



AFR JUMBO OVERVIEW

12/20/2017



AFR JUMBO OVERVIEW

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AFR JUMBO OVERVIEW

PROGRAM OVERVIEW



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PROGRAM OVERVIEW

- Fixed Rate and Fully Amortizing ARM
 - **NOTE:** Loans will have to be manually locked until 12/22.

PURCHASE/RATE & TERM REFINANCE

Occupancy	Maximum Loan Amount	LTV	Credit Score
Primary 1 Unit	\$1,000,000	90%*	720
	\$1,500,000	90%*	740
	\$2,000,000	80%	700
Second Home	\$2,000,000	80%	700
Primary 2-4 Unit	\$2,000,000	75%	700
Non-Owner Occupied	\$1,000,000	65%	720
	\$1,500,000	75%	760

**Rate & term refinance up to 80% / purchase up to 90%*

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PROGRAM OVERVIEW

- Fixed Rate and Fully Amortizing ARM

CASH-OUT REFINANCE

Occupancy	Maximum Loan Amount	LTV	Credit Score	Maximum Cash Out
Primary 1 Unit	\$2,000,000	70%	700	350k
	\$2,000,000	75%	720	350k
	\$2,000,000	60%	700	500k
Second Home	\$1,000,000	70%	720	350k
	\$1,500,000	65%	720	350K
	\$2,000,000	50%	720	500k

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All loans must be prudently underwritten utilizing these guidelines and industry standard best practices. All loans must be manually underwritten (with the exception of the Agency High Balance loan) and fully documented. Where these guidelines are silent the UW must utilize the most recent Fannie Mae or Freddie Mac Selling guide for guidance.

GUIDELINES

- **Mortgage Insurance:** No PMI permitted
- **Minimum Loan Amount:** \$453,100
- **DTI:** Max 43%. Max 40% >80% LTV
 - **Note:** These are the max DTIs regardless of AUS findings on Agency High Balance loans
- **Eligible Channels:** Wholesale, Correspondent Table Fund and Correspondent Non-Delegated
 - **Note:** Correspondent Delegated channel is not permitted
- **Reserves:**
 - If LTV/CLTV \leq 80%
 - \leq \$1,000,000 6 months PITI reserves
 - $>$ \$1,000,000 to \leq \$2,000,000 12 months PITI reserves
 - If LTV/CLTV $>$ 80%
 - \leq \$1,000,00 18 months PITI reserves
 - $>$ \$1,000,000 to \leq \$1,500,000 24 months PITI reserves
 - Cash Out $>$ 350k 24 months PITI reserves
 - Non-Owner Occupied = 12 months PITI reserves

See Guidelines for additional required reserves when borrower owns more than one financed property.

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GUIDELINES

- **Minimum Credit Requirements:** Nontraditional credit not permitted. All borrowers must have a minimum of 2 credit scores. Each borrower must have a minimum of 3 open trade lines active for the past 24 months. For borrower with mortgage or rental history borrower must have 0x30 late payments in the past 24months.
- **Eligible Property Type:** Single Family, PUD, Condo (Agency eligible), 2-4 Units. Note: Co-Ops, Manufactured Housing and Factory Built housing are not permitted. See Selling Guide for full list of ineligible properties.
- **Declining Property Values:** Reduce maximum LTV by 5%, max 80% LTV for any property located in an area of declining property values as reported by appraiser.
- **Condominium Restrictions:** Fannie Mae or Freddie Mac warrantable condominiums. Maximum loan amount 2mm. Minimum 400 square feet. Maximum LTV 85%. LTV >80% to 85% requires minimum FICO of 740
- **State Restrictions:** Hawaii not permitted. Texas cash out not permitted.

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GUIDELINES

- **Appraisal Restrictions:** 2 full appraisals required for loan amounts >1.5mm. LTV will be based on the lower of the two values. Appraisals assigned from another lender are not permitted. PIWs not permitted on Agency High Balance loans.
- **Rate & Term Refinance:** Not permitted over 80%. Cash out must be the lower of \$2000 or 1% of the new loan amount
- **Cash Out Refinance:** Maximum cash out with LTV <=60% is max \$500k / LTV > 60% is max \$350k
- **New Subordinate Financing:** Permitted on purchase transactions only up to maximum LTV, CLTV, HCLTV as per matrix
- **Fixed Rate Loan Terms:** 15 and 30-year fully amortizing
- **ARM Types:** 7/1 fully amortizing 30-year term. ARMS are not assumable.
 - **ARM Margin:** 2.25
 - **ARM Index:** 1 Year LIBOR
 - **Rate Caps:** 5/2/5 (First, Periodic, Lifetime)
 - **ARM Qualification (Fully Amortizing):** 7/1 ARM is qualified at the higher of the Note rate or the fully indexed rate (sum of index and margin)

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PROGRAM OVERVIEW

GUIDELINES

- **Balloon:** Not permitted
- **First Time Home Buyer:** Owner Occupied only; 12 months PITI reserves, maximum 1mm loan amount. Interest Only not permitted.
- **Prepayment Penalty:** Not permitted
- **Chain of Title:** All transactions require a minimum 12-month chain of title. For purchase transactions, the seller must have taken title to the subject property a minimum of 90 days prior to the date of the sales contract.
- **Seller Contributions:** Maximum 6% of sales price. Non-owner occupied maximum 2%.
- **Escrow Holdback:** Not permitted
- **Compliance:** All loans must be originated, closed, serviced and transferred in compliance with all applicable federal, state, and local laws and regulations

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PROGRAM OVERVIEW

Review of Program Overlays

PROGRAM OVERLAYS

- Borrower Paid Compensation Only
- Delegated Correspondent (CDE) loans not permitted
- Second level review required on all loans
- Co-Ops not permitted
- 7/1 LIBOR ARM only – no other ARM options permitted
- Interest Only not permitted

GEOGRAPHIC RESTRICTIONS

- Loans in the state of Hawaii are not permitted.

Note: *AFR does not operate in the state of Hawaii and does not permit loans with a subject property in Hawaii.*

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KEY PLAYERS



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HOW WE MAKE IT HAPPEN

WORKFLOW



- **INITIAL UNDERWRITE:** UW will Approve, Suspend, or Decline the file.
 - If approving or suspending, the file will be conditioned accordingly.
 - If declining, the file will be submitted for a 2nd level review.

- **APPRAISAL RECEIVED:** UW will review the appraisal.
 - If the appraisal is clear and the loan amount is greater than or equal to 1.5M, the loan will be conditioned for a second appraisal.
 - ✓ The client will be responsible for ordering the second appraisal.
 - If the appraisal is clear and the loan amount is less than 1.5M, the UW will request a CDA.
 - ✓ The Appraisal Desk will order the CDA.



AFR JUMBO OVERVIEW

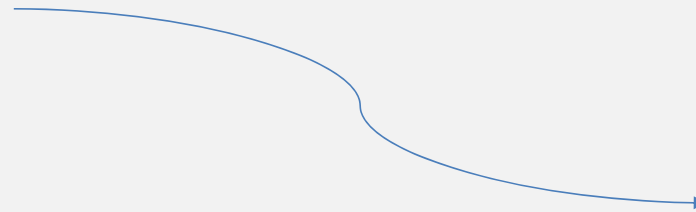
HOW WE MAKE IT HAPPEN

WORKFLOW

NOTE: CDAs only apply if the Appraisal was clear and the Loan Amount is < 1.5M



- **CDA RECEIVED:** Appraisal Desk will notify the UW.



- **CDA REVIEW:** UW will review the CDA.
 - If the CDA is within tolerance, the condition will be cleared.
 - If the CDA is not within tolerance, the UW will condition for a Field Review.
 - ✓ The Appraisal Desk will order the Field Review.



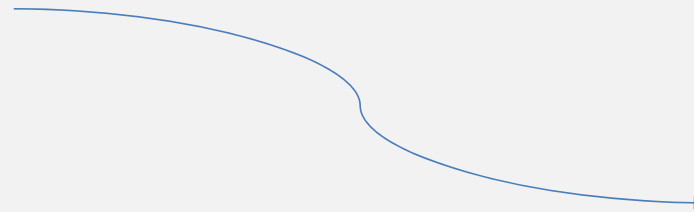
AFR JUMBO OVERVIEW

HOW WE MAKE IT HAPPEN

WORKFLOW



- **FIELD REVIEW RECEIVED:** Appraisal Desk will notify the UW.



- **REVIEW OF THE FIELD REVIEW:** UW will review the Field Review.
 - If the Field Review supports the value, the condition will be cleared.
 - If the Field Review does not support the value, the file will be denied.



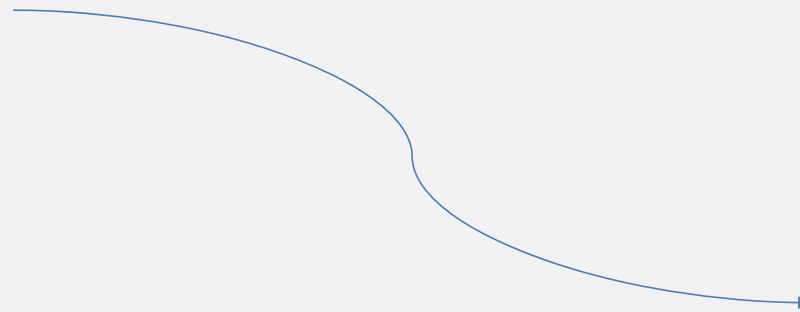
AFR JUMBO OVERVIEW

HOW WE MAKE IT HAPPEN

WORKFLOW



- **RESUBMIT OR SENT FOR FINAL REVIEW:** UW reviews the file and clears any remaining conditions if possible.
 - ✓ Once the file is complete, the UW will submit for Second Level Review.



- **SECOND LEVEL REVIEW:** The Appraisal Desk notifies the UW when the Exception Report is complete.



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HOW WE MAKE IT HAPPEN

WORKFLOW



- **SECOND LEVEL REVIEW EXCEPTION REPORT:** UW reviews the report for open exceptions.
 - If open exceptions, the UW will review with their Team Lead and condition accordingly.
 - If no open exceptions, the UW will submit to PFQC for review.

- **PFQC REVIEW:** PFQC will review the file to determine it meets the program guidelines.
 - ✓ If the file does not meet the guidelines, the UW will be notified and will need to review any additional conditions with their Team Lead.
 - ✓ If the file meets the guidelines, the UW will be notified.



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HOW WE MAKE IT HAPPEN

WORKFLOW



- **READY FOR CTC:** Once the UW has received approval from PFQC, they will issue the CTC.

Initial Review + Second Level Review + Appraisal Review





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RESOURCES

All information pertaining to the program can be found in the AFR Resource Center:

1. <https://resources.afrloancenter.com/>
2. Programs
3. Jumbo

The screenshot displays the AFR Resource Center website. The top navigation bar includes a home icon, the text "HOME / PROGRAMS / JUMBO / JUMBO LOAN PROGRAM", and a user profile icon. The left sidebar features the "RESOURCE CENTER" logo and a menu with categories: AFR UPDATES, AFR UNIVERSITY, POLICIES & PROCEDURES, AFR LOAN CENTER, ON-DEMAND PROCESSING, FORMS, and MARKETING TOOLS. The "PROGRAMS" category is highlighted in yellow and expanded to show a list of programs: Program Matrix, FHA, VA, USDA, Fannie Mae, Freddie Mac, Jumbo (highlighted in yellow), and Renovation Loans. The main content area is titled "Jumbo Loan Program" and contains a descriptive paragraph about the program's options. Below this is a "Resources" section with three cards: "Program Guidelines", "Program Flyer", and "Program Matrix". At the bottom of the main content area is a "Need Help?" section with a "DEPARTMENT DIRECTORY" button. The footer of the page includes "CONTACT US" and "SEARCH" icons.

AFR JUMBO OVERVIEW

GUIDELINE HIGHLIGHTS

The following slides are highlights directly from the guidelines and are not inclusive. This is designed as a supplement to the Matrix. Please refer directly to the guidelines for all requirements.

HIGHLIGHTS

• NON-ARM'S LENGTH TRANSACTIONS:

- Not permitted. If a direct relationship exists between the borrower and any party to the transaction the transaction is considered non-arm's length.
- Parties to the transaction include but are not limited to:
 - Borrower/buyer
 - Seller
 - Employer
 - Lender
- Examples of non-arm's length transactions include:
 - Sales between family members,
 - Renter buying from landlord,
 - Employer to employee sale, and
 - Borrowers who are employed in real estate or construction business who are involved in the construction, financing or sale of the subject property.

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GUIDELINE HIGHLIGHTS

HIGHLIGHTS

- **CREDIT DOCUMENTS AGE:**

- For all transaction types credit documents may not be older than 90 days from the Note date.

- **MINIMUM CREDIT REQUIREMENTS:**

- Each borrower contributing income must have three (3) open and active trade lines for 24 months with a twenty-four (24) month history. Two (2) or three (3) tradelines must show activity within the past 12 months from the date of application.

- **MORTGAGE/RENTAL HISTORY:**

- A minimum of twenty-four (24) months verified housing payment history is required.

- **MODIFICATIONS:**

- The borrower must have made forty-eight (48) consecutive months of timely mortgage payments on the modified loan before closing on the refinance mortgage loan.

- **CHAIN OF TITLE:**

- For purchase transactions seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of sales contract.

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GUIDELINE HIGHLIGHTS

HIGHLIGHTS

- **ELIGIBLE PROPERTY TYPES:**

- Minimum square footage 400.

- **EMPLOYMENT AND INCOME STABILITY:**

- Gaps in employment over thirty (30) days during the most recent two (2) year period require a satisfactory letter of explanation from the borrower.
- All borrowers contributing income for qualification must be employed at present employment for a minimum of six (6) months to qualify if there is a gap in employment during the previous two (2) years.

- **SALARIED BORROWERS:**

- W-2's from all employers for the past two (2) years. All W-2's must be computer generated.
- Tax returns are not required for salaried borrowers if wage income is the only source of income used for qualification.
- Signed IRS Form 4506T. The 4506T transcripts need to be obtained from the IRS prior to closing and used to validate the income documentation used to underwrite the loan. Any income documentation discrepancy between the IRS transcripts and the supporting income documentation (Paystubs, W-2's, tax returns, etc.) as provided by the borrower must be reconciled and adequately addressed by the UW.
- Verbal VOE dated within 10 business days of closing documented in writing. The verbal VOE must cover 24 months of employment if the borrower has changed jobs during the past two years. Any employment gap over 30 days must be addressed.

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GUIDELINE HIGHLIGHTS

HIGHLIGHTS

- **SELF-EMPLOYED BORROWERS:**

- Signed IRS Form 4506T. The 4506T transcripts need to be obtained from the IRS prior to closing and used to validate the income documentation used to underwrite the loan. Any income documentation discrepancy between the IRS transcripts and the supporting income documentation (Paystubs, W-2's, tax returns, etc.) as provided by the borrower must be reconciled and adequately addressed by the UW.
- The UW must verify the existence of the borrower's business within 30 calendar days prior to the note. Methods of verifying business include:
 - Verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau.
 - Verification of phone listing and address for the borrower's business using a telephone book, internet or directory assistance. Copy of a website page is not acceptable.

- **RENTAL INCOME:**

- Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 12 months or the time period after the lease expired.

- **RETIREMENT OR PENSION INCOME:**

- Annuity retirement benefits must have a minimum continuance of three (3) years from the date of the application to be considered as qualifying income.

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GUIDELINE HIGHLIGHTS

HIGHLIGHTS

- **INSTALLMENT DEBT:**

- Student loans must be included as a long-term debt even if payments are deferred. If the monthly amount of a student loan is not shown on the credit report a payment of one percent (1%) may be used for qualifying.

- **HOME EQUITY LINE OF CREDIT (HELOC):**

- All HELOC loan debt must be paid off and the line must be closed prior to or at closing.
- Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document.

- **SUBORDINATE FINANCING:**

- Subordinate liens must not have negative amortization, no balloon within 5 years, and no prepayment penalties.
- In cases in which a HELOC is resubordinated to the subject mortgage, a 1% minimum payment of the total line amount will be used regardless of whether the HELOC has a zero balance. If the HELOC balance is greater than zero, the minimum payment under the HELOC terms will be used.
- New subordinate financing is permitted up to the maximum allowable LTVs.

- **CASH RESERVES:**

- If a borrower owns multiple financed properties, the borrowers must have an additional six (6) months cash reserves for each additional property.

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GUIDELINE HIGHLIGHTS

HIGHLIGHTS

- **CONVERSION OF DEPARTING RESIDENCE TO INVESTMENT PROPERTY:**

- The rental income from the departing residence may be used if the borrower has a loan to value of 75% or less, as evidenced by either: a current residential appraisal (no more than 6 months old from application date), an Exterior Only appraisal (2055) or an automated valuation model listing the prior sales price minus outstanding liens as evidenced by a mortgage statement. A 25% expense / vacancy deduction must be applied to all rental income. Copies of the signed lease are required.
- Reserves of six (6) months of PITI must be documented in addition to the required reserves for the primary residence.

- **SOURCE OF FUNDS:**

- Gift funds are an acceptable source of funds as follows for primary residences with LTV \leq to 80% as follows:
 - Borrower must contribute at least 5% from their own funds.
 - Gift donor must be an immediate family member.
- Gifts of equity
 - Not permitted to be used as a source of funds.

- **HAZARD INSURANCE:**

- Properties where the insurance coverage on the declaration page does not cover the loan amount must be have a cost estimate from the insurance company or agent evidencing the property is insured for its replacement cost.

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FAQ

- **Who pays for the second appraisal?**

- **SHORT ANSWER:** The borrower.
- **LONG ANSWER:** Per the guidelines, if the loan amount is greater than \$1.5 million, two appraisals are required, and must both be disclosed on the LE.
 - **TIP:** The second appraisal does not have to be ordered simultaneously with the initial appraisal. The second appraisal can be ordered after the initial appraisal is received and evaluated.
 - The only scenario where a borrower can be charged for a second appraisal after the LE has been issued, is if the loan amount was initially greater than \$1.5 million and has since increased.

- **What are the typical appraisal fees for Jumbo?**

- Appraisal fees will vary based on the Appraisal Management Company (AMC) used in conjunction with the property location.

- **Can the second appraisal be from the Same Appraisal Management Company (AMC) / Appraiser?**

- Same AMC: Yes, it is permissible to use the same AMC.
- Same Appraiser: No, the same Appraiser should not be used.

- **Can a Realtor represent himself?**

- No. Per the guidelines, if a direct relationship exists between the borrower and any party to the transaction, the transaction is considered non-arm's length. Borrowers who are employed by real estate or construction businesses, who are involved in the construction, financing or sale of the subject property, are not permitted.

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FAQ

- **Is there anything specific the second-level reviewers will be looking for?**
 - No, the second level review will be another full underwrite.
- **Will pricing be in the AFR Quick Pricer or are the lock requests manually priced by lock desk?**
 - Initially, the client lock requests will be manually priced and manually locked until the pricing engines are integrated.
- **Will AFR possibly allow lender paid compensation in the future?**
 - Currently unknown.
- **Is there a maximum on the borrower paid compensation?**
 - AFR does not set a maximum amount. The amount will vary based on individual loans. Borrower paid compensation must comply with all regulatory points and fees limitations and laws.
- **What property types are allowed for non-owner?**
 - 1 Unit attached/detached, PUDs and Condos.



THANK YOU

AFR TRAINING TEAM