

## Underwriting Guidelines for 95% CLTV (70-25-5 and 75-20-5)

These underwriting guidelines apply when processing Full Doc purchase insurable Equity Line of Credit (ELOC) **Concurrent** transactions at CLTVs over 90% up to 95%. These guidelines **do not** apply to ELOC Optional or Fixed Rate Second transactions.

### CREDIT

- ❖ **CLTV greater than 90%** – Minimum FICO score 650
- ❖ **Multiple credit scores** – Use middle score of 3 scores on the credit report of primary wage earner.
- ❖ **Three-bureau merge** – 3 or more trade lines active for last 12 months or proof of credit depth on credit bureau in Primary wage earner's name. **No alternative credit allowed.**
- ❖ **Bankruptcy** – must be discharged at least two years ago and credit re-established
- ❖ **Foreclosure** – no prior Foreclosure on record
- ❖ **Mortgage lates** – No more than 1x30 mortgage lates in past 12 months. No lates in past 90 days
- ❖ **Consumer lates** – No more than 3x30 in the last 12 months on either revolving or installment debt
- ❖ **No major derogatory** (60+ days late) in the past 12 months including collections, charge offs, tax liens, judgments, etc.
- ❖ **Debt counseling** – Cannot be in debt/credit counseling now or in the last 12 months.

### DOWN PAYMENT/CLOSING COSTS

- ❖ **Down payment, closing costs** must be verified and seasoned 1 month with no gifts allowed.
- ❖ **Closing costs** – 3% must be verified and seasoned 1 month. Maximum 3% seller credit allowed but cannot exceed non-recurring closing costs and no gifts allowed.
- ❖ **RESERVES** – Not required.

### INCOME

- ❖ **Salaried** – 1 year with current employer, 2 years in related field, telephone VOE to confirm employment status, pay stubs covering 30 days of earnings with YTD figures and one of the following: 2 years W-2s or World processed VOE. Use 24-month average.
- ❖ **Variable** – 1 year with current employer, 2 years in related field, telephone VOE to confirm employment status, pay stubs covering 30 days of earnings with YTD figures and one of the following: 2 years W-2s, World processed VOE or two years signed tax returns depending on type of variable income. Use 24-month average.
- ❖ **Self employed** – minimum 2 years in the same business, fully documented with signed tax returns. Use 24-month average.
- ❖ **Trailing spouse income** – 100% allowed but cannot exceed 33% of the total income needed to qualify.

### RATIOS

- ❖ **Revolving debt** – use 3% of remaining balance to calculate debt ratios or verified minimum payment from Credit Bureau.
- ❖ **Expenses** – use the total housing expense to determine the front-end ratio, and the combined total housing expense plus the monthly debt expense to determine the back-end ratio.
- ❖ **Rental Income** – use 75% of rents to calculate rental income minus PI. Signed lease agreements must be in file.
- ❖ **Non-taxable income** – maximum 115% grossing up non-taxable income.
- ❖ **Paying off debt to qualify**
  - Revolving debt – pay off installment debt first, then revolving allowed (**case by case basis**). Revolving debt less than \$100 not included in ratios;
  - Installment debt – pay down to less than 10 months – not allowed unless paid off completely;
  - Inclusion of installment debt less than 10 months – Underwriter's discretion.
- ❖ **Maximum debt ratio 42%.**
- ❖ **Front end ratio cannot exceed 35%** (up to 40% allowed with compensating factors).

### PROPERTY

- ❖ **Owner occupied / primary residence.**
- ❖ **SFR/Condo/PUD only.**
- ❖ **No 2-4 units.**
- ❖ **Minimal adverse factors allowed (see World Appraisal Guidelines.)**

### DOLLAR AMOUNTS

- ❖ **Maximum ELOC - \$150,000**
- ❖ **Total combined - \$500,000**