



## Jumbo Fixed

PRIMARY RESIDENCE – PURCHASE AND RATE/TERM REFINANCE – NO MI OPTION <sup>1, 4, 6</sup>				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Maximum Loan Amount <sup>2</sup>	Minimum Credit Score
1-Unit PUD Condo	85%	No Subordinate Financing	\$1,000,000	760

PRIMARY RESIDENCE – PURCHASE <sup>1</sup>				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Maximum Loan Amount <sup>2</sup>	Minimum Credit Score
1-Unit PUD Condo	80%	80%	\$1,500,000	720
	75%	75%	\$2,000,000	720
	70%	70%	\$1,000,000	700
	70%	70%	\$2,500,000 <sup>3</sup>	720
2-Unit	65%	65%	\$1,000,000	700
	60%	60%	\$1,500,000	720

PRIMARY RESIDENCE – RATE/TERM REFINANCE <sup>1</sup>				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Maximum Loan Amount <sup>2</sup>	Minimum Credit Score
1-Unit PUD Condo	80%	80%	\$1,000,000	720
	75%	75%	\$1,500,000	720
	70%	70%	\$1,000,000	700
	70%	70%	\$2,000,000	720
	60%	60%	\$2,500,000 <sup>3</sup>	720
2-Unit	65%	65%	\$1,000,000	700
	60%	60%	\$1,500,000	720

PRIMARY RESIDENCE – CASH-OUT REFINANCE <sup>1, 5</sup>					
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Maximum Loan Amount	Maximum Cash-Out <sup>2, 5</sup>	Minimum Credit Score
1-Unit Condo PUD	65%	65%	\$1,000,000	\$250,000	700
	60%	60%	\$1,500,000		\$500,000
	55%	55%	\$2,000,000		
	45%	45%	\$2,500,000 <sup>3</sup>		

SECOND HOME – PURCHASE AND RATE/TERM REFINANCE <sup>1</sup>				
Property Type	Maximum LTV	Maximum CLTV/HCLTV	Maximum Loan Amount <sup>2</sup>	Minimum Credit Score
1-Unit Condo PUD	75%	75%	\$1,000,000	720
	70%	70%	\$1,500,000	
	65%	65%	\$2,000,000	
	50%	50%	\$2,500,000 <sup>3</sup>	

1. Construction loans are not eligible.
2. All loans require management review; please allow additional time.
3. Available for 30 year term only.
4. See No MI Section for all restrictions.
5. Maximum cash back to borrower is including non-mortgage debt to be paid off.
6. Non-permanent resident alien borrowers are limited to a maximum LTV of 80%

## PROGRAM SUMMARY

The Jumbo Fixed Rate is a mortgage loan program offering a fixed-rate product allowing for jumbo loan balances.

## PRODUCTS OFFERED

Product Name	Loan Term
Jumbo 30-Year Fixed	30 years
Jumbo 15-Year Fixed	15 years

## ELIGIBLE BORROWERS

- U.S. Citizens
- Non-permanent resident aliens (See [Conventional Underwriting Guidelines](#) for Visa requirements)
- Lawful resident aliens are eligible for the same financing as U.S. citizens if they can provide evidence of lawful residency and they meet all of the same credit standards as U.S. citizens.
  - A copy of the borrower's identification is required to verify review of the acceptable documentation that evidences borrower is eligible to lawfully reside in the U.S.
    - Must have a valid Green Card, evidence of continuous for at least 12 months
    - Borrower must be employed in the U.S. for the last 12 months.
    - Income must be likely to continue for at least 3 years.
- First time homebuyers (borrowers who have not owned a property in the last 3 years). For loans with more than one 1 borrower where at least one borrower has owned a home in the past 3 years, first-time homebuyer requirements do not apply.
  - Eligible on primary residence only
  - Eligible with 12 months reserves
  - Maximum loan amount of \$1,000,000
- Trusts - See [Closing in Trust](#) section below

## INELIGIBLE BORROWERS

- Non-resident aliens (foreign nationals)
- Land trusts, except for Illinois Land Trust
- Non-occupant co-borrowers
- Limited partnerships, general partners or corporations
- Non-arms-length transactions – See [Transaction Types](#) for further requirements.

## ELIGIBLE PROPERTY TYPES

- 1 to 2 unit properties

- Low, mid and high-rise condos (must be FNMA warrantable)
- Planned Unit development (PUD)
- Leaseholds

### WARRANTABLE CONDOMINIUMS

- FNMA Types R & S. (Type R eligible with CPM or PERS approval, not eligible in FL)
- Site-condos (must be detached)
- Each condominium project must be reviewed and approved by Flagstar's Condo Review Department. Refer to *Condominium Submission Instructions*, [Doc. #3253](#) for details.
- Limited review is not eligible.

The underwriter is to obtain the CPM confirmation to be placed in loan file.

### SITE CONDO REQUIREMENTS

When the underwriter performs a review for a mortgage secured by a detached unit in a condo project, the following eligibility criteria must be met:

- The mortgage is secured by a single detached unit in a condo project.
- The mortgage is not secured by a manufactured home.
- The project is not an ineligible project. (See [Conventional Underwriting Guidelines](#))
- The appraiser commented on, and reflected in the appraisal report, any effect that buyer resistance to the condo form of ownership has on the market value of the individual unit.
- If the condo project is new, the appraiser used as a comparable sale at least one detached condo unit, which may be located either in a competing project or in the subject project, if the condo unit is offered by a builder other than the one that built the subject unit.

Properties subject to oil and/or gas leases are acceptable if the following requirements have been met:

- Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease.
- No active drilling.
- No lease executed after the home construction date (re-recording date of lease after home construction is permitted).
- Must be connected to public water.
- The appraiser would also need to address if there are any marketability issues associated to the presence of the oil/gas lease.
- Title endorsement T19 (TX Only).

### **INELIGIBLE PROPERTY TYPES**

- 3 to 4 unit properties
- Manufactured/mobile homes
- Modular homes
- Condo-hotel Units
- Unique properties

- Log homes
- Co-ops
- Working farms, ranches or orchards
- Mixed-use properties
- Income producing properties with acreage
- Properties with more than 20 acres (If the property has acreage, the appraiser must indicate total acreage. It is not acceptable to have property appraised with only 20 acres in order to meet eligibility).
  - For properties >10 to 20 acres
    - 30 year fixed rate only
    - Maximum 35% land to value
    - No income producing attributes
- Properties subject to oil and/or gas leases.

### **LOAN AMOUNTS**

- Minimum: Conforming Loan Limits plus \$1
- Maximum: Refer to the [Product Eligibility Grids](#) above

### **SECTION 32 – HIGH-COST LOANS**

High-cost loans (Section 32) as defined by applicable state and/or local regulations are not permitted.

### **TRANSACTION TYPES**

#### NON-ARMS LENGTH TRANSACTIONS

Any transaction where there is a relationship or business affiliation between the buyer, seller, real estate agent, or originator in the transaction is considered non-arms-length. Non-arms-length transactions also include, but are not limited to:

- Applicants related by blood or marriage to the seller.
- Owners, employees or family members of originating broker.
- Builder/developers.
- Renters buying from landlord.
- Trading properties with a seller.

Non-arms-length transactions are not eligible for financing under this product with the exception of the following:

- Property sellers are representing themselves as agent in real estate transaction
- Buyers/Borrowers are representing themselves as agent in real estate transaction.

#### BUILDER/DEVELOPERS

For approved Flagstar Bank builder owned mortgage companies it is acceptable when the builder is the property seller.

#### OWNERS OR EMPLOYEES OF ORIGINATING BROKER

Originating lender may submit employee loans, if it can be documented the originating lender has an established employee program

**REFINANCE TRANSACTIONS**

Refinance transactions in the following states (see table below) require the completion of a *Net Tangible Benefit Worksheet*, [Doc. #3920](#). It must be completed and in the file at the time of submission. Supporting documentation is required to be in the loan file to verify the information entered onto the *Net Tangible Benefit Worksheet*, [Doc. #3920](#). Verification documents from the existing lien may include:

- Copy of note(s) from existing lien(s)
- Payment coupon
- Payoff statement
- Final TIL

State		
Alaska	Arkansas	California
Colorado	Connecticut	Florida
Georgia	Illinois	Maine
Maryland	Massachusetts	Minnesota
New Mexico	New York	North Carolina
North Dakota	Ohio	Oklahoma
Rhode Island	South Carolina	Tennessee
Virginia	Washington	West Virginia
Wisconsin		

If borrower has less than 12 months ownership in the property, LTV/CLTV is calculated on the lower of the purchase price or appraised value. If the borrower has owned property for more than 12 months, LTV/CLTV is based on the appraised value.

Properties that have been listed for sale within 12 months of loan application are not eligible for any refinance transaction.

Inherited properties may not be refinanced prior to 12 months ownership.

Construction loans are not eligible.

**RATE/TERM REFINANCE LOANS**

- The new loan amount is limited to the payoff of the present first mortgage and
- Any Seasoned non-first lien mortgage, closing costs and prepaids and
  - A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for 12 months. A seasoned equity line is defined as not having any draws greater than \$2,000 in the past 12 months. Withdrawal activity must be documented with a transaction history for the Line of Credit.
- Cash to borrower is limited to the lesser of 1% of the principal amount of the new mortgage or \$2,000.

**CASH-OUT REFINANCE LOANS**

- Borrower must have owned property for at least six months prior to the application date unless requirements for Delayed Purchase Refinance are met.

- Cash out limitation is waived when the previous transaction is a purchase and the proceeds for the subject loan will be used to pay off or pay down a pledged asset or retirement account loan used to purchase the subject property. Maximum loan amounts as indicated in the eligibility grid are still applicable.
- HUD-1 settlement statement (applicable for all loan applications taken on or before October 2, 2015) or the Closing Disclosure (applicable for all loan applications taken on or after October 3, 2015) must reflect payoff or pay down of pledged asset loan or retirement account loan. If cash out proceeds exceed payoff of loans, excess cash must meet the cash out limits.
- Unseasoned, non-purchase money second being paid off will be included in the cash out limitations.

#### DELAYED PURCHASE REFINANCE LOANS

Defined as the refinance of a property purchased by the borrower for cash within 6 months of loan application. Transaction is eligible if it meets the following criteria:

- Underwritten as a rate & term refinance
- Primary residence
- Obtain HUD-1 from original purchase
- Document that the purchase funds were from the borrower's own funds and that there was not any borrowing, gifts or shared funds.
- Funds secured by a pledged asset or retirement account are not considered to be from the borrower's own funds and must be considered a cash out transaction.

#### CLOSING IN TRUST

Loans are now eligible to close in the name of a trust. The following guidelines must be met:

- The Trust must be a living revocable trust also known as a "family trust" or an "inter vivos trust",
- Title Company must agree to insure over the trust with no exceptions for the trust or trustees,
- A copy of the trust, or pertinent pages within the trust, must be included in the submission package,
- The Settlor or grantor must be a natural person. The settlor must also be the trustee or one of the co-trustees,
- The primary beneficiary of the trust must be the settlor or grantor. If there is more than one settlor or grantor, then there may be more than one primary beneficiary, as long as the income or assets of at least one of the grantors or settlors will be used to qualify for the mortgage and that grantor or settlor will occupy the property and sign the mortgage instrument in his/her individual capacity,
- The trust document must give the trustee or trustees the authority to mortgage trust assets and incur debt on behalf of the trust and to hold legal title to and manage trust assets, and
- An attorney's opinion letter stating all the above are met will be required. For CA properties, a certificate of trust is acceptable.

#### NO MI OPTION

Loans closing with an LTV between 80.01 and 85% are not eligible for Mortgage Insurance and must meet the following guidelines:

- Owner occupied
- Purchase or rate/term refinance
- Maximum loan amount of \$1,000,000
- Maximum DTI 36%

- Escrow account must be established

### **CALCULATING LTV/CLTV/HLTV**

#### PURCHASE LOANS

Lesser of the current appraised value or acquisition cost.

#### REFINANCE LOANS

- If borrower has less than 12 months ownership in the property, LTV/CLTV/HCLTV is calculated from the lesser of the purchase price or appraised value.
  - Properties where capital improvements have been made after purchase, the LTV/CLTV/HCLTV can be based on the lesser of the current appraised value or the purchase price plus documented improvements (file must contain receipts).
- If the borrower has owned the property for more than 12 months the LTV/CLTV/HCLTV is based on the appraised value.

#### CONSTRUCTION-TO-PERMANENT

- If the lot was acquired 12 or months prior to the construction financing, the LTV/CLTV/HCLTV is based on the current appraised value of the property.
- If the lot was acquired less than 12 or more months prior to the construction financing the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of construction costs and the lower of the sales price or the current appraised value of the lot).

#### DEPARTURE RESIDENCE PENDING SALE:

In order to exclude the payment for a borrower's primary residence that is pending sale but will close after the subject transaction, the following requirements must be met:

- A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied. The pending sale transaction must be arm's length
- The closing date for the departure residence must be within 30 days of the subject transaction Note date
- 6 months liquid reserves must be verified for the PITIA of the departure residence.

### **PROPERTY VALUES**

Extreme care must be applied to insure that the appraiser is specific with regard to the impact the market decline has upon the transaction being evaluated. Typically, appraisals should not contain comparables greater than six months old at time of underwriting review. Properties with values significantly in excess of the predominant value of the subject's market area may be ineligible.

Flagstar reserves the right to establish guidelines based on current market conditions when conditions suggest an increased risk in property values.

### **MINIMUM CREDIT SCORE**

Refer to [Eligibility Grids](#) above. No exceptions to credit score requirements.

### **QUALIFYING RATE**

Note Rate

**QUALIFYING RATIOS**

Maximum 43% debt-to-income ratio; no exceptions to DTI requirements.

Liabilities include all housing expenses, revolving debt, installment debts, real estate loans, rent, alimony, child support, and other consistent and recurring expenses.

Stock pledges and any loan payment associated with the pledge account will not be included in the DTI calculation.

For other properties owned, documentation to confirm the P&I, taxes, insurance, HOA dues, lease payments or other property-related expenses must be provided.

**RESERVES**

Occupancy	Loan Amount	Required Reserves <sup>6, 7, 8</sup>
Primary Residence	Up to \$1,000,000	6 months, verified PITI
	\$1,000,000 – \$1,500,000	9 months, verified PITI
	\$1,500,000 – \$2,000,000	12 months, verified PITI
	\$2,000,001 – \$2,500,000	24 months, verified PITI
Second Home	Up to \$1,000,000	12 months, verified PITI
	\$1,000,000 – \$1,500,000	18 months, verified PITI
	\$1,500,000 – \$2,000,000	24 months, verified PITI
	\$2,000,001 – \$2,500,000	36 months, verified PITI

- 7. In addition to the minimum PITI reserve requirements, borrowers must also disclose and verify all other liquid assets.
- 8. When borrowers have financed properties in addition to the subject property, an additional 6 months PITI reserves are required for each property.
- 9. Business funds are not allowed for the purpose of calculating reserves.

**SUBORDINATE FINANCING**

- Only institutional financing up to the maximum LTV/CLTV/HCLTV is eligible.
- Subordinate liens must be recorded and clearly subordinate to the first mortgage lien.
- Full disclosure must be made on the existence of subordinate financing and the repayment terms.
- Acceptable subordinate financing types:
  - Mortgages with regular payments that cover the interest due so negative amortization does not occur.
  - Mortgage terms that require interest at a market rate.
- Ineligible subordinate financing types
  - Seller subordinate financing.
  - Property Assessed Clean Energy programs (PACE).

**INTERESTED PARTY CONTRIBUTIONS**

Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses, and may never be applied to any portion of the down payment.



CLTV/HCLTV	IPC Allowance
75.01% – 80%	3%
≤ 75%	6%

All seller concessions must be addressed in the sales contract documents, loan application, appraisal report, and the HUD-1 (applicable for all loan applications taken on or before October 2, 2015) or the Closing Disclosure (applicable for all loan applications taken on or after October 3, 2015). If a seller concession is present, both the appraised value and sales price must be reduced by the concession amount for purposes of calculating the LTV/CLTV/HCLTV.

In cases where the appraisal does not clearly and adequately reflect the presence and effect of any financing and/or sales concessions, the underwriter must make a downward adjustment to the appraised value of the mortgaged property to reflect the cost of the contribution. The revised LTV is based on the lesser of the appraised value or reduced sales price.

### CONTINUITY OF OBLIGATION

Refer to [Conventional Underwriting Guidelines](#), *Continuity of Obligation* section.

### SOURCE OF FUNDS

Borrower must contribute at least 10% toward the transaction from their own funds for purchase transactions. See the [Gift Funds](#) section for additional information.

#### GIFT FUNDS

- The donor must be an immediate family member or domestic partner (domestic partner donors must live with borrower; all large deposits in donor's account within 60 days must be sourced).
- Executed gift letter is required
- Transfer of funds or evidence of receipt must be documented prior to close.
- Acceptable after a minimum 10% down payment has been made by the borrower from their own resources.
- Gift funds may not be used to meet reserve requirements.

### TEMPORARY BUYDOWNS

Not eligible

### AUS RESPONSE

Jumbo Fixed loans are manually underwritten and are not eligible for AUS submission.

### UNDERWRITING

All guidelines not addressed below must meet the parameters documented in our [Conventional Underwriting Guidelines](#). If Fannie Mae or Freddie Mac requirements differ, this program must follow Fannie Mae.

Third Party Originations are not eligible. All new construction property loans must have a Certificate of Occupancy.

### UNDERWRITING SUBMISSIONS

- The Jumbo Underwriting department in Troy, MI will underwrite all loans. No delegated underwriting is allowed.
- Submission of compliance documents will be a prior to close condition (i.e. initial application, TIL, GFE, ARM disclosure, and Net tangible benefit worksheet) applicable for all loan applications taken on or before October 2, 2015 or the Loan Estimate (applicable for all loan applications taken on or after October 3, 2015). All documents must be completed in full, signed and dated.
- Purchase agreements must be completely executed by all parties and include all pages
- Title policy for file must include a 24 month chain of title.
- Loan/property restrictions per borrower:
  - A borrower may not have more than four residential properties financed. Joint ownership in residential real estate is considered the same as total ownership and is subject to the same restriction.
- All loans must contain the following documentation prior to submission to Underwriting:
  - Completed 1003
  - Complete income documentation
  - Complete asset documentation
  - Title work. Commitment may not be more than 90 days from date Note is signed
  - All applicable initial disclosure, fully executed within appropriate timeframes
  - Purchase agreement/sales contract, if applicable
- An appraisal is required if the transaction is a refinance, please refer to the [Appraisal Guidelines](#) section for requirements.

### PROPERTY OWNERSHIP HISTORY

Underwriting will take into consideration the number of properties owned and the length of time the properties have been owned. Investors who demonstrate a rapid acquisition (acquired within the most recent 24-month period) of investment properties will be reviewed cautiously. Underwriting reserves the right to request documentation to evidence the borrower had the funds required to purchase any property acquired within the last 24 months and/or sufficient verified asset to provide adequate reserves for the investment portfolio.

### CREDIT REQUIREMENTS

- All loans must have a fully executed *Social Security Number Verification*, [Doc. #3257](#) with results obtained, prior to close. Underwriter to obtain results.
- Credit report must be a tri-merge credit report or an RMCR. Every submitted credit bureau report must include the full name, address and social security number of each borrower. If any of this information is inconsistent with that on any document in the file, a new report and/or explanation will be required.
- Credit reports may not be more than 90 days from date Note is signed.
- The underwriter must verify that each account on the credit report with a balance has been checked within 90 days of the date of the credit report.
- Current mortgage payment history within 30 days will be required if not reflected on the credit report.
- Underwriter will require borrower to provide a written explanation for any credit inquiries in the last 120 days.

- Credit Score – Use lower of 2 or middle of 3 to determine each borrower’s representative score. Each borrower must have at least 2 scores.
- If there are less than 3 tradelines, or the trade lines do not meet the required payment history requirements or if there is no credit, there is insufficient data to determine credit behavior, even if the report includes a credit score
- An acceptable tradeline is one from a traditional credit source. Alternative credit trades or such items as collections, charge-offs, “authorized user” accounts, deferred loans with no payment history, or transferred accounts are all considered unacceptable tradelines.
- Any revolving tradeline without a minimum payment amount listed on the credit report will use \$10 or 5% of the outstanding balance, whichever is greater.
  - If the borrower’s ratios are at the maximum permitted the underwriter should obtain actual minimum payments from the borrower’s account statements to qualify.
- For all student loans, whether deferred, in forbearance, or in repayment, the monthly payment to be used is the greater of the following:
  - 1% of the outstanding balance; or
  - The actual documented payment
  - If the actual documented payment is less than 1% of the outstanding balance and it will fully amortize the loan with no payment adjustments, the lower fully amortizing payment may be used in qualifying.
- Credit in accordance with below listed guidelines is required (In addition to the minimum credit score) on all files.
- All past due accounts must be brought current prior to closing.
- Mortgage late payments within the past 24 months are not allowed. On the date of the loan application the borrower’s existing mortgage must be current, which means that no more than 45 days may have elapsed since the last paid installment date. Borrower cannot have any late payments greater than 30 days on any mortgages within the past 24 months.
- All judgments and tax liens must be paid prior to closing.
- Collections over \$250 individually or \$1,000 aggregate, must be paid.
- Major derogatory should be evaluated against the borrower’s overall credit in the last 24 months and reflect a willingness and capacity to repay. Paying off revolving outstanding debt to qualify is allowed. Paying down of revolving debt to qualify is unacceptable. Payoffs on a refinance transaction must be reflected on the HUD-1 Settlement Statement (applicable for all loan applications taken on or before October 2, 2015) or the Closing Disclosure (applicable for all loan applications taken on or after October 3, 2015). On purchase transactions, any loans requiring pay off must be paid off prior to closing and source of funds to do so must be documented. Gift funds are not a viable source of funds to pay off debt to qualify.
- Any disputed accounts must be resolved prior to closing.
- The following require a written explanation from the borrower:
  - Late Payments
    - Derogatory Credit
- Borrowers with a foreclosure in their credit history are not eligible for financing.
- Borrowers with a bankruptcy in their credit are not eligible for financing.
- Borrowers who have had a loan modification or surrendered a property through a Short Sale or Deed-In-Lieu are not eligible for financing.

**TRADELINE REQUIREMENTS**

All borrowers that are contributing income for qualifying purposes must meet one of the followed tradeline requirements:

**OPTION 1**

- Minimum of 3 open tradelines with 12 months satisfactory history on each tradeline
  - Must have a minimum of 24 months length of credit
- Two open tradelines are acceptable if the borrower(s) has a satisfactory 12-month mortgage history in the past five years
  - Two open tradelines are acceptable for purchase transactions where the borrower(s) have a 24-month mortgage history in the past five years

**OPTION 2**

- Credit reporting history five years or longer
- History of 4 or more trade lines and must be rated for at least 12 months paid as agreed
- At least one trade line was last active within the past 24 months and paid as agreed
- One tradeline must be a mortgage or if the borrower has not owned a home a Verification of Rent with at least 12 months paid as agreed
- All trade lines paid as agreed in the last 48 months

Borrowers not contributing income for qualifying purposes are not subject to the minimum trade line requirement.

**CREDIT STANDARDS**

<b>Tradelines<sup>9</sup></b>	Minimum 3 open tradelines. One must be open and active for 24 months and remaining 2 must be rated for 12 months.
<b>Authorized User Accounts</b>	Not eligible and are not acceptable forms of credit.
<b>Mortgage/Rent</b>	0x30 in past 24 months (no exceptions). On the date of the loan application the borrower's existing mortgage must be current, which means that no more than 45 days may have elapsed since the last paid installment date. Borrower cannot have any late payments greater than 30 days on any mortgages within the past 24 months
<b>Revolving Debt</b>	See tradeline requirements for details.
<b>Bankruptcy</b>	Not eligible
<b>Foreclosure</b>	Not eligible

10. All tradelines must have activity within this time frame.

**EMPLOYMENT AND INCOME**

- Income, employment and assets are stated and verified. Documentation may not be more than 90 days from date note is signed.
- Borrowers must have two years consistent employment with the same employer or in the same industry.
- Standard FNMA full documentation is required (2 years W2s and current pay stub, etc.). Pay stubs must be computer generated. Handwritten pay stubs require a borrower to provide tax returns and all schedules.

- The following income documentation must be provided for each borrower whose income is used to qualify:

Employment Income	
Income Type	Required Documentation
Salaried	<p>An earnings trend must be established and documented. Large increases in salary over the previous two years must be explained and documented.</p> <ul style="list-style-type: none"> <li>W-2 forms or personal tax returns, including all schedules, for prior two years.</li> <li>Year-to-date pay stub up through and including the most current pay period at the time of application.</li> <li>If borrower is claiming overtime pay, it must be shown on the YTD pay stub.</li> </ul>
Hourly & Variable Income	<p>An earnings trend must be established and documented. Stable to increasing income should be average over a minimum two year period. When declining income has occurred, the most recent 12 months should be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay. Declining income must be explained by the employer/borrower and a written determination by the underwriter must be provided if declining income is used for qualifying.</p> <ul style="list-style-type: none"> <li>W-2 forms or personal tax returns, including all schedules, for prior two years.</li> <li>Year-to-date pay stub up through and including the most current pay period at the time of application.</li> </ul>
Part-Time Income	<p>Borrower must have worked the part-time job uninterrupted for the past two years, and plans to continue. When declining income has occurred, the most recent 12 months should be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay. If the part-time income shows a continual decline, income should not be used.</p> <ul style="list-style-type: none"> <li>W-2 forms for prior two years.</li> <li>Year-to-date pay stub up through and including the most current pay period at the time of application</li> </ul>
Commission	<p>Commission income must be averaged over the previous two years. When declining income has occurred, the most recent 12 months should be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay.</p> <p>If the commission income shows a continual decline, income should not be used.</p> <ul style="list-style-type: none"> <li>W-2 forms for prior two years if commissions are less than 25% of the total income.</li> <li>Tax returns, including all schedules, and W-2 form from the previous two years if commissions are <math>\geq</math> 25% of the total income.</li> <li>Unreimbursed business expenses (form 2106) must be subtracted from income.</li> <li>Year-to-date pay stub up through and including the most current pay period at the time of application.</li> </ul>
Overtime & Bonus	<p>An earnings trend for bonus and overtime must be established and documented. A period of more than two years must be used in calculating the average overtime and bonus income if the income varies significantly from year to year. When declining income has occurred, the most recent 12 months should be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay.</p> <p>If either type of income shows a continual decline, income should not be used.</p> <ul style="list-style-type: none"> <li>W-2 forms or personal tax returns, including all schedules, for prior two years.</li> <li>Year-to-date pay stub up through and including the most current pay period at the time of application.</li> </ul>

Employment Income	
Income Type	Required Documentation
Returning to Work After an Extended Absence	<p>For a Borrower who has less than a two-year employment and income history, the Borrower's income may be qualifying income if the Mortgage file contains documentation to support that the Borrower was either attending school or in a training program immediately prior to their current employment history. School transcripts must be provided to document.</p> <p>A borrower's income may be considered effective and stable when recently returning to work after an extended absence if he/she:</p> <ul style="list-style-type: none"> <li>• Is employed in the current job for six months or longer; and</li> <li>• Can document a two year work history prior to an absence of employment using:               <ul style="list-style-type: none"> <li>○ Traditional employment verifications; and/or</li> <li>○ W2 forms, for prior 2 years</li> </ul> </li> </ul>
Projected Income	<ul style="list-style-type: none"> <li>• Projected income is acceptable for qualifying purposes for a consumer scheduled to start a new job within 60 days of loan closing if there is a guaranteed, non-revocable contract for employment.</li> <li>• Creditor must verify that the consumer will have sufficient income or cash reserves to support the mortgage payment and any other obligations between loan closing and the start of employment. Examples of this type of scenario are teachers whose contracts begin with the new school year, or physicians beginning a residency after the loan closes.</li> <li>• The income does not qualify if the loan closes more than 60 days before the consumer starts the new job.</li> </ul>
Employment Gaps	<p>If gap is in excess of 30 days during the past two years, a satisfactory letter of explanation is required. Gaps in employment due to the borrower attending training or schooling for a specific profession must be documented with diploma, transcripts, etc. <b>Allowances for seasonal employment such as building trades and agriculture may be made if documented.</b></p> <p><b>Refer to Returning to Work After an Extended Absence section for gap exceeding 6 months.</b></p>
Borrower's planning to retire within the first three-year period of the mortgage	<p>Effective income for borrower's planning to retire during the first three-year period must include the amount of:</p> <ul style="list-style-type: none"> <li>• Documented retirement benefits;</li> <li>• Social Security payments; or</li> <li>• Other payments expected to be received in retirement</li> </ul>
Self-Employed Income	<p>Self-employed borrowers are defined as those individuals who have 25% or greater ownership interest or receive a 1099 statement to document income.</p> <ul style="list-style-type: none"> <li>• When declining income has occurred, the most recent 12 months should be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay.</li> <li>• A signed 4506T for each business will be required for all business' in which the business income/loss is being used to qualify the borrower(s).</li> <li>• If the borrower has self-employment income and/or zero income reported, and it is not needed to qualify, it is not required to obtain the P&amp;L and balance sheet. If the borrower has a loss, regardless of the amount, the documentation will be required on the self-employment type and will be used to qualify the borrower(s).</li> </ul>

Employment Income	
Income Type	Required Documentation
Borrower Employed by Family Member	<p>Borrowers who are employed by a family member are considered to be self-employed, regardless of the percentage of ownership, and self-employed documentation is required. Potential ownership by the borrower must be addressed. The underwriter must clarify potential ownership by the borrower. A borrower may be an officer of a family operated business but not an owner.</p> <ul style="list-style-type: none"> <li>• Written verification of the borrower's status should be obtained by written confirmation from an accountant or legal counsel.</li> <li>• Borrowers must provide the preceding two years signed, dated individual and business (if applicable) tax returns, with all supporting schedules.</li> <li>• YTD pay stub up through and including the most current pay period at the time of application.</li> <li>• W-2 forms, for prior two years</li> </ul>
Sole Proprietorship	<ul style="list-style-type: none"> <li>• Current YTD P&amp;L through the most recent quarter.</li> <li>• YTD balance sheet through the most recent quarter.</li> <li>• Personal tax returns, including all schedules, for prior two years.</li> </ul> <p>Note: only depreciation and depletion may be added back</p>
Partnerships, (General, Limited), Limited Liability Companies, "S" Corporations, Corporations	<ul style="list-style-type: none"> <li>• Current YTD P&amp;L through the most recent quarter.</li> <li>• YTD balance sheet through the most recent quarter.</li> <li>• Personal tax returns, including all schedules, for prior two years.</li> <li>• K-1s from prior two years, showing ownership percentage. K-1s are not required if the source is reporting positive income and the income is not used for qualification. If K-1s show a loss, they are required, regardless if they are used for qualifying purposes. If using capital gains, interest/dividend or W2 income from this source is used, K-1s are required.</li> <li>• Business tax returns (1065/1120), including all schedules, for the prior two years are required if the borrower has an ownership percentage <math>\geq 25\%</math>; they are not required if reporting positive income via a K-1, and the income is not used for qualification purposes.</li> </ul>

Rental Income	
Income Type	Required Documentation
All properties	<p>Rental income may be used to qualify if the rental income can be documented with two years tax returns or a lease agreement due to the property being acquired after the most recent tax returns were filed.</p> <ul style="list-style-type: none"> <li>• When using tax returns to document rental income for qualifying, a copy of the current lease for each rental property, including commercial properties, that is listed in Part 1 of schedule E of the 1040, is required.</li> <li>• Personal tax returns, including all schedules, for prior two years.</li> <li>• For properties listed on Schedule E of the borrower's tax returns, net rental income should be calculated as the total of (Income + depreciation + interest + taxes + insurance + HOA (if applicable) divided by the applicable months minus the current PITI. <ul style="list-style-type: none"> <li>• If the subject property is the borrower's primary residence and generating rental income, the full PITI must be included in the borrower's total monthly obligations.</li> </ul> </li> <li>• If rental income is not available on the borrower's tax returns, a current executed lease agreement is required. Net rental income should be calculated as the gross monthly rent multiplied by 75%.</li> </ul>

Rental Income	
Income Type	Required Documentation
	<ul style="list-style-type: none"> <li>• Net rental income must be added to the borrower’s total monthly income. Net rental losses must be added to the borrower’s total monthly obligations.</li> </ul>
Departing Residence	<p>When a borrower vacates a principal residence in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor, may be considered in the underwriting analysis under the following circumstances:</p> <ul style="list-style-type: none"> <li>• Sufficient Equity in Vacated Property:               <ul style="list-style-type: none"> <li>○ The borrower has an LTV, CLTV or HLTV of 70% or less as determined by a residential appraisal dated within 6 months.</li> <li>○ Full appraisal or exterior only appraisal allowed.</li> </ul> </li> </ul>



Retirement Income	
Income Type	Required Documentation
Pension, Annuity, and IRA distributions	<ul style="list-style-type: none"> <li>Fixed income payments such as social security or pension income can be used at full value/distribution and may not be considered in any annuitization calculation.</li> <li>Existing distribution of assets from an IRA, 401K or similar retirement asset account must be sufficient to sustain income continuance for the first three years of the loan               <ul style="list-style-type: none"> <li>Verification of the assets of the plan and verification of receipt of the distribution of at least six (6) months is required,</li> <li>Note: Distributions from asset accounts cannot be set up, or changed, solely for loan qualification purposes</li> </ul> </li> </ul>
Asset Depletion/Dissipation	<ul style="list-style-type: none"> <li>Refer to Conventional Underwriting Guidelines, Employment - Related Assets as Qualifying Income for Fannie Mae. Subject to Jumbo minimum Credit Score requirements.</li> </ul>
Social Security Income	<ul style="list-style-type: none"> <li>Benefits (for children or surviving spouse) with a defined expiration date must have a remaining term of at least three years.</li> <li>Documentation must include a copy of the Social Security Administration's award letter.               <ul style="list-style-type: none"> <li>If SSA Benefit verification letter does not indicate a defined expiration date within three years of loan origination, the creditor shall consider the income effective and likely to continue. Pending or current reevaluation of medical eligibility for benefit payments is not considered an indication that the benefit payments are not likely to continue.</li> </ul> </li> <li>See non-taxable income for social security income treatment.</li> </ul>

Other Income	
Income Type	Required Documentation
Alimony, Separate Maintenance & Child Support Income	<ul style="list-style-type: none"> <li>Will be considered with a divorce decree, court ordered separation agreement, court decree, or other legal agreement providing the payment terms confirming that income will continue for at least the first three years of the loan three (3) years.</li> <li>Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 12 months.</li> <li>See non-taxable income for child support income treatment.</li> </ul>
Capital Gains	<p>Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. If the trend results in a gain, it may be added as effective income. If the trend consistently shows a loss, it must be deducted from the total income.</p> <ul style="list-style-type: none"> <li>Tax returns for the prior three years, including Schedule D.</li> <li>Gains must be consistent amounts from consistent sources.</li> <li>Verified assets to support continuance must be documented.</li> </ul>
Dividend/Interest	<p>Interest and Dividend income may be used as long as documentation supports a two-year history of receipt.</p> <ul style="list-style-type: none"> <li>Tax returns for the prior two years</li> <li>Proof of asset(s) to support the continuation of interest and dividend income.</li> </ul>
Stock Options & Restricted Stock Grants	May not be used as qualifying income

Other Income	
Income Type	Required Documentation
Note Income	<ul style="list-style-type: none"> <li>A copy of the Note must document the amount, frequency and duration of payments</li> <li>Regular receipt of note income for the past 12 months must be documented, and evidence of note income must be reflected on tax returns.</li> <li>Verification that income is expected to continue for the first three years of the loan</li> </ul>
Trust Income	<p>Income from trusts may be used if guaranteed and regular payments will continue for the first three years of the loan</p> <ul style="list-style-type: none"> <li>Regular receipt of trust income for the past 12 months must be documented.</li> <li>A copy of the Trust Agreement or Trustee Statement showing:               <ul style="list-style-type: none"> <li>Total amount of borrower-designated trust funds</li> <li>Terms of payment</li> <li>Duration of trust</li> <li>Portion of income that is not taxable</li> </ul> </li> <li>Non-taxable trust income must include proof of distribution.</li> </ul>
Foreign Income	<p>Foreign income may be used only if its stability and continuance can be verified.</p> <ul style="list-style-type: none"> <li>Personal tax returns, including all schedules, for prior two years.</li> <li>Year-to-date pay stub up through and including the most current period at the time of application.</li> <li>All income must be converted to U.S. currency. Foreign Earned Self Employment Income is not acceptable</li> </ul>
Non-Taxable Income including child support, disability, foster care, military, etc.	<ul style="list-style-type: none"> <li>Documentation must be provided to support continuation of income for a minimum of three (3) years.</li> <li>Tax returns must be provided to confirm income is non-taxable.</li> <li>Income may be grossed up by the applicable tax amount (must use the tax rate to calculate the consumers last year's income tax). If the consumer is not required to file a tax return, the tax rate to use is 25%.</li> </ul>
Trailing Co-borrowers	Income from trailing co-borrowers will not be considered.

Unacceptable Income	
Unacceptable income sources include, but are not limited to	<ul style="list-style-type: none"> <li>Any unverified source</li> <li>Income that is temporary or a one-time occurrence</li> <li>Rental income received from the borrower's single family primary residence or second home.</li> <li>Retained earnings</li> <li>Education benefits</li> </ul>

- Income with a defined expiration date must continue for at least the first three years of the mortgage.
- IRS 4506-T is required for all loans. The 4506-T must be executed to validate all income used for qualifying prior to closing and acceptable results must be returned from the IRS prior to receiving a Clear to Close.
  - In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect *No Record Found*. In these cases, an additional prior year's tax transcript should be obtained. Large increases in income that cannot be validated through the tax transcript may only be considered for qualifying on a case by case basis.

- In the case where taxes for the prior year have not been filed (between January 1 and the tax filing date (typically April 15) the following are required:
  - IRS form 1099 and W-2 forms from the previous year.
  - Loans closing in January prior to receipt of W-2's may use the prior year year-end paystub. For borrowers using 1099's, evidence of receipt of 1099 income must be provided.
    - Between the tax filing date and the extension expiration date (typically October 15), the following are required (as applicable):
      - Copy of the filed extension.
      - Evidence of payment of any tax liability identified on the federal tax extension form.
      - W-2 forms for corporations
      - Form 1099 for commission income.
      - Current year profit & loss (signed by the borrower).
      - Year-end profit and loss for prior year (signed by the borrower).
      - Balance sheet for prior calendar year if business is a sole proprietorship.
        - After the extension expiration date, loan is not eligible without prior year tax returns.
- Verbal VOE for self-employed borrowers, an independent written confirmation of self-employment is required (i.e., copy of business license reflecting ownership of company, corporate minutes, etc.). Two continuous years of self-employment in same business are required.
  - If borrower has been employed in current position for less than two years, VOE must be completed for all positions to verify that gaps are not in excess of 30 days within the last 24 months. Written explanation from borrower must be obtained.
- A Verbal Verification of Employment (VVOE) confirming the borrower's employment status is required for all borrowers whose income is used for qualification purposes. The VVOE should be completed within 10 business days before the Note date for wage income.
- Verification of self-employed businesses by a third-party source should be obtained within 30 calendar days from the Note date

**ASSETS**

- Funds must be from the borrower's own resources. Business funds may be used for down payment and/or closing costs but cannot be used in reserve calculation. Cash flow analysis required using 3 months business bank statements to determine no negative impact to business based on withdrawal of funds. Funds must be available to the borrower prior-to and after closing. Proceeds from the transaction (i.e. refinance proceeds, etc.) or sale of assets may not be used to meet cash reserves requirements. Documentation may not be more than 90 days old at the time of close.
- Reserve requirements are based off LTV/CLTV/HCLTV and loan amount. See the Reserves section for additional requirements.
- All EMD funds must be verified. If EMD reflected on 1003 is different than the EMD disclosed on the PA, the underwriter will require verification of those funds.
- In addition to the minimum PITI reserve requirements, borrowers must also disclose and verify all other liquid assets.

**APPRAISAL REQUIREMENTS**

Loan Amount	Appraisal Requirement
Up to \$1,000,000	One Full Appraisal

Loan Amount	Appraisal Requirement
\$1,000,001 – \$3,000,000	Two Full Appraisals
All properties For Sale By Owner (FSBO)	

- Appraisal is required on the applicable standard Fannie Mae form #1004 (Rev. 5/2005). All 2 Unit properties must be submitted on Form #1025. All condominiums must be submitted on Form #1073 (Rev. 5/2005). No other limited appraisals (including Form #2055, 2095 and 1075) will be accepted.
- Interior photos must be included of all rooms.
- Appraiser must address current MLS listing price and history in the report.
- If transaction includes seller concessions the appraiser must include comps that had seller concessions.
- Escrow holdbacks are not eligible.
- Appraisals identified as being located in a declining market should be given additional scrutiny to ensure the value is supported by the most recent sales and market data and that all of the appraiser comments are taken into consideration.
- If the appraisal indicates subject property is in a flood zone, but CoreLogic Flood Determination does not, a corrected appraisal is required.
- A minimum of three comparable sales (must be actual closed sales).
- On newly constructed projects, properties within a condominium or PUD project must provide at least one comparable sale that is outside the development.
- Appraisals must be dated within 120 days from date Note is signed. After the 120 day period a new appraisal will be required. Re-certification of value is not acceptable.
- The appraisal must analyze and report in reasonable detail the sales history for the past 36 months for the subject property and the last 12 months for any comparable sales used in the report.
- The appraisal must analyze any current purchase agreement, option or listing for the subject property within the last 12 months.
- The broker or correspondent is responsible for ensuring that the appraisal vendor is made aware of the requirements of this program when placing their order. Flagstar will not request enhancements to reports that do not meet program guidelines, nor be responsible for any fees incurred to update an appraisal report to comply with these requirements.
- For properties purchased by the seller of the property within 90 days of the fully executed purchase contract, the following requirements apply
  - Second Appraisal
  - Property seller on the purchase contract is the owner of the record
  - Increases in value should be documented with commentary from the appraiser and recent paired sales.

All appraisals for loans under this product, with loan amounts greater than \$1,000,000 are reviewed by the Appraisal Review Department. Please allow additional time for loan approval. All others can be reviewed by underwriting.

Broker and non AIR compliant Correspondent appraisals must be ordered through Loantrac. Appraisals will be eligible from any approved AMC listed in *Appraisal Management Companies*, [Doc #4903](#).

Broker or Correspondent is required to provide a Collateral Desktop Analysis (CDA), Value Reconciliation or Broker Price Opinion (BPO) from Clear Capital based on requirements outlined in *Clear Capital Product Requirement – Jumbo & Doctor Loans*, [Doc. #4910](#).

AIR compliant Correspondent appraisals must meet the following guidelines.

- Additional requirements when one appraisal is required:
  - Appraisal is not required to be ordered from one of our approved AMCs.
- Additional requirements when two appraisals are required:
  - Two separate appraisal orders are required. However, appraisals may be completed from the same AMC.
  - Only one appraisal is required to be ordered from one of our approved AMCs.
  - The loan to value will be determined by value reconciliation

If title work/purchase agreement requires a survey, a copy must be provided. Survey exceptions on title render a loan ineligible for purchase. Any encroachment or restriction violations mentioned in the title policy must have insuring language.

If any survey includes an exception or encroachment the final title policy must include an ALTA 9 endorsement.

**LENDER/SELLER CREDITS**

Lender/seller credits must be itemized when requesting funds.

**TEXAS REFINANCE LOANS**

All refinance loans in Texas will be evaluated against the criteria outlined in our *Conventional Underwriting Guidelines, Texas Refinances* section to determine if the loan must be originated under the requirements of Section 50(a)(6) of the Texas Constitution. Texas refinance loans that must close under Section 50(a)(6) requirements are not eligible.

**STATE ELIGIBILITY**

Available with the following geographic restrictions

State	Restriction
Hawaii	Appraisal must indicate whether property is located in a lava flow zone as defined by the United States Geological Survey. Properties located in a lava flow zone 1 or 2 are not eligible.
Puerto Rico	Not eligible
Texas	Texas refinance loans that must close under Section 50(a)(6) requirements are not eligible. Refer to the <a href="#">Texas Refinance Loans</a> section for details.
US Virgin Islands	Not eligible

**PREPAYMENT PENALTY**

None

**CLOSING DOCUMENTATION – CORRESPONDENT TRANSACTIONS**

Closing docs may be ordered through Flagstar’s Web-Based Closing Docs (WBCD) service available on Loantrac.

FIXED RATE LOANS:

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series.
- Fannie Mae/Freddie Mac multi-state Fixed Rate Note, 3200-series.
- Standard title commitment with all applicable endorsements.

IF APPLICABLE

- Fannie Mae/Freddie Mac multi-state Condo Rider, Form #3140
- Fannie Mae/Freddie Mac Multi-state PUD Rider, Form #3150
- Fannie Mae/Freddie Mac multi-state 1-4 Family Rider, Form #3170 (2-Unit primary residence)
- Fannie Mae-Freddie Mac multi-state Second Home Rider, Form #3890

Refer to Flagstar's [All Memos Search](#) page for memos relating to recent guidelines changes.