

Conforming ARM

Full Doc				
Number of Units		LTV	CLTV	Minimum FICO
PURCHASE & R/T REFINANCE				
Owner Occupied (O/O)				
1-2 units		80%	80%	620
3-4 units		75%	75%	620
2nd Home (2nd)				
1 unit		80%	80%	620
Non-Owner Occupied (N/O/O)				
Purchase	1 unit	80%	80%	620
	2 units	75%	75%	620
	3-4 Units	75%	75%	620
R/T Refinance	1-4 units	75%	75%	620
CASH-OUT REFINANCE				
Owner Occupied (O/O)				
1 unit		80%	80%	620
2 units		75%	75%	620
3-4 units		75%	75%	620
2nd Home (2nd) - 1 unit		75%	75%	620
Non-Owner Occupied (N/O/O)				
1 unit		75%	75%	620
2 units		70%	70%	620
3-4 units		70%	70%	620

- Maximum Financed Properties Owned - No limitation on O/O
 - Up to 10 Properties allowed on 2nd Home and Investment.
 - Cash-Out Refinance Ineligible
 - See Guideline for details (Pg 5)
- Flipped Properties - Less than 90 days allowed. See Pg 5 for details.

Conforming ARM Interest Only

Full Doc				
Number of Units		LTV	CLTV	Minimum FICO
PURCHASE & R/T REFINANCE				
Owner Occupied (O/O)				
1 unit		70%	70%	720
Second Home (2nd)				
1 unit		70%	70%	720

- Interest Only Product requires a minimum of 24 months of reserves (based on fully amortizing PITI)
- Flipped Properties - Less than 90 days allowed. See Pg 5 for details.
- 40 Yr Term not available on Interest Only Product.

Conforming ARM (including Interest Only)

General Guideline	
LOAN TERMS	<ul style="list-style-type: none"> ▪ 30 Yr Amortization / Term Only ▪ ARM - 3 yr (CA10-3), 5 yr (CA10-5), 7 yr (CA10-7), 10 yr (CA10-10) ▪ Interest Only: 3 yr IO (CA05-3), 5 yr IO (CA05-5), 7 yr IO (CA05-7), 10 yr IO (CA05-10)
ARM INFORMATION	<ul style="list-style-type: none"> ▪ Index: 1 Year LIBOR ▪ Margin: 2.25 ▪ Caps: 3/1 (2/2/6) 5/1, 7/1, 10/1 (5/2/5)
QUALIFYING RATE	<ul style="list-style-type: none"> ▪ 3/1 & 5/1 ARMs - Greater of fully indexed rate or the Note Rate + 2.0% ▪ 3/1 & 5/1 Interest Only - Greater of fully indexed rate or the Note Rate + 2.0% ▪ 7/1 & 10/1 ARM - Note rate ▪ 7/1 & 10/1 Interest Only - Greater of fully indexed rate or Note Rate
MINIMUM LOAN AMOUNT	<ul style="list-style-type: none"> ▪ \$75,000
INELIGIBLE PROPERTY TYPE	<ul style="list-style-type: none"> ▪ Modular / manufactured homes ▪ Co-ops ▪ Mixed use properties (income producing properties, farming, ranches, etc) ▪ Timeshare, houseboat, segmented ownership project ▪ Construction-to-Permanent Loans ▪ Condotel and non-warrantable condos ▪ Deed restricted properties ▪ Hawaii properties located in lava zone 1 or 2
UNDERWRITING METHOD	<ul style="list-style-type: none"> ▪ DU Only (Manual Underwrite not allowed)
AGE OF CREDIT DOCUMENTS	<ul style="list-style-type: none"> ▪ Credit documents cannot be older than 60 days from the funding date. Credit documents include credit report, employment, income and asset documentation (Appraisal & Prelim are good for 90 days)
CREDIT AND TRADELINES	<ul style="list-style-type: none"> ▪ CREDIT: All Borrowers must have minimum of 2 FICO scores on the credit report. All borrowers must have sufficient credit experience regardless of DU findings. ▪ TRADELINES: <ul style="list-style-type: none"> ▪ DU Approve/Eligible: The underwriter must compare information from the credit report for the loan with the data used by DU to evaluate the loan to ensure the DU recommendation was based on complete and accurate credit information. ▪ DU Approval is based on authorized user account Trade Line(s): <ul style="list-style-type: none"> - Must have a Min. 3 Tradelines (1 open & 2 can be closed) rated for 12 mos, regardless of DU.
BANKRUPTCY	<ul style="list-style-type: none"> ▪ <u>All BK except Chapter 13</u> - 4 years from discharge or dismissal date. ▪ <u>Chapter 13</u> - 2 years from the discharge date or 4 years from the dismissal date. ▪ <u>Multiple Bankruptcy Filings within 7 yrs</u> - 5 years from most recent discharge or dismissal date.
FORECLOSURE	<ul style="list-style-type: none"> ▪ 7 years from completion date.
DEED-IN-LIEU OF FORECLOSURE, PRE-FORECLOSURE, OR SHORT SALE	<ul style="list-style-type: none"> ▪ 2 years from completion or settlement date.
INCOME	<ul style="list-style-type: none"> ▪ Paystubs: provide most recent 30 day period with YTD earnings ▪ Tip Income: <ul style="list-style-type: none"> ▪ Tip income may be used if the borrower has received it for the last 2 years and the employer indicates that the tip income will in all probability continue. ▪ Both Tax Returns and Written VOE are required for underwriter to determine the amount of tip income that may be considered in qualifying the borrower. ▪ Verbal VOE: Verbal Verification of employment is required for all borrowers. <ul style="list-style-type: none"> ▪ Salaried and Commission income - verbal VOE within 10 days prior to note date. ▪ Self-employed income - verbal VOE within 30 days prior to note date. ▪ 4506-T <ul style="list-style-type: none"> ▪ Require signed 4506-T Form from all borrowers at both application and closing.
MAX DTI RATIO	<ul style="list-style-type: none"> ▪ Per DU findings

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General Guideline	
ASSET	<ul style="list-style-type: none"> ▪ <u>Determining the value of the asset when used for reserves:</u> <ul style="list-style-type: none"> ▪ Stocks, Bonds, and mutual funds: 70% of the value may be used as reserves. ▪ Retirement Accounts: 60% of the vested value may be used (reduced from 70%) ▪ Bank statements or Computer-generated VODs must be provided (Written VODs are not allowed) ▪ <u>Business Funds:</u> <ul style="list-style-type: none"> ▪ Allowed on Full Doc Only. ▪ Must be <u>Owner Occupied</u>. ▪ <u>Business Type must be under Sole Proprietorship</u>. Corporation / LLC on a case by case with 100% Ownership only. ▪ Used for <u>Down Payment</u> and/or <u>Closing Costs</u> Only (Business funds <u>cannot</u> be used for meeting reserve requirements) ▪ Provide CPA Letter explaining use of business funds does not negatively affect the business.
RESERVES	<ul style="list-style-type: none"> ▪ O/O - Per DU Findings ▪ <u>2ND Home</u> - <u>2 mos PITI</u> plus an additional <u>2 mos reserves</u> on every other financed 2nd home & NOO ▪ <u>Investment</u> - 6 mos PITI plus an additional <u>2 mos reserves</u> on every other financed 2nd home & NOO ▪ <u>Interest Only Product</u> - Require a minimum 24 months PITI (Based on Fully Amortizing PITI)
GIFT FUNDS	<ul style="list-style-type: none"> ▪ Allowed on O/O or 2nd Home purchase transactions. ▪ Gift donor must be blood or legal relative, domestic partner, or fiance. ▪ Gift letter must contain the amount of the gift, donor's name, address, phone number and his relationship to the borrower. Also the donor should state that the repayment is not expected. ▪ If LTV ≤ 80%, the entire down payment can come from a gift.
INTERESTED PARTY	<p>Maximum Allowable Contribution from seller, builder, real estate agent, broker, or an affiliate who may benefit from the sale of the proeprty.</p>
CONTRIBUTION	<ul style="list-style-type: none"> ▪ LTV ≤ 75% - 9% ▪ LTV 75.01 - 90% - 6% ▪ Investment Property is limited to Max 2% regardless of LTV/CLTV
CONDOMINIUM PROJECT	<ul style="list-style-type: none"> ▪ Occupancy Rate: At least <u>51%</u> ▪ Delinquencies: No more than <u>15%</u> of total units. ▪ No single entity may own more than 10% of total units. ▪ No more than 20% commercial/non-residential usage in a project. ▪ Pending / current litigation is NOT acceptable. ▪ PMC reserves the right to limit its exposure to <u>20%</u> in any 1 conominium project (Or 1 unit maximum in 2-4 unit condominium project) <p><u>Additional Requirements for New Projects or Condo conversions:</u></p> <ul style="list-style-type: none"> ▪ Occupancy Rate: At least <u>70%</u> ▪ 70% Presale Requirement - At least <u>70%</u> of the total units must have been sold or in escrow. Additionally, PMC requires at least 20% out of the 70% Pre-sold units to have CLOSED escrow.
PROPERTY LISTED FOR SALE	<ul style="list-style-type: none"> ▪ Properties that were listed for sale within the past 180 days are eligible for rate/term or cash-out refinance, however cash-out refinances are limited to 70% maximum LTV. Properties listed for sale must have been taken off the market on or before the loan application date.
CURRENT PRINCIPAL RESIDENCE IS PENDING SALE AND WILL NOT BE CLOSED PRIOR TO NEW TRANSACTION	<ul style="list-style-type: none"> ▪ Both the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction. In addition, the following reserve requirements must be met: <ul style="list-style-type: none"> ▪ < 30% equity in existing primary residence - <u>6 mo PITI</u> reserves for both properties ▪ ≥ 30% equity in existing primary residence (as evidenced by an appraisal report or AVM) - <u>2 mo PITI</u> reserves for both properties. ▪ <u>Exception:</u> The current primary residence's PITI is not required to be used in qualifying the borrower providing that the minimum reserves stated above are met and the following additional documentation is provided: <ol style="list-style-type: none"> 1. A fully executed sales contract for the current residence, and 2. Confirmation that any financing contingencies have been cleared.
CONVERSION TO 2ND HOME	<ul style="list-style-type: none"> ▪ Both the current and the proposed PITI must be used to qualify and; ▪ Require 6 mo PITI reserves for both properties. Lender may consider 2 months for both properties if there is documented ≥ 30% equity in existing property (appraisal or AVM)

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CONVERSION TO INVESTMENT PROPERTY	<ul style="list-style-type: none"> ▪ Up to 75 percent of the rental income to be used to offset the mortgage in qualifying, documented \geq 30% equity in the existing property (derived from an appraisal or AVM) ▪ The rental income must be documented with: <ul style="list-style-type: none"> ▪ a copy of the fully executed lease agreement; and ▪ the receipt of a security deposit from the tenant and deposit into the borrower's account. ▪ If the 30 percent equity in the property cannot be documented, <ul style="list-style-type: none"> ▪ Rental income may not be used to offset the mortgage payment. ▪ Both the current and the proposed mortgage must be used to qualify; and ▪ <u>6 mo PITI</u> for both properties is required. 						
CASH-OUT REFINANCE - SEASONING REQUIREMENT	<ul style="list-style-type: none"> ▪ 6 Month Title Seasoning <ul style="list-style-type: none"> - If the property was purchased by the borrower within the 6 months preceding the application for new financing, the borrower is ineligible for a cash-out refinance. ▪ LTV Calculation for Cash-Out Refinance <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr style="background-color: #333; color: white;"> <th style="width: 50%; padding: 5px;">Purchase Date</th> <th style="width: 50%; padding: 5px;">LTV Calculation</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; padding: 5px;">within 6 - 12 months</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> • Lesser of the Sales Price or the current value </td> </tr> <tr> <td style="text-align: center; padding: 5px;">More than 12 months</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> • Use the current appraised value </td> </tr> </tbody> </table> 	Purchase Date	LTV Calculation	within 6 - 12 months	<ul style="list-style-type: none"> • Lesser of the Sales Price or the current value 	More than 12 months	<ul style="list-style-type: none"> • Use the current appraised value
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RATE & TERM REFINANCE - SEASONING REQUIREMENT	<ul style="list-style-type: none"> ▪ No Seasoning required. <ul style="list-style-type: none"> - If the first mortgage being paid off with this transaction was used to payoff any subordinate financing that was not used to acquire the property, and that mortgage has not been seasoned for at least 6 months prior to the date of the loan application, the loan is ineligible for Rate&Term Refinance. ▪ LTV Calculation for Rate & Term Refinance <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr style="background-color: #333; color: white;"> <th style="width: 50%; padding: 5px;">Purchase Date</th> <th style="width: 50%; padding: 5px;">LTV Calculation</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; padding: 5px;">within 12 months</td> <td style="padding: 5px;"> <ul style="list-style-type: none"> • Use the current appraised value • If LTV > 70%, a <u>2nd Full appraisal</u> is required to support the current value (If Purchase price is lower than current value) </td> </tr> </tbody> </table> 	Purchase Date	LTV Calculation	within 12 months	<ul style="list-style-type: none"> • Use the current appraised value • If LTV > 70%, a <u>2nd Full appraisal</u> is required to support the current value (If Purchase price is lower than current value) 		
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CONTINUITY OF OBLIGATION	<ul style="list-style-type: none"> ▪ For refinance transactions where there is an outstanding lien against the property, acceptable continuity of obligation must be met by meeting any of the following: <ul style="list-style-type: none"> ▪ There is at least one borrower obligated on the new loan who was also a borrower on the existing loan being refinanced. ▪ The borrower has been on title for the last 12 months, and has either paid the mortgage for the last 12 months or can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor. ▪ NOTE: Transfer of ownership from a corporation to an individual does not meet the acceptable continuity definition. ▪ If the borrower is currently on title but is unable to demonstrate an acceptable continuity of obligation or there is not currently an outstanding lien on the subject property, the loan must be underwritten and priced as a Cash Out Refinance and is subject to the following restrictions: <ul style="list-style-type: none"> ▪ No outstanding lien: <ul style="list-style-type: none"> ▪ If the property was purchased within the 6 to 12 month period prior to the application date for the new financing, the LTV ratios will be based on the lesser of the original sales price/acquisition cost (documented by HUD-1) or the current appraised value ▪ If the property was purchased more than 12 months prior to the application date for new financing, the current appraised value may be used to calculate the LTV ratios. ▪ Outstanding liens with no continuity of obligation: <ul style="list-style-type: none"> ▪ If the borrower has been on title for at least 6 months but continuity of obligation does not exist, the maximum LTV ratios will be limited to 50% based on the current appraised value. ▪ If no existing loan on the property, the new refinance must be treated as a cash-out refinance. 						

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APPRAISAL FORMS	<ul style="list-style-type: none"> ▪ Form 1004 - SFRs and PUDs ▪ Form 1073 - Condominiums ▪ Form 1025 - 2-4 unit properties (If rental income used, Form 216 is required) ▪ Form 1007 and Form 216 (Operating Income Survey) <ul style="list-style-type: none"> - Only if required by DU - If the borrower is being qualified with the entire payment (PITI), 216 & 1007 is <u>not</u> required. ▪ Form 1004MC (Market Condition Addendum) is required on all appraisals. ▪ Form 1004D (Appraisal Update and/or Completion Report) 																						
FLIPPED PROPERTIES	<ul style="list-style-type: none"> ▪ Less than 90 day resale is allowed (From seller's closing date to PMC Submission) ▪ < 90 DAYS: If the value is increased more than 25%, a <u>2nd Full Appraisal</u> is required. 																						
MULTIPLE FINANCED PROPERTIES	<ul style="list-style-type: none"> ▪ OWNER-OCCUPIED: <ul style="list-style-type: none"> - <u>No limitation</u> on the number of properties ▪ 2ND HOME OR INVESTMENT: <ul style="list-style-type: none"> - Allowed up to 10 <u>Financed properties</u>, including primary residence (Include Joint or total ownership) ▪ <u>Eligibility for Investment & 2nd Home w/ 5-10 Financed Properties</u> <table border="1" style="margin: 10px auto; border-collapse: collapse; text-align: center;"> <tr> <td>Purchase</td> <td>1 unit</td> <td>75/75</td> <td>720</td> </tr> <tr> <td>R/T Refi</td> <td>1 unit</td> <td>70/70</td> <td>720</td> </tr> <tr> <td>Pur & R/T</td> <td>2-4 unit</td> <td>70/70</td> <td>720</td> </tr> </table> ▪ <u>Underwriting Requirement for Investment & 2nd Home w/ 5-10 Financed Properties</u> <table border="1" style="margin: 10px auto; border-collapse: collapse; text-align: left;"> <tr> <td style="background-color: #e0e0e0;">BK/FORECLOSURE</td> <td>• No Bankruptcy or Foreclosure in the past 7 years</td> </tr> <tr> <td style="background-color: #e0e0e0;">MTG LATES</td> <td>• No delinquencies within the past 12 mos on ANY mortgage loans.</td> </tr> <tr> <td style="background-color: #e0e0e0;">RENTAL INCOME</td> <td>• Rental income from other properties owned must be supported by 2 years tax returns or as long as the property has been owned, if less than 2 years.</td> </tr> <tr> <td style="background-color: #e0e0e0;">4506-T</td> <td>• Require signed 4506-T Form and 4506-T must be executed.</td> </tr> <tr> <td style="background-color: #e0e0e0;">RESERVE</td> <td> • <u>2ND Home</u> - 2 mos PITI plus an additional <u>2 mos</u> reserves on every other financed 2nd home & NOO • <u>Investment</u> - 6 mos PITI plus an additional <u>2 mos</u> reserves on every other financed 2nd home & NOO </td> </tr> </table> 	Purchase	1 unit	75/75	720	R/T Refi	1 unit	70/70	720	Pur & R/T	2-4 unit	70/70	720	BK/FORECLOSURE	• No Bankruptcy or Foreclosure in the past 7 years	MTG LATES	• No delinquencies within the past 12 mos on ANY mortgage loans.	RENTAL INCOME	• Rental income from other properties owned must be supported by 2 years tax returns or as long as the property has been owned, if less than 2 years.	4506-T	• Require signed 4506-T Form and 4506-T must be executed.	RESERVE	• <u>2ND Home</u> - 2 mos PITI plus an additional <u>2 mos</u> reserves on every other financed 2nd home & NOO • <u>Investment</u> - 6 mos PITI plus an additional <u>2 mos</u> reserves on every other financed 2nd home & NOO
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ELIGIBLE STATES	<ul style="list-style-type: none"> ▪ CA, HI, IL, NV, TX (Purchase only), WA, CO 																						
FUNDING INTO THE MONTH	<ul style="list-style-type: none"> ▪ Allowed until the 5th calendar day of the following month. 																						