CMAC
National Home Mortgage Banker

Applicable Program Codes: HELOC

CMAC SPECIAL HELOC

Purchase
Rate/Term Refinance
Cash-Out Refinance

Occupancy	Unit	Min FICO	Max LTV/CLTV	Max Loan Amount	Max Total DTI
Primary	1 Unit Condo/PUD	700	89.99%	$500,000	45%
	2 Units	700	89.99%	$500,000	45%
Secondary	1 Unit Condo/PUD	700	80%	$500,000	45%

PROGRAM SUMMARY

Revolving line of credit with a 10-year draw period followed by a 20-year repayment period; full term is 30 years. Payment during the draw period and the repayment period will consist of principal and interest payments based on the outstanding balance.

PRODUCTS OFFERED

Product Name	Description
HELOC: P&I Pymt (2nd-Concurrent)	Principal & Interest payments during the draw period

PROGRAM DETAILS

Property Eligibility

Eligible Properties	• 1-2 Unit Properties • Warrantable condominiums (on Flagstar's approved projects list unless eligible for Limited Review • Planned Unit Developments (PUDs) • Modular homes
Ineligible Properties	• 3-4 Unit Properties • Manufactured/mobile homes (single- or double-wide • Cooperatives • Properties currently listed for sale • Properties under construction at time of loan closing • Properties titles as Life Estates are not eligible

Borrower Eligibility

Eligible Borrowers	• Borrowers must be the same for both the first mortgage loan and the HELOX for all transactions • U.S. citizens • Permanent resident aliens • Non-permanent resident aliens • Non-occupant co-borrowers • Revocable/"living" trusts are acceptable provided it is established by, and the primary beneficiary is, an individual • Loans closing in a trust must follow the same trust requirements as the first mortgage
Ineligible Borrowers	• Land trusts are not eligible, including Illinois land trusts

Borrower Information

Appraisal	• A full appraisal appropriate to the property type must be obtained • The appraisal from the first mortgage can be used; however, any reduced appraisal options offered by the first mortgage AUS findings, including a property inspection waiver (PIW), are not eligible • A full traditional first mortgage appraisal must be disclosed as part of the first mortgage disclosures
Credit	• Minimum 4 tradelines; one currently active and open for more than 12 months with a minimum high balance of $1,000 regardless of credit score • Credit history must show 0x30 for all mortgages in last 12 months • Collections or charge-offs less than 24 months old or over $1,000 cumulative must be paid off prior to or at closing • Co-signers cannot be used to offset derogatory credit of the inability of the main borrower to budget • All credit must be current at the time of underwriting • Borrowers can pay off debts to qualify; however, the debt must be paid in full and all remaining debt will be included in qualifying ratios; all debts to be paid off must be clearly identified on the HUD-1 settlement statement; lease payments and student loans will always be included in the debt ratio
Bankruptcy	• Discharged at least four years with excellent re-establishment credit
Foreclosures, Repossessions, Short Sales	• Not Allowed

Income	• **Salaried**
	  ◦ An earnings trend must be established and documented. Large increases in salary over the previous two years must be explained and documented.
	    ▪ W-2 for prior two years
	    ▪ Year-to-date pay stub up through and including the most current pay period at the time of application
	    ▪ If borrower is claiming overtime pay, it must be shown on the YTD pay stub
	• **Hourly & Variable Income**
	  ◦ 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.
	    ▪ W-2 forms or personal tax returns, including all schedules, for prior 2 years
	    ▪ year-to-date pay stub up through and including the most current pay period at the time of application

Income (Continued)	• **Overtime & Bonus**
	  ◦ An earnings trend for bonus and overtime must be established and documents. a period of more than 2 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.
	  ◦ If either type of income shows a continual decline, income should not be used.
	    ▪ W-2 for prior 2 years
	    ▪ year-to-date pay stub up through and including the most current pay period at the time of application
	
	• **Self-Employed Income**
	  ◦ Self-employed borrowers are defined as those individuals who have 25% or greater ownership interest or receive a 1099 statement to document income.
	    ▪ 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.
	    ▪ 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).
	    ▪ 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&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).
	
	• **Returning to Work After an Extended Absence**
	  ◦ 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.
	  ◦ A borrower's income may be considered effective and stable when recently returning to work after an extended absence if he/she:
	    ▪ Is employed in the current job for six months or longer; and
	    ▪ Can document a two year work history prior to an absence of employment using:
	      ▪ Traditional employment verifications: and/or
	      ▪ W-2 forms, for prior two years
	
	• **Employment Gaps**
	  ◦ If gap is in excess of 30 days during the past two years, a satisfactory letter of explanation is required and the borrower must be employed with current employer for a minimum of six months. gaps in employment due to the borrower attending training or schooling for a specific profession must be documented with diploma, transcripts, etc.

Income (Continued)	(see below)

Income (Continued)

- **Rental Income**
  - 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.
    - Personal tax returns, including all schedules, for prior two years.
    - 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) divided by the applicable months minus the current PITI.
      - 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.
    - 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%.
    - 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.
  - 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:
    - Sufficient Equity in Vacated Property:
      - The borrower has an LTV, CLTV or HCLTV of 70% or less as determined by a residential appraisal dated within 6 months.
      - Full appraisal or exterior only appraisal allowed.

- **Pension, Annuity, and IRA distributions**
  - 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.
  - 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
    - Verification of the assets of the plan and verification of receipt of the distribution of at least six (6) months is required,
    - Note: Distributions from asset accounts cannot be set up, or changed, solely for loan qualification purposes

- **Social Security Income**
  - Benefits (for children or surviving spouse) with a defined expiration date must have a remaining term of at least three years.
  - Acceptable documentation may include a copy of the Social Security Administration's award letter, copies of the borrower's previous 12 months bank statements to confirm regular payment deposits, or signed personal tax returns from the prior two years.
  - See non-taxable income for social security income treatment.

- **Alimony, Separate Maintenance & Child Support Income**
  - 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. Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 6 months.
  - See non-taxable income for child support income treatment.

Income (Continued)	• **Stock Options & Restricted Stock Grants**
	    ○ May not be used as qualifying income
	
	• **Partnerships (General, Limited), Limited Liability Companies, "S" Corporations, Corporations**
	    ○ Current YTD P&L through the most recent quarter
	    ○ YTD balance sheet through the most recent quarter
	    ○ Personal tax returns, including all schedules, for prior two years
	    ○ 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 of W2 income from this source is used, K-1s are required.
	    ○ Business tax returns (1065/1120), including all schedules, for the prior two years are required if the borrower has an ownership percentage ≥ 25%; they are not required if reporting positive income via a K-1, and the income is not used for qualification purposes.
	
	• **Non-Taxable Income including child support, disability, foster care, military, etc.**
	    ○ Documentation must be provided to support continuation of income for a minimum of three (3) years
	    ○ Tax returns must be provided to confirm income is on-taxable
	    ○ 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%.
	
	• **Unacceptable income sources include, but are not limited to:**
	    ○ Any unverified source
	    ○ Income that is temporary of a one-time occurrence
	    ○ Rental income received from the borrower's single family primary residence of second home
	    ○ Retained earnings
	    ○ Education benefits

Variable Rate Details	• Interest Rate Adjustment Caps
	    ○ None other than Interest Rate Floor & Ceiling Rate; no periodic rate caps
	• Interest Rate Floor
	    ○ 1.99%
	• Ceiling Rate
	    ○ 21.00%

Qualifying Rate/Payment	• The Qualifying Rate for all HELOCs is the fully indexed rate (index + margin) plus 1.00% • The Qualifying Payment for all HELOCs is a 20-year fully amortizing payment calculated at the Qualifying Rate
Title Insurance	• Not required; title commitment from the first mortgage will be used for the line of credit.