

Conventional Loan Program – Conforming Balance

Summary

Product Types	30-year Fixed; 15-year Fixed 5/1 ARM ¹ ; 7/1 ARM ²
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For Conforming Loan Amounts, see the State/County limits at <https://entp.hud.gov/idapp/html/hicostlook.cfm>.

Conforming Balance

Primary Residence

Loan Purpose	Minimum FICO	Units	Max LTV ³	Max CLTV
Purchase or Refinance	680	1	97%	97%
	620	1	95%	95%
Rate/Term	620	2	80% ⁴	80%
		3-4	75% ⁶	75%
Refinance Cash-Out	620	1	80%	80%
		2	75% ⁴	75%
		3-4	75% ^{4 & 6}	75%

Second Home – Conforming Balance

Loan Purpose	Minimum FICO	Units	LTV ³	CLTV
Purchase or Refinance	720	1	80%	90%
	620	1	80%	80%
Rate/Term				
Refinance Cash-Out	640	1	75%	75%

Investment Property

Loan Purpose	Minimum FICO	Units	LTV ³	CLTV
Purchase	620	1	75%	75%
	720	2		
Refinance Rate/Term	640	1	75%	75%
	720	2		
Refinance Cash-Out	700	1	75%	75%

¹ 5/1 ARM qualifies at the greater of the fully indexed rate or Note rate +2%

² 7/1 ARM qualifies at the greater of the fully indexed rate or Note rate

³ For all ARM loans, Max LTV is reduced by 5% when using secondary financing

⁴ For 2-4 Unit properties, Max LTV is reduced by 5% when using secondary financing

⁵ Eligible only with executed occupancy declaration

Conventional Loan Program – High Balance

Summary

Product Types	30-year Fixed; 15-year Fixed 5/1 ARM ¹ ; 7/1 ARM ²
Max Debt Ratio	45%

For High Balance Loan Amounts, see the State/County limits at <https://entp.hud.gov/idapp/html/hicostlook.cfm>.

High Balance

Primary Residence -- Fixed Rate

Loan Purpose	Minimum FICO	Units	LTV ³	CLTV
Purchase or Refinance	720	1	90%	90%
Rate/Term	660	1	75%	75%
Refinance	740	2-4	75% ⁴	75%
Cash-Out ⁷	740	1	60%	60%

Primary Residence -- ARM

Loan Purpose	Minimum FICO	Units	LTV	CLTV
Purchase or Refinance	680	1	75%	75%
Rate/Term	740	2-4	75% ⁴	75%
Refinance Cash-Out	740	1	60%	60%

Second Home and Investment Property

Loan Purpose	Minimum FICO	Units	LTV	CLTV
Purchase or Refinance Rate/Term	740	1	65%	65%

¹ 5/1 ARM qualifies at the greater of the fully indexed rate or Note rate +2%

² 7/1 ARM qualifies at the greater of the fully indexed rate or Note rate

³ For all ARM loans, Max LTV is reduced by 5% when using secondary financing

⁴ For this scenario, Max LTV is reduced by 5% when using secondary financing

⁶ Eligible only with executed occupancy declaration

⁷ Max cash out on a High Balance refinance is \$250,000

Conventional Loan Program – Interest Only Programs
Summary

Product Types	5/1 ARM ¹ Int Only; 7/1 ARM ² Int Only
Interest Only Term	10 years
Max Debt Ratio	Determined by DU up to maximum of 50%

Conforming and High Balance³
Primary Residence

Loan Purpose	Minimum FICO	Units	LTV	CLTV
Purchase or Refinance Rate/Term	720	1	70	70

Second Home

Loan Purpose	Minimum FICO	Units	LTV	CLTV
Purchase or Refinance Rate/Term	740	1	65	65

¹ 5/1 ARM qualifies at the greater of the fully indexed rate or Note rate +2%

² 7/1 ARM qualifies at the greater of the fully indexed rate or Note rate

³ Max seller contributions are 3% and no condominiums. For High Balance Loan Amounts, see the State/County limits at <https://entp.hud.gov/idapp/html/hicostlook.cfm>.

Additional Requirements for Interest Only

Minimum Investment	Borrower is required to provide 5% of loan amount from their own funds as a minimum investment. Gifts are acceptable provided borrower has met this requirement.
Rate/Term Refinances	Limited to the lesser of 2% of the loan amount or \$2,000
Reserves	24 months PITI regardless of DU results

Conventional Loan Program – Guidelines

Credit Requirements

Bankruptcy	<ul style="list-style-type: none"> • 48 months since discharge/dismissal for Chapter 7 or 13: • 60 months since most recent discharge/dismissal for Borrowers with multiple BK's:
Credit Report	<ul style="list-style-type: none"> • All borrowers must have a credit score and traditional credit history. • Trade line requirements determined by DU findings. • Inquires: A detailed explanation letter that specifically addresses both the purpose and outcome of each inquiry is required. If additional credit was obtained, a verification of that the debt/payment must be obtained and the DU must be resubmitted • Student Loans: Any student loan currently in default status must have a working repayment plan to be paid in full at the time of close. • Revolving Credit: If there is no payment on the credit report for revolving credit, use the greater of \$10 or 5% of the balance on credit.
Foreclosure / Deed in Lieu / Short Sale / Restructured Loans	<ul style="list-style-type: none"> • Foreclosure: 84 months or more since completion. • Deed-in-Lieu, Short Sales, or Pre-Foreclosure: Generally, 84 months or more since completion. 24-83 months considered on a case-by-case basis dependent on extenuating circumstances • Payoff demands cannot include any fees associated w/foreclosure and/or forbearance. <p>Loans with the following characteristics are ineligible:</p> <ul style="list-style-type: none"> • Principal conversions to soft subordinate financing • Principal curtailments • Restructured loans • Short payoffs • Unsecured loans <p>Note: A restructured (including rate reduction) or short payoff loan is a mortgage 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.</p>
Major Adverse Accounts	<p>Collections/Chargeoff:</p> <ul style="list-style-type: none"> • \$5,000 max per individual item or in aggregate. • For investment properties, \$250 max per individual item or \$1K in aggregate. <p>Disputed Accounts: If there is a disputed account on credit, follow DU requirements:</p> <ul style="list-style-type: none"> • If the tradeline does not belong to the borrower or the reported payment history is inaccurate, NDM will require written documentation from the creditor or credit reporting company validating the information being reported is not accurate. When the information is validated, DU may require no further action. • If the tradeline does belong to the borrower and the reported payment history is accurate, the disputed tradeline(s) must be considered in the risk assessment. To ensure the disputed tradeline is considered, the borrower will have to take the appropriate steps to remove the dispute status with the creditor. NDM will have to obtain a new credit report with the tradeline(s) no longer reported as disputed and resubmit the casefile to DU.
Mortgage Rating	No 60-day mortgage or rental lates in last 12 months.

Property Requirements

Appraisal	<ul style="list-style-type: none"> For ARM loans, Field review required on loan amounts greater than or equal to \$625,000 and value based on lower of field review or appraisal. For Fixed rate loans, Field review required on loan amounts greater than \$1M and LTV/CLTV greater than 75%. Value will be based on lower of field review or appraisal.
Condo/PUD Projects	<ul style="list-style-type: none"> Condos must have 1003/transmittal summary with type/class indicated on form, competed HOA questionnaire, HO6 insurance with 20% coverage of the appraised value. 2-4 unit condominium projects require a HOA Cert Form 24 HOA subsidies are not allowed (this includes advance payment of HOA fees made on behalf of the borrower by the builder, property seller or interested third party) Attached condo properties require two comparables in the project and two outside the project.
Investment Properties	<ul style="list-style-type: none"> Rent loss insurance must be maintained for 1 unit properties; coverage must be for at least 6 months rent loss when using rental income. Sales price or appraised value less than \$100,000 requires 2nd appraisal. Minimum of 2-year history managing rental properties required with verification through most current 2-years signed tax returns. Exception considered if Borrower qualifies for loan based on full payment (PITI) for the subject property without having to rely on rental income. Must be a current home owner A comparable rent schedule (form 1007) must be obtained on all single family investment properties to document the monthly rent on the subject property, regardless if the rental income was used in qualification An Operating Income Statement (form 216) is required for all Investment Properties regardless of unit count.
Multiple Units	<p>For owner occupied 2-4 units:</p> <ul style="list-style-type: none"> Requires executed occupancy declaration. The appraisal must indicate the unit the borrower intends to occupy and confirm availability of that unit. The purchase agreement must show the borrowers intent to occupy. An Operating Income Statement (form 216) is required for all Multi-Family Properties.
Property and Occupancy	<p>Eligible:</p> <ul style="list-style-type: none"> 2-4 units Condo (Max 95% LTV/CLTV) Factory Built (modular, panelized and prefabricated) PUD (attached & detached) SFR Leasehold estate approved on case by case basis <p>Ineligible:</p> <ul style="list-style-type: none"> Board & Care homes Condos in Nevada Condos purchased at auction, Condos which are Non-warrantable Condotels Construction to permanent financing Co-ops Deed restrictions Earth-berm homes Lot size exceeding 10 acres (larger lot cannot be valued on 10 acres to qualify) Manufactured homes Mixed-Use Properties Properties sold at auction by the builder, developer or construction lender Properties with less than 600sq feet Unique properties Vacant land Working farms/ranches

Property Requirements (continued)

Property Requirements (Additional)	<ul style="list-style-type: none"> • Unpermitted additions not allowed • REO: Appraisal requires additional review prior to docs (NDM will choose vendor). LTV will be based on the lesser of the appraised value, sales price, auction/foreclosure bid value or foreclosure sales price. • Departing residence valuations: BPO not allowed to document 30% equity in departure residence. AVM from RELS valuation or full appraisal required and must be dated w/in 60 days of transaction note. • 2-unit primary home transactions: Borrower may not own any other residential property of equal or greater value in same area in which the units are located. Subject property and mailing address must be verified as same or must be treated as investment property. • Land contracts: Eligible for R/T & CO when contract executed greater than 12 months prior to date of application. Contract doesn't have to be recorded, if not recorded use date executed/notarized by all parties as inception date. Land contracts that do not contain notary date ineligible for this exception. • Properties in redemption period are prohibited unless: <ul style="list-style-type: none"> ○ 1) the security instrument for the loan being foreclosed upon includes a specific waiver by the owner and owners spouse if applicable waiving statutory right of redemption; OR ○ 2) the title agency has obtained a waiver from the previous owner and the owners spouse if applicable waiving the statutory right of redemption.
Rural Properties	<ul style="list-style-type: none"> • Primary dwelling must represent 70% or more of total appraised value for property; outbuildings such as barns or stable not to be considered in the 70% calculation and considered on case by case basis. • Property must be residential in nature, meet all other eligible requirements. Agricultural properties not eligible.
States	Where Nations Direct Mortgage lends (see www.nationsdirectmortgage for licensed states) Texas – Only purchase loans, no refinances

General Requirements

Assets	<ul style="list-style-type: none"> • Asset verification is required per DU findings. • Copy of all funds used to close must be in the file at time of closing and must be from verified source. • Business funds: When using business funds for down payment, a cash flow analysis on the business is required. Must also prove the borrower has full use of the funds and there is no required repayment and also evidence the funds are not advancement against future earnings or future cash distributions. • Appraisal fees paid by credit card, verified assets at closing must be sufficient to cover the appraisal fee. <p>Note: Any “critical” finding from our fraud prevention tool and/or Brokers in probation status will require a Lender ordered VOD to verify bank statements.</p>
Automated Underwriting	<ul style="list-style-type: none"> • Loans must receive DU “Approve/Eligible”. • Manual underwrites not allowed. • Loans with SSN Verification message from DU or with Fannie Mae Special Feature Code 162 are not eligible.
Borrowers	<p>Eligible:</p> <ul style="list-style-type: none"> • US Citizens & Permanent Resident Aliens are allowed with a valid social security number • Loans made to individual persons only • Max 4 borrowers on a transaction <p>Ineligible:</p> <ul style="list-style-type: none"> • Non Resident aliens (foreign nationals) • Borrowers who are related to or employed by the submitting broker, regardless of job function. • Borrowers related to or have an ownership interest in the builder, property seller and/or any other party on title, including but not limited to registered agents, sales agents, partners or employees. • Trusts, corporations, LLC’s, and other non-individual entities

General Requirements (continued)

Debt Ratio	Determined by the DU except as noted below: <ul style="list-style-type: none"> If using non-occupying Co-borrower, max ratios for the occ borr is 35/43. For High Balance loans, the maximum debt ratio is 45%. For 2-unit Investment properties, the maximum debt ratio is 45%. For LTV exceeding 80%, the maximum debt ratio is 41%. Pay downs to 10 months remaining payments are not allowed. 										
Down Payment / Source of Funds	Owner Occupied and 2 nd homes: Minimum 5% down payment must be from the borrower's own funds. If LTV/CLTV is less than or equal to 80%, entire down payment may be a gift. The following are prohibited for source of down payment: <ul style="list-style-type: none"> Any payment received as result of being party to property sales transactions Gift that must be paid back Funds provided by grant from seller or builder-funded non-profit organization Contribution to construction or rehab of property in the form of labor or services rather than cash Proceeds from personal/unsecured loan Funds donated by property seller, builder, or real estate agent Proceeds from the subject transaction may never be used to satisfy minimum reserve requirement 										
Gifts	<ul style="list-style-type: none"> Owner Occupied gift funds allowed from relatives, domestic partners, fiancé, church, municipality & non-profit organizations. 2nd homes gift funds allowed from relatives only. Investment properties cannot use gift funds. Gifts funds are required prior to docs (PTD) and the gift letter must match the gift amount exactly. Gift funds from a donor that has had a foreclosure in the last 3 years are not acceptable. 										
Impounds	Required if LTV exceeds 80% unless state law supersedes										
Income Documents	As determine by DU with the following minimum requirements: <p>Salaried Borrowers</p> <ul style="list-style-type: none"> Most recent year-to-date paystub with year-to-date earnings 2 years most recent W-2's Note: No handwritten paystubs or W-2's. <p>Self Employed Borrower</p> <ul style="list-style-type: none"> Most recent two years personal tax returns with all schedules Filed business income tax returns for the last two years (except for sole proprietorships) <p>Additional Requirements</p> <ul style="list-style-type: none"> Other Income documentation is determined by DU. 4506T will be processed for the most recent 2 years. Must be signed at application and closing. The use of trailing secondary wage earner income is not allowed. Temporary Income: Borrowers who work through an agency or multiple agencies must be able to document a steady work history as a temporary employee for a minimum of 18 months. 2106 Expense and/or Schedule C income loss must use a 12-month or 24-month average, whichever is greater. Two year employment history with no gaps must be verified. If there are any gaps greater than 30 days, a letter of explanation is required. Verbal VOE Required within 7 calendar days of loan docs for all income types. 										
Interested Party Contributions	<table border="1" data-bbox="451 1633 1117 1791"> <thead> <tr> <th></th> <th>Max Contribution</th> </tr> </thead> <tbody> <tr> <td>LTV 90.01 to 95%</td> <td>3%</td> </tr> <tr> <td>LTV 75.01% to 90.0%</td> <td>6%</td> </tr> <tr> <td>LTV Less than or equal to 75%</td> <td>9%</td> </tr> <tr> <td>Investment Property</td> <td>2%</td> </tr> </tbody> </table>		Max Contribution	LTV 90.01 to 95%	3%	LTV 75.01% to 90.0%	6%	LTV Less than or equal to 75%	9%	Investment Property	2%
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General Requirements (continued)

Max Financed Properties	<ul style="list-style-type: none"> • Primary residence: There is no limit to the maximum number of financed properties. • Second Home & Investment property: The borrower can have no more than 4 properties financed including subject property. • When borrower owns more than one financed 1-4 unit investment subject property, the product is limited to fixed rate or 7/1 ARM.
Mortgage Insurance	Required if LTV exceeds 80%
Non-arm's Length Transactions	<ul style="list-style-type: none"> • Borrowers related to or have an ownership interest in the builder, property seller and/or any other party on title, including but not limited to registered agents, sales agents, partners or employees. • Non-arms length transaction for Second Home or Investment property are ineligible
Purchases	<ul style="list-style-type: none"> • NDM 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 LTV will be based on the lower of the original purchase price or the appraised value, unless: re-negotiated of only seller paid closing costs and/or pre-pays when seller paid closing costs/pre-pays are common and customary for the market and supported by the comparables. • If the borrower is living in the property they are purchasing and the property is in foreclosure, 12-month cancelled checks are required to verify the borrower's housing payment history. • Max 8% sales commission – any aggregate real estate commission greater than 8% of the sales price of the subject property is considered an excessive real estate commission. The portion of the aggregate commission greater than 8% must be deducted from the sales price for underwriting purposes. • Primary Residence Conversion to Investment Property; If the current primary residence is converting to a investment property upon purchase of a new primary residence, use the following to qualify for existing properties with 30% documented equity; 75% of the gross rental income may be used to offset the mortgage payments for qualifying purposes and standard reserve requirements. For properties without 30% documented equity, use the following to qualify; Rental income cannot be used to offset the mortgage payment and both the current mortgage payment and the proposed mortgage payment must be used to qualify the borrower for the new transaction and reserves of six months PITI for both properties are required. The rental income from the conversion of the primary residence must be documented. Note: The 30% equity in the existing property must be documented using an appraisal or AVM. • Multiple transfers in the last 12 months or property appreciation greater than 20% must provide proof of improvements and subject to additional appraisal requirements.
Refinances	<ul style="list-style-type: none"> • Rate/term refinance: Non-purchase money 2nd liens must be paid off prior to close. If paid off in loan transaction, loan is considered cash out. • Cash-Out refinance: Borrower must own property for 6 months. Seasoning is calculated from the date the existing loan was closed to the application date of the new loan. • A payoff demand statement is required and must reflect that the loan is not more than 30 days delinquent, does not contain charges associated with default/forbearance, does not indicate a curtailment of principal/interest (short pay) and meets the mortgage derogatory requirements. • Continuity of Obligations – There must be at least one borrower obligated on the new loan who was also a borrower obligated on the existing loan being refinanced <p>If property is listed for sale:</p> <ul style="list-style-type: none"> • Refinances are prohibited when subject listed at time of initial application. It may be acceptable with proof taken off market prior to initial application date and an MLS search for property listing is required. • Rate/Term Refi: Listing agreement must be cancelled at least one day prior to the application date. • Cash-Out Refi: Listing agreement must be canceled at least 6 months prior to the application date, and loan is subject to max LTV of 70%.

General Requirements (continued)

Reserves	<p>Per DU findings. For Investment Properties, 6 months PITI required plus 2 months PITI for each additional 2nd home or Investment property owned. For 2-4 Unit Owner Occupied, 6 months PITI required when rental income is used for qualifying. For LTV exceeding 80%, 2 monthly PITI reserves are required.</p> <p>The following calculations must be used when determining the value of the asset being used for reserves:</p> <ul style="list-style-type: none"> • Stocks, bonds, and mutual funds are 70% of the value. • Retirement accounts are 60% of the vested value. • Stock options and non-vested restricted stock are not eligible.
Subordinate Financing	<ul style="list-style-type: none"> • Max LTV is 80% when subordinate financing is present. • Minimum term for 2nd is 5 years and Maximum term is 30 years. • Seller carry back financing must provide for regular payments of principal and interest. • When the 2nd loan is a line of credit, borrowers qualify using the monthly payment from the credit report when calculating the total housing expense ratio. • Only one junior lien is allowed. <p>The following types of subordinate financing are prohibited:</p> <ul style="list-style-type: none"> • Balloon/call option within 5 years of date of first mortgage note • Negative Amortization loans • Equity share/shared appreciation, or employer financing with provision requiring repayment upon termination • Seller assisted down payment programs