

MORTGAGE PORTFOLIO PROGRAM

PROGRAM GUIDELINES

Advancial Federal Credit Union offers Portfolio ARMs in all 50 states and generally underwrites to Fannie Mae guidelines, except where noted in this document. Guidelines are subject to individual loan qualification and may change at any time without notice.

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CONTACT INFORMATION

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PORTFOLIO ARM OVERVIEW

Product Description

The Portfolio ARM is a 1st mortgage adjustable rate loan with principal and interest payments amortized over 30 years.

3/1 ARM: Rate is fixed for 3 years, and then every year thereafter.

5/1 ARM: Rate is fixed for 5 years, and then every year thereafter.

7/1 ARM: Rate is fixed for 7 years, and then every year thereafter.

Product Features

- No prepayment penalty
- 2/2/6 caps
- Index: 1 Year CMT
- Margin: 3.0%
- Floor Rate = Start Rate
- PITI Qualification
 - 3/1 ARM = Start Rate + 6.0%
 - 5/1 ARM = Start Rate + 2.0%
 - 7/1 ARM = Start Rate
- Escrows required
 - Escrows waived as an exception and when the following is met:
 - 70% LTV or less
 - 720+ credit score
 - Loan must pass HPML test
 - .25 escrow waiver fee required

Maximum Loan Amount	Primary SFR	Condo / Co-op	Vacation / 2nd Home
\$1,000,000	80% / 90% CLTV*	80%	80%
\$1,500,000	80% / 90% CLTV	75%	75%
\$2,000,000	75%	70%	70%
\$2,500,000	70%	65%	65%
\$3,000,000	65%	60%	60%

*CLTV > 80% - 90% designed for Primary SFR refinance with subordinated 2nd (max \$1.5MM combined loan size)

Minimum & Maximum Loan Amount

- \$100,000 minimum loan amount
- Loan amount exceptions over \$3,000,000 available. Please contact your Account Executive for details.

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ELIGIBLE PROPERTY TYPES & OCCUPANCY

Eligible States

As a federally chartered credit union, Advancial lends in all 50 states and is exempt from state licensing.

Occupancy Permitted

- Primary Residence
- Second Home (minimal rental income allowed)
- Investment Property (non-owner occupied) permitted at maximum 60% LTV

I-4 Unit Residential Properties

- 1 Unit Residential:
 - SFR
 - PUD
 - Condo
 - Non-Warrantable Condo
 - Condomotel (75% LTV max)
 - Co-op
 - SFR with Hobby Farm (70% LTV max)
 - SFR on over 10 Acres (70% LTV max)
 - Unique SFR or Condo (70% LTV max, but may be reduced further case-by-case)
- 2 Unit Residential, 75% LTV max (see Rental Income Section)
- 3-4 Unit Residential, 70% LTV max (see Rental Income Section)

Acreage, Hobby Farm & Unique Property

- SFR on over 10 Acres is permitted up to 70% LTV, and no acreage maximum has been defined (subject to case-by-case qualification)
- SFR with Hobby Farm is permitted up to 70% LTV, but no farming income can be used to qualify
- Unique SFR or Condo is permitted, up to 70% LTV, but LTV may be reduced further case-by-case

Warrantable Condo (as defined by FNMA)

- Maximum 80% LTV
- Advancial questionnaire must be 100% complete for Approval Commitment. No blanks or questions answered “n/a” or “unknown,” and questionnaire must pass underwriter review.
- Pending litigation, when permitted by underwriting, is priced as Non-Warrantable
- Must have a full kitchen and at least one separate bedroom. Minimum 500 square feet generally required. Efficiency or studio units are not permitted.

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ELIGIBLE PROPERTY TYPES & OCCUPANCY *continued*

Non-Warrantable Condo (as defined by FNMA)

- Maximum 80% LTV
- Leaseholds allowed if remaining term on land lease is 30 years or longer
- Virtually all reasons for Condo to be defined as Non-Warrantable are permitted
 - Not allowed:**
 - Structural deficiencies and certain pending litigation (please contact your AE if litigation is not related to a structural issue)
 - Incomplete construction of the subject phase
 - Approved/Evaluated Case-by-Case:**
 - Low HOA budget reserves
 - HOA delinquencies exceeding 15%
- Advancial questionnaire must be 100% complete for Approval Commitment. No blanks or questions answered “n/a” or “unknown,” and questionnaire must pass underwriter review.
- Pending litigation not related to structural issues, when permitted by underwriting, is priced as Non-Warrantable.
- Must have a full kitchen and at least one separate bedroom. Minimum 500 square feet generally required. Efficiency or studio units are not permitted.
- Coinsurance with no agreed amount endorsement required

Condotel

- Maximum 75% LTV
- Leaseholds allowed if remaining term on land lease is 30 years or longer
 - Not allowed:**
 - Blackout dates not permitting year-round owner occupancy
 - Structural deficiencies and certain pending litigation (please contact your AE if litigation is not related to a structural issue)
 - Incomplete construction of the subject phase
 - Approved/Evaluated Case-by-Case:**
 - Low HOA budget reserves
 - HOA delinquencies exceeding 15%
- Advancial questionnaire must be 100% complete for Approval Commitment. No blanks or questions answered “n/a” or “unknown,” and questionnaire must pass underwriter review.
- Must have a full kitchen and at least one separate bedroom. Minimum 500 square feet generally required. Efficiency or studio units are not permitted.
- Coinsurance with no agreed amount endorsement required

Advancial will define a Condo unit as a Condotel when units in the complex can be reserved for daily, weekly or short-term rentals.

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ELIGIBLE PROPERTY TYPES & OCCUPANCY *continued*

Co-op

- Maximum 80% LTV
- Title Insurance policy issued through a title company or closing attorney must be issued on Co-op certificate
- Leaseholds allowed on a case-by-case basis
 - Not allowed:**
 - Structural deficiencies and certain pending litigation (please contact your AE if litigation is not related to a structural issue)
 - Incomplete construction of the subject phase
 - Approved/Evaluated Case-by-Case:**
 - Low HOA budget reserves
 - HOA delinquencies exceeding 15%
- Advancial Co-op Questionnaire must be 100% complete for Approval Commitment. No blanks or questions answered "n/a" or "unknown," and questionnaire must pass underwriter review.
- Co-ops are priced as Non-Warrantable Condos, regardless of loan size or questionnaire findings
- Must have a full kitchen and at least one separate bedroom. Minimum 500 square feet generally required. Efficiency or studio units are not permitted.
- Coinsurance with no agreed amount endorsement required

Condo, Co-op, and Condomotel reserve requirements:

- Current reserve balance meets or exceeds 2 months of the subject property's HOA dues in reserves multiplied by all units in the project

OR

- 10% or more reserve allocation designated in the most recent budget.

Second Home

- Advancial will typically define a property as a second home if it is (1) located in a vacation or resort area 30 or more miles from the primary residence or (2) used a college housing for enrolled dependent within 5 miles of campus)
- Short-term rental income is allowed on second homes, and generally does not constitute an investment property designation. Rental income cannot be used to qualify. An evaluation of the 1040 Schedule E is required.

Investment Property

- Maximum 60% LTV
- Gross rental income is calculated by using a 24 month average of the net Schedule E income (Line 21) plus depreciation, mortgage interest paid to banks, taxes and insurance, and HOA dues (if declining, the last 12 months income will be used)
- Rental income not appearing on Schedule E may be considered case-by-case with 3 months canceled checks and a current lease agreement. Use 75% of gross rent as gross rental income.
- Immediate rental income on the purchase of an investment property is not allowed.
- Cash-out is allowed.
- Reserve requirement applies to all properties owned, not just the subject property (see Reserve Requirement section).

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WORK VISA / EXPATRIATE / IMMIGRANT PROGRAM

Designed for foreign citizen wage earners who are working in the United States on an employment visa. No U.S. credit required.

- U.S. employment visa is required. Visas not permitted: (1) Student, (2) Diplomatic with immunity or (3) Student with full-time employment restrictions
- Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) is mandatory before funding (typically sponsored by borrower's employer), and an unexpired passport is required for each borrower
- U.S. income and employment are required (otherwise, please see Foreign National Program)
 - U.S. citizens working abroad for a U.S. based company may be considered on an exception basis if U.S. tax returns have been filed showing the foreign income earned. U.S. credit history is not required, and home is not eligible for primary residence occupancy.
- Pre-qualification on TBD address allowed for a purchase before borrower arrives in the U.S.
- Advancial may also offer the borrower an auto loan and a credit card after the mortgage funds

I008 - Uniform Underwriting and Transmittal Summary:

1. Maximum 80% LTV/CLTV for primary residence
2. DTI cannot exceed 43% (for DTI > than 40% must have minimum gross income of 5K), including PITI on foreign REO and foreign or U.S. installment and revolving accounts showing on bank statement payment history.

I003 - Uniform Residential Loan Application:

1. All foreign properties owned must be listed on I003 REO Schedule, and PITI verification will be a PTD condition. Convert to U.S. Dollar equivalent, and review Reserve Requirement section.
2. If spouse is not on the loan please provide a signed joint access letter for use of 100% value of joint accounts.
3. Two year residence and job history is required on I003.
4. Unless borrower can prove he/she owns transportation in the U.S. free and clear, or has an auto loan, a \$500 per month liability must be added to the I003.

Credit Report:

1. U.S. credit report is required if borrower already has SSN or ITIN (okay if blank).
2. When no U.S. credit exists or a "false" score is present, loan is priced at 740+ credit score line with a rate adjustment (see Rate Sheet).

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PROGRAM GUIDELINES

WORK VISA / EXPATRIATE / IMMIGRANT PROGRAM *continued*

Assets:

Most recent two months of personal asset statements with all pages included (no screen shots allowed)

Foreign asset accounts must be approved by Underwriting for down payment and reserves (see Reserve Requirement section). Advancial prefers funds to be transferred to a U.S. bank account and will require any money transfer from a foreign account to be sourced.

1. Convert all foreign assets to U.S. Dollars on 1003. Advancial uses assets as a key qualifier - the more listed the better.
2. Deposits that cannot be properly sourced are not allowed.
3. Business assets and gift funds allowed on a case-by-case basis at lower LTV's.
4. Joint accounts shared with a non-qualifying spouse can be used if an "100% Access Letter" is signed.
5. If the non-qualifying spouse is not on the loan and the assets are in the spouse's name only see gift guidelines.
6. Foreign REO: 12 months PITI in reserves is required for each foreign property owned.

Income: *As described below, with 43% DTI max:*

1. Employment contract or offer letter from U.S. based employer showing annual income, start date and HR/Supervisor contact person.
2. Most recent pay stub is normally required for funding
 - If first pay stub will not be available before funding, Advancial may permit this for inbound international assignees within large corporations. Borrowers beginning work for a new employer can be considered case-by-case with a letter from the new employer stating the borrower has passed all pre-employment screening and has been placed on payroll.
3. Foreign REO rental income may be considered on an exception basis with 3 months canceled checks and a current lease agreement (must be translated to English and Dollars). Use 75% of rental income received as gross rental income on 1003.

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FOREIGN NATIONAL PROGRAM

Designed for foreign nationals who would like to purchase a second home or investment property in the United States. A case-by-case approval process applies to each loan. Additionally, Advancial must have a comfort level with the country of origin's banking system for asset verification and with the borrower's income documentation.

- SSN or ITIN is mandatory before funding along with a Visa or Passport allowing entry into the U.S. is required for each borrower
- Second Home & Non-Owner occupancy available. Second home must be in a vacation or resort area
 - Second Home: rate adjustment applies
 - Investment Property: rate adjustment applies
- Base Rate: use 740 mid-score line and rate adjustment applies
- Increased LTV's up to 60% can be considered if a satisfactory foreign or international credit report is submitted. If no foreign credit report is submitted, max LTV is 50%.

I008 - Uniform Underwriting and Transmittal Summary:

- DTI cannot exceed 43%, including PITI on foreign REO and foreign installment and revolving accounts showing on bank statement payment history

I003 - Uniform Residential Loan Application:

1. All foreign properties owned must be listed on I003 REO Schedule, and PITI verification will be a PTD condition. Convert to U.S. Dollar equivalent, and see Reserve Requirement section.
2. If borrower is married, add her/him to loan application if full value of joint asset accounts is needed to qualify. Otherwise, only 50% of the asset balances can be used for joint accounts.
3. Three year residence and job history is required on I003.

U.S. Credit Report:

- Should be submitted if borrower has a SSN or ITIN. No score or trade lines required.

Assets:

Most recent 2-months personal asset statements, with all pages included (no screen shots allowed). Foreign asset accounts must be approved by Underwriting for down payment and reserves (see Reserve Requirement section).

1. Convert all foreign assets to U.S. Dollars on I003. Advancial uses assets as a key qualifier - the more provided the better.
2. Deposits that cannot be properly sourced are not allowed.
3. Business accounts and gift funds are allowed on a case-by-case basis.
4. Joint accounts shared with a non-qualifying spouse can be used if an "Authorization Letter" is signed.
5. If the non-qualifying spouse is not on the loan and the assets are in the spouse's name only see gift guidelines.
6. Foreign REO: 12 months PITI in reserves is required for each foreign property owned.
7. All foreign income, asset statements and PITI information must be translated to English by a certified U.S.-based translation company.

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FOREIGN NATIONAL PROGRAM *continued*

Income: As described below, with 43% DTI max:

1. Wage Earner: Most recent year's W-2 equivalent, and pay stub dated within the last 30 days showing YTD income
2. Self-Employed: Prior two years personal and business tax returns, plus a current YTD Profit & Loss statement and a CPA summary letter
3. Written Verification of Employment: must be translated to English
 - Foreign REO rental income may be considered on an exception basis with 3 months canceled checks and a current lease agreement (must be translated to English and Dollars). Use 75% of rental income received as gross rental income on 1003.

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INCOME ON ASSETS / ASSET DEPLETION PROGRAM

- Use Advancial's Asset Depletion Calculator to determine eligible monthly income
- Asset Depletion Income can be coupled with other income
- Dividends and interest earned from assets cannot be counted as income when using Asset Depletion Calculator
- Maximum 75% LTV
- All collateral types and occupancy including second home and investment properties allowed
- Enter all assets eligible for the program at 100% face value
- Assets held in annuities and cash value of life insurance policies are ineligible for the asset depletion program.

>80% - 90% CLTV PROGRAM

- The loans are considered on a case-by-case basis with strong compensating factors from all borrowers
- Advancial does not provide second liens

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GENERAL UNDERWRITING

New Appraised Value vs. Purchase Price

- 6 months seasoning required to use new appraised value. Large value increase must be justified.
- If property was purchased within last 6 months, LTV is based on the lesser of the purchase price or new appraised value. HUD from purchase is required. Exceptions made on a case-by-case basis for remodeled properties. Acceptable documentation is required.

Cash-Out Refinance

- Maximum 75% LTV
- Up to \$1,500,000 cash-in-hand permitted in addition to any mortgage payoffs
- Paying off a non-purchase money 2nd mortgage is defined as cash-out
- No ownership seasoning required but must have settlement statement from purchase
- Source and seasoning required if purchased within the prior 6 months
- Proceeds from cash-out refinance cannot be used to meet reserve requirement
- Power of Attorney not allowed for cash-out refinances

Delayed Financing

- Cash-out allowed within 90 days of cash purchase without LTV reduction or rate adjustment

Subordinate Financing

- Permitted; however, CLTV limits are the same as LTV limits, except for >80% - 90% CLTV
- Second lien terms must be provided at loan submission
- Seller Carryback & Private Party 2nd Lien can be considered for Primary Residence, SFR only

Refinance of a Property Listed For Sale

- No Off-MLS seasoning requirement for borrower-paid compensation. Advancial 1.0% origination fee is required. Home can remain listed For Sale.
- 90-days off the MLS required for lender-paid compensation

Number of Financed Properties

- Number of financed limited to 10 with some exceptions made for very high net worth borrowers. Please note reserve requirement applies to all properties owned (see Reserve Requirement & Rental Income sections).

Seller Credits & Escrow Holdbacks

- Seller credit permitted up to 6% for non-recurring closing costs, plus escrow establishment or HOA dues. All other credits must come off the purchase price.
- Escrow holdbacks for repairs or future renovations are not allowed

Non-Arm's Length Transaction

- Typically permitted on a regular purchase transaction. Circumstances related to a "bailout" are not allowed.

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DEBT-TO-INCOME (DTI)

Maximum DTI Ratio

- 43% (for DTI > than 40% must have minimum gross income of 5K) maximum back end ratio.

Paying Off Debt to Qualify

- Paying off debt to qualify can be viewed as an overextended credit situation and case-by-case evaluation is required

Business Debt in Borrower's Name

- Monthly obligations paid by the borrower's business can be excluded from DTI, case-by-case
- 12 months canceled checks are required, late payments are not allowed, and the debt must be accounted for in the business cash flow.

Deferred Student Loans

- Use 1% of the deferred balance owed as an estimated monthly liability.

American Express Account (AMEX)

- Assets are required beyond Advancial's minimum reserve requirement for the full monthly balance owed, unless the statement shows a minimum monthly payment due that carries over month-to-month.

Trailing Primary Residence

- Property can be excluded from DTI ratio and reserve requirement if listed for sale prior to application date
- Minimum 30% equity required verified by Advancial (typically a borrower paid BPO or 2055 appraisal)

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BORROWER & TITLE

Non-Occupying Co-Borrowers & Co-Signers

- Non-occupying co-borrowers follow Second Home Guidelines to a max of 70 LTV
- Occupying borrower must be first time home buyer purchasing a primary residence

Permitted Title Vesting Includes:

- Revocable Trusts (subject to underwriting approval)

Non-Permitted Title Vesting

- LLCs
- TIC (Tenants in Common)

Chain of Title

- Property must be in borrower's name at the time of application. No seasoning period applies.

Insured Closing Letter (CPL) to Read:

Advancial Federal Credit Union
1845 Woodall Rodgers Freeway, Suite 1300
Dallas, TX 75201

Power of Attorney

- Must be durable, specific to the loan transaction and submitted to Advancial prior to docs for approval.
- No POA allowed for Foreign National loans, cash-out refinances, loan disclosures or Advancial membership application.

Credit Union Membership

- Borrower(s) must become a member of Advancial Federal Credit Union before funding. Membership is completed with PTD conditions. Mortgage payment does not need to be made from an Advancial account.

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PROGRAM GUIDELINES

CREDIT

Minimum & Qualifying Credit Score

- 680 mid-score required with some exceptions allowed if the lower score is due to a lack of credit or unestablished credit.
- For co-borrowers and co-mortgagers, the lowest mid-score is used for pricing and qualification.
- Meeting the minimum credit score requirement does not automatically constitute a credit approval. A pattern of adverse credit or overextended credit may disqualify borrower from financing, even if the minimum credit score is met.
- Broker credit report is used for Pre-Approval and Advancial will also pull credit before issuing a conditional approval. Mid-score from Advancial's credit pull is used for pricing and qualification.

No Credit or Limited Credit

- No credit or limited credit profiles are allowed on a case-by-case basis for U.S. citizens. Contact your AE for pricing.
- No U.S. credit or credit score is required for the Work Visa/Expatriate/Immigrant Program or Foreign National Program

Adverse Credit

- Late payments on any mortgage, installment or revolving account of 2x30, 1x60 or more will typically disqualify a borrower from financing. Exceptions will be reviewed on a case-by-case basis at a lower LTV.
- A pattern of adverse credit or overextended credit may disqualify borrower from financing, even if minimum credit score is met. Borrowers with 3x monthly income amount in unsecured consumer debt are generally disqualified.

Non-Qualifying Spouse

- Joint accounts shared with a non-qualifying spouse can be used if an "Authorization Letter" is signed.
- If the non-qualifying spouse is not on the loan and the assets are in the spouse's name only see Gift Guidelines.

Bankruptcy, Foreclosure/Short Sale

- Four year seasoning from BK discharge date or sale of property
- Maximum 60% LTV
- No derogatory credit allowed since event
- Strong extenuating circumstance and signed LOX from borrower detailing event required
- Owner Occupied Only

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INCOME

Rental Income

- Gross rental income is calculated by using a 24 month average of the net Schedule E income (Line 21) plus depreciation, mortgage interest paid to banks, taxes and insurance and HOA dues (if declining, the last 12 months income will be used).
- Rental income not appearing on Schedule E may be considered case-by-case with 6 months canceled checks and a current lease agreement. Use 75% of gross rent as gross rental income.
- Immediate rental income is not typically allowed on a departing residence or the purchase of an investment property. Exceptions considered on a case-by-case basis at a lower LTV.

Capital Gains Income

- Long-term capital gains income can be considered as a secondary source of income, case-by-case, with a multi-year history of earning this income.
- Short-term or one-time capital gains income is not allowed.

Self-Employed Income

- Borrower should be self-employed in the U.S. for a minimum of 2 years.
- 2-years business & personal tax returns required, plus year-to-date Profit & Loss statement.
- Business tax returns required for all businesses in which the borrower has 25% ownership or more. On occasion business tax returns are needed if the borrower is has less than 25% ownership.
- Typically Advancial only allows W-2 and K-1 income (different from Fannie Mae).
- Fannie Mae cash flow analysis form can be used on a case-by-case basis.
- NOL Carryover Loss: Treated case-by-case when truly a one-time occurrence (i.e. real estate loss, lawsuit settlement or some other form of a truly one time occurrence). Detailed CPA letter addressing the one time occurrence is required.

Restricted Stock Units (RSU) and Stock Options

- May be used as income with a 2 year history of vesting
- Probability of continuance must be established

Unacceptable Sources of Income Include:

- Foreign earned income not reported on U.S. tax returns (except true Foreign Nationals)
- Short-term or one-time capital gains
- Unemployment income
- Hobby Farm income earned from subject property

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ASSETS & RESERVES

Reserve Requirement

- 2-months bank statements for monthly asset accounts, and most recent statement for quarterly asset accounts (VOD not permitted).
- 12 months PITI for the subject property and 12 months PITI for all other REO properties.
- At least 3 months of the subject property's reserves must be liquid non-retirement.

Stocks/Mutual Funds

- Use 100% of account balances. Advancial considers stocks/mutual funds liquid.
- Ineligible: Private stock or stock that cannot be bought and sold on a major stock exchange.

401(k) & IRA Accounts

- Use 100% of retirement balance for borrowers of retirement age (59½), even if not retired.
- Use 50% of vested value for borrowers younger than 59½.
- Retirement accounts are not considered liquid if borrower is younger than 59½.

Life Insurance

- Cash value of life insurance policy can be used as non-liquid reserves, on a case-by-case basis, at 50% of vested value.

Shared Asset Accounts

- Joint accounts shared with a non-qualifying spouse can be used if an "Authorization Letter" is signed.
- If the non-qualifying spouse is not on the loan and the assets are in the spouse's name only see Gift Funds guidelines.
- If assets are shared with other parties the asset should be divided by the number of parties shown on the account (i.e. if 3 account holders are present, use 1/3 the asset balance on the 1003)

Business Assets

- Generally not allowed for either assets or down payment.
- Business accounts may be allowed on a case-by-case basis if the borrower is 100% owner of the business and financial support that the use of business funds will not adversely affect liquidity.
- A CPA letter addressing liquidity is not required, and eligibility will be determined in underwriting.

Gift Funds

- 100% gifted funds and reserves allowed with a 5% LTV reduction with ≥ 740 score
- If borrower has 5% own funds and < 740 score a 5% LTV reduction is required
- 100% gifted funds and reserves allowed with a 10% LTV reduction with no score or < 740 score

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ASSETS & RESERVES *continued*

Annuity

Considered not liquid and calculated at 50% face value

Cash Value of Life Insurance Policy

Considered not liquid and calculated at 50% face value

Trust Assets

Accounts in a Trust require a full review of applicable Trust documents to determine eligibility.

Unacceptable Assets Include:

- Gift funds (Gift Funds guideline)
- Business assets (see Business Assets guideline)
- Percentage of asset account balance belonging to other party/parties
- Proceeds from a cash-out refinance on subject property
- Private stock or stock that cannot be bought and sold on a major stock exchange

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STATE SPECIFIC INFORMATION

NEWYORK – Mortgage Tax & Closing Attorney

- Advancial has an approved attorney in New York City, but your attorney of choice is permitted.
Chana Kovitz
Stein, Farkas & Schwartz LLP
1639 East 13th Street
Brooklyn, NY 11229
718.645.5600 x206
ck@sfsllp.com
- Add the 0.25% lender's mortgage tax to LE, Section A under Origination Charges to cover the lender's portion for this fee. This practice is uncommon; however, Advancial does not have a rate adjustment to cover this fee and does not charge a separate fee or points.
- CEMA is permitted and the Deed and CEMA will need to be reviewed and approved by Advancial.

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LOAN PROCESS

Conditions

- Final conditions are issued after Advancial's executed disclosures are returned. Email conditions to your Account Executive.
- Your Advancial AE is the primary contact person for questions related to conditions. Advancial's Operations Center can be reached at 888.876.2328.

Appraisal Order & Cost

- Advancial must order the appraisal through one of our approved Appraisal Management Companies. Only one (1) appraisal is required, regardless of loan size. Advancial can order the appraisal only after Approval Commitment - upon rate lock and receipt of Advancial's Appraisal Order Authorization form.
- Advancial will confirm the appraisal cost after the order is placed. Fee is generally \$450 for homes in metropolitan areas under 4,000 sq. ft. A 72 hour rush is available for an extra fee (typically \$200).

Rate Lock

- Rate is locked after Approval Commitment and upon receipt of Advancial's Appraisal Order Authorization form.
- 30-day lock is free, 60-day lock costs 0.25% origination fee

Hazard Insurance

- SFR: Dwelling coverage must be at least 80% of appraised value or cost of new build determined by appraiser. If Insurance Agent determines a lesser amount to be the cost new of rebuilding the home and states the policy will cover 100% guaranteed replacement cost, a lesser value may be acceptable.
- Condo: Blanket Policy with Walls-In coverage, and 100% replacement cost is required. If Blanket Policy does not include Walls-In coverage borrower must obtain Walls-In/HO6 policy for at least 20% of appraised value.

Mortgagee Clause for Homeowner's Insurance, Blanket Policy & Walls-In Coverage

Advancial Federal Credit Union, ISAOA/ATIMA
C/O Midwest Loan Services, Inc.
PO Box 35159
Solon, OH 44139

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MORTGAGE PORTFOLIO PROGRAM

PROGRAM GUIDELINES

LOAN PROCESS *continued*

Insured Closing Letter (CPL) to Read:

Advancial Federal Credit Union
1845 Woodall Rodgers Freeway, Suite 1300
Dallas, TX 75201

Loan Servicing

Advancial holds the mortgage note on Portfolio ARMs and contracts loan servicing to Midwest Loan Services.
Midwest Loan Services, Inc.
P.O. Box 144
Houghton, MI 49931
800.262.6574
906.487.5869 fax

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MORTGAGE PORTFOLIO PROGRAM

PROGRAM GUIDELINES

LOAN ESTIMATE (LE) & DISCLOSURES

LE Requirements & Disclosures

TRID disclosure procedures must follow one of the three allowable options detailed below:

Option # 1 - Advancial will disclose a Loan Estimate (LE)/TRID disclosure package in our name by creating a new application in our system. A detailed closing cost worksheet from the Broker is required with loan submission that shows all fees associated with the loan including seller paid fees. No Broker disclosures should be submitted.

Option # 2 - If the Broker submits a Loan Estimate (LE)/TRID disclosure and another Lender is listed, a turn-down/decline letter or processor certification must be sent to Advancial stating the listed lender is no longer involved in the loan process due to an inability to fund the loan.

Option #3 - Broker issues a Loan Estimate (LE)/TRID disclosures with the "Lender" information section on the Loan Estimate (LE)/TRID disclosures left blank.

For Option #2 and #3 - if Advancial determines that the Loan Application meets our underwriting criteria, Advancial will issue a new Loan Estimate (LE)/TRID disclosure package with Advancial listed as the Lender.

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MORTGAGE PORTFOLIO PROGRAM

PROGRAM GUIDELINES

LOAN ESTIMATE (LE) & DISCLOSURES *continued*

LE Requirements - Page 1:

LE Date Issued: must be within 3 business days of credit report date for a refinance or purchase where the property address is known.

Rate Lock:

- Must be checked no

Loan Terms

Can your interest rate increase after closing?

- ✓ Yes, enter 2/2/6 caps

Can your loan amount increase after closing?

- ✓ No

Can your monthly principal and interest payments increase after closing?

- ✓ Yes, enter 2/2/6 caps

Does your loan have a prepayment penalty?

- ✓ No

Does your loan have a balloon payment?

- ✓ No

Escrow Account Information

Yes, Advancial requires escrows. A waiver can be considered by exception when LTV $\leq 70\%$ and credit score 720+, and if HPML test passes with a .25% fee.

LE Requirements - Page 2

Section A: All states except New York: Broker compensation (if borrower paid) + \$970 (Advancial's \$795 Underwriting fee + \$175 Doc Prep fee)

Section B: Include these Advancial fees:

- Tax Service = \$65
- Flood Cert = \$25
- Appraisal (ordered by Advancial) = cost TBD
- Include your credit report fee, if applicable
- Appraisal Final Inspection Fee (if applicable)
- HOA Certificate Fee

Section E: Transfer Taxes must be included for purchases even if it is customary for the seller to pay them.

Section F: To be completed since Advancial requires escrows. Waiver can be considered by exception when LTV $\leq 70\%$ and credit score 720+ and if HPML test passes with a .25% fee.

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MORTGAGE PORTFOLIO PROGRAM

PROGRAM GUIDELINES

LOAN ESTIMATE (LE) & DISCLOSURES *continued*

EXAMPLE:

Loan Estimate

DATE ISSUED 10/10/2015
APPLICANTS John Sample
 12345 Property Address
 Dallas, TX 75777
PROPERTY 12345 Property Address
 Dallas, TX 75777
SALE PRICE \$240,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT 7/1 Adjustable Rate
LOAN TYPE Conventional FHA VA _____
LOAN ID # 32610431
RATE LOCK NO YES, until
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 10/22/2015 at

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$200,000	NO
Interest Rate	4.250%	YES • Adjusts every year starting in year 8 • Can go as high as 10.250% in year 10 • See AIR Table on page 2 for details
Monthly Principal & Interest <i>See Projected Payments below for your Estimated Total Monthly Payment</i>	\$983.88	YES • Adjusts every year starting in year 8 • Can go as high as \$1,614 in year 10
Prepayment Penalty	Does the loan have these features? NO	
Balloon Payment	NO	

Projected Payments				
Payment Calculation	Years 1 - 7	Year 8	Year 9	Years 10 - 30
Principal & Interest	\$983.88	\$984 min \$1,184 max	\$984 min \$1,395 max	\$984 min \$1,614 max
Mortgage Insurance	+ 0	+ 0	+ 0	+ 0
Estimated Escrow <i>Amount can increase over time</i>	+ 189	+ 189	+ 189	+ 189
Estimated Total Monthly Payment	\$1,173	\$1,173 - \$1,373	\$1,173 - \$1,584	\$1,173 - \$1,803
Estimated Taxes, Insurance & Assessments <i>Amount can increase over time</i>	\$189 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>		In escrow? YES YES

Costs at Closing	
Estimated Closing Costs	\$9,246 Includes \$3,309 in Loan Costs + \$5,937 in Other Costs -\$0 in Lender Credits. <i>See page 2 for details.</i>
Estimated Cash to Close	\$48,246 Includes Closing Costs. <i>See Calculating Cash to Close on page 2 for details.</i>

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MORTGAGE PORTFOLIO PROGRAM

PROGRAM GUIDELINES

LOAN ESTIMATE (LE) & DISCLOSURES *continued*

EXAMPLE *continued*:

Closing Cost Details

Loan Costs		Other Costs	
A. Origination Charges	\$970	E. Taxes and Other Government Fees	\$2,050
% of Loan Amount (Points) <i>*NY loans, include .25% origination fee</i>		Recording Fees and Other Taxes	\$300
Document Preparation	\$175	Transfer Taxes <i>*If applicable, must include buyer and seller's portion</i>	\$1,750
Underwriting Fee	\$795	F. Prepays	\$2,174
		Homeowner's Insurance Premium (12 months)	\$1,708
		Mortgage Insurance Premium (months)	
		Prepaid Interest (\$23,2877 per day for 20 days @ 4.250%)	\$466
		Property Taxes (months)	
		G. Initial Escrow Payment at Closing	\$938
		Homeowner's Insurance \$142.33 per month for 3 mo.	\$427
		Mortgage Insurance per month for mo.	
		Property Taxes \$46.48 per month for 11 mo.	\$511
B. Services You Cannot Shop For	\$809	H. Other	\$775
Appraisal Fee	\$495	Title - Owner's Title Policy	\$775
Credit Report	\$25		
Doc Prep <i>*for Texas loans (see additional comments below)</i>	\$175		
Flood Certification	\$25		
Irs Tax Transcript Fee	\$25		
Tax Service Fee	\$64		
		I. TOTAL OTHER COSTS (E + F + G + H)	\$5,937
C. Services You Can Shop For	\$1,530	J. TOTAL CLOSING COSTS	\$9,246
Survey Fee	\$400	D + I	\$9,246
Title - Insurance Binder	\$660	Lender Credits	
Title - Settlement/ Closing Fee	\$395		
Title - Title Search	\$75		
D. TOTAL LOAN COSTS (A + B + C)	\$3,309		

**For cooperative files and trust vesting, the fee will be \$325*

Calculating Cash to Close

Total Closing Costs (J)	\$9,246
Closing Costs Financed (Paid from your Loan Amount)	\$0
Down Payment/Funds from Borrower	\$40,000
Deposit	-\$1,000
Funds for Borrower	\$0
Seller Credits	\$0
Adjustments and Other Credits	\$0
Estimated Cash to Close	\$48,246

Adjustable Interest Rate (AIR) Table

Index + Margin	1 Year Treasury + 3%
Initial Interest Rate	4.250%
Minimum/Maximum Interest Rate	4.250%/10.250%
Change Frequency	
First Change	Beginning on the 85th month
Subsequent Changes	Every 12th month after first change
Limits on Interest Rate Changes	
First Change	2%
Subsequent Changes	2%

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MORTGAGE PORTFOLIO PROGRAM

PROGRAM GUIDELINES

LOAN ESTIMATE (LE) & DISCLOSURES *continued*

EXAMPLE *continued*:

LENDER	Leave This Section Blank	MORTGAGE BROKER	
NMLS/TX LICENSE ID	469500	NMLS/TX LICENSE ID	840335
LOAN OFFICER	Test	LOAN OFFICER	
NMLS/TX LICENSE ID		NMLS/TX LICENSE ID	663069
EMAIL	test@test.com	EMAIL	
PHONE		PHONE	

Comparisons	Use these measures to compare this loan with other loans.	
In 5 Years	\$62,808	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	\$18,385	Principal you will have paid off.
Annual Percentage Rate (APR)	4.324%	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	77.331%	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal	We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.
Assumption	If you sell or transfer this property to another person, we <input type="checkbox"/> will allow, under certain conditions, this person to assume this loan on the original terms. <input checked="" type="checkbox"/> will not allow assumption of this loan on the original terms.
Homeowner's Insurance	This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.
Late Payment	If your payment is more than 15 days late, we will charge a late fee of 5% of your overdue payment of principal and interest.
Refinance	Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.
Servicing	We intend: <input type="checkbox"/> to service your loan. If so, you will make your payments to us. <input checked="" type="checkbox"/> to transfer servicing of your loan.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

John Sample

Date

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PROGRAM GUIDELINES

LOAN SUBMISSION & PROCESS FLOW

Loan Submission:

For Approval Commitment, email **only** the following to your Account Executive:

1. 1008 - Uniform Underwriting and Transmittal Summary:

- ARM Type and Property Type are required
- DTI cannot exceed 43%

2. 1003 - Uniform Residential Loan Application:

- Signatures not required
- Loan Originator Identifier number is required

3. Fannie Mae 3.2 file

4. Credit Report:

- Dated within 30 days

5. Assets:

- 2-months bank statements for monthly asset accounts and most recent statement for quarterly asset accounts
- Reserves:
 - 12 months PITI for the subject property and 12 months PITI for all other REO's
- 3 months of the subject property's reserve requirement must liquid non-retirement. The remainder can come from retirement accounts (use 50% of vested value for borrowers younger than 59½)
- Business and Gift funds can be used by exception only (See Business Assets and Gift Funds guidelines).
- Joint accounts shared with a non-qualifying spouse can be used if an "Authorization Letter" is signed.
- If the non-qualifying spouse is not on the loan and the assets are in the spouse's name only see Gift Funds guidelines.

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PROGRAM GUIDELINES

LOAN SUBMISSION & PROCESS FLOW *continued*

6. Income: As applies below, with 43% DTI maximum:
- Wage earner: Most recent W-2 and pay stub dated within the last 30 days showing YTD income
 - Wage earner with commission income: Prior two years W-2s, prior two years of tax returns and pay stub dated within the last 30 days showing YTD commission income.
 - Wage earner with bonus income: Prior two years W-2s and pay stub dated within the last 30 days showing bonus income and YTD income. If unreimbursed business expenses apply, send 2 years tax returns as well.
 - Self-employed / 25%+ business owner: Prior two years personal and business tax returns with all schedules, plus a current YTD Profit & Loss statement.
 - Foreign Citizen Working in U.S. / Expat: U.S. Employment visa, job offer letter or employment contract and pay stub dated within last 30 days
 - Foreign National: Passport and written Verification of Employment (translated to English)
 - Wage earner: Most recent year's W-2 equivalent and pay stub dated within the last 30 days showing YTD income
 - Self-employed: Prior two years personal and business tax returns plus a current YTD Profit & Loss statement. CPA translation to English and U.S. Dollars is required.
- Condo, Co-op or Condotel:
- Advancial's questionnaire: no blanks or questions answered "n/a" or "unknown"
 - Pending litigation: Full copy of litigation filed with the Court (structural litigation not allowed)
- Purchase:
- Executed purchase contract (Advancial will qualify on a TBD address)
 - Evidence of earnest money
- Cash-out refinance:
- Letter of explanation for use of cash-out
 - If property owned less than 6 months, HUD and Appraisal from purchase

Approval Commitment turn-time is typically 48 hours, assuming submission package and 1003 are complete. Incomplete submissions cannot be underwritten and will add to the underwriting turn-time. Additional documentation beyond the submission items listed may be required.

Your Advancial Account Executive will review submission documents for completeness and will submit loan to Underwriting.

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MORTGAGE PORTFOLIO PROGRAM

PROGRAM GUIDELINES

LOAN SUBMISSION & PROCESS FLOW *continued*

After Approval Commitment, the following items are needed for a Conditional Approval:

1. Broker Fee Sheet (found under “Broker Resources” tab on www.advancialwholesale.com website)
2. Appraisal Order Authorization Form to charge credit card (found under “Broker Resources” tab on www.advancialwholesale.com website)
3. Borrower’s Credit Authorization (Advancial must pull credit)
4. The following disclosures:
 - a. Initial LE
 - b. LE Acknowledgment form, executed by the borrower(s)
 - c. Initial 1003, executed by the borrower(s) and Loan Officer

When all items above are submitted, Advancial will complete the following steps:

1. Advancial Account Executive will lock the rate.
2. Advancial will disclose. Disclosures will be emailed to the Loan Officer/Processor in approximately 24 hours.
3. Advancial will order the Appraisal through our AMC and will advise of cost when order is placed (see Appraisal Order section of Product Guidelines for estimated appraisal cost).

Loan Officer/Processor will email executed Advancial disclosures to Advancial Account Executive:

- When Advancial disclosures are received, loan moves to Underwriting for final funding conditions to be issued (48-72 hour turn-time)
- Loan is now Conditionally Approved

Rush closings are available. Advancial can close most files 10 business days from initial disclosure.

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