



MH Full Doc Non-Conforming Program

LAND HOME BRANCH OPERATIONS LOAN PROGRAM DESCRIPTIONS EFFECTIVE DATE:

September 20, 2006

SUBJECT: MFR HOME FULL DOC NON-CONFORMING PROGRAM

4.00 PROGRAM DESCRIPTION

A non-conforming "A" or "B" credit quality (borrowers with a minimum 620 FICO) first mortgage program with fixed rate terms for approved brokers. This program is for manufactured home mortgages for existing manufactured homes built post-1970. The collateral valuation for this program is based on either a standard FNMA/FHLMC MH appraisal including a Manufactured Home Appraisal Report Addendum (Fannie Mae Form 1004C or Freddie Mac Form 70B), or a land appraisal only and a NADA Manufactured Housing Guide value for the home (Call for more details). It is not designed for construction to permanent loans that are facilitated through a general contractor or factory-built home retail location (a separate program exists for this option). The program is designed for borrowers who have a high regard for their financial obligations as demonstrated by their credit and stable employment. The program is not available for loans processed through DU and LP. FHA loans are not permitted.

4.01 INELIGIBLE LOANS

Community Lending, FHA, or VA Products

Manufactured Homes built prior to 1970

Manufactured Homes not affixed to a permanent foundation in compliance with Federal, State and Local regulations

Metal-on-Metal Homes

Construction to permanent loans that are facilitated through a general contractor or factory-built home retail location (a separate program exists for this option)

Section 32 or "high cost" loans

4.02 AVAILABLE MARKETS

Available in all states except NJ, NY, KS, and WV

4.03 LOAN PROGRAMS

Conventional Fixed Rate Product (10, 15, 20, 25, and 30 year terms)

A MH Residential Program that allows site-built rates and underwriting criteria to be used for Manufactured Homes meeting specific quality, amenities, architectural and installation guidelines.

Alt-A "Niche" products including cash-out, debt consolidation, second homes, a "Buy-For" by relatives program, and limited stated-income mortgages.

4.04 OCCUPANCY

Primary Residence and Second Homes (>= 30 miles from primary residence) only.

4.05 ELIGIBLE PROPERTIES

1 Unit properties – SFR and PUDs

Post-1970 built Manufactured Homes or "On Frame" Modular Homes affixed to a permanent foundation in compliance with Federal, State and Local regulatory requirements.

- For manufactured homes, towing hitch, wheels and axles must be removed.

Home must be classified as Real Property with Title retired per State guidelines.

- Land must be owned by borrower in fee simple status.



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- Land cannot exceed 5 acres with the value typical for the subject market area (larger parcels may be used for collateral with ≤ 5 acres prorated for value purposes). Land value cannot exceed 50% of total appraised value.
- Rural properties (comparables > 5 miles) limited to 80% LTV. At least 2 comparables must be within 20 miles.
- If home not on a publicly dedicated and maintained street, must have adequate vehicular access and legally enforceable agreement for access and maintenance between affected parties.

Existing homes only

Homes located in an approved condominium project (call for specific details)

Single-section and Multi-section Manufactured Homes meeting the following general criteria:

- Minimum of 700 Sq Ft.
- Home siding must be of high quality and be in conformance with the standard siding prevalent in the immediate area
- Acceptable like-property (i.e. single-section) resale comparable sales within the past six months
- Skirting (if necessary) must be of high quality materials, be professionally installed and be comparable with the "look" of homes in the immediate area. Metal skirting is not acceptable.
- All improvements and utility services must meet County code requirements and be compatible with similar features of homes in the immediate area. The home must be permanently connected to septic or sewer system and all other utilities.
- Landscaping and hardscapes (i.e. walkways and driveways) must be compatible with homes in the immediate area.

4.06 INELIGIBLE PROPERTIES

Leasehold estates (i.e. parks).

Investment properties

Properties held in Life Estate

Any manufactured home not titled as real estate

Commercial or mixed-use properties

Properties held in corporate names or in trusts, or properties listed for sale

Unique or limited marketability properties; apartment and warehouse conversions

Properties where the appraiser is unable to find two similar MH comparables

4.07 BORROWER ELIGIBILITY

U.S. residents or permanent resident aliens (properly documented)

Employed in the U.S.

Income likely to continue for at least 3 years

No co-signers; no non-occupying co-borrowers. A "Buy-For" option by relatives is available.

Employees of third party originators are **not** eligible.

Certification of borrower identity is required.

4.08 LOAN PURPOSE

Purchase, Rate and Term Refinance, and Cash-Out (Including Debt Consolidation) Refinance

4.09 MINIMUM - MAXIMUM LOAN AMOUNT

Minimum loan amount of \$25K; maximum loan amount of \$500K

4.10 PURCHASE, RATE AND TERM REFINANCE, AND CASH-OUT REFINANCE

Purchase Money

- LTV based on lowest of sales price of manufactured home and land, current appraisal, or if home built in past 12 months, lower price at which the home was previously sold.



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- Financing must be evidenced by a mortgage or deed of trust recorded in land records.
- Borrower’s current home must be proven sold and all housing debt paid off.

‘Buy-For’ Purchase Money

- Permits borrower to purchase/finance home that will be occupied by a relative who will NOT be on the Note. This is not a co-signor program.
- Borrower must be current homeowner, but cannot have more than two existing mortgages (three with the “Buy-For” property).
- Borrower must provide at least 15% down payment from cash or land equity.
- Remainder of Purchase Money provisions apply.
- Pricing adjustment on Rate Sheet.

100% LTV R/T Refi requires minimum 620 FICO

- Must document benefit to borrower with respect to term, payment or rate
- Term may only exceed existing term by 3 years
- Cash-out limited to lesser of 2% of loan amount or \$2,000
- Home must be owned >= 12 months

<=95% LTV requires minimum 620 FICO on purchase transaction (5% borrower funds). Closing costs and fees may be added to loan amount to take LTV to 100%.

<=90% LTV Second Home requires minimum 620 FICO (10% borrower funds). Closing costs and fees may be added to loan amount to take LTV to 100%.

For refinance loans with mortgage insurance, there is no limit to the amount of the loan that can be cash-out. Minimum FICO for all refinance loans is 640.

For refinance loans without mortgage insurance, the allowable cash-out (including debt consolidation) is subject to the LTV of the loan and the borrower’s FICO based on following chart:

Cash Out Limits		LTV		
		< 49.99%	50 - 79.99%	80 - 100%
FICO	720 +	Unlimited	\$ 40,000	No Cash Out
	700-719	Unlimited	\$ 35,000	No Cash Out
	680-699	Unlimited	\$ 25,000	No Cash Out
	660-679	Unlimited	\$ 15,000	No Cash Out
	640-659	Unlimited	\$ 10,000	No Cash Out

- Home must be owned >= 24 months to be eligible for cash-out refinance
- Although all types of debts may be paid off, only payments associated with installment debts will be allowed to be removed from the qualifying debt ratio.

<=65% LTV for refinance of “Free and Clear” properties requires minimum 620 FICO

- Follow the same provisions as the cash-out program except as noted.
- Home must be owned >= 12 months to be eligible for debt consolidation refinance

Call for specific details on individual cases.

4.11 CREDIT SCORE REQUIREMENT

A minimum FICO score (mid-low score on tri-merge) as detailed in the above is required.

Tri-merge Credit Report must be <=60 days old at closing.

Recent credit inquiries must be explained and any new opened accounts must be documented.

Minimum of 2 valid and usable scores are required for each borrower

Score of primary income earner used or qualifying and pricing

Minimum of 3 trade lines that are >= 2 years old

4.12 INELIGIBLE CREDIT SCENARIOS



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Loan does not meet the credit score, LTV, or loan amount guidelines.

Mortgage trades must not have had any ≥ 60 -day ever; No 30-day delinquency for 12 months; 2 30-day delinquencies in past 13 - 24 months

All delinquent trade lines must be brought current prior to closing (loans proceeds cannot be used)

All debts that are in default, that are not dischargeable through a bankruptcy, must be paid at closing.

Exceptions is payment plan paid as agreed ≥ 12 months. Child support, student loans, and Federal and State tax liens cannot be discharged through bankruptcy.

The borrower is party to a lawsuit.

Non-arms length transactions

Borrowers employed by family owned businesses

Partial term buy down

Non-occupant borrowers

Non-permanent resident aliens

Work Completion Escrow/Holdbacks

Mortgage History: Less than a 12-month history. First time homebuyers must provide previous 12 months cancelled rent checks, bank statements or VOR from a real estate management company. First time homebuyer with no previous 12 month rental history are **not** eligible.

Employment History: Less than 2 years history

Bankruptcy/Foreclosure/Consumer Credit Counseling:

- Require ≥ 24 months re-established credit (one an installment loan)
- ≥ 24 months old or discharged (Chap 7 discharge date; Chap 13 filing date with 24 month satisfactory payment history)
- No mortgage delinquencies since bankruptcy
- No past-due accounts in last 24 months
- No charge-offs, collections, judgments and liens since bankruptcy
- Borrowers with multiple instances **not** acceptable

Foreclosure: Discharged less than 2 years.

Collections: Charge-offs and collections on accounts opened ≤ 12 months must be paid off with proof of source of funds (not including medical debts); opened > 12 months can be left open (\$1,000 total limit, excluding medical debts).

Liens and Judgments: Must be paid off with proof of source of funds prior to or at closing

4.13 PRIVATE MORTGAGE INSURANCE

MI insurance is not required. However, if MI obtained to qualify for higher LTV, following applies:

MI insurer must be approved by Land/Home Financial

LTV 80.01% - 85.00% = 25% Coverage

LTV 85.01% - 90.00% = 30% Coverage

LTV 90.01% - 95.00% = 35% Coverage

4.14 TOTAL DEBT RATIO

50% maximum debt ratio of gross income allowed unless net disposable income exceeds following limits:

50.1% - 55% DTI - \$1000

55.1% - 60% DTI - \$1500

4.15 SUBORDINATE FINANCING

Subordinate financing is **not** permitted.

4.16 INCOME



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Wage / Salary Income / Employment

A 2-year employment history is required.

Fully completed VOE signed and dated by employer.

A verbal VOE will be conducted by Land/Home Financial prior to closing

A written explanation of gaps more than 30 days is required.

Income verification is required, including most recent pay stub (not hand written) and two year's W-2s.

A certified statement from the employer's CPA or 6 months of bank statements showing earnings deposits may be substituted.

Self-Employed Income

A borrower who has an ownership interest of $\geq 25\%$ in a business is considered to be self-employed.

Verification the business has been in operation for at least 2 years is required. A careful analysis of the borrower's education, training, experience, demand, location, and nature of business is required. < 2 years of self-employment is acceptable if the borrower has had a history of employment in the same or related field and can document a reasonable probability of success based on market feasibility studies and pro forma financial statements.

A copy of the business license or alternative confirmation of the existence of the business (e.g., through a business directory listing) is required.

If a license is not required for the business, a signed confirmation of the existence of the business by the borrower's accountant or CPA is required.

Income verification is required, including the last two year's tax returns. An average of the previous two year's qualifying income should be used.

Specific guidelines for verification exist for Sole Proprietorship, Partnership, Corporation and S-Corporation (generally 2 year's personal and business tax returns, and profit and loss statements).

IRS Form 8821/4506-T is **required** at closing.

4.17 OTHER INCOME

Overtime/Commission/Bonus Income: A 2-year history of receipt and employer verifies likely to continue and are typical for the occupation. Average the overtime or commission from previous year and current YTD (use current year if it is sharply declining). If $> 25\%$ of qualifying income is overtime/commission/bonus, two year's tax returns are required. For bonus to be considered for qualifying income there must be 2 year history of receipt and be typical for occupation. An annual bonus may **not** be used as income if it is used for down payment.

Alimony/Child Support: A 12-month history of receipt and the amount of income is required. A copy of the court decree or separation agreement is required to verify the amount and duration. Child Support only acceptable for children 12 years of age or younger (for children > 12 years old it will be considered as a compensating factor). Alimony or child support must be counted as a long-term monthly obligation unless there is evidence of payment lasting < 10 months.

Interest and Dividend Income: Must have been received > 24 months to count toward qualifying income. 2-year's tax returns required as documentation.

Part-time or Seasonal Income/2nd Job: A 2-year history of receipt and a strong likelihood of continuation are required.

Rental Income: A 2-year history of receipt of income is required (use average over last 2 years). A copy of the rental or lease agreement is required. 2-year's tax returns, including all schedules, are required to verify rental income. Use Net Rental Income on Schedule E plus depreciation. If rental property has been owned < 2 years, use of income may be approved if documented compensating factors exist.

Secondary Income: A 2-year history of receipt and a strong likelihood of continuation are required. Other non-employed income may be used to qualify the borrower provided they have a history of receiving the income regularly (as noted in this section). Possible sources that may be used to verify the duration in which the borrower has received, and will continue to receive other non-employed income, include: Award letter (Social Security, Pension Fund, etc.), court order/agreement, asset statement from which the income is generated, notes receivable (12 month history), agreements, irrevocable trust agreement, attorney letter,



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etc. 6 months consecutive bank statements showing regular and consistent deposits are required. 2-year's tax returns required.

Military Income: As long as future continuance can be established, may include flight or hazard pay, rations, clothing allowance, quarters allowance and hardship allowance.

Non-Taxable Income: As Gross Income is used to calculate the debt ratio, the following income should be "grossed-up" (amount divided by 0.75): Child support, SSI, Disability Income, Railroad retirement, VA benefits, Workmen's Compensation and AFDC.

Trailing Co-Borrower Income: Not permitted.
IRS Form 8821/4506-T is **required** at closing.

4.18 SELLER CONCESSIONS

$\geq 90\%$ LTV – 5%; $80\% - 90\%$ LTV – 8%; $< 80\%$ - 10%

4.16 ASSET VERIFICATION

Verification of source of funds for down payment is required for all mortgage transactions. Any portion of the borrower's down payment that comes from the borrower's own funds must be verified. Funds that cannot be verified cannot be used. Qualified Gift funds from relatives are allowed; the source and seasoning of gift funds must be verified with proper documentation. Liquidation of assets for closing (e.g., stocks, bonds, etc.) is required. Cash, trade equity (95% of current base MH NADA value less the payoff of any liens), or land equity (100% of appraised value of land less any encumbrances; 12 months seasoning required or value will be based on purchase price) may be used for down payment.

4.19 INELIGIBLE SOURCES OF FUNDS

Funds from a bridge loan
Interested party contributions

4.20 ESCROWS

Escrow accounts are not required; however Escrow Waivers Fees apply. Pricing on Rate Sheets.

4.21 PROPERTY VALUATION

A full interior/exterior appraisal only by a Land/Home Financial approved appraiser. Specific FNMA/FHLMC MH appraisal guidelines must be strictly adhered to including a Manufactured Home Appraisal Report Addendum (Fannie Mae Form 1004C or Freddie Mac Form 70B). Alternative property valuations such as APV, appraisal waivers or reduced requirements from DU findings are not permitted. Comparable sales must be MLS-listed and sold post-1970 Manufactured Homes of like type, must meet standard distance criteria and have at least two acceptable resale comparable sales within the past six months.

An acceptable alternative valuation approach requires only a land appraisal by a Land/Home Financial approved appraiser using standard USPAP guidelines (Call for additional details). An appraisal conducted > 1 year before closing is unacceptable. Appraisals must be conducted within 120 days of closing with re-certification by the original appraiser if > 120 days. The value of land is based on acquisition cost (if acquired in last 12 months) or appraised value (if acquired over 12 months ago). The NADA Handbook must be used for the valuation of the home. A "sum of the parts" approach will be used to determine the loan amount (135% Net Invoice for New, or Lesser of 135% Base NADA or 95% Sales Price for Used + Options 30% Net Invoice for New; 15% Base NADA for used + Property improvements + Foundation/Garage/Basement (\$15K max each; \$30K total) + Land Value (Lesser of 95% purchase price or 95% appraised value) based on 1st 5 acres + Closing Costs + Fees/Taxes/Other Costs including Set-up (\$2K per section; Max \$6K) + Total Points = Max Allowable Advance).

Unrecorded land contracts < 12 months old are treated as purchases with contract price used as sales price.



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If land contract or lease option is < 12 months old, LTV is base on the lower or sales price or appraised value. If land contract or lease is > 12 months old, LTV is based on the appraised value.
Lease options buyouts are not allowed on loans with $\geq 80\%$ LTV

4.22 INSURANCE

All borrowers must have physical damage insurance (minimum of Broad Form Comprehensive with a loss settlement provision of replacement cost, agreed value or state value in an amount equal to at least the remaining unpaid loan balance. Policy term of 12 months minimum (except in FL where the term must be ≥ 3 months). For refinance loans, a policy with ≥ 3 months coverage is acceptable. Deductible cannot exceed \$1,000. Flood insurance policy required if the home is within a 100-year flood plan. Loans with credit life insurance, disability insurance or home warranties financed into the loan will not be accepted.

4.22 BROKER PACKAGE SUBMISSSION REQUIREMENTS

Broker must submit a complete loan package to Land/Home Financial that includes, but is not limited to, a 1003, Credit Bureau report, Form 500, employment and income verification documents, asset verification, disclosures, and certification that the Borrower meets the basic requirements of this matrix.