

## Jumbo Fixed and ARM Product Guidelines

PRODUCT CODES: J30, J51L

### Overview

A Jumbo product with loan amounts starting at \$50 over the conforming limit to maximum of \$1,000,000. All loans must be submitted through DU to receive appropriate fraud alerts, and contributory messages. However, loans are manually underwritten and must be documented with standard full documentation. All loans require prior investor approval. Allow additional time for closing.

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**Product Codes**

- J30 30 year Fixed Rate
- J51L 30 year ARM, rate is fixed for the first 5 years, then adjusts annually based on the LIBOR

**Disclosure/Product Information**

Program	Caps	Floor	Margin	Assumable	Convertible	Prepay
J30	n/a	n/a	n/a	No	No	No
J51L	5/2/5	Margin	2.25%	Anytime after fixed period	No	No

**Jumbo Fixed and ARM**

Owner-Occupied Primary Residence					
Purpose	Units	Max Loan	LTV <sup>1</sup>	CLTV <sup>1</sup>	FICO
Pur, R/T	1-2	\$1,000,000	80	80	700
Pur, R/T	3-4	\$1,000,000	70	70	700
C/O <sup>2</sup>	1-2	\$1,000,000	80	80	700
Second Home					
Purpose	Units	Max Loan	LTV	CLTV	FICO
Pur, R/T	1	\$1,000,000	65	65	740

<sup>1</sup> **Declining Market Maximum LTV/CLTV:**

- B Market: Reduce Max LTV/CLTV by 5%
- C Market: Reduce Max LTV/CLTV by 10%
- D Market: Reduce Max LTV/CLTV by 15%

<sup>2</sup> **Maximum Cash Out**

- 1-2 Unit
  - > 65 LTV/CLTV is \$250,000
  - ≤ 65 LTV/CLTV is \$350,000

<sup>1</sup> Contact your Account Executive or Sales Assistant and provide the property Zip Code to obtain the Market Grade for your owner-occupied loan.

## Appraisal / Property

- Appraisal to be ordered by Reunion
  - Complete *Appraisal Request Form for Jumbo Loans* and upload in Reunion Direct
- Interior photos required
- Ineligible Property Types
  - Attached Condos
  - Property with more than 10 acres
  - Property zoned and/or used for commercial or industrial purposes
  - Properties with Mixed Use
  - Cantilevered Property
  - Projects with any litigation (PUD or Condo)
- Eligible Properties
  - SFR
  - PUD
  - Site Condominium (Detached Condo)
  - 2-4 Unit
- Properties Recently Listed for Sale
  - Properties that have recently been listed for sale are eligible for refinance if the property listing has been cancelled at least six months prior to the application date.
- **Declining Markets** – Refer to Market Indicator Portal
  - Properties located in declining markets have reductions to the maximum LTV/CLTV.
  - If the market indicator reflects an “A” Market and the appraiser does not indicate that the subject property is located in a declining market, follow standard guidelines for maximum LTV/CTV
  - If the market indicator reflects “B”, “C” or “D” market the maximum LTV/CLTV is reduced as follows
    - B Market: Reduce Max LTV/CLTV by 5%
    - C Market: Reduce Max LTV/CLTV by 10%
    - D Market: Reduce Max LTV/CLTV by 15%
  - If the Market Portal tool delivers an “A” market designation, but the Appraiser notes in the appraisal report the subject property is located in a submarket which is declining, the “A” market must be downgraded to a “B” market reducing the LTV/CLTV by 5%
  - In addition, if the Market Portal identifies the subject property is located in a B, C, or D market and the Appraiser indicates the subject property is located in a submarket which is declining, there is no further LTV/CLTV downgrade required.
  - Market upgrade policy of 5% LTV/CLTV is permitted if the loan meets all of the criteria listed below
    - Minimum 720 FICO
    - Maximum DTI 35%
    - Single Family Residence (condos not permitted)
    - Purchase or Rate/Term only
    - Maximum Combined Loan Amount \$2 million
    - The LTV/CLTV may not exceed the maximum listed in the grid
  - Second Home transactions are not required to be submitted to the Market Portal tool and are not eligible for a market upgrade.

## Assets

- Assets to be verified by two months complete bank statements
- Minimum Investment
  - Primary Residence: A minimum down payment of 5% of the value must be paid from the Borrower’s own funds. The balance may be paid from any of the acceptable asset sources. (borrowers funds, gift funds or Secondary financing)
  - Second Home: The entire down payment must be paid from the borrower’s own funds. Gifts are not permitted.
- Gift Funds

- Gift funds are allowed on Primary Residence transactions after borrower's minimum investment has been paid from borrower's own funds
- Gift may come from relatives, domestic partner or finance only
- Source of gift funds must be verified
- Receipt of gift funds must be documented
- The minimum borrower investment is waived when gift reduces the LTV  $\leq$  80% and borrower pays own closing costs and no secondary financing exists.
- Reserves
  - DTI  $\geq$  35%
    - Minimum of 12 months PITIA liquid reserves
    - Max 6 months of reserves permitted from Retirement Accounts (i.e. 401K/SEP) at 50% of full vested amount.
  - DTI < 35%
    - Minimum of 6 months PITIA liquid reserves
    - Exclusive of 401k/SEP accounts, cash out funds, business assets (other than schedule C)
  - Reserves must come from borrowers own funds
  - Ineligible sources for reserves include:
    - Business Funds (other than schedule C)
    - Cash out proceeds
    - Bridge Loans
    - Loans secured by other assets
    - Proceeds from the sale of non-real estate assets
- Retirement Account Funds
  - Funds from Retirement Accounts must be reduced by 50%

## Borrower Eligibility

- U.S. citizen
- **Permanent Resident**
  - **Verify Alien Registration Card**
- **Non-Permanent Resident**
  - **Primary residence only**
  - **Maximum LTV/CLTV for 1-2 units: 75%**
  - **Maximum LTV/CLTV for 3-4 units: 70%**
- First Time Homebuyer
  - Primary residence only
  - For all loans, verification of 12 months rental payments is required. The loan file must contain 12 months cancelled checks or bank statements to evidence eligibility for mortgage/housing history for the loan program under which the loan is submitted. Written Verification of rent via the credit report is not permitted. Direct written verification of rent is acceptable in lieu of cancelled checks when the landlord is a large professional management company.
  - First-Time Homebuyers require 12 month reserves
  - Borrower living rent free, requires 12 months reserves (excluding retirement accounts). This is to be used only when all borrowers are living rent free.
- Non-occupant Co-Borrower, guarantor, and co-signor
  - An Established relationship with the Borrower exists
  - A party with an interest in the property sales transaction, (including but not limited to the builder, property seller, or real estate broker) is not eligible as a non-occupant Co-Borrower, guarantor, or co-signor.
  - Primary residence
  - A non-occupant Co-Borrower, guarantor, or co-signor must provide verification of income
  - Maximum LTV/CLTV for 1-2 units: 75%
  - Maximum LTV/CLTV for 3-4 units: 70%
  - Qualifying total debt ratio for the occupant borrower may not exceed 45%
  - **Not eligible on cash-out refinance transactions**

- Ineligible
  - Foreign National

## **Contributions by an Interested Party**

- Maximum contribution percentage allowed is 3%
- Must be used for closing cost, prepaids, and other financing costs provided the maximum contribution does not exceed the limits below.

## **Credit / Liabilities**

- All borrowers must meet minimum FICO score requirement indicated in the grid
- All Loans require a Credit Score based on the following:
  - 3 non-derogatory trade lines
  - 3 trade lines, each rated for at least 12 months
  - 1 trade line with a credit limit of at least \$5,000
  - Authorized User accounts may not be used to satisfy the trade line requirements
  - At least one active trade line (non-derogatory) in the past six months. An active trade line is defined by the date of last activity on the account and not a current open balance. A non-derogatory trade line is currently less than 90 days delinquent and non-collection.
- Housing Payment History
  - 0 x 30 mortgage/rental Delinquency in past 12 months
  - 0 x 60 mortgage/rental Delinquency in past 24 months
  - Must be current on mortgage or housing payment
- Bankruptcy/Foreclosure
  - None in past 7 years
  - Measured by discharge or dismissal date
- Major Adverse Credit
  - Collection accounts, charge-off accounts, judgments, liens, delinquent property taxes, repossessions, garnishments, and non-mortgage accounts currently 90 days or more delinquent.
  - For Major Adverse accounts reporting within the past 24 months:
    - Major adverse accounts reported in the past 24 months are not allowed; however, isolated accounts with less than a \$500 cumulative balance are permitted. These accounts may be left open provided they do not affect title
  - For Major adverse accounts reporting older than 24 months:
    - All State, IRS, and property tax liens (subject property and other properties), regardless of seasoning, are required to be paid whether or not they currently affect title. No payment plans or subordination is allowed
    - All other adverse accounts over 24 months old that do not affect title are not required to be paid
- **Credit Inquiry Policy**
  - Borrower must provide a detailed explanation letter that specifically addresses both the purpose and outcome of each credit inquiry within the last 120 days.
  - If a new account is established as a result of the inquiry, the terms, balance, and monthly payment must be verified with a copy of the approval letter or recent account statement.
  - If the credit report is more than 30 days old as of the date of the Note, Reunion will pull a refreshed credit report and review for any new credit lines or any additional inquiries.
    - The refresh credit report must meet the requirements outlined in Third Party Origination Procedure for Credit Reports.
    - Any additional inquiries found on the refresh credit report must be documented with an LOE from the borrower and documentation of any new accounts opened.

## **Escrow Waiver**

- Permitted on Primary Residence one unit properties only
- Impounds required on all 2-4 unit properties

## Income

- Initial application must disclose income and source of income.
- **Salaried**
  - Paystub(s) for most recent 30 day period showing YTD income.
  - Last 2 years W2s.
- **Self-Employed**
  - Two years personal and business tax returns with all schedules.
  - If more than 120 days has elapsed since filing tax return, a signed and dated YTD P&L is required.
- **Non-Salaried/Retired**
  - Two years documentation required.
- Form 4506-T must be processed and results submitted to the investor
- **Rental Income**
  - A two-year rental property management history is required when using rental income to qualify. This includes converting an existing Primary Residence to an Investment Property when rental income is used for qualification.

## Market Indicator Portal

- All loans must be submitted to the Market Indicator Portal to determine maximum LTV/CLTV.
- Contact your Account Executive or Sales Assistant and provide the property Zip Code to obtain the Market grade for your loan.
- The LTV/CLTV for the program is affected by the Market Indicator on Owner Occupied loans as follows:
  - **A Market:** No Reduction to Max LTV/CLTV
  - **B Market:** Reduce Max LTV/CLTV by 5%
  - **C Market:** Reduce Max LTV/CLTV by 10%
  - **D Market:** Reduce Max LTV/CLTV by 15%

## Minimum/Maximum Loan Amounts

- Minimum loan amount is \$50 over the conforming limit
- Maximum loan amount is \$1,000,000

## Multiple Properties Owned/Financed

- A borrower may own a maximum of 4 properties. Ownership in commercial properties, multi-family (five or more units) properties and properties owned free and clear **is included** in this limitation.
- A borrower may finance a maximum of 4 properties and the cumulative amount financed among all mortgage loans cannot exceed \$2 million.

## Qualifying Ratios

- Maximum DTI
  - Primary Residence 45%
  - Second Home 35%
- ARM loans qualify at the greater of the fully indexed rate or Note rate plus 2%

## Transaction Types

- **Purchase Mortgages**
- **Rate and Term Refinances**
  - No seasoning of first mortgage
  - If owned less than 12 months, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required.

- If owned more than 12 months, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership
- Reasonable and customary closing costs, prepaids and seasoned junior liens may be incorporated into the loan amount.
- Cash out not to exceed \$2,000
- One year seasoning on junior liens from funding unless documentation is provided to verify it was incurred as part of acquisition or for home improvements. This does not apply to draws of 1% or less of the new loan amount or a maximum of \$2,000 within the past 12-month period.
- Properties listed for sale in the last 6 months (on or before the application date) are not eligible for refinance transactions
- Primary residences located in Texas:
  - If the first or second Texas Section 50(a)(6) loan is being paid off, regardless of whether the borrower is getting any cash back, the loan is not eligible
  - If the first mortgage is not a Texas Section 50(a)(6) loan and the second mortgage is a Texas Section 50(a)(6), the second lien may be subordinated and is considered a rate and term refinance. The second lien must be subordinate to the new first mortgage and a subordination agreement must be executed. Borrower cannot receive any cash back from first mortgage transaction.
  - If a Texas Section 50(a)(6) second lien is being paid off, the loan is not eligible
- **Cash Out Refinances**
  - Primary Residence Only
  - All borrowers must have held title to subject property for a minimum of 6 months (note date to application date).
  - If owned less than 12 months, LTV must be based on lower of appraised value or original sales price plus the cost of any documented improvements. If the value has increased greater than 15%, photographs of improvements are required.
  - If owned more than 12 months, LTV is based on current appraised value. HUD-1 or Deed must be provided to verify ownership.
  - Properties listed for sale in the last 6 months (on or before application date) are not eligible for equity refinance transactions
  - Primary residences located in Texas subject to Texas Section 50(a)(6) are NOT eligible
  - Cash out limitations
    - 1-2 Unit
      - Max Cash Out for > 65 LTV/CLTV is \$250,000
      - Max Cash Out for ≤ 65 LTV/CLTV is \$350,000
    - Includes payoff of unseasoned second mortgages, HELOCs and/or non-mortgage debt.
- **Ineligible Transactions**
  - Texas Section 50(a)(6)

## Underwriting

- Prior Investor approval is required on all loans
- Approval of loan is based on manual underwriting
- All loans must be submitted through Fannie Mae Desktop Underwriter (DU) to receive appropriate fraud alerts, and contributory messages prior to performing a manual underwriting review.
  - DU decision is not applicable to the loan review or underwriting decision. It is not acceptable to apply the level of documentation identified in the DU Findings for credit, income, assets or appraisal review – for all Jumbo loans full income and asset documentation is required.