

Equity Bridge Loan

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Other sections of interest:

http://www.downpaymentsolutions.com/home_buyer_education/documents.shtml

<http://www.downpaymentsolutions.com/links/links.shtml>

<http://www.downpaymentsolutions.com/articles/articles.shtml>

<http://www.downpaymentsolutions.com/states.shtml>

Brief Overview of the Product:

The Equity Bridge allows Borrowers to use the equity in their current home (whether listed or under contract) to finance the Down Payment and Closing Costs on their new home. There are no payments due, the principal and interest is due at the end of the 6 months.

In general, the Bridge loan requirements will mirror perm loan requirements with the exceptions noted in these guidelines.

The Equity Bridge Loan **must be** originated in conjunction with any NCMC Program used to purchase the Borrower's new residence.

Third Party Originations:

Third Party originations are permitted on this product.

Terms, Program Types, Investor/SSI/Product Codes:

	<u>Investor Code</u>	<u>SSI Code</u>
Fixed Rate for 6 months	PB	1000
Special Program Code	25	

Extension requests must be made in writing and received by Construction Lending at least 30 days prior to maturity. Extension requests may be approved at NCM's sole discretion. Extension requests may not necessarily be approved, depending upon the circumstances surrounding each request. The requirements and documentation listed on the extension disclosure must be complied with.

Maximum Loan Amounts and LTVS:

Minimum Loan Amount \$15,000

	Max *CLTV	Max Loan Amount
Properties with valid sales contract	90%	\$200,000
Properties with listing agreements	80%	\$200,000

Maximum loan amount cannot exceed the lower of the maximum allowed CLTV or the amount required to cover the down payment and settlement costs on the purchased property. Please see Exhibit A for calculation worksheet.

*CLTV must be calculated based on the high credit limit of the line or the disbursed amount of a closed end loan. Refer to the Subordinate Financing section for instructions on how to calculate.

Temporary Buydowns:

Not applicable

Eligible States:

All states are eligible with the following exceptions:

- Arkansas – Not permitted
- Texas – Not permitted
- Montana – Properties exceeding 40 acres are ineligible
- For Third Party Originated Mortgages, refer to Procedures for additional State restrictions.

Eligible Borrowers:

- U.S. Citizens
- Permanent and Non-Permanent Resident Aliens:
 - Eligible for a mortgage on the same terms as a U.S. Citizen.
 1. A 2-Year residency, credit and employment history must be verified, whether inside or outside the United States.
 2. Verification that the Borrower is able to legally work and reside in the United States is required.
- Inter Vivos Revocable Trust

Ineligible Permanent Purchase Mortgages:

- A Minus
- Expanded Approval Timely Payment Reward
- NINA
- No Doc I
- No Doc II
- No Income Features under the following programs:
 - Alter
 - Express

Property Eligibility:

Please call to inquire about eligibility if your property is not reflected.

- Borrower's Current Primary Residences – 1 unit only
- Property used as collateral cannot be under construction or in the process of rehab.
- Condos
- PUDS
- Manufactured Housing
- Leaseholds

Ineligible Properties:

- 2-4 Units
- Singlewide Manufactured homes
- Commercial Properties
- Condos with Leaseholds
- Cooperatives
- Earth Sheltered Homes
- Geodesic Domes
- Historically Registered Homes
- Investment Properties
- Log Houses
- Manufactured Homes in Ground Lease Communities
- Native American Leasehold Estates
- Orchards
- Second Home
- Straw Bale construction
- Working Farms

Property Eligibility:**(continued)****Property Considerations:****Condo Requirements:**

- Please submit all condos through proper channels to obtain condo approval.
- California Condominium delivery fees do not apply to this product. See Procedures for special coding requirements to ensure the delivery fee does not get charged.
- Condo projects must meet FNMA/FHLMC guidelines and be warranted by NCM that they meet the guidelines.

PUD Requirements:

- Please submit all PUDs through proper channels to obtain PUD approval.
- PUD projects must meet FNMA/FHLMC guidelines and be warranted by NCM that they meet the guidelines.

Leasehold Requirements:

- Leaseholds must meet FNMA/FHLMC guidelines.

Manufactured Housing Requirements:

- The subject property must be taxed as real property at closing. The loan may not close as personal property and convert to real property after closing.
- Manufactured homes in ground lease communities are unacceptable.
- Refer to Fannie Mae or Freddie Mac Underwriting guidelines for full requirements.

Properties with Legal Non-Conforming Zoning:

If the appraisal indicates a property's zoning is of a legal non-conforming (grandfathered use) nature, one of the following must be obtained:

- The appraiser must address the issue within the body of the appraisal, specifically state the property may be rebuilt "as is" in the event of a loss and indicate the source of the information, OR
- A letter of addendum from the appraiser must be obtained addressing the issue, specifically stating the property may be rebuilt "as is" in the event of a loss and indicate the source of the information, OR
- A letter from the county or governing municipality must be obtained stating the property may be rebuilt "as is" in the event of a loss.

Number of Properties Owned/Financed:

Not applicable

Appraisal/Survey/Inspection Requirements:**Appraisal:**

The information in the report must be accurate, internally consistent, written in clearly understandable language, fully supported, and sufficiently documented to FNMA/FHLMC standards.

- An appraisal by an NCMC approved appraiser is always required if the property **is not** under contract
- A drive-by appraisal by an NCMC approved appraiser on the subject property will be required if the property is under contract but the purchaser has not obtained a mortgage commitment.
- The Drive-by appraisal can be waived if the following conditions are met:
 - If the purchasers of subject property have a mortgage commitment and a substantial deposit has been made.
 - If the purchasers of subject property do not have a mortgage commitment but sales contract has **no** contingencies **and** a substantial deposit has been made.

Appraisal/Survey/Inspection Requirements:

(continued)

- Date of appraisal report: Must be dated within 120 days but no less than 12 months before the origination date, a recertification of value is required after 120 days. The original appraiser or a qualified appraiser must certify that the subject property has not declined in value since the date of the original appraisal.
- Properties appraised in "Fair Condition" are unacceptable. The property must be brought up to at least "Average Condition", prior to closing. Escrow holdbacks are not permitted. A final inspection showing the work has been completed must be included in the file.

Manufactured Homes:

- At least two of the comparable sales provided must be manufactured homes and demonstrate a market appeal for this housing type. If the property is new construction at least one comparable must be a re-sale.

Survey:

If the title company insuring the mortgage requires a survey to remove exception to survey matters, the survey must conform to the requirements of the title insurance company's standards, or any applicable legal standards relating to surveys.

A copy of the survey, whether new or existing, is required to be in the closed loan package.

Escrow:

Taxes and Insurance will not be collected at closing. The Borrower must pay the Taxes and Insurance if they become due during the term of the Bridge Loan.

Private Mortgage Insurance Requirements:

Not applicable

Refinance Requirements:

Cash-Out Refinance:

The proceeds from a Cash-Out Refinance can be used for the following purposes:

- Payoff of first mortgage, regardless of age
- Payoff of subordinate liens, regardless of age
- The Loan amount is limited to the amount needed for down payment, closing costs and pre-pays on new home.
- Cash back to the Borrower is allowed in an amount up to \$500. (\$500.01 is not acceptable – If the cash back to the Borrower exceeds \$500.00 documents must be redrawn. Principal curtailments are not permitted on this program.)

3 Day Right of Rescission is required – **NO EXCEPTIONS**

Subordinate Financing:

- The Equity Bridge Loan must take 1st or 2nd lien position. Any mortgages other than the 1st mortgage must be paid off prior to, or at closing of, the Equity Bridge Loan, unless the 2nd lien holder agrees to subordinate and take 3rd lien position.
- Calculating CLTV (Combined Loan to Value) ratio:
CLTV: Divide the sum of the first lien mortgage, the amount of the Equity Bridge loan (if in 2nd lien position) and any other *secondary financing by the lower of the sales price or appraised value. *If other secondary financing is a HELOC the credit line limit must be used to calculate CLTV.

Documentation Options:

Follow permanent loan guidelines. Refer to Procedures for information regarding coding the Qualifying Income Field.

Underwriting:

Generally, all loans will be underwritten to FNMA/FHLMC guidelines along with the underwriting parameters outlined in these guidelines.

The use of FNMA/FHLMC waivers **is not** permitted with this product.

Submission:

NCM has delegated underwriting authority. Submit both the original Equity Bridge Loan and Permanent File to your local underwriting center. A separate application is required for each loan.

If the permanent loan is underwritten by NCMC, submit both original files to your local underwriting center.

If the permanent loan is underwritten by the Investor, follow the program guidelines when submitting the permanent loan file to the Investor.

Use of Automated Underwriting:

The use of Automated Underwriting is not permitted.

Credit Scores:

The **minimum credit score** for this program is 620 for all Borrowers. The credit report from the purchase loan application can be used.

- **Selecting the Score:**

We require the "Middle/Lower then Lowest" method to be used when selecting the credit score. To use the "Middle/Lower then Lowest" method, the Underwriting Score for each Borrower must be determined.

If three usable FICO scores are received for a Borrower, the Underwriting Score selected would be the middle score. If two of the scores are the same, that score should be used.

If only two usable FICO scores are received for a Borrower, the lowest of those two scores would be that Borrower's Underwriting Score.

This procedure to establish Underwriting Scores should be used for each Borrower on the loan. Once the Underwriting Score for each Borrower is determined, the lowest of these scores should be used (if more than one Borrower is on a loan) to determine if minimum FICO requirements are met as listed in the Credit Score Requirements section above.

Underwriting:**(continued)****Qualifying Ratios:**

The **qualifying ratios** are as follows:

- **Permanent Loan to FNMA or FHLMC:**

Prior home PITI and Bridge Loan payment on the previous residence may be excluded from ratios if all of the following are met:

- Executed Sales Contract
- Lender's loan commitment to the buyer (if the contract includes a financing contingency)
- Reserves of 6 month payments covering any liens on the prior residence

- **Permanent Loan to Private Investor:**

In general, if the permanent loan (purchase) is being sold to a private investor, the program guidelines for that investor apply. The qualifying ratios are figured including the following:

- The PITI on the purchase
- PITI on the previous home
- Estimated monthly interest payment on the Equity Bridge Loan; and
- All recurring monthly debt

Non-Occupant Co-Borrowers:

Non-Occupant Co-Borrowers as allowed by Purchase Mortgage.

Income Requirements:

Must follow Purchase Mortgage guidelines.

Asset Requirements:

- Must follow Purchase Mortgage guidelines.

Unacceptable Source of Funds:

- Funds from Non-Profit Organizations such as Nehemiah, AmeriDream or any other program to which the seller contributes the funds, are not acceptable.

Interested Party Contributions:

Not applicable.

Non-Arms Length Transactions:

Must follow Purchase Mortgage guidelines.

Closing Requirements and Special Forms:

- Manufactured Homes:
 - You must use a special closing addendum when the property type is marked as Manufactured Housing. You must print the forms from the Product Information section of the Website. The forms are located within the “Miscellaneous Forms, Information and Miscellaneous Bulletins” folder.
 - The state may require additional requirements, so please check with your title company for additional restrictions/requirements when preparing a closing package for this property type.
 - The closing instructions must state that we require the property to be taxed as real estate and hold first lien position.
 - The VIN (vehicle identification number) must be on the title policy and on the ALTA 7 endorsement
 - The manufactured home must be described in the Security Instrument and the description should contain the year, make-model and HUD serial number(s) for each section of the unit.
 - Must obtain an insured closing protection letter from each agent (unless prohibited by state law)
 - Refinance transactions: Check with the closing agent to make sure existing loan is titled as real property.
 - All other standard closing requirements must be met.
- Equity Bridge Loan Note
- Current version of the FNMA/FHLMC Mortgage for the State where the property is located
- 3 Day Right of Rescission
- EPA Endorsement (Only required if Equity Bridge Loan assumes 1st lien position)
- Full ALTA Policy (Only required if Equity Bridge Loan assumes 1st lien position)
- Title Update [issued from the date of the original issuance of the existing title policy through the closing date of the Equity Bridge Loan.](#) (Only required if Equity Bridge Loan assumes 2nd lien position)
- Flood Certification
- Home Equity Loan Extension Disclosure

If applicable:

- Condo Rider – Form 3140
- Condo Endorsement ALTA 4
- PUD Rider – Form 3150
- PUD Endorsement ALTA 5
- Location Endorsement ALTA 9 (Required in areas where surveys are not customary.)
- Manufactured Housing Endorsement ALTA 7
- Revocable Trust Rider

Prepayment Penalty:

There will be no prepayment penalties on this product.

Servicing:

This product is servicing retained.

EXHIBIT A

**EQUITY BRIDGE LOAN CALCULATION SHEET
\$15,000 MINIMUM LOAN AMOUNT
\$200,000 MAXIMUM LOAN AMOUNT**

With Valid Sales Contract

Properties with Listing Agreement

Current Home Mortgage Balance(s)

Current Home Mortgage Balance(s)

+Equity to Close/Bridge

+Equity to Close/Bridge

= Total Liens on Current Home

=Total Liens on Current Home

Divided by Sales Price or Value,
Whichever is lower

Divided by Sales Price or Value,
Whichever is lower

=

=

=
_____ %
(Not to exceed 90%)

=
_____ %
(Not to exceed 80%)