



MY COMMUNITY MORTGAGE GUIDELINES

Updated 8-5-2010

Added clarification to AMI limits and added geocoder address (Page 2): Added 8-5-10
 Added HO-6 condo insurance requirements (Pages 3 & 4): Added 8-5-10

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MY COMMUNITY FIXED & ARM

PRIMARY RESIDENCE

Purchase & Rate/Term Refinance

PROPERTY TYPE	LTV	CLTV*	FICO	UNDERWRITING OPTIONS
1 unit	97	97	700	DU
1 unit	95	95	680	DU
1 unit	80	97	660	DU
2 unit	95	95	680	DU
2 unit	80	95	660	DU
3-4 unit*	80	95	680	DU

* See Subordinate Financing section for information

** Fixed Rate only (no ARMs on 3-4 unit property types)

ITEMS NOT COVERED IN THESE GUIDELINES MUST FOLLOW PCM CONFORMING UNDERWRITING GUIDELINES.

PRODUCT OVERVIEW:

The My Community Mortgage (MCM) loan program is designed for low- to moderate-income homebuyers. This program provides significant flexibility in credit guidelines for borrowers with limited cash resources.

ASSETS:

Acceptable sources of funds for down payment, closing costs & prepaids

After minimum borrower contributions are met, the balance of acceptable sources of funds for down payment, closing costs, and prepaid items include:

- Borrower's own funds
- Proceeds from loans secured by the borrower's own assets, such as a 401(k) loan
- Gift from a relative, fiancé/fiancée, domestic partner, church, employer, union, a grant from a non-seller funded non-profit or local government agency, or an approved hard or soft second down payment assistance program.
- Premium pricing proceeds generated through a higher interest: Pricing proceeds are not included in the interested party contribution limits, but can only be used for closing costs and/or prepaid items.
- Employer assistance in the form of a grant, a direct fully repayable second mortgage or unsecured loan, or a deferred payment second mortgage or unsecured loans.
- Funds from property-seller funded nonprofit organizations cannot be considered gift funds, and can only be used as third-party/property seller contributions (within limits). These funds can only be used for closing costs and prepaid items. The borrower cannot receive cash back at closing as a result of these
- Secured and unsecured installment loans are an acceptable source for down payment under the following guidelines:
 - Loans secured by a borrower-owned asset other than the subject property must be used as collateral.
 - Any party related to the transaction cannot grant the loan.
- Pooled funds (one unit only).
- Cash-on-hand (one unit only): Cash-on-hand may not be used for reserves.

Borrower Contribution

- 1 unit: LTV <=80%: no minimum contribution from borrower's own funds
 LTV > 80%: minimum 3% from borrower's own funds
- 2-4 units: Minimum down payment is 5%, of which 3% must be from borrower's own funds

Note: Any amount of the borrower's contribution in excess of the amount needed to pay closing costs and/or prepaid items must be applied toward the down payment.

Reserves

Reserves are determined by AUS (Must also meet MI company guidelines)

Unacceptable sources of down payment, closing costs & prepaids

- Funds financed by credit cards or from overdraft protection on checking accounts

AUS:

DU Approve/Eligible

BORROWER ELIGIBILITY:**Eligible Borrowers:**

- US Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Aliens

Ineligible Borrowers:

- Corporations
- Non-Occupant Co-Borrowers
- Partnerships

Additional Requirements

- Borrowers may not own any other property (other than the subject property)
- All borrowers on the loan must sign the "Borrower's Authorization for Referral to Counseling" form, which states that the borrowers agree to enter post purchase counseling if they default or become delinquent on their loan.

CAPS, MARGINS, INDEX & FLOOR (ARM LOANS ONLY):

	<u>CAPS</u>	<u>MARGIN</u>	<u>INDEX</u>	<u>FLOOR</u>
5/1 ARM	5/2/5	2.25	1 YR LIBOR	2.250% (margin)

CREDIT:

Follow DU findings / PCM Conforming Guidelines

HOMEBUYER EDUCATION REQUIREMENTS:**All transactions:**

Prior to the date of the Note, a minimum of one borrower on the loan must complete an approved homebuyer education program if all borrowers are first-time homebuyers; otherwise, participation in a homebuyer education program is recommended but not required. A copy of the homebuyer education certificate, or a comparable document, must be retained in the file.

Note: "First Time Homebuyers" are defined as borrowers who have not owned property within the past 3 years.

2-4 units:

In addition to the above, the borrowers must also complete the following:

- Completion of Fannie Mae's "Becoming a Landlord" Program
- The borrower must complete counseling with curriculum equal to the National Foundation for Credit Counseling "Keys to Homeownership."

Note: For list of approved education providers please call 1-800-569-4287 or go to:

www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm

INCOME AND EMPLOYMENT:**Area Median Income Requirements:**

The borrower's entire base income reported must be included in the Area Median Income (AMI) test; however, overtime and other income only requires documentation and inclusion in the AMI test if used to qualify for the loan.

- The borrower's income is limited to 100% of the area median income in which the property is located with the following exceptions:
 - An income limit of 115% of the HUD-published median in nonmetropolitan ("Non Metro area") counties. For information, refer to Fannie Mae's website:
 - <https://www.efanniemae.com/sf/mortgageproducts/fannieneighbors.jsp>
- All household income must be considered when determining AMI limits.
- Income limitations do not apply under the following conditions:
 - If the subject property is in a FannieNeighbors area. For information on FannieNeighbors areas, refer to Fannie Mae's website:
 - <https://www.efanniemae.com/sf/mortgageproducts/fannieneighbors.jsp>
- Waivers to AMI limits not available (100% of AMI guideline must be met) if:
 - Borrower is public employee
 - Property is located in underserved market
- Area median income limits can be found at:
 - <https://www.efanniemae.com/sf/refmaterials/hudmedinc/index.jsp>
 - <https://www.efanniemae.com/sf/refmaterials/geocoder/>

Alimony/Child Support

Alimony/Child Support is allowed provided:

- It has been received for the past six months and is expected to continue for at least 3 years.
- If received for less than 12 months, it cannot exceed 30% of total

Boarder Income

Boarder Income is allowed provided:

- The subject property is a one-unit dwelling only.
- The borrower's income must meet the income restrictions of the program with the boarder income included.
- The boarder has lived with the borrower and paid rent for the past 12 months.
- Rental payments must have been paid directly from the boarder to the borrower.
- The boarder income does not exceed 30% of the total qualifying income.
- The boarder provides appropriate documentation to demonstrate a history of shared residency that shows the same address as the borrower and the intent to continue living with the borrower in the new residence.
- Proof of rental payments for the past 12 months.

Note: Eligible boarders are not limited to relatives or live-in aides. No vacancy factor is required.

Foster Income

Foster Income is allowed provided:

- Standard documentation is submitted to show income has been received for past 12 months.
- Must represent no more than 30% of total income unless it has been received for 2 full years.

Overtime and Part-time Income

Overtime and Part-time income may be used for qualification with the following requirements:

- The employer verifies that the borrower has received this type of income for the last 12 months.
- The employer indicates in all probability the income will continue.
- The income used to qualify is a most recent 12-month average.

Rental Income

The lesser of the actual or projected rents for the rental unit should be added as qualifying income as follows:

- If the property has two units and one unit is rented or intended to be rented to third-party tenants, 75% of the lesser of the actual or projected rents for the rental unit should be added as qualifying income.

OR

- If the property has three or four units and a unit(s) is rented or intended to be rented to third-party tenants, 65% of the lesser of the actual or projected rents for the rental unit(s) should be added as qualifying income.

Note: Rental income from the subject property should not be included when determining the borrower's income requirements.

Salaried Borrowers

Stable 2-Year income history is required.

- Verify with written VOE or 2 consecutive pay stubs reflecting most recent 30 days earnings.
- The most recent 2 years W-2 forms.

Self-Employed Borrowers

Must be self-employed 2 years in same business, same locale.

- The most recent 2 years 1040s and business returns.
- Submit documentation to demonstrate that The business entity exists and is a legal entity, e.g. business License, Articles of Incorporation, or D & B Report, etc.

INSURANCE REQUIREMENTS:

- **HO-6 "Walls-In" Condominium Insurance:** "Walls-In" insurance coverage is required on all condominium loans (Conventional & FHA), where the master or Blanket HOA policy does not provide replacement coverage for any affixed improvements that the borrower makes to the unit (cabinets, flooring, countertops, plumbing fixtures, etc).
 - **HO-6 "Walls-In" Insurance Requirements:**
 - All Conforming condominium loans must include an HO-6 insurance policy if the master HOA policy does not provide coverage for the interior of the unit.
 - HO-6 insurance must be impounded on all Conforming condominium loans (per standard LTV insurance impound requirements of 80% or 90%, depending on state) with applications taken on or after August 9, 2010.
 - An acceptable Individual Contents and Liability Policy with HO-6 "Walls-In" coverage in an amount that is no less than 20% of the condominium unit's appraised value and a maximum 5% insurance policy deductible.
 - HO-6 insurance requirements apply to the following Conforming loan programs: Standard Conforming, Conforming High Balance, DU Refi Plus, HomePath and My Community.
 - **HO-6 Insurance to be included in Monthly Housing Payment Calculation**
 - Whether the HO-6 insurance is impounded or not, the payment **must be** included in the monthly housing payment calculation, and subsequently the debt to income ratios.

INTERESTED PARTY CONTRIBUTION:

- The maximum contribution is limited to lesser of the actual closing costs and prepaids or the % indicated below.

<u>LTV:</u>	<u>% contribution</u>
> 90%	3%
75.01-90%	6%
<=75%	9%

- IPCs to be used for closing costs and prepaids only, not for down payment. The amount of the contribution made by an Interested Party cannot exceed the actual amount needed.

LOAN AMOUNTS:

- Conforming loan limits (no high balance)

LOAN TERMS:

- Fixed
 - 30 Year Fixed fully amortized
- ARM
 - 5/1 LIBOR ARM fully amortized

MORTGAGE INSURANCE:

- *****All loans must meet MI company guidelines (including Credit Score requirements)*****
- Borrower-paid monthly MI only with the following coverage:

<u>LTV</u>	<u>Coverage</u>
95.01-97%:	18%
90.01-95%:	16%
85.01-90%	12%
80.01-85%	6%

OCCUPANCY:

- Primary Residences only
- The borrower(s) may not own any other property (other than the subject property)

PROPERTY ELIGIBILITY:

- Properties with deed/resale restrictions are not eligible.
- Log homes are not an acceptable property type
- Eligible property types are determined by Loan Term as indicated below:
 - Fixed Rate: 1-4 units, condo, PUD
 - ARM: 1-2 units, condo, PUD

- Refer to the insurance requirements section for HO-6 condominium coverage.

QUALIFYING RATIOS:

- Maximum DTI is 41%
 - If the Mortgage Insurance Company's guidelines allow for a higher DTI, the ratios per the DU Approve/Eligible findings may be used.
 - Fixed Rate loans: Qualify at Note Rate
 - ARM loans: Qualify using the greater of the fully indexed, fully amortizing or Note Rate

SUBORDINATE FINANCING:

- Allowed per LTV/CLTV Matrix, AUS and "Subordinate Financing" Section in PCM Conforming Guidelines
- Community Seconds may be available with a PCM Exception basis for use in conjunction with a MCM first mortgage.

TEMPORARY BUYDOWNS:

- Not allowed.