CREDIT UNION
HOME MORTGAGE
SOLUTIONS

DU REFI PLUS – FIXED AND 5/1 LIBOR ARM - APP DATE ON OR AFTER 12-1-2011 REVISED 5/25/2012

DEFINITION OF DU REFI-PUS:

- Loan is serviced by an Outside Lender
- Existing Loan is owned by Fannie Mae
- All loans must be run through DU AUS system.
- Loan is not eligible for manual underwriting

EXISTING LOAN ELIGIBILITY:

- Existing loan sold to FNMA prior to June 1st, 2009
- Use FNMA Loan Look-Up http://loanlookup.fanniemae.com/loanlookup/ to determine eligibility
- Existing loan that has been restructured (See Restructured Existing Loan Section)

INELIGIBLE EXISTING LOANS:

- Existing loans sold to FNMA on or after June 1, 2009
- HBL loan amount that exceeds current HBL limits

GENERAL GUIDELINES:

Occupancy Type	Number of Units	Maximum Loan-To-Value	Minimum Credit Score	Maximum D/I Ratio
Primary Residence	1-4 Units	No Limit (1) and (2)	No Minimum	45% or DU Approved Ratio
Second Home	1-4 Unit	No Limit (1) and (2)	No Minimum	
Investment Property	1-4 Units	No Limit (1) and (2)	No Minimum	
Limited Cash-Out Refinance. New loan is limited to payoff amount of first lien, closing costs, and prepaid escrow items. Cash back at closing cannot exceed $250. Purchase Money Seconds cannot be included in the new loan, and must remain subordinate to the new loan.				

(1) Refer to Loan Product / Amortization Section for Conforming and High Balance Loan LTV limitations by loan product

(2) FNMA has no maximum CLTV or HCLTV limit. All existing subordinate financing must be re-subordinated, new subordinate financing is not permitted, and existing purchase money subordinate financing may not be satisfied with the proceeds of the new mortgage loan.

MAXIMUM LOAN LIMITS:

	All Other Counties	King, Snohomish Pierce Counties	San Juan County
1 Unit	$417,000	$506,000	$483,000
2 Units	$533,850	$647,750	$618,300
3 Units	$645,300	$783,000	$747,400
4 Units	$801,950	$973,100	$928,850

LOAN TYPE / AMORTIZATION:

Conforming Loan Product LTV Limitations			
Loan Product	**<= 105% LTV**	**105% – 125% LTV**	**> 125% LTV**
40-Year Fixed	X	Not Available	Not Available
30-Year Fixed	X	X	X
20-Year Fixed	X	Not Available	Not Available
15-Year Fixed	X	X	X
10-Year Fixed	X	Not Available	Not Available
5/1 LIBOR ARM (30- & 40-Year)	X	Not Available	Not Available

High Balance Loan Product LTV Limitations			
Loan Product	**<= 105% LTV**	**105% – 125% LTV**	**> 125% LTV**
40-Year Fixed	Not Available	Not Available	Not Available
30-Year Fixed	X	X	X
20-Year Fixed	Not Available	Not Available	Not Available
15-Year Fixed	X	X	X
10-Year Fixed	Not Available	Not Available	Not Available
5/1 LIBOR ARM	Not Available	Not Available	Not Available

5/1 LIBOR ARM:

ARM Features:	5/1 Libor ARM
Index	1-Year LIBOR Index
Margin	1.75%
Fixed Rate Period	60 Months
First Adjustment Cap	5.00%
Periodic Interest Rate Cap	2.00%
Lifetime Interest Rate Cap	5.00%
Conversion Option to Fixed Rate	No

- **Qualifying Rate:**
  Qualifying rate is the note interest rate plus 2% or the fully indexed rate whichever is greatest.

MEMBER BENEFIT:

New refinance is intended to assist members by providing a benefit to ensure long-term homeownership sustainability. Member must receive benefit in the form of either

- A reduced interest rate, monthly mortgage principal and interest payment; or
- A more stable mortgage product –
  - A mortgage loan with an interest-only feature to a fully amortizing mortgage product;
  - An ARM to a fixed-rate mortgage;
  - An ARM to a new ARM with an initial fixed period of five years or more, and equal to or greater than that of the existing mortgage;
  - A 30 year fixed rate mortgage to a 20-, 15-, or 10-year fixed rate mortgage; or
  - A 30 year fixed rate mortgage to a 40 year fixed rate mortgage providing the member realizes a reduction in principal / interest.
  - Fixed to ARM is not allowed unless there is a reduction in principal and interest payment

ELIGIBLE MEMBERS:

- Member(s) on existing mortgage must be identical to the member(s) on the new loan
- Member(s) may be removed for any reason provided remaining member(s) show proof of making payments for 12 months, and member(s) being removed is also removed from the title deed.
- In the case of member(s) being removed due to death, evidence of making payments for 12 months is not required (with evidence of death provide in the file).
- A new member may be added to the new loan provided the existing member(s) is retained
- Non-occupant co-borrower(s) income, assets, and liabilities will not be considered in qualifying primary occupant(s)

RESTRUCTURED EXISTING LOAN:

A restructured loan is a mortgage loan in which the terms of the original transaction have been changed, resulting in absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or origination of a new loan that results in

- Forgiveness of a portion of principal and/or interest on either the first or second mortgage,
- Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness,
- 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.

The subsequent refinance of a restructured loan may be delivered to Fannie Mae if ONE of the following is met:

- The borrower(s) made a minimum of 24 consecutive months of timely mortgage payments on the restructured loan before closing on the refinance mortgage loan. In other words, the borrower had to make at least 24 timely mortgage payments based on the terms of the loan *after* the loan was restructured. After this time, if the borrower chooses to refinance the restructured loan, the new refinance transaction is eligible for sale to Fannie Mae if the loan otherwise meets all limited cash-out or cash-out refinance requirements, as applicable.
- The new refinance loan meets all DU Refi Plus or Refi Plus requirements, as applicable.

SUBORDINATE LIENS:

- No new subordinate financing is allowed in conjunction with the new first
- New loan cannot include payoff of purchase money seconds
- All existing subordinate liens must be re-subordinated to maintain first lien position of new Refi Plus mortgage loan.
- Simultaneous refinance of an existing subordinate lien is not allowed under DU Refi Plus

MAXIMUM D/I RATIO:

- DU refi-plus loans will continue to be subject to maximum allowable total expense ratio currently applied to all DU loans at 45%

- DU refi-plus loans that exceed the maximum allowable total expense ratio will receive an Ineligible recommendation.

MORTGAGE INSURANCE:

Existing Mortgage Insurance Policies through PMI are ineligible for financing through CUHMS / Verity.

Original LTV of Existing Loan	Existing Loan has MI in Force?	MI Required for New Refinance Loan?
≤ 80%	No	No
> 80%	No, MI previously canceled or terminated	No
> 80%	Yes	Yes, Must receive pre-approval from MI Company so existing MI certificate remains in place – see MI guidelines for process

IF EXISTING LOAN HAS MORTGAGE INSURANCE, WE MUST HAVE PRE-APPROVAL FROM MI COMPANY AND NEW CERTIFICATE OF INSURANCE ISSUED IN CUHMS NAME. REFER TO MI COMPANY GUIDELINES FOR REQUIREMENTS

NOTE: Verify MI Company's maximum allowable financed closing costs and prepaid escrow

DOCUMENTATION:

- Standard 1003 loan application, with ALL information completed, including borrower income, employment, and assets
- Income documentation requirements issued by DU
- Verbal verification of employment.
- For self-employed members, the verbal VOE must be obtained from a disinterested third party, such as a CPA.
- Copy of business license, if applicable
- When the source of income is other than an employer or self employment the file must include standard verification of that income (child support, social security, retirement, pension, etc.)
- IRS 4506T for each applicant; verified prior to closing
- Social Security # Verification; verified prior to closing
- FraudGuard and clearance of red flags
- Asset documentation required by DU
- Any additional documentation deemed necessary by underwriter

CREDIT HISTORY:

- DU does not apply minimum credit score requirements to any DU Refi-Plus loan casefile but note that the credit risk assessment performed for a DU Refi-Plus loan casefile is the same credit risk assessment performed for non-DU Refi-Plus loan case files.
- No 60-day late in past 12 months on any mortgage trade line
- **3-file instant merged credit reports**, with 3 credit scores are generally required. Two credit scores are acceptable if that is the extent of the data available for the member; the lesser of the two will be used as the representative credit score.
- **Non-Traditional Credit** - Refer to MI Company, efanniemae.com and/or MRI FNMA Standards Quick Reference guidelines
- **Contingent Liability** - Refer to MI Company, efanniemae.com and/or MRI FNMA Standards Quick Reference guidelines
- **Revolving Accounts:** All outstanding revolving accounts, regardless of remaining number of months, are to be considered in qualifying DTI ratio. If the revolving accounts will be paid off **and closed** on or before closing, the payment does not have to be included in the DTI ratio providing the file is documented that the

revolving account has be paid off and closed. If the revolving account is not closed, the payment must be included in the DTI ratio.

- **Installment Loans:** All outstanding installment debts, including deferred student loans, are to be considered in qualifying DTI ratio. An exception may be made if less than 10 months remaining and verified adequate cash reserves to cover monthly payment.
- **Verified Minimum Payment:** If the payment is not verified on the credit report, 5% of the unpaid balance for revolving accounts, and 2% of the unpaid balance on student loans is to be used in qualifying.
- **LTV > 80%** - No bankruptcies, deeds in lieu, short sales or foreclosures in the past 4 years
- **Bankruptcy (Chapter 7 and 10)** – LTV $\leq$ 80%– 4 years (2 years exception for extenuating circumstances) from the date of discharge or dismissal of bankruptcy action
- **Bankruptcy (Chapter 13) -** LTV $\leq$ 80% – 2-years from discharge date, or 4 years (2 years exception for extenuating circumstances) from dismissal date
- **Multiple Bankruptcy Filings** - LTV $\leq$ 80% – 5-years if more than one filing within the past 7 years from most recent dismissal or discharge date. (3 years exception for extenuating circumstances) The most recent bankruptcy must have been the result of extenuating circumstances.
- **Foreclosures -** LTV $\leq$ 80% – 7-years from completion date (3 years exception for extenuating circumstances). Purchase of a principal residence is permitted with a minimum of 10% down payment and minimum representative credit score of 680. Second home and investment property are not permitted. Cash-out refinances are not permitted for any occupancy.
- **Deed-in-Lieu** - LTV $\leq$ 80% – 2-years from completion date. Purchase of a principal residence, second home or investment property with the greatest of 10% minimum down payment or the minimum down payment required for the transaction. Limited cash-out and cash-out refinance transactions secured by a principal residence, second home, or investment property are permitted.
- **Pre-foreclosure Sale** - LTV $\leq$ 80% - 2-year period from completion date.
- **Short Sale -** LTV $\leq$ 80% - 2-year period from completion date.
- **Collections, charge-offs –** do no need to be satisfied prior to closing
- **Judgments –** do not need to be satisfied unless it's a lien against the property.

<u>MAXIMUM NUMBER OF FINANCED PROPERTIES</u> - No Limit

<u>CASH RESERVES</u> - No minimum cash reserve requirement

<u>APPRAISAL REQUIREMENTS:</u>

- Lenders must comply with the property fieldwork requirements issued by DU. For certain DU Refi Plus eligible loan case files, DU will waive the requirement for an appraisal or exterior-only appraisal.
- Underwriter is to pay particular attention to current occupant and prior listing-sales history.

When Appraisal Report is required, it should include the following:

- Written and presented in a narrative format or on forms that satisfies all requirements of this section or secondary market minimum appraisal requirements;
- Sufficiently descriptive to enable the reader to ascertain the estimated market value and the rationale for the estimate;
- Provide the detail and depth of analysis that reflect the complexity of the real estate appraised;
- An analysis on current revenues, expenses, and vacancies for property if it is and will continue to be income producing;
- An analysis on the marketing period for the subject property;
- An analysis on current market conditions and trends that will affect the value of the subject property;
- In addition to the certification required by the USPAP, include a statement that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan;
- A legal description of the real estate being appraised;
- An identification and separate valuation of any personal property, fixtures, or intangibles items that are not real property but included in the appraisal, and discuss the impact to their inclusion or exclusion on the estimate of market value;
- Demonstrate a reasonable valuation method that addresses the direct sales comparison, income, and cost approaches to market value, reconciles those approaches, and explains the elimination of each approach not used.

CONDOMINIUM AND PUD PROJECT REVIEW

- Standard project approval requirements apply based on level of review required in DU findings.

PROPERTY LISTING HISTORY:

- Properties listed for sale in the 6 months proceeding the application date are eligible if the property has been taken off the market
- Properties must be taken off the market ON or BEFORE the application date
- Copy of cancelled listing agreement

TITLE VESTING AND COMMUNITY PROPERTY STATE:

Members requesting a mortgage loan with vesting as "married, as their separate estate" are acceptable. However, additional documentation and non-borrowing spouse signatures are necessary to ensure title to the property is perfected and our mortgage lien interest is protected.

Refinance Transactions – Required Documentation / Signatures

- Necessary document that is acceptable to title company to vest title in applicant's name only
- Generally, escrow will not prepare document to vest title in applicant's name only in which case the applicant is responsible to provide the document. Under no circumstances are we to prepare the document for members.
- Owner Occupied - Non-borrowing spouse to acknowledge deed of trust
- Owner Occupied - Non-borrowing spouse to sign Truth-in-Lending and three day rescission if property is primary residence of borrower

WAIVER OF ESCROW ACCOUNT:

An escrow account for taxes, insurance, and special assessments is required when –

- LTV > 80% (may be waived if existing loan does not have an escrow account, and borrowers have acceptable history of maintaining timely payments)
- Flood Insurance is required
- Private Mortgage Insurance is required
- Borrower has a blemished credit history
- Loans identified has a HOEPA Loan with conforming loan rate spread ≥ 1.500% or Jumbo loan rate spread ≥ 2.500%
- If a special assessment levied against the property was not paid at loan closing, the borrower's payment must include appropriate accruals to ensure that any estimated annual payment toward the assessment will be accumulated by the time it comes due.

DELIVERY REQUIREMENTS:

- Special Feature Code 147 – DU Refi Plus
- Representative Credit Score from new merged credit report
- CLTV (required for delivery even though no maximum will apply)
- MI code 95, if LTV ratio is greater than 80 percent and no MI coverage exists