

## SECOND MORTGAGE GUIDELINES

REVISED 2/10/2013

Transaction Type	Number of Units	Eligible Property Types	Maximum CLTV	Minimum Credit Score	Maximum DTI Ratio	DGU Insurance Required
<b>Primary Residences</b>						
<b>Purchase Money</b>	1-2 Units	Detached SFR Condominium PUD Multi-Family	100%	90.01 – 100% = 715	40%	Yes
				80.01 – 90% = 670	50%	No
				< 80% = 615	50%	No
	3-4 Units	Manufactured	90%	80.01 – 90% = 670	50%	No
				< 80% = 615	50%	No
<b>Limited Cash-Out and Cash-Out</b>	1-4 Unit	Detached SFR Condominium PUD Manufactured Multi-Family	90%	80.01 – 90% = 670	50%	No
				< 80% = 615	50%	No
<b>Second Homes</b>						
<b>Purchase Money and Limited Cash-Out and Cash-Out</b>	1-Unit	Detached SFR Condominium PUD Manufactured	90%	80.01 – 90% = 670	50%	No
				< 80% = 615	50%	No
	2-4 Units	Multi-Family	NA	NA	NA	NA
<b>Investment Properties</b>						
<b>Purchase Money Limited Cash Out Cash-Out Refinance</b>	1-4 Units	Detached SFR Condominium PUD Multi-Family	75%	670	50%	No
	1 Unit	Manufactured	NA	NA	NA	NA

### GENERAL GUIDELINES:

Guidelines are in conjunction with applicable First Mortgage Guidelines

### SECOND MORTGAGE LOAN TYPE / AMORTIZATION:

- 15-Year Fixed
- 30-due-in-15 Fixed Rate Balloon

### MAXIMUM LOAN AMOUNT:

\$250,000

### INELIGIBLE FIRST MORTGAGE TERMS:

- Interest Only
- Option ARMs
- ARMs with fixed rate period < 5-Years
- Amortization period > 30 Years

## **GEOGRAPHIC MARKET AREAS:**

- Washington State only

## **ELIGIBLE APPLICANTS:**

- Borrower must be eligible for credit union membership
- U.S. Citizens
- Inter Vivos Revocable Trusts (Must be approved by title company - see investor guidelines for requirements)
- Permanent Resident Aliens (the right to live and work in the US permanently)
- Non-permanent Resident Aliens (the right to live and work in the US temporarily) are eligible for:
  - Purchase and Rate/Term Refinance
  - Owner-Occupied only
  - Evidence of *Occupancy* status is validated by one of the following required INS documents:
    - Unexpired foreign passport containing INS form I-94 stamped with "Employment Authorized"
    - Temporary Resident Card form I-688
    - Employment Authorization Card form I-688 A or O containing the applicant's photograph
  - Evidence of *Residency* status is validated by a copy of the borrower's temporary work Visa (INS form I-94). The following documentation is required for Residency eligibility:
    - Borrower must have established a 2-year history of residency, employment and credit within the US
    - VISA status must provide a remaining duration of at least three years
    - Heavy emphasis will be placed on employment and likelihood of continuation
    - Assets for down payment, closing costs and reserves should be verified on deposit in a US financial institution for at least 6 months
- **Ineligible:** Non-Resident Aliens, Partnerships, Corporations, Syndications, Trusts (*other than Inter Vivos Revocable Trusts*), and Foreign Nationals

## **DOCUMENTATION:**

- All documentation required for first mortgage
- OnBase Second Mortgage scanned file to include copy of first mortgage credit, income, asset, and property sections.

## **NON-OCCUPANT CO-APPLICANTS:**

- CLTV > 90% - Non-occupant co-applicants are not allowed – all borrowers must occupy property
- CLTV < 90% - Non-Occupant co-applicants are allowed
- The income from a non-occupant co-borrower may be considered as acceptable qualifying income. This income can offset certain weaknesses that may be in the occupant borrower's loan application, such as limited financial reserves, limited credit history, or higher-than-normal qualifying ratio. However, it may not be used to offset significant or recent instances of major derogatory credit in the occupant borrower's credit history. The occupant borrower must still reasonably demonstrate an ability and willingness to make the mortgage payments and maintain homeownership.

## **DGU INSURANCE:**

- Required on all purchase money seconds with CLTV > 90%
- Direct DGU review and approval of credit, income, assets, and appraisal is required.

## **CREDIT HISTORY:**

- Unsecured and revolving debt (net of student loans) may not exceed 25% of gross annual household income.
- No mortgage delinquencies in past 24 months
- No judgments, repossessions, charge-offs in past 60 months
- Cumulative collections over \$500 must be paid (up to \$500 of medical collections are allowed)
- No prior history of foreclosure, pre-foreclosure sale, short-sale, deed-in-lieu
- **LTV > 90%** - No bankruptcies, deeds in lieu, short sales or foreclosures in the past 4 years
- **LTV > 90%** - Minimum 4 trades (2 secured 2 revolving) with 24 month pay history.

- **Bankruptcy (Chapter 7, 10, 13)** – LTV  $\leq$  90% - Requires letter of explanation, no delinquencies since bankruptcy, re-established credit, and Sr Management approval

### **EMPLOYMENT – INCOME DOCUMENTATION:**

- LTV < 90% - Employment-Income documentation required for first mortgage
- LTV > 90% - All income must be verified
  - 2-Years tax returns are required for:
    - Self-Employed borrowers
    - Borrowers where 25% or more of income is from commission
    - Part-time and second income with minimum of 24 months continuance
    - Rental income and lease agreements
    - Salaried borrowers require current paystub, dated within 30-days of closing or written verification
    - W2s for past two years
    - Retirement and/or social security income may be verified by tax returns or award letters
    - Alimony and child support income must continue for 3-years and be verified by tax returns, cored ledgers, or 6 months cancelled checks
    - Bonus and overtime must be verified received for past 24 months, and is likely to continue

### **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.

#### **Purchase Transactions - Required Documentation / Signatures**

- Necessary document that is acceptable to title company to vest title in applicant’s name only
- Owner Occupied - Non-borrowing spouse to acknowledge deed of trust

#### **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