seller agrees to an assignment of this contract by the Buyer."



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### **Seller Accommodation**

If a borrower is purchasing a seller's 1031 investment property to occupy as a primary residence, the borrower is accommodating the Seller. The transaction is not considered a 1031 Tax Deferred Exchange and is eligible for UHM financing.

### **Down Payment**

Equity from exchange can be used for all or part of the down payment.

## **704.4 Large Deposit Validation Requirements, Conventional Loans**

### *Approve or Refer Recommendation*

**Conventional:** Follow FNMA/Agency guidelines; obtain an explanation and documentation (from an acceptable source) for recent large deposits in excess of 50% of the monthly qualified family income for all applicants. Verify that any recent debts were not incurred to obtain part, or all, of the required cash investment on the property being purchased.

\*Conventional Non-Cumulative Examples: \$5,000.00 in monthly income, three deposits of \$500.00, \$500.00 and 1,501.00 would not require an explanation or documentation. Conversely, a single \$2,501.00 deposit would require an explanation and documentation for the deposit.

### **Footnotes:**

1. Deposits referenced are outside of identifiable employer based income.
2. Joint asset statements are viewed as joint accounts utilizing total income for all account owners following the scope of this policy. Separate asset statements (example, two unmarried borrowers with separate statements) are viewed on an individual basis utilizing the account owner's sole income in the analysis.
3. Backing out large deposits to utilize the remaining balance on a statement is not permitted when utilizing FHA financing. This is acceptable when utilizing Conventional, VA and USDA financing.

## **704.5 Seller Contribution Matrix**

### **Contribution Limits**

The maximum allowable contributions from interested parties based on the lesser of the purchase price or appraised value are:

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Owner-Occupied & Second Home		Investment Property	
LTV/CLTV	Max Contribution	LTV/CLTV	Max Contribution
> 90%	3%	All CLTVs	2%
≤ 90% and > 75%	6%		
≤ 75%	9%		

### Seller Rent Backs:

- Loan must be submitted through DU Only.
- Borrower must meet minimum investment requirements from own funds.
- Must be reflected on the sales contract.
- Must count toward seller concessions.
- Must appear on the Closing Disclosure.
- Maximum rent-back period – 60 days.
- For Condos, not permitted between borrower and builder/developer.

### Closing Disclosure Review

To ensure that all fees, disbursements and charges reflected on the settlement statement were fully disclosed in the purchase agreement and available to the Appraiser for consideration in determination of the property's market value, review of both the borrower's and seller's side of the CD is required.

Disbursements on the seller side of the CD to the borrower or an entity controlled by the borrower, or to a company owned by the seller require additional consideration.

### HOA Dues

Seller contributions for HOA dues must be paid directly to the Association

## 704.6 Credit History Derogatory Credit

When significant derogatory credit is identified in a borrower's credit history, documentation must be provided evidencing whether the derogatory information was due to extenuating circumstances or financial mismanagement, and that an acceptable credit history has been re-established.

### Short Refinance or Restructured Mortgage Loan Requirements Note:

- The policy outlined below for Short Refinance or restructured mortgage Loans is applicable to Delegated underwriting.
- Not permitted for subject property currently owned by the borrower.

If one or more of the borrowers on the Loan has entered into a Short Refinance or restructured mortgage loan transaction for a property other than the subject property in the past, credit must be reestablished according to the following

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### Short Sale Requirements below.

A Short Refinance or a restructured loan occurs when the terms of the original transaction have been changed resulting in the absolute forgiveness of debt or a restructure of debt through modification or the origination of a new loan that results in:

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage; or
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness; or
- Conversion of any portion of the original mortgage debt to a "soft" subordinate mortgage; **or**
- Conversion of any portion of the original mortgage debt from secured to unsecured.

### Preforeclosure/Short Sale Requirements

Note: The policy outlined below for Preforeclosure/Short Sale Requirements is applicable to Delegated underwriting.

A Short Sale is the sale of a property for less than the total amount needed to satisfy the mortgage obligation. Under this procedure, when the borrower cannot sell the property for the full amount of their indebtedness, the lender considers accepting a payoff of less than the total amount owed on the mortgage if that enables the lender to reduce the loss it would incur if the lender foreclosed on and acquired the property.

### Extenuating Circumstances

- At least two (2) years must have elapsed since the completion date of the Short Sale
- The borrower(s) may purchase a property secured by a primary residence, with the minimum down payment required for the transaction.

### Financial Mismanagement

- At least four years and up to seven years must have elapsed since the completion date of the short sale.
- The borrower(s) may purchase a property secured by a primary residence, with the minimum down payment required for the transaction.
- Evidence on the credit report and other credit documentation that the Borrower(s) has reestablished an acceptable credit history.

### Significant Inaccurate Credit

All transactions must receive Approval through an acceptable AUS.

Loans with Limited a Limited Credit History will be reviewed on a case-by-case basis.

Loans with no Traditional Credit References and no representative credit score are ineligible.

UHM will not accept manually underwritten Conventional loans.

### Bankruptcy, Foreclosure and Deed-in-Lieu of Foreclosure

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**Delegated** - See Agency Handbooks for full detailed requirements for borrowers who have experienced a bankruptcy, foreclosure or Deed-in-lieu of foreclosure event and reestablishment of credit.

Lender Action	Definition	Eligibility Requirements
<b>Foreclosure</b>	Legal proceeding in which a servicer obtains a court ordered termination of a borrower's equitable right of redemption or ownership.	All borrowers with a previous foreclosure will be required to meet a 7 year waiting period to be eligible for a new mortgage loan.
<b>Deed-in-Lieu of Foreclosure</b>	Borrower, failing to satisfy the loan obligation, assigns title to the property through executing a deed to the lender and avoids foreclosure proceedings.	Borrowers which have completed a deed-in-lieu of foreclosure must meet the following seasoning requirements:  Loans Submitted through DU: <ul style="list-style-type: none"> <li>- &lt; 80% LTV/CLTV/HCLTV: 2 years</li> <li>- 80.01% - &lt; 90% LTV/CLTV/HCLTV: 4 years</li> <li>- 90.01% - &lt; 95% LTV/CLTV/HCLTV: 7 years</li> </ul> Loans Submitted through LP: <ul style="list-style-type: none"> <li>- &lt; 90% LTV/CLTV/HCLTV: 4 years</li> <li>- 90.01% - &lt; 95% LTV/CLTV/HCLTV: 7 years</li> </ul>
<b>Pre-Foreclosure Sale</b>	Servicer agrees to the sale of the property by the borrower to a third party for less than the amount owed to satisfy a delinquent mortgage, as agreed to by the lender, investor, and mortgage insurer.	<b>Borrowers</b> who have entered into a short refinance / restructured debt <b>on the subject property</b> are not eligible. <b>Borrowers who have completed a short sale, short refinance or restructured loan</b> and are purchasing or refinancing a property which is <b>not the subject</b> of the short refinance / restructured loan must follow the below guidelines:
<b>Short Sale, Short Refinance/ Restructured Loans</b>	Short Sales, the servicer agrees to accept a payoff less than the balance owed on the borrower's mortgage that is NOT delinquent.  Short Payoff / Restructured Loans are mortgage loans in which the terms of the original transaction have been changed, resulting in either the absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan.	<ul style="list-style-type: none"> <li>- No more than 1 x 30 days late on any mortgage in the past 12 months</li> <li>- 90% LTV/CLTV/HCLTV or less: 4 years</li> <li>- 90.01% - 95% LTV/CLTV/HCLTV: 7 years</li> </ul> <p>See Underwriting section for borrowers purchasing a short sale.</p> <p><b>For full Agency Requirements for all Loan Types, please review the Resource Waiting Periods Required for Significant Derogatory Credit Events Checklist available at <a href="http://www.uhwholesale.com">www.uhwholesale.com</a></b></p>

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### 704.7 Long Term Debt

#### Payoff Verses Pay Down

Accounts may not be "paid down" to 10 months or less to allow the borrower to qualify. Installment or Mortgage accounts must be paid in full. Payoff of revolving accounts in order to qualify the borrower is generally not allowed but may be permitted, see below.

Please note that installment debt with a balance less than 10 months may be required for inclusion in the qualifying ratios depending on the size of the monthly obligation compared to the monthly income.

#### Loans Secured by Retirement Accounts

Payments on loans secured by the borrower's 401(k) or SIP (Savings Investment Plan) are not included in long term debt because they are voluntary payments. However, the Underwriter should consider these payments in terms of their possible impact on cash flow and debt ratios. The borrower should indicate plans for debt repayment if the inclusion of a 401(k) or SIP loan payment in the monthly debts results in very high total obligations to income ratio or negative cash flow.

#### Long Term Debt

The monthly payment on every revolving and open-end account with a balance, regardless of the apparent number of payments remaining, must be included in the borrower's long-term debt and ratio calculation. If the credit report does not reflect a payment on a currently reporting liability, and the actual payment cannot be determined, a minimum payment may be calculated as follows:

- **HELOC:** If not shown on the credit report payments on a home equity line of credit with an outstanding balance may be calculated at 1% of the outstanding balance or the payment reflected on the Borrower's billing statement.

#### Revolving Accounts

Union Home Mortgage Corp. will permit borrowers to pay off or revolving debt to qualify provided that they can supply sufficient documentation in the form of a copy of the cancelled check, the paid statement from the creditor, or a credit supplement showing that the balance has been paid to zero.

#### Deferred Payments

Some debts may have deferred payments or be in a period of forbearance. These debts must be included in the qualifying ratio(s). When payments on an installment debt are not given on the credit report or are listed as deferred, documentation supporting the required payment must be provided. Examples of acceptable documentation include, but are not limited to:

- Direct verification from the creditor (statement or credit supplement)
- Copy of the installment loan agreement
- For a deferred student loan, if the actual payment cannot be determined, a payment may be calculated using 1% of the original student loan balance or outstanding balance, whichever is higher.

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### Contingent Liabilities

Contingent liabilities are debts the borrower is not currently required to pay but may be required to pay in the future (e.g. co-signed loans, court ordered payments, previous residence sold on assumption of Mortgage).

### Cosigned Loans

The monthly payment on a co-signed loan may be excluded from long term debt only with evidence of timely payments being made by someone other than the borrowers and with evidence the account is not simply a joint obligation. Copies of canceled checks for the last twelve (12) month are required.

### Assumption

The debt on a previous residence may be excluded from long term debt with evidence that the borrower no longer owns the property. The following documents are required:

- Copy of documents transferring ownership of the property
- The assumption agreement executed by the transferee

### Court Order

If the obligation to make payments on a debt has been assigned to another person by court order, such as a divorce decree, the payment may be excluded from long term debt provided the history includes timely payments with no evidence of foreclosure. The following documents are required:

- Copy of the court order or divorce decree.
- For Mortgage debt, a copy of the document(s) transferring ownership of the property.
- If a transfer of ownership has not taken place, any late payments associated with loan on the property should be taken into account when reviewing the borrower's credit profile.

### Lease Payments

The monthly payment associated with a lease must be included in total monthly obligations regardless of the number of payments remaining until the end of the lease term. If the lease is near the end of its term the new lease payment should be determined and included in the total monthly debts.

## 704.8 Divorce Decree Requirements

Other than referenced requirements in 704.7, UHM takes a practical approach when requiring a divorce decree. UHM and its employees will never ask a consumer if he/she is divorced. If there is a variation in the consumer's last name, UHM will require a written letter of explanation. If in that explanation the consumer indicates that the name change is due to divorce and the divorce occurred in the most recent 7 years, then UHM will require copy of the court order/divorce decree in order to meet Ability to Repay requirements around undisclosed debts.

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Upon an Applicant's acknowledgement of the history. A copy of a divorce decree will be required at any time when a Borrower has been divorced  $\leq 7$  years.

Past 7 years, UHM will not automatically require a copy of a divorce decree unless:

- There remains Alimony/Child Support paid or received
- In the event of a fraud guard alert
- If there are retained shared residences
- If there are retained shared business(es)
- Underwriter Discretion: In the event the Underwriter requests based on other factors noted within the file

### 704.9 UHM Cash-Back Guidance

- Minimum Contribution Requirements must be met for all loan files and validated prior to closing.
- POC deposits paid by Credit Card cannot be returned to the Customer at closing or credited towards the Borrower cash investment. UHM Partners must complete a due diligence review to ensure POC items are paid by seasoned funds to be considered as an acceptable item returned to the Customer at closing.
- In the event deposits exceed minimum requirements and part or all of the Borrower's Earnest Money (Hand Money) can be returned to the Customer at closing, UHM requires a front/back copy of the cancelled check or a statement validating the Earnest Money withdrawal of funds. Excess Gift Funds Wired at Closing may also be refunded to the Borrower provided minimum contributions have been met and the reason for the excess is a permitted source.

**Conventional Purchase:** After Minimum Contribution Requirements are validated; the Borrower may receive a refund of their Earnest Money Deposit, Gift Funds Wire Transfer at Closing, POC Deposit or Tax Pro-Ration (Credit Card Deposits are not acceptable).

**Conventional Limited/Rate and Term Refinance:** Cash Back is limited to the lesser of 2% or \$2000.00. Principal reduction cannot exceed cash back amount allowed.

**Conventional Cash out Refinance:** Cash Back is allowed.

**Conventional DU Refi Plus:** Only \$250.00 Cash Back is permitted, any remaining excess funds must be applied as a principal reduction. Principal reduction cannot exceed cash back amount allowed.

**Freddie Open Access:** Only \$250.00 Cash Back is permitted, principal reductions in excess are not permitted. Principal reduction cannot exceed cash back amount allowed.

**FHA Purchase:** After Minimum Contribution Requirements are validated; the Borrower may receive a refund of their Earnest Money Deposit, Gift Funds Wire Transfer at Closing and POC's (Credit Report/Appraisal Fee –

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provided paid by debit card or personal check only). Principal reduction cannot exceed cash back amount allowed.

**FHA Limited Rate and Term Refi/Streamline Refinance:** Cash Back is limited to no more than \$500.00. Principal reduction cannot exceed cash back amount allowed.

**FHA Cash Out Refinance:** Cash Back is allowed.

**VA Purchase:** After Minimum Contribution Requirements are validated (If there is a down payment); the Borrower may receive a refund of their Earnest Money Deposit, Gift Funds Wire Transfer at Closing, POC Deposit or Tax Pro-Ration (Credit Card Deposits are not acceptable). Any remaining excess funds must be applied as a principal reduction.

**VA Cash Out Refinance:** Cash Back is allowed.

**VA Streamline Refinance:** Details of the Transaction must show no funds to the Customer (zero out). In the event of a required adjustment at closing, Cash Back is limited to no more than \$500.00. Principal reduction cannot exceed cash back amount allowed.

**Rural Development loans:** After Minimum Contribution Requirements are validated (If there is a down payment); the Borrower may receive a refund of their Earnest Money Deposit, Gift Funds Wire Transfer at Closing and POC Deposits (NO Tax Pro-Rations are allowed and Credit Card Deposits are not acceptable). Any remaining excess funds must be applied as a principal reduction. Principal reduction cannot exceed the tax proration credit.

**Housing Finance Agency Loans (HFA):** No Cash Back is permitted to a Borrower; any remaining excess funds must be applied as a principal reduction.

**HUD Incentive \$100 down program:** Cash Back of Earnest Money and Gift Funds is permitted. \$100 must be subtracted from the Earnest Money and Gift Funds and then the Borrowers can receive the balance of the Earnest Money with the remainder applied towards a principal reduction.

### **704.10 Age of Documents**

Information used to make the credit decision must be current. The maximum age of documents at closing is 120 days.

### **704.11 Standard Documentation Requirements**

#### **Eligibility Criteria**

Documentation for all Loans should follow Agency documentation requirements for all transactions.

#### **General Requirements**



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Documentation provided in lieu of Verification of Employment and Verification of Asset forms must be legible originals or certified true and exact copies. The documentation cannot contain any alterations, erasures or white-outs.

With certified true and exact copies, the Loan Partner must stamp and sign the copies, certifying that they are true copies of the originals. The individual's signature must include at least his/her first initial and full surname.

**Note:** Fax or email copies in lieu of original documents or certified copies are acceptable subject to the following:

Verification transmitted directly from an employer, depository institution or Mortgagee/Landlord. The employer, depository institution or Mortgagee/Landlord must transmit the verification directly back to Union Home Mortgage Corp.

- Photocopies, faxes or scanned/emailed items received from the borrower are acceptable.
- Copies, faxes or scanned/emailed items from a builder, real estate agent, property seller or other third party are not acceptable with exception to the contractual documents.
- The original credit report remains a required document.

### Internet Documentation

Internet documents/downloads of credit reports as well as income, employment and asset verification are acceptable. This allowance for Internet documents does not change the required content or level of documentation needed. The information must be easy to read, understandable, and have no evidence of alterations, erasures or white-outs, and must make sense based on the borrower profile and transaction terms.

The following source validation criteria apply to all documents obtained via the Internet:

- Identify the borrower as the employee or owner of the applicable account.
- Identify the credit reporting agency, employer, or depository/investment firm's name and source of information.
  - Headers, footers, and the banner portion of the printout of the downloaded web page(s) must reflect the appropriate firm.
- Display the Internet uniform resource locator (URL) address and the date and time printed.

If faxing an Internet download, make sure fax header does not cover URL information

### Reverification Authorization

A Borrower's Consent for Credit Check Notice must be completed to permit subsequent reverification as required by Quality Control or Investors.

### Blanket Certification Form

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Certification of Original Documents may be used in lieu of stamping the certification on every document page. If additional documentation is obtained after submission to underwriting, either an additional blanket certification form is required or each page must reflect a certification with at least the first initial and full surname of the individual signing.

The blanket certification form must be completed in its entirety identifying each document and the total number of each type of document, as well as the full name of the person making the certification, their title and the date signed.

### Verification of Employment

Employment and income for a salaried employee may be verified by obtaining *all* of the following documentation in lieu of a Verification of Employment (VOE) form (FNMA 1005):

1. The borrower's W-2 form(s) for the most recent two years. The W-2 form(s) must be the complete and legible.
2. Payroll earnings statement for the most recent pay period. These must:
  - a) Be no more than 30 days old as of the date of application.
  - b) Be computer-generated or typewritten.
  - c) Clearly identify the borrower as the employee.
  - d) Show the gross earnings both for the pay period and year-to-date.
  - e) Show the pay period covered.
  - f) Show the employee's name.
2. A telephone confirmation from the borrower's employer.
  - The telephone number that the borrower provided as his/her employer's number must be independently confirmed by using the telephone book, calling Directory Assistance, etc.
4. Document in writing the contact with the borrower's employer including:
  - Company name.
  - Name and title of the person in the employer's office who confirmed the information (generally should be from the employer's human resources or personnel department or the borrower's supervisor or manager).
  - Date of the contact.
  - Seller's employee who made the telephone call.
  - Confirmation that the borrower is currently employed.

Verification of employment can be provided by the credit bureaus. In addition to the information required for a verbal VOE, the following is required:

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1. Hire date/length of employment.
2. Salary (unless employer refused to provide, in which case refusal must be noted by the credit bureau).

Standard information included on all credit reports (i.e., employer name and length of employment) is not sufficient. The credit bureau must be instructed to provide a full verification, which includes contracting the employer directly. Employment verification on the credit report is not an acceptable substitute for the verbal verification of employment prior to closing.

### **Overtime and Bonus Income**

Overtime and bonus income may be verified by documentation provided that all of the following conditions are met:

1. Borrower has been receiving overtime or bonus income for at least two years, and
2. The income must be expected to continue for at least 3 years, and
3. W-2 forms and payroll earnings statements indicate an earnings level that is consistent with the total income that is being considered, and
4. Verification requirements are the same as salaried employees above.

### **Commissions**

Borrowers who receive commissions equal to or greater than 25% of their total income must provide:

1. Federal tax return for the most recent year per AUS Findings and/or Manual Guidelines as applicable to verify commissions earned and expenses incurred, and
2. Current paystub, and
3. Most recent two year's W-2's.
4. Verbal Verification of Employment.

For borrowers who receive commissions less than 25% of their total income follows standard document guidelines.

### **Self-Employed Borrowers**

- All self-employed borrowers are required to provide copies of signed individual (and business if appropriate) tax returns, including all applicable schedules, for the previous two years. This requirement may be reduced to one year with AUS approval for Fannie Mae and Freddie Mac delivery.
- Verbal Verification of Employment.

A year-to-date Income/Expense Statement and Balance Sheet are also required if the individual tax returns are more than 16 months old.

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### Verification of Funds Available for Closing

A Verification of Deposit (VOD) is not formally required or acceptable by UHM underwriting standards. Complete bank/asset statements as required by the AUS or Manual Underwriting Guidelines apply.

The borrower may provide bank or brokerage statements for the most recent two months/quarter in lieu of a Verification of Deposit and one month bank statement to verify sufficient funds available for closing. Except as previously noted, the original statements or certified true and exact copies must be retained in the Loan file. The sources of other funds such as home equity, gift letters, stocks, etc., must be verified in accordance with Agency guidelines.

### Bank or Brokerage Statements

The borrower's bank or brokerage statements must be computer-generated or typed and identify clearly:

- Depository institution
- Account holder(s)
- Account number
- Time period covered by the statement
- Deposit and withdrawal transactions
- Ending account balance

If there is a sudden increase or decrease in the balances of these accounts, investigate further to determine whether any funds were borrowed.

When the date of the borrower's most recent bank or brokerage statement is more than 45 days earlier than the date of the borrower's application, the borrower must supply a supplemental statement that shows a machine-printed account number, balance, and date. Any bank-generated forms, such as deposit or withdrawal slips or bank machine inquiries and must reflect account history.

### Checking, Savings, Money Market, or Certificate of Deposit Accounts

Verification of Funds consists of account statements for the most recent two months or quarterly statement. The source of any large deposits, excluding paychecks, must be verified.

### Earnest Money Deposit

If the canceled check does not appear on the bank statement, the earnest money should be deducted from the account balance.

### Credit Report

UHM accepts any of the following credit report options:

- Residential Mortgage Credit Report

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- Tri-Merged in-file credit report

Any of these options must comply with Agency requirements, including, but not limited to:

- Public records search in each location where the borrower has lived in the last two years
- Any credit and legal activity that has occurred in the last seven years and bankruptcies within the last ten years
- Public record/legal activity includes but may not be limited to:
  - judgments
  - foreclosures
  - tax liens
  - bankruptcies
- Credit Scores
- OFAC Search

### **TALX Corp.**

TALX Corp. provides an automated employment verification service called The Work Number for Everyone. Employers contract with TALX to provide current employment data for their employees. The employees provide creditors with a TALX phone number and reference number to be used to obtain verifications of employment.

TALX provides automated employment verifications containing all of the data that is on a standard Verification of Employment form.

### **Availability**

TALX Corp. provides employment verifications only for companies with which it has a contract. Employment verifications are available in all states.

### **General Requirements**

Employment verifications must be obtained directly from TALX by facsimile or electronic link and must include the following information:

- Information Current As of Date
- Employer Name
- Employee's Social Security Number
- Employee's Status
- Employee's most recent Start Date and Termination Date (if applicable)
- Employee's Job Title
- Base Pay and Frequency of Paychecks
- Year-to-Date (YTD) Base Pay
- Past Year(s) Base Pay
- TALX Reference Number

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### Two Year History

If a borrower has not been employed by his current employer for at least two years, a TALX report must be obtained from the previous employer(s). If previous employment information is not available through TALX, use full documentation.

### Additional Documentation

A current paystub or verbal verification of employment is not required with a complete TALX report.

### Property Documentation Requirements

#### Appraisal Exhibits

In addition to standard exhibits required to be included as part of the appraisal report, at minimum interior photographs of the following areas of the subject is required:

- Kitchen
- All bathrooms
- Main Living area
- Physical deterioration, if present
- Recent updates, such as restoration, remodeling, and renovation if present. Recent is defined as any improvement with a material impact to the market value within the lesser of 12 months or the effective date of the appraisal or since the transfer date or the property from an unrelated party.

## 704.12 UHM Verification Requirements, Best Practices

The following requirements are to be utilized by UHM TPO Partners in processing and underwriting:

### Verification of Employment (VOE):

A written Verification of Employment (VOE) is to be considered as required to support/substantiate the use of income that has been submitted to the Underwriter for qualification consideration when:

- Income listed on the 1003 is considered questionable via a 30 day pay-stub, W-2's, Tax Returns or Tax Transcripts.
- There are substantial changes to income during the reviewed employment history including but not limited to employer changes, salary changes, changes to hourly schedules, job status, bonus or commission income changes.
- If the Underwriter deems it necessary due to special circumstances to obtain a written VOE with an escalated written request and approval from the Senior Underwriting Manager.



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A verbal VOE is required when:

- During the initial processing review by Processing.
- Closers will verbally re-verify employment within 3-days of closing.

### Verification of Deposit (VOD):

A Verification of Deposit (VOD) is not formally required or acceptable by UHM underwriting standards. Complete bank/asset statements as required by the AUS or Manual Underwriting Guidelines apply.

### Verification of Rent (VOR):

A formal Verification of Rent (VOR) is required when:

- The loan is manually underwritten or AUS requires
- There is a need to accommodate non-traditional credit requirements as per published Investor/Agency and/or UHM published overlays
- Consistent 12 months cancelled checks cannot be obtained

### 705.1 Licensed States, Specific Property Locations

UHM can accept properties located in the following States.

<b>Alabama</b>	<b>Arizona</b>	<b>Arkansas</b>
<b>California</b>	<b>Colorado</b>	<b>Delaware</b>
<b>Florida</b>	<b>Georgia</b>	<b>Illinois</b>
<b>Indiana</b>	<b>Iowa</b>	<b>Kansas</b>
<b>Kentucky</b>	<b>Louisiana</b>	<b>Maryland</b>
<b>Michigan</b>	<b>Minnesota</b>	<b>Missouri</b>
<b>Nebraska</b>	<b>New Jersey</b>	<b>New Mexico</b>
<b>North Carolina</b>	<b>Ohio</b>	<b>Oklahoma</b>
<b>Oregon</b>	<b>Pennsylvania</b>	<b>South Carolina</b>
<b>Tennessee</b>	<b>Texas</b>	<b>Virginia</b>
<b>Washington</b>	<b>Washington DC</b>	<b>Wisconsin</b>

### Anti-Predatory and Abusive Lending Restrictions

Union Home Mortgage Corp. Partners are responsible for compliance with all local, state, and federal requirements regarding originating and closing of loans to be delivered by UHM.

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### 705.2 Specific Property Types

UHM will not purchase any loans that include a temporary buydown.

#### **Condominium Projects**

This section provides guidelines for evaluating new and existing condominium projects. Intent of the project review is to assess the marketability and long-term stability of the project. Current market conditions and comparable sales on the appraisal provide information on the subject property's marketability. Condominium project guidelines and documentation requirements are applied in addition to the standard property appraisal review guidelines.

#### **Ineligible Condominium Project Reviews**

The following condo project review options and guidelines are not acceptable for Loans delivered by UHM:

- Fannie Mae Exempt Florida Condo Project

#### **Cooperatives**

**UHM does not offer financing for Cooperative Projects**

### 705.3 Resale Deed Restrictions

UHM will not deliver loans subject to resale deed restriction, except for 55 and older communities which meet the following requirements:

- Eligible Age Restricted Properties (for Primary Residence Only):
- Dwellings intended and operated for occupancy by persons 55 years of age or older provided ALL of the following apply:
  - At least 80% of the occupied units are occupied by persons 55 years of age or older, and
  - The housing facility or community publishes and adheres to policies and procedures that demonstrate the intent to provide housing to persons 55 years of age or older, and
- The housing facility or community can provide documentation for verification of occupancy, by means of:
  - Reliable surveys and affidavits;
  - Examples of published written policies and procedures for determination of compliance with the Act
- The "Housing Developments Subject to Age Restrictions" form must be completed by the Homeowners Association to evidence the above requirements.



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### 705.4 Unacceptable Escrows

It is not acceptable to escrow funds (or waive escrows) for items that affect the livability or marketability of a property.

#### **Postponed Improvements for New or Proposed Construction**

When the property securing the mortgage is new or proposed construction, the appraisal may be based on either plans and specifications or an existing model home. The table below describes requirements related to properties that are new or proposed construction that are not complete when the mortgage is delivered to Fannie Mae.

#### **Requirements for New or Proposed Construction**

Mortgages may be delivered before postponed items are complete if Union Home Mortgage Corp. represents and warrants that the postponed improvements will be complete within 180 days of the date of the mortgage note. Acceptable postponed items include items that:

- are part of the sales contract (third-party contracts are not permissible); and
- are postponed for a valid reason, such as inclement weather or a shortage of building materials; and
- do not affect the ability to obtain an occupancy permit

A certification of completion must be obtained to verify the work was completed and must:

- be completed by the Appraiser,
- state that the improvements were completed in accordance with the requirements and conditions in the original appraisal report, and
- be accompanied by photographs of the completed improvements.

The cost of completing improvements must not represent more than 10% of the "as completed" appraised value of the property.

UHM must establish a completion escrow for the postponed improvements, by withholding from the purchase proceeds funds equal to 120% of the estimated cost for completing the improvements. However, if the contractor or builder offers a guaranteed fixed-price contract for completion of the improvements, the funds in the completion escrow only need to equal the full amount of the contract price.

Seller and borrowers must execute an escrow agreement that states how the escrow account will be managed and how funds from the escrow account will be disbursed.

The mortgage insurance and title insurance may not be adversely affected during or after the time the completion escrow is in effect.

Once a certificate of completion is obtained, UHM must release the final draw from the escrow account, which should include any funds in excess of the amount needed to pay for completion of the postponed items.

UHM must obtain a final title report, which must not show any outstanding mechanic's liens, take any exceptions to the postponed improvements, or take any exceptions to the escrow agreement. If the

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final title report is issued before the completion of the improvements, UHM must obtain an endorsement to the title policy that ensures the priority of Fannie Mae's lien.

### 705.5 Disaster Policy

Disasters, both natural and man-made, can cause varying degrees of damage and create a potential risk. This section provides additional guidance from the general guidelines set forth in section 500 and appraisal disaster guidelines previously listed in this section. The following guidelines must be followed in the event of a major disaster.

**Definition:** A major disaster is defined as a disaster that causes substantial damage to numerous homes.

Disasters include but are not limited to:

- Hurricanes
- Earthquakes
- Floods
- Landslides
- Tornadoes
- Wildfires
- Volcanic eruptions
- Civil unrest
- Terrorist attacks

**All designated counties, for each state, can be accessed at the FEMA website:**

<http://www.fema.gov/>.

All counties listed in the **Individual Assistance** category on the FEMA site must be checked and must adhere to the Agencies requirements described in this announcement.

Proper due diligence must be done by the UHM Partners on any property located in an area in which the disaster has occurred, regardless if FEMA has declared the area for individual assistance. Depending on the situation and the type of disaster FEMA may take several weeks to report the affected areas for individual assistance. Until determined UHM must obtain and provide in the loan file proof that the property involved in the transaction is in the same condition after the disaster as it was prior to the occurrence of the disaster.

UHM performs a disaster due diligence on all loans prior to closing. Additional documentation may be required prior to delivery of the loan should due diligence indicate the subject property is located in one of the following areas:

- Designated FEMA disaster areas with Individual Assistance, or
- Known disaster areas where FEMA has not officially declared any of the areas as federal disaster areas eligible for individual assistance

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The requirements in this policy remain in effect for 90 days following the disaster. If the disaster is catastrophic the duration might be extended and communicated on a case-by-case basis by Union Home Mortgage Corp. (UHM).

### **Properties Located in a FEMA Declared County**

For FEMA declared counties a property inspection is required for all transactions.

#### **Type of Inspection Required**

If the disaster was such that the interior of the property could have been damaged as well as the exterior then an Appraiser must inspect both the interior and exterior as well as obtain interior and exterior photos including photos of the damage and an itemized description of the damage with a cost to cure.

The 1004D form should be used for this purpose and the Appraiser must address the subject property's marketability and the effect on the neighborhood due to the disaster.

When damage has occurred in either non-declared or a declared county the following requirements must be followed.

#### **Minimal Damage**

After viewing the inspection if the damage is minimal and does not affect the safety, soundness or structural integrity of the property and the repair items are covered by the insurance policy in effect, ensure proper documentation of this is in the loan file and the loan can proceed without waiting for the repairs to be made.

#### **Extensive Damage**

If the property has suffered extensive damage or the damage affects the safety, soundness or structural integrity of the property it must be repaired and re-inspected prior to closing.

## **705.6 Refinance Requirements**

### **Refinance of Loans with Less than One Year Seasoning**

The Underwriter should analyze transactions involving the payoff of a first lien that has been seasoned for less than one year.

If the first lien being paid off was a purchase transaction, and the original purchase price, as stated on the application, is less than the new appraised value the file should contain documentation supporting the increase in value (e.g. appraisal indicates increasing values for the market, appraisal comparables support increasing values, documented home improvements, or a copy of the original appraisal showing the original appraised value higher than the original sales price).

If the Underwriter has knowledge that the first lien being paid off was a cash-out refinance transaction with an LTV greater than 80%, the new Loan will not be eligible for limited cash-out refinance parameters.

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### Limited Cash-Out Refinances

UHM will consider transactions meeting the following criteria to be Limited cash-out (i.e., No Cash-out) refinances\*:

- To be eligible for a limited cash-out refinance and the last transaction on the property was a cash-out refinance within the last six months; the new mortgage must be treated as a cash-out refinance. Note date to note date is what is used to calculate the six months.
- Pay-off of the current mortgage (principal balance plus accrued interest, and any required prepayment penalty, only; other costs such as late fees and past-due amounts may not be paid with the new loan).
- If the first mortgage is a Home Equity Line of Credit (HELOC) a copy of the CD from the borrower's purchase of the subject property must be provided evidencing the proceeds were used in their entirety to acquire the subject property.
- Pay-off (as defined above) of any subordinate mortgage lien that was used in its entirety to acquire the subject property - regardless of seasoning.
- A copy of the Closing Disclosure from the borrower's purchase of the subject property must be provided evidencing that any subordinate financing was used in its entirety to acquire the subject property.
- Standard loan fees (e.g., closing costs on the new mortgage; prepaids, such as interest, taxes, insurance, etc.; and points).
- Incidental cash to the borrower not to exceed the lesser of \$2000 or 2% of the principal balance of the new loan amount (does not apply to owner occupied refinances of property located in Texas).
- Please Note: Fannie Mae and Freddie Mac HARP transactions permit a maximum of \$250 back to the borrower at closing.
  - o **The maximum of 2% or \$2,000 for non-Texas properties, must follow Fannie Mae Selling Guide Sections B2-1.2-01 and B2-1.4-05.**

### Cash-Out Refinances

Any refinance transaction not meeting the requirements for a limited cash-out refinance is a cash-out refinance.

To be eligible for a cash-out refinance, the borrower must have owned the property for more than six months, if not the transaction is ineligible. Note date to note date is what is used to calculate the six months.

### Property Listed for Sale

#### Limited Cash-Out Refinance:

UHM will not deliver loan transactions where the subject property was listed for sale at the time of application.

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UHM will purchase loans if the subject property was listed for sale within the last six months but was taken off the market prior to the application date and provided the file contains the following:

- Documentation that the property has been taken off the market prior to the date of application.
- A letter of explanation which must address the reason the property was for sale and the subsequent reason for taking the property off the market, regardless of occupancy.
- If the subject property is the borrower's primary residence the letter of explanation must also confirm their intent to continue to occupy the property.

### **Cash-Out Refinance:**

UHM will not deliver loan transactions where the subject property was listed for sale at the time of application.

UHM may deliver conforming cash-out refinance transactions where the subject property was listed for sale within the last six months, prior to the loan application if:

- The property was taken off the market prior to the application date; and
- The maximum LTV/TLTV/CLTV is the lower of 70 percent or the maximum for product/occupancy/property type.

**Short Refinance or Restructured Mortgage Loan Requirements are not permitted for a subject property currently owned by borrower.**

## **705.7 Payoffs of Installment Land Contracts or Contracts for Deed**

### **Refinance Transaction**

The appraised value can be used to determine the LTV/TLTV/CLTV with one year seasoning on the contract.

### **Purchase Transaction**

A purchase transaction is the conversion of a land contract based on the term agreement. Generally deposits applied to the balance during the payment period unless verifiable via cancelled checks or bank statements must be applied to reduce the loan amount commiserate with the total deposits. An addendum to the original land contract amending the sales price is required.

## **705.8 New Construction and End-Loans**

### **Borrower in Construction Industry**

If the borrower is acting as his/her own builder (general contractor or sub-contractor) and his/her primary occupation is in the construction industry, the following must be met:

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- Acquisition Cost Documented
  - Acquisition cost must be fully documented, regardless of LTV/TLTV/CLTV.
  - To document acquisition cost, the borrower must provide copies of receipts, bills, lien waivers, lot purchase agreement, etc., in addition to an itemized cost breakdown.
  - The LTV/TLTV/CLTV will be based on the lesser of the documented acquisition cost or appraised value.
  - The subject property must be an owner-occupied primary residence.
  - The borrower cannot receive cash back at closing that is not a direct verifiable reimbursement of expenses.

### **Construction-to-Permanent Financing**

Conforming Delegated loans will follow standard Fannie Mae requirements B5-3.1 and B5-3.02.

### **Building Permits and Occupancy Permits**

Building Permits are automatically required for FHA/VA and USDA loans but not automatically required for Construction-to-Permanent Financing and Conventional End-Loans. A copy of the occupancy permit is required.

### **705.9 Prepays**

Prepaid settlement costs, normally paid by the borrower, are:

- Interest charges covering any period after the settlement date
- Real estate taxes covering any period after the settlement date
- Hazard insurance premiums
- The escrow accruals required for the renewal of the MI premium

The amount that the property seller pays towards prepaids must be included in the seller contribution limitations. The amount that the borrower's employer pays towards the prepaids is not included in the seller contribution limitations.

The property seller (or the borrower's employer) may pay the following prepaids:

- Interest charges covering any period after the settlement date
- Real Estate taxes covering any period after the settlement date
- Hazard insurance premiums
- The escrow accruals required for the renewal of the MI premium
- HOA dues paid directly to the Homeowners Association for future dues

The amount that the property seller pays towards these prepaid items must be included in the seller contribution limitations. The amount of prepaid items funded by the borrower's employer are excluded from the seller contribution limitations.

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### Closing Disclosure Review

To ensure that all fees, disbursements and charges reflected on the settlement statement were fully disclosed in the purchase agreement and available to the Appraiser for consideration in determination of the property's market value, review of both the borrower's and seller's side of the Closing Disclosure is required. Disbursements on the seller side of the Closing Disclosure to the borrower or an entity controlled by the borrower, or to a company owned by the seller require additional consideration.

UHM considers real estate commissions to include the commissions appearing on page two of the Closing Disclosure (700 series section), as well as any non-lien related disbursements such as marketing expenses, finder's fees, referral fees, consulting fees or assignment of sale fees. Any combination of these disbursements exceeding 8% of the sales price must be treated as a sales concession and deducted dollar-for-dollar from the sales price for calculation of the LTV.

### **706.1 Community Property States, Non-Purchasing Spouse Requirements**

In community property states, UHM must adhere to agency guidance regarding documentation required from a non-purchasing spouse, as well as the information based on the financing type, that will be taken into consideration regarding household debts.

#### **Community Property States**

California  
New Mexico  
Texas  
Washington  
Wisconsin  
Arizona  
Idaho  
Louisiana  
Nevada

#### **Credit Requirements**

For Government Loans, the non-purchasing spouse's credit report must be ordered and added to the file (not required for Conventional lending products).

- A separate tri-merge report is required, this report must not be ordered as a joint report with the Borrower to avoid a conflict with the automated underwriting engine
- Please utilize a separate systemic file in the loan origination system to order the report, print to pdf, then attach to E-Folder.
- Undisclosed Debt Notification (UDN) is not required

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### Other Requirements

The Non-Purchasing Spouse's social security number must match the SSA number

### Financing Considerations

- Conventional Financing does not count the Non-Purchasing Spouse's liabilities in qualifying
- FHA, VA, USDA do count the Non-Purchasing Spouse's liabilities in qualifying unless a specific state law does not permit

Please note that depending on the quality of the report, the Underwriter will utilize a common sense approach to review the file documentation coupled with the Non-Purchasing Spouse's credit report. Additional consideration or documentation may be required depending on the overall review of the file's strength and weaknesses.

### 706.2 Real Estate Commission Limits

UHM considers real estate commissions to include the commissions appearing in on page two of the Closing Disclosure (700 series section), as well as any non-lien related disbursements such as marketing expenses, finder's fees, referral fees, consulting fees or assignment of sale fees. Any combination of these disbursements exceeding 8% of the sales price must be treated as a sales concession and deducted dollar-for-dollar from the sales price for calculation of the LTV.

### 706.3 Employee or Third Party Originator Seller Policy

When an Employee or Third Party Originator (The Loan Officer) acts as the Seller in a mortgage transaction and UHM is the lender of choice, the Seller (Loan Officer) cannot originate the loan and may not complete any activities related to loan origination including base qualifying, credit qualifying, etc. In no way, shape or form can the Seller (Employee) originate or take part in the origination of a mortgage for a property he or she is selling.

### 706.4 Tax and Insurance Escrows

Escrows are required for Loans with an LTV greater than 80% (subject to state law); the SRP will be reduced by 25 basis points (0.250%) if the Loan does not escrow for taxes.

### 706.5 Interest-Credit Guidance

Borrowers will not be charged interest on a mortgage loan until cash is disbursed for the transaction and the loan is funded.

In certain rare circumstances a loan may be signed prior to cash disbursements being made (dry closing). In these cases, the per-diem interest that is accumulating against the Borrower until the



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actual funding of the loan may be credited to the Borrower when cash is actually disbursed providing that cash is disbursed on or before the 5<sup>th</sup> of the following month.

- 1.) **Conventional Purchase:** May sign the month prior or the beginning of the month and disburse the next month by the 5<sup>th</sup>. (99% of the time you would not do an interest-credit on roundtables unless it was a dry close).
- 2.) **Conventional Refinance:** May sign the month prior or the beginning of the month and disburse the next month by the 5<sup>th</sup>.
- 3.) **FHA Refinance paying off a Conventional Loan:** May sign the month prior or the beginning of the month and disburse the next month by the 5<sup>th</sup>.
- 4.) **Streamline Refinance:** **NOT PERMITTED**
- 5.) **FHA Refinance paying off a current FHA Loan:** Must sign in the month prior and disburse the next month by the 5<sup>th</sup>.
- 6.) **FHA Purchase:** Must sign the month and disburse the next month by the 5<sup>th</sup>. (99% of the time you would not do an interest credit with a round-table closing unless you have a dry closing).
- 7.) **VA Purchase:** May sign the month prior or the beginning of the month and disburse the next month by the 5<sup>th</sup>. (99% of the time you would not do an interest-credit with a round-table closing unless you have a dry closing).
- 8.) **VA Refinances:** May sign the month prior or the beginning of the month and file by the 5<sup>th</sup> (cash-out, streamline, or rate & term).

### **First Payment Date**

The first payment date on any loan transaction is based on the Note Date, not the disbursement date. Example: Signs in November, disburses in December, first payment would be in January.

## **706.6 Relocation**

### **General Requirements**

To qualify for the Relocation Program, the borrower must meet all of the following requirements:

- The borrower's new principal place of work is at least 50 miles further from his/her former residence than was his/her former principal place of work (borrower's commute to work increases at least 50 miles).
- The employer must provide significant financial assistance with the relocation, such as paying to move the employee to a new location or contributing to the employee's Mortgage costs. The financial assistance should equal, at minimum, 3% of the Mortgage amount.

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- Union Home Mortgage Corp. must obtain written verification of the transfer and financial assistance.

### U.S. Military Personnel

The U.S. Military Services are known for transferring their service people to various parts of the country (and the world) on a frequent basis. In general, most members of the Armed Services do not fit the profile of a corporate sponsored relocating employee and do not usually receive substantial amounts of financial assistance from the U.S. Government to assist in this move. However, there are occasions when the U.S. Government, like Corporations, is willing to invest money into certain employees to assist in relocating them. In general, those military individuals hold ranks or jobs that are comparable to the middle and upper management jobs of private employers.

**Qualification for Military Personnel Relocation Program** Characteristics of these individuals include:

- Commissioned and/or career officers.
- Professional job, such as doctor, lawyer, dentist, or management job, such as Lieutenant, Commander, Captain, Major, Colonel, Admiral, General, etc.
- The relocation package given by the Government resembles that of a private corporation. Significant financial assistance is given to the military person to compensate for and assist in the relocation. Examples of this assistance include:
  - Additional housing allowance to offset a higher cost of living area
  - Additional monthly supplemental pay for the duration of the time living in the relocated area
  - Lump sum moving bonus;
  - Financial assistance in selling current home and/or buying a new home, etc.

The amount of the financial assistance required is the same as would be acceptable for a corporate sponsored relocation.

**Note:** Verification of benefits must be provided in writing.

### Transaction Type and Occupancy

Due to the nature of relocation transactions, e.g., an employee relocating to accommodate a business requirement, only the following are eligible for the Relocation guidelines:

- Primary occupancy
- Purchase transaction

### Transfer Compensation

Many corporate sponsors relocating employees grant special concessions as moving incentives. Examples of this type of income include, but are not limited to, Mortgage Interest Differential (MID), Cost of Living Allowance (COLA), Tax Differential, and Housing Allowance. Whenever any of this

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income is used to qualify a borrower for a mortgage, the employer generally must provide written verification of the dollar amount of the allowance (annual or monthly) and the duration of the income. To be considered as stable monthly income, the compensation should continue for at least three (3) years.

### Trailing Co-Borrower Income

UHM does not accept trailing co-borrower income, for conventional loan transactions.

### Lump Sum Cash Payments

Transferring borrowers often receive a substantial lump-sum cash payment from their employer as an incentive to move to a new location. When this occurs and the two following criteria are satisfied, the lump-sum payment may be used as a source of funds for the initial down payment:

- The lump-sum cash payment must be non-revocable;
- The down payment must be made in after-tax dollars.

### Departure Residence Policy (Evidence of Sale of Current Residence Owned)

Standard guidelines apply with the following exception: UHM will not allow the use of a Brokers Price Opinion (BPO) to determine the value of the departing residence. UHM requires a minimum Form 2055 or a full appraisal to document the value of the departure residence.

### Employer Financing

Financing provided by the employer, whether secured by the property or unsecured, must be treated as secondary financing and meet the Agency guidelines.

## **706.7 Down Payment Assistance Programs, Conventional Loans**

UHM does not purchase conventional transactions with down payment assistance programs with exception to low-to-moderate income Borrower programs which permit the higher HCLT limit. The down payment assistance program must be an Agency approved program.

## **706.8 Investment Properties Rent Loss Insurance**

### Loss Insurance

Rent loss insurance covers rent losses that are incurred during the period that the property is being rehabilitated following a casualty. The coverage must be for at least six month's rent loss. Rent loss insurance must be maintained for the 2-4 unit primary subject property and 1-4 unit investment subject property.

Rent loss insurance may be waived when:

- Rental income from the subject property is not used for qualifying, AND
- PITI and operating expense for the subject is included in the borrower's qualifying ratios.

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### Product Restrictions for Multiple Financed Investment Properties

The subject investment property must be secured by one of the following mortgage products when the borrower(s) own more than one financed 1-4 unit investment property.

- 15-year, 20-year or 30-year fixed rate mortgage

### Reserve Requirements

Sellers should refer to the Fannie Mae's Selling Guide for detailed information on reserve requirements. Refer to the Fannie Mae Selling Guide Section B3-4.1-01.

### Property Appraisals with Correspondent Investors (Does not apply to Agency Direct)

UHM requires a full second appraisal on all investment occupancy transactions with a sales price or appraised value less than \$100,000.

### Delivery Requirements

Although an Operating Income Statement (Form 998/Form 216) is not required at underwriting when rental income is not used for qualifying, the gross monthly rent per unit remains mandatory when selling conventional loans on 2-4 unit primary residences and all investment properties. Regardless of whether rental income is used in qualifying the Borrower, the Gross Monthly Rent for each 1-4 unit Investment Property, and each non-owner-occupied unit in a 2-4 unit Primary Residence, must always be completed on Mortgage Submission Schedule.

To avoid delays in underwriting, please be sure these files include evidence of the gross monthly rent for each non-owner occupied unit. When an Operating Income Statement isn't required, UHM will review for this information on the loan application, separate statement from the borrower, or appraisal. If the necessary information is not found in the file UHM will suspend for an Operating Income Statement.

## 706.9 Texas - Owner Occupied, Homestead Property

### General Requirements

In addition to standard guidelines, the following guidelines apply to all first mortgage transactions secured by owner occupied, homestead properties in the state of Texas:

Transactions in the state of Texas are defined four (4) ways depending on Investor and state law requirements:

- **Purchase:** Acquiring or buying a property (therefore exempt from Section 50(a)(6) provisions).
- **Limited cash-out Refinance:** The transaction is considered a limited cash-out refinance by both the Investor and the state of Texas (therefore exempt from Section 50(a)(6) provisions).
- **Agency Cash-out Refinance:** The transaction is considered a cash-out refinance by the Investor, but a limited cash-out refinance by the state of Texas (therefore exempt from Section 50(a)(6) provisions).

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- UHM requires documentation (commitment for title insurance, mortgage/deed of trust and/or Closing Disclosure) in each loan package to verify that a home equity/cash-out loan under Section 50(a)(6) has not previously been originated against the subject property. If the purpose of the loan is not clearly identified on the commitment for title insurance, it will be necessary to provide previous mortgage/deed of trust or Closing Disclosure for each transaction originated on or after 1/1/98 to verify the purpose of the existing loan.

### Limited Cash-Out Refinances

In addition to standard limited cash-out refinance guidelines, the following guidelines apply to all limited cash-out refinances secured by owner occupied, homestead properties in the state of Texas:

- Total financed closing costs are limited to 10% of the new loan amount. 10% is deemed reasonable.
- Special title insurance coverage must be obtained when impounds for prepaid expenses are included in the new loan amount. The following must be included as a Schedule B Exception:
  - Possible defect in lien of the insured mortgage because of the Insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage.

### UHM recommends, but does not require the title policy include the following P-39 Express Insurance Coverage endorsement:

Company insures the Insured against loss, if any, sustained by the Insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that divests the Insured of its interest as Insured because of this right, claim or interest. Company agrees to provide the defense to the Insured in accordance with the terms of this Policy if suit is brought against the Insured to divest the Insured of its interests as Insured because of this right, claim or interest.

- Prepays are defined as funds collected for the payment of:
  - real estate taxes (includes non-delinquent taxes which are due and payable, as well as reserves)
  - hazard insurance premiums
  - monthly MI premiums covering any period after the settlement date

### Incidental Cash Back

Incidental cash back to the borrower at closing is not allowed.

### Options When POCs are credited to Closing Costs

- The amount of paid outside closing (POC) costs up to \$1,000 may be applied as a principal reduction at closing. However, the principal and interest payment on the loan may not be adjusted and the loan may not be re-amortized. If the amount to be credited exceeds \$1,000 the loan amount must be reduced and the closing documents redrawn.

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- The amount of the POC may be applied as a credit towards closing costs reducing the amount of cash needed to close.
- The borrower's POC items may be applied as a credit to closing costs resulting in reimbursement to the borrower of not more than the amount paid prior to closing. Please note this is the only circumstance when the Closing Disclosure may reflect any cash back to the borrower on limited cash-out refinance transactions of Homestead property in Texas.

Although not mandatory, UHM recommends a certification be obtained from the borrower acknowledging that any refund received at settlement is reimbursement of funds paid prior to closing and does not constitute proceeds from the new loan.

### Subordinate Liens

Certain restrictions apply to Limited cash-out refinance transactions that include subordinate liens. These restrictions include:

- Only one loan subject to Section 50(a)(6) provisions may be secured by the subject property at any given time, regardless of lien position.
- When the subordinate lien is subject to Section 50(a)(6) provisions, the maximum LTV/TLTV/CLTV is the lesser of 80% or the maximum allowed by product or loan amount.

### Pay Off of Subordinate Lien(s)

Subordinate liens used entirely to purchase the subject property may be eligible for payoff as a limited cash-out refinance, subject to the following requirements:

- The Closing Disclosure from the transaction must be provided evidencing all funds were used to purchase the subject property.
- The commitment for title insurance may not reflect that the loan was originated as a home equity/cash-out Section 50(a)(6) loan.
- The financing may be paid off, paid down or re-subordinated with the refinance.
- The borrower may not have received any cash back from the subordinate financing. If the borrower received cash back and the loan is being paid off or paid down, the lien is subject to Section 50(a)(6) provisions and considered a home equity/cash-out transaction, and therefore, ineligible for purchase.

Refer to subordinate lien requirements for Agency Cash-out Refinance transactions if the subordinate lien does not meet the above parameters.

### 707.1 REO Contracts

Real Estate Owned (REO) properties are acceptable for financing when Secondary and Investor Guidelines are met.

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### 707.2 Fannie Mae's Early Check

Union Home Mortgage Corp. requires that each conventional loan be submitted through Fannie Mae's Early Check and receive a successful submission, with no warnings or fatal errors prior to closing the loan. Pre-funding review cannot be started without a successful Early Check.

### 707.3 Qualifying Ratios

According to the Approve/Eligible or Accept recommendations on the AUS Findings

### 707.4 LTV/CLTV/HCLTV Matrices

Fannie Mae Desktop Underwriter LTV/CLTV/HCLTV Ratios		
Transaction Type	Number of Units	Maximum LTV, CLTV, HCLTV
Principal Residence		
Purchase Limited Cash-Out Refinance	1 Unit	FRM: 97%
	2 Units	FRM: 85%
	3-4 Units	FRM: 75%
Cash-Out Refinance	1 Unit	FRM: 85%

## Section 800 Underwriting (All Lending Types) Significant Derogatory Credit Matrix

### 800.1 Waiting Periods Required For Significant Derogatory Credit Events

#### CONVENTIONAL

\*MUST RECEIVE AN AUS APPROVE/ELIGIBLE INCLUDING THOSE WITH EXTENUATING CIRCUMSTANCES

Derogatory Item	Waiting Periods
Previous Loan Modification	Refinance: <ul style="list-style-type: none"> <li>Fannie Mae/Freddie Mac: Permitted with previous modification (restructured mortgage to adjust the principal balance) provided the credit worthiness of the Borrower and</li> </ul>

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	<p>LTV are acceptable.</p> <p>Purchase:</p> <ul style="list-style-type: none"> <li>• Fannie Mae/Freddie Mac: Acceptable with both agencies, qualification based on payment history and remaining underwriting considerations.</li> </ul>
<b>Foreclosure</b>	<p>Home was given to the bank – No owner participation</p> <ul style="list-style-type: none"> <li>• <b>7 years</b> from the date foreclosure completed and transferred back to bank if they had NO extenuating circumstances</li> <li>• <b>3 years</b> from date foreclosure completed and transferred back to bank with acceptable extenuating circumstances (1) AND 10% Down Payment. Primary home purchase and rate/term refinances only. Non-owner and second homes not allowed.</li> </ul>
<b>Short Sale, Deed in Lieu of Foreclosure, Mortgage Debt Charge-Off Accounts (effective 8/16/14)</b>	<p>Short Sale: Home sold but sales price didn't cover amount owed Deed in Lieu: Home returned to lender in exchange for cancelling loan</p> <ul style="list-style-type: none"> <li>• <b>4 years</b> from date sale closed and transferred to new owner or transferred back to bank as standard</li> <li>• <b>2 years</b> from date sale closed and transferred to new owner or transferred back to bank possible with <b>acceptable extenuating circumstances</b></li> </ul>
<b>Bankruptcy, Chapter 7</b>	<p>Debts are discharged through BK, client does not pay any debts owning</p> <ul style="list-style-type: none"> <li>• <b>4 years</b> from discharge date</li> <li>• <b>2 years</b> from discharge date possible with acceptable extenuating circumstances (1)</li> </ul>
<b>Bankruptcy, Chapter 13</b>	<p>Debts are paid back on a monthly scheduled payment plan by client</p> <ul style="list-style-type: none"> <li>• <b>2 years</b> from discharge date</li> <li>• <b>4 years</b> from dismissal date</li> </ul>
<b>Bankruptcy including a Mortgage</b>	<ul style="list-style-type: none"> <li>• Refer to Bankruptcy Guidelines with one exception: <ul style="list-style-type: none"> <li>○ Refinances: Borrower may refinance a property included in a bankruptcy and not reaffirmed provided the timely payment history (VOM) can be obtained to current.</li> </ul> </li> </ul>
<b>Conventional Mortgage Insurance Requirements</b>	<ul style="list-style-type: none"> <li>• THE ABOVE GUIDELINES ARE BASED ON AGENCY GUIDANCE. IN THE EVENT A LOAN REQUIRES PRIVATE MORTGAGE INSURANCE, WAITING PERIODS EXTEND FROM 4 TO 7 YEARS DEPENDING ON THE COMPANY AND MAY INCLUDE ADDITIONAL REQUIREMENTS (REESTABLISHED CREDIT GUIDELINES, RESERVES, ETC.). CHECK WITH EACH MORTGAGE INSURANCE PROVIDER PRIOR TO ORIGATION IF THE LTV IS &lt;80%.</li> </ul>



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### FHA (DETERMINED BY DATE OF CASE NUMBER ASSIGNMENT)

Derogatory Item	Waiting Periods
<b>Previous Loan Modification</b>	<p>Refinance:</p> <ul style="list-style-type: none"> <li>• Standard modifications (interest rate modifications) acceptable with a 12 month waiting period; qualification based on payment history and remaining underwriting considerations               <ul style="list-style-type: none"> <li>○ The modification must have taken place at a minimum twelve payments in advance of the refinance and reflect a satisfactory payment history.</li> <li>○ The modification agreement needs to be reviewed and underwritten with the file. The modification terms may supersede UHM guidelines.</li> <li>○ Deferred interest (per restructure agreement) may be included in the maximum loan amount calculation for rate and term refinances provided all standard conditions and qualification parameters are met.</li> </ul> </li> </ul> <p>Purchase:</p> <ul style="list-style-type: none"> <li>• Acceptable with both agencies, qualification based on payment history and remaining underwriting considerations. Please note files will be underwritten with a higher level of scrutiny.               <ul style="list-style-type: none"> <li>○ The modification must have taken place at a minimum twelve payments in advance of the refinance and reflect a satisfactory payment history.</li> </ul> </li> </ul>
<b>Foreclosure Deed in Lieu of Foreclosure</b>	<p>Foreclosure: Home was given back to the bank – No owner participation          Deed in Lieu: Home returned to lender in exchange for cancelling loan</p> <ul style="list-style-type: none"> <li>• <b>3 years</b> from date foreclosure completed and the deed is transferred back to bank</li> <li>• <b>Less than 2 years</b>, but not less than 12 months from date foreclosure completed and the deed is transferred back to bank may be acceptable if the result of acceptable extenuating circumstances (2)</li> </ul>
<b>Short Sale</b>	<p>Short Sale: Home sold but sales price didn't cover amount owed</p> <ul style="list-style-type: none"> <li>• <b>3 years</b> from date sale closed and transferred to new owner</li> <li>• <b>No waiting period</b> if borrower had no late payments on any mortgages and consumer debts within the 12 month period preceding the short sale AND they are not taking advantage of declining market conditions</li> </ul>
<b>Bankruptcy Chapter 7</b>	<p>Debts are discharged through BK, client does not pay any debts owing</p> <ul style="list-style-type: none"> <li>• <b>2 years</b> from date of discharge with re-established credit paid as agreed or no new credit obligations occurred</li> <li>• <b>Less than 2 years, but not less than 12 months</b> from date of discharge may be acceptable if the bankruptcy was caused by</li> </ul>

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	acceptable extenuating circumstances (2) and borrower has since exhibited a documented ability to manage financial affairs in a responsible manner
<b>Bankruptcy Chapter 13</b>	<p><b>Debts are paid back on a monthly scheduled payment plan by client</b></p> <ul style="list-style-type: none"> <li>• <b>1 year payout period</b> under bankruptcy has elapsed and the borrower's payment performance has been satisfactory, all required payments made on time with court approval</li> </ul>
<b>Bankruptcy including a Mortgage</b>	<p><b>Assuming No Reaffirmation:</b></p> <ul style="list-style-type: none"> <li>• BK, stayed in home, purchase: Permitted 3 years from the date of deed transfer post foreclosure.</li> <li>• BK, stayed in home, refinance: Not permitted</li> <li>• BK, stayed in home for a portion of the time-frame, purchase: Permitted 3 years from the date of deed transfer post foreclosure.</li> <li>• BK, vacated home immediately after discharge: Permitted 3 years from the date of deed transfer post foreclosure.</li> <li>• BK, previous Government Loan: The later of 3 years from the date the CAIVRS claim is paid or 3 years from the deed transfer date.</li> </ul> <p><b>Assuming Reaffirmation:</b></p> <ul style="list-style-type: none"> <li>• If the home is foreclosed upon after reaffirmation, 3 years from the date of deed transfer.</li> </ul> <p>*All remaining traditional qualification and underwriting parameters apply in all instances.</p>
<b>IMPORTANT NOTE:</b>	<b>The dates listed will be based on the new FHA case number assignment, not the application or closing date.</b>

### VA (DETERMINED BY DATE OF CREDIT APPROVAL)

<b>Derogatory Item</b>	<b>Waiting Periods</b>
<b>Previous Loan Modification</b>	<p>Refinance:</p> <ul style="list-style-type: none"> <li>• Not permitted with previous modification (considered restructured mortgage) to adjust the principal balance. Standard modifications (interest rate modifications) acceptable with no waiting period; qualification based on payment history and remaining underwriting considerations <ul style="list-style-type: none"> <li>○ VA requires a reduction of interest rate for the refinance to qualify.</li> <li>○ The modification must have taken place at a minimum twelve payments in advance of the refinance and reflect a satisfactory payment history.</li> <li>○ The modification agreement needs to be reviewed and underwritten with the file. The modification terms may supersede UHM guidelines.</li> </ul> </li> </ul> <p>Purchase:</p>

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	<ul style="list-style-type: none"> <li>Acceptable with both agencies, qualification based on payment history and remaining underwriting considerations. Please note files will be underwritten with a higher level of scrutiny. <ul style="list-style-type: none"> <li>The modification must have taken place at a minimum twelve payments in advance of the refinance and reflect a satisfactory payment history.</li> </ul> </li> </ul>
<b>Foreclosure Deed in Lieu of Foreclosure</b>	<p>Foreclosure: Home was given back to the bank – No owner participation</p> <p>Deed in Lieu: Home returned to lender in exchange for cancelling loan</p> <ul style="list-style-type: none"> <li><b>2 years</b> from date foreclosure completed and transferred back to bank</li> <li><b>12-23 months</b> from date of date of foreclosure if credit re-established and paid as agreed and was caused by acceptable extenuating circumstances (3)</li> </ul>
<b>Short Sale</b>	<p>Short Sale: Home sold but sales price didn't cover amount owed</p> <ul style="list-style-type: none"> <li><b>2 years</b> from date sale closed and transferred to new owner</li> <li><b>No waiting period</b> if borrower had no late payments on any mortgages and consumer debts within the 12 month period preceding the short sale AND they are not taking advantage of declining market conditions</li> </ul>
<b>Bankruptcy Chapter 7</b>	<p>Debts are discharged through BK, client does not pay any debts owing</p> <ul style="list-style-type: none"> <li><b>2 years</b> from date of discharge</li> <li><b>12-23 months</b> from date of discharge if credit re-established and paid as agreed and caused by acceptable extenuating circumstances (3)</li> </ul>
<b>Bankruptcy Chapter 13</b>	<p>Debts are paid back on a monthly scheduled payment plan by client</p> <ul style="list-style-type: none"> <li><b>1 year payout period</b> under bankruptcy has elapsed and the borrower's payment performance has been satisfactory and all required payments made on time</li> </ul>
<b>Bankruptcy including a Mortgage</b>	<ul style="list-style-type: none"> <li><b>2 years</b> from the date of discharge</li> <li>BK, previous Government Loan: The later of 3 years from the date the CAIVRS claim is paid or 2 years from the discharge date.</li> <li>UHM will not provide refinance financing for a Borrower who stayed in a home and did not reaffirm the mortgage.</li> </ul>

### USDA (DETERMINED BY DATE OF CREDIT APPROVAL)

<b>Derogatory Item</b>	<b>Waiting Periods</b>
<b>Previous Loan Modification</b>	<p>Refinance:</p> <ul style="list-style-type: none"> <li>Not permitted with previous modification (considered restructured mortgage) to adjust the principal balance. Standard modifications (interest rate modifications) acceptable with no waiting period; qualification based on payment history and remaining underwriting considerations <ul style="list-style-type: none"> <li>The modification must have taken place at a minimum</li> </ul> </li> </ul>

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	<p>twelve payments in advance of the refinance and reflect a satisfactory payment history.</p> <ul style="list-style-type: none"> <li>○ The modification agreement needs to be reviewed and underwritten with the file. The modification terms may supersede UHM guidelines.</li> </ul> <p>Purchase:</p> <ul style="list-style-type: none"> <li>● Acceptable with both agencies, qualification based on payment history and remaining underwriting considerations. Please note files will be underwritten with a higher level of scrutiny. <ul style="list-style-type: none"> <li>○ The modification must have taken place at a minimum twelve payments in advance of the refinance and reflect a satisfactory payment history.</li> </ul> </li> </ul>
<b>Foreclosure Deed in Lieu of Foreclosure</b>	<p>Foreclosure: Home was given back to the bank – No owner participation  Deed in Lieu: Home returned to lender in exchange for cancelling loan</p> <ul style="list-style-type: none"> <li>● <b>3 years</b> from date foreclosure completed and transferred back to bank</li> <li>● <b>Less than 3 years</b> from date the foreclosure was completed and transferred back to the bank may be considered with acceptable extenuating circumstances (4)</li> </ul>
<b>Short Sale</b>	<p>Short Sale: Home sold but sales price didn't cover amount owed</p> <ul style="list-style-type: none"> <li>● <b>3 years</b> from date sale closed and transferred to new owner</li> </ul> <p><b>No waiting period</b> if borrower had no late payments on any mortgages and consumer debts within the 12 month period preceding the short sale AND they are not taking advantage of declining market conditions</p>
<b>Bankruptcy Chapter 7</b>	<p>Debts are discharged through BK, client does not pay any debts owing</p> <ul style="list-style-type: none"> <li>● <b>3 years</b> from date of discharge</li> <li>● <b>Less than 3 years</b> from date of discharge may be considered with acceptable extenuating circumstances (4)</li> </ul>
<b>Bankruptcy Chapter 13</b>	<p>Debts are paid back on a monthly scheduled payment plan by client</p> <ul style="list-style-type: none"> <li>● <b>1 year</b> from the date repayment was completed and bankruptcy discharged</li> <li>● Less than 1 year from date of discharge may be considered with acceptable extenuating circumstances</li> </ul>
<b>Bankruptcy including a Mortgage</b>	<ul style="list-style-type: none"> <li>● <b>3 years</b> from the date of discharge</li> <li>● BK, previous Government Loan: The later of 3 years from the date the CAIVRS claim is paid or 3 years from the discharge date.</li> <li>● Note: UHM will not provide refinance financing for a Borrower who stayed in a home and did not reaffirm the mortgage.</li> </ul>

**Examples of acceptable extenuating circumstances (circumstances must be verified and documented):**

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1. **Conventional:** Nonrecurring events that are beyond the borrower's control that result in a sudden, significant and prolonged reduction in income or a catastrophic increase in financial obligations.
2. **FHA:** Traditionally, serious illness or death of a wage earner. Divorce and the inability to sell a property due to job transfer or relocation to another area does not qualify as an extenuating circumstance. Review recent FHA "back to work, extenuating circumstances guidance."
3. **VA:** Unemployment, prolonged strikes, medical bills not covered by insurance, etc. Divorce is not viewed as beyond the control of the borrower and/or spouse.
4. **USDA:** Loss of job; delay or reduction in government benefits or other loss of income; increased expenses due to illness, death, etc. Circumstances surrounding the adverse information must have been temporary in nature, and beyond the applicant's control, and have been removed so their reoccurrence is unlikely or the adverse action or delinquency was the result of a refusal to make full payment because of defective goods or services or as a result of some other justifiable dispute relating to the good or services purchase or contracted for.