



PRODUCT:	FHA30	PCM FHA
	FHA25	FHA15
	FHA20	FHA ARM 3/1
	FHABUYDOWN	FHA ARM 5/1

Primary Capital Mortgage guidelines have been created to provide direction and consistency in determining a credit decision. The intention of these guidelines is to describe the general underwriting philosophy of the company, however is not all inclusive of different situations that may arise from loan to loan. PCM strives to make solid underwriting decisions based on the quality of the loan, basing our underwriting decision on all aspects of the loan file (i.e. loan to value ratio, collateral value, credit history, assets, qualifying ratios, etc.). Although multiple risk factors are assessed, the underwriter will attempt to balance the evaluation between the borrower and the property & the borrower’s ability to repay the loan provided.

PCM reserves the right to apply additional underwriting criteria depending on the overall risk of the loan file. Guides are subject to change without notice.

Amortization: Product is available on 15, 20, 25 and 30 year terms. All ARMs are 30 year term only. Buydown option is available on 30 year FIXED term, purchases only.

ARM Specifics:

Caps	1/1/5
Margin	2.25
Index	1 Yr Treasury
Adjustments	Fixed for 1, 3 or 5 years. Thereafter, adjusts annually.
Conversion	A conversion option is not available.
Assumability	Product is not assumable.

Appraisals: Appraisals must be completed by approved FHA roster appraisers (General Certified or Certified Residential ONLY) and include the assigned FHA case number. Appraisers must confirm that the subject property meets all HUD minimum property standards. Appraisals must be ordered using FHA appraiser independence guidelines.

Appraisals are valid for a period of 120 days. A re-cert of value may be obtained to extend the validity for an additional 120 days if ordered prior to the original appraisal expiration date. The re-cert of value must be performed by the original appraiser and must include an updated 1004MC addendum.

Assets: Documentation of assets will be based on AUS findings with the following additional requirements:

- A VOD must be accompanied by minimum 1 months complete bank statement or account history printout.
- All online or other activity printouts must clearly identify the borrower, the bank name and account number.
- Verification of full accounts numbers will be required if not found on full statements or printouts.

- Mutual funds, Stocks and Bonds must be discounted by 30% of the available balance.
- Retirement accounts must be discounted by 40% of the vested balance after loans. (See additional notes in the "Reserves" section)
- Deposits that are not verified from payroll, retirement, SSA, disability sources and that are deemed to be excessive must be documented with a satisfactory letter of explanation and supporting documentation. Factors in determining if a deposit is deemed to be excessive may include:
 - The borrower's income stream
 - The borrower's recent history of cash withdrawals
 - The borrower's typical deposit history and spending habits
 - The percentage of the deposit(s) in relation to the borrower's overall asset portfolio
- If credited at closing, all Earnest Money deposits must be documented with a copy of the canceled check and the bank statement reflecting the funds drawn from the borrower's account. Any large/non-payroll deposits must be documented in accordance with HUD and PCM guidelines.

Cash on Hand:

Cash on hand is acceptable under the following circumstances:

- The borrower does not otherwise have a history of using traditional banking practices.
- The borrower completes a budget that details monthly income, expenses, savings, and the time required to acquire the funds.
- The budget and savings history makes sense and is consistent with other information verified in the file.
- The funds are deposited into a traditional depository account belonging to the borrower or the closing attorney's escrow account. Documentation of the deposit and amount will be required.

Credit Score and Credit Requirements:

All loans must have a minimum **620*** score for all borrowers REGARDLESS of AU findings.

***660 score required for loans in excess of \$417,000.**

***640 score required for all streamline refinances.**

Borrowers with no score or with scores below 620 are not eligible.

In addition to score requirements, every borrower, regardless of AUS findings, must have a minimum of 3 valid trade lines reporting for a minimum of 12 months during the past 3 years. Alternate credit, Authorized User and Deferred Student Loans cannot be used to meet this requirement. FHA Streamline Refinances are **NOT** exempt from this requirement.

No late mortgage payments in the past 12 months allowed- even with AUS Approval.

Qualifying payments on all Equity lines will be based on 1% of the total line available regardless of balance, including those with a 0 balance.

Loans receiving a Refer through AUS must meet the following additional credit criteria:

Mortgage/Housing	0 x 30 in past 12 months 1 x 30 and 0 x 60 in past 13-24 months
-------------------------	--

Installment	0 x 30 in past 12 months 1 x 30 and 0 x 60 in past 13-24 months
Revolving	3 x 30 in past 12 months 5 x 30 and 2 x 60 in past 13-24 months
Chapter 7 Bankruptcy	Discharged 2 years
Chapter 13 Bankruptcy and CCCS	1 year in repayment plan 12 months timely payments Court approval to enter new mortgage
Foreclosure	None in last 3 years

**Credit Score and
Credit Requirements:**

Collections do not have to be paid as a condition of loan approval, but will be considered in overall credit analysis.

Judgments and Tax Liens must be paid at or prior to closing. Tax liens may remain unpaid with an established repayment agreement and a minimum of 12 months timely payments verified. A satisfactory subordination agreement is required for any lien that is approved to remain in place after closing.

Borrowers with a short sale in the past three years would be eligible for FHA financing provided they were current on the mortgage (in addition to being 0x30 in the most recent 12 months) and other installment debts at the time of the short sale, and the proceeds from the short sale will serve as payment in full. **However, borrowers are not eligible if they pursued a short sale agreement simply to take advantage of declining market conditions and then purchase a similar or superior property at a reduced price within a reasonable commuting difference.** Borrowers that do not meet FHA requirements would be required to wait 3 years from the completion of the short sale to become eligible for new mortgage financing. **When a short sale is reflected on the credit report, the loan must be manually downgraded to Refer (if AUS approved) and must comply with PCM manual underwriting guidelines.**

See "Qualifying Ratios" for additional credit requirements for borrowers located in a community property state.

A credit report that reflects unresolved disputed accounts will require a manual downgrade of AUS approval to Refer and must comply with PCM manual underwriting guidelines.

Disaster Area Victims:

This enhancement is to provide relief to borrowers whose previous residence was destroyed by flood, fire, storm, hurricane, earthquake or other natural disasters. The previous residence must be in an area in which the President of the United States issued a formal declaration of a major disaster, as verified online at www.fema.gov/disasters. File must be submitted to underwriting within 1 year of President's declaration, unless deadline extended by HUD.

The new subject property must be a single-family detached home or condo in an approved project. The new property need not be in a disaster area. Financing to 100% is available on these properties. The borrower may be qualified at ratios of 31/45%.

Evidence of inhabitability is required verifying that the single-family dwelling previously occupied by the borrower was destroyed or damaged to such an extent that reconstruction or replacement is necessary.

Documentation:

Documentation required is determined by AUS. For manually underwritten loans, full or alternative documentation is required. Credit file documentation must be dated within 90 days of the note for existing properties and 120 days for newly constructed properties.

Downpayment and Closing Costs:

The required down payment on all purchase transactions is 3.5%.

POC appraisal/application fees and Seller real estate tax pro-rations to be received at or credited at closing may not be considered towards the borrower's minimum required investment.

Tax service fees can never be charged to the borrower, but may be charged to the seller.

Only Bona Fide discount points payable to Primary Capital may be charged.

Premium pricing can be used to pay all or part of borrower's closing costs and/or prepaid items. Costs paid through premium pricing are not subject to the 6% limitation. Premium pricing cannot be used to fund any portion of the borrower's minimum 3.5% cash investment.

Down Payment Assistance:

Seller Funded Down Payment Assistance gifts are NOT an acceptable source of funds and cannot be used, even if provided through an IRS Non-Profit agency.

Employment/Income:

All Borrowers must be on their job a minimum of 30 days and have a paystub that reflects a minimum of 30 days earnings documented in loan file prior to loan closing. A written VOE may not be used in lieu of this requirement.

PCM will allow a borrower to close within 30 days of starting new job IF all of the following conditions are met:

1. Loan must be manually underwritten according to the FHA 4155 guidelines for projected income.
2. Borrower will have to provide paystubs to cover 30 days after closing (sign 1010) as this is required for FHA insurance.
3. Acceptable new employment contract from employer with all conditions/contingencies met.
4. Borrower must be in position that is standard for having an employment contract – such as teacher, attorney, doctor, CPA, etc. This will NOT apply to those borrowers who are simply changing employers and/or relocating.

If all of the above conditions (ie: 1-4) cannot be met, borrower will be required to start the new job and provide a paystub reflecting 30 days earnings prior to loan closing.

Regardless of start date, income from employment must be documented with pay stubs covering a consecutive 30 day period.

A Civilian borrower employed as a military contractor overseas IS NOT eligible for FHA financing as they cannot meet occupancy requirements. Only active duty military borrowers who have immediate family to occupy the home can meet FHA occupancy requirements.

Verification of Self Employment must be documented with minimum 2 years full tax returns, signed by the borrower, along with a signed 4506T. Business Returns may be required (as determined by Underwriter, or AUS). Third party verification of the business must be obtained within 30 days of closing. Verification may be from CPA, Regulatory Agency, or copy of current business license AND a verifiable phone listing and address for the business.

Borrowers with an extended absence (6 months or more) must be back on the job a minimum of 6 months and have a documented prior 2 year work history in the same or similar line of work for income to be considered stable for qualifying.

Other sources of income (such as commission, bonus, overtime, etc.) must have a documented 2 year history of receipt as verified with tax returns, written VOE's and/or other documentation required to meet AUS findings.

Identity of Interest:

Identity of interest transactions are restricted to a maximum LTV of 85% except under the following circumstances:

- A family member purchases another family member's current home as a principal residence. (If the subject is currently an investment property, the maximum LTV is 85% unless documentation is provided to show the borrower has been the tenant for a minimum of 6 months.)
- An employee of a builder purchases one of the builder's new homes or model homes as a principal residence.
- A current tenant, who has a business or family type relationship with the landlord, purchases the property that he or she has rented for at least six months preceding the sales contract. Evidence of occupancy must be provided. **(Rental agreements between unrelated parties alone do not constitute an Identity of Interest relationship and are not subject to LTV restrictions).**
- A corporation transfers an employee to another location, purchases that employee's home, and then sells the home to another employee.

Gifts:

Gifts are allowed. A fully executed gift letter confirming no repayment will be required (unless approved by AUS, then complete donor information per AUS findings on 1003). The file must also contain evidence of donor's ability to give gift prior to closing along with the certified check at closing.

Eligible donors include:

- Relative by blood, marriage or law
- Borrower employer
- Charitable organization
- Government agency providing homeownership assistance
- Unrelated individual that can document evidence of a family type, longstanding and substantial relationship not arising out of the transaction

Gifts from a borrower's relative real estate agent's commission are acceptable. The relationship must be disclosed in the sales contract and the gift reflected on the HUD-1 at closing. Cash back as a result of the gift is not allowed.

Subordinate Financing: Subordinate financing on a purchase is acceptable provided the source meets both PCM and FHA guidelines as set forth in Ch. 1, Section 5 of the 4155.1 Rev-5.

A copy of all grant or loan documents must be provided with the submission package. Verification of borrower approval, meeting all terms of subordinate lending or grant organization will also be required as a condition of first mortgage approval. The borrower must be qualified with any required payments on the subordinate lien. Terms of the subordinate lien must meet all applicable FHA guidelines as set forth in the 4155.1 Rev-5.

Permissible subordinate lending arrangements include:

- Government Agencies as described by HUD. Maximum CLTV 100%
- Non-Profit Agencies as described by HUD. Maximum CLTV 100%
- Other Organizations/Private Individuals. CLTV cannot exceed the applicable LTV ratio and the maximum mortgage limit for the area. (See 4155 for full requirements)
- Family Member (parent, child, grandchildren or grandparents only). CLTV cannot exceed 100%. (See 4155 for full requirements)

On rate/term refinances, subordinate financing can remain in place. Refer to LTV/CLTV charts for limitations. The borrower must qualify with all payments. A subordination agreement will be required along with a copy of the note to verify the terms are acceptable to FHA. Qualifying payments on all Equity lines will be based on 1% of the total line available regardless of balance, including those with a 0 balance.

HUD Repo:

If HUD REO sales incentives apply and have been specified in writing, \$100 down payment is allowed (LTV guidelines do not apply, use loan code “[FHA Repo](#)”). **Subordinate financing cannot be combined with the \$100 down payment program.**

When a contract is written for an amount higher than the HUD starting bid (generally the value determined by the HUD M&M Appraisal), the borrower must pay the difference between the contract price and the HUD starting bid amount/appraised value.

If required by contract for FHA insurance, maximum acceptable escrow holdback is \$500 and must be completed within 48-72 hours of closing. (203b Repair Escrow). **PCM will not accept 203(b) Repair Escrow contracts with repairs exceeding \$500 or contracts requiring 203(k) financing.**

Appraisals are not required when the existing HUD M&M appraisal is less than 120 days old at the time of contract. PCM reserves the right to require an additional appraisal.

Investor purchasers not allowed

Eligible Borrowers:

U.S. Citizens and permanent resident aliens are allowed under standard underwriting guidelines. All borrowers must have a valid Social Security Number and a minimum of 2 years residency and employment in the United States.

Permanent resident aliens must provide evidence of lawful residency from the Bureau of Citizenship and Immigration Services (BCIS).

Non-permanent resident aliens are eligible for maximum financing under the following conditions:

- Primary Residence Only
- Must have valid SSN
- Evidence of eligibility to work in the US issued by the BCIS

Eligibility for Government Financing:

A clear CAIVR number will be required for all borrowers on all transaction types with the exception of streamline refinances.

All parties to the transaction must be checked against the FHA LDP and GSA lists for eligibility. These lists must be checked on all loans, including a streamline refinance.

First Time Homebuyers:

First time homebuyers are allowed.

Geographic Restrictions:

Cash-out refinances are not allowed in Texas. Properties located in Georgia counties Bryan, Camden or Liberty are not eligible. Streamline refinances are not allowed in Kansas.

Maximum Loan Amount and LTV:

The maximum insurable loan amount is the lesser of the published statutory loan limits for the area, or the LTV as outlined below. Current FHA statutory loan limits can be found online at <https://entp.hud.gov/idapp/html/hicostlook.cfm>
 NOTE: Loans exceeding \$417,000 require minimum credit score of 660. A second appraisal will be required on high balance loans over 95% LTV in declining market areas.

Loan Purpose	# Units	Maximum LTV/CLTV	Lesser of Sales Price or Appraised Value
Purchase	1-4 Unit	96.5%/100%*	Based on Lesser of Sales Price or Appraised Value
No Cash-Out Refinance	1-4 Unit	97.75%/97.75%**	Use Appraised Value (or Acquisition if owned less than 12 months)
Construction to Permanent Refi	1 Unit	96.5%/96.5%	Based on Lesser of Documented Acquisition cost or Appraised value ***
Cash-Out	1-2 Unit 3-4 Unit & Loans in excess of \$417,000	85%/85%	Use Appraised Value (or Acquisition if owned less than 12 months)
Purchase Disaster Area Victim 203(h)	1 Unit	100%	Use lesser of Sales Price or Appraised Value

*Subordinate financing must meet guidelines set out pg 4.

** 100% CLTV allowed on streamline refinances with and without appraisals. Refer to Streamline refinance section for additional details.

***Land value may be used in lieu of cost if gift or owned greater than 6 months.

Mortgage Insurance:

Effective with case numbers ordered on or after April 5, 2010 FHA will charge an upfront premium on all loans, regardless of credit score or down payment, in an amount equal 2.25%. This premium is applied to all loan types including streamline refinances.

Annual premiums will also be charged based on the initial LTV and length of mortgage, according to the following schedule:

LTV	Annual for Loans >15 Years)	LTV	Annual for Loans ≤ 15 Years
≤ 95	50	≤ 90	-None-
> 95	55	> 90	25

Monthly mortgage insurance will terminate when the LTV reaches 78% of the lesser of the original sales price or original appraised value. However, monthly mortgage insurance must be paid for a minimum of 5 years regardless of LTV.

Escrows:

Escrow accounts are required to be established on all FHA transactions, regardless of LTV.

Multiple Property Ownership:

Borrowers may own up to 4 total properties including the subject (this condition applies to all properties, even if owned free and clear).

Rental income from recently vacated primary residences may NOT be used for qualifying unless one of the two following exceptions can be met:

- Employer relocation (either by a new employer or present employer) to an area not within a reasonable commuting distance.
- Verified sufficient equity in the present home equal to 25% of more as determined by a current appraisal.

In both cases, the file must contain an executed one year lease and evidence of receipt/deposit of the first month’s rent and/or security deposit paid to the homeowner.

Borrowers owning a home with a FHA mortgage may not purchase another principal residence using FHA financing, except under the following circumstances:

- Relocation to another area not within reasonable commuting distance to the current principal residence
- Increase in family size. Increase in family members must be documented. Increase in home size is verified by total Bedroom count, not square footage of home. Parents living with/moving in with the borrower do not qualify as an increase unless they can be claimed as a dependent on the borrower’s tax returns. The current FHA mortgage must be paid down to 75% LTV based on a current FHA appraisal.
- Vacating a jointly owned property
- Non-occupying co-borrower

**Non-Occupant
Co-Borrower:**

Non-occupant co-borrowers are allowed on purchases and rate/term refinances only. **Mortgages with non-occupying borrowers are limited to one-unit properties if the LTV exceeds 75%.**

Occupancy:

Primary residences only. Investment properties and second homes are not allowed.

Additionally, if the borrower has a previous mortgage transaction for a primary residence within the past 12 months, the borrower must provide reasonable documentation to justify the new transaction (i.e.: letter of explanation and other supporting documentation) and confirm their intent to occupy the subject property as their new primary residence.

Power of Attorney:

With the exception of active military borrowers, PCM will not allow the use of a Power of Attorney. POA's for active military must be approved by PCM underwriting prior to closing.

Property Flipping:

For properties where title has transferred in the last 12 months, there are additional financing restrictions and/or additional documentation requirements.

If the transfer was 90 days or less, the property is not eligible for FHA financing.

If the transfer was 91-180 days, a second appraisal completed by a different FHA roster appraisal is required if the current sales price is the same or higher than the original acquisition cost. The cost of the additional appraisal cannot be charged to the borrower. The lower of the two values will be used to determine the maximum loan amount. Any repairs listed on either appraisal must be resolved prior to closing.

If the transfer was 181-365 days, the HUD-1 from the original purchase must be provided. Value must be reasonable.

These restrictions do not apply to properties owned by HUD, government, local/state agencies (or their subsidiaries or assigned vendor through May 10, 2010), FNMA, FHLMC, employer relocation agency or properties located in a federally declared disaster area. New construction properties and recently inherited properties are also exempt. New Construction properties that have been subsequently foreclosed, however, must comply with FHA property flipping guidelines. For inherited properties, additional conditions may apply.

Property Type:

Eligible properties include single-family attached and detached, 2-4 units, modular homes, and PUD's.
Appraisal for modular home must include at least 2 modular comparables.

Ineligible properties include manufactured homes, condos, condotels, leaseholds, mixed-use properties, unique properties, **properties subject to a right of redemption** and working farms.

Qualifying Ratios:

Maximum DTI is 50% regardless of AUS findings.

For manually underwritten loans, qualifying ratios are 31/43. Newly constructed properties meeting energy efficient standards may be underwritten to expanded ratios of 33/45.

Student loans may be omitted if verified to be deferred a minimum of 12 months from the Note date.

In order to omit a debt(s) paid by another party, the person making the payments must be co-obligated on the debt. A liability paid by a borrower's Schedule C business CANNOT be omitted as the borrower is solely and individually responsible for all expenses and debt. Debts that are paid by a borrower's Partnership S Corp, or Corporation may be excluded with a documented 12 month history of payment by the business AND verification the business is co-obligated on the debt.

Installment debts with less than 10 months remaining are not automatically excluded from qualifying ratios. Exceptions to omit the debt are determined on a case by case basis and require compensating factors to consider omission. If allowed by underwriting, the omission of the debt ultimately must be determined by TOTAL scorecard in accordance with FHA requirements. (i.e.: the debt must be included when scoring the loan through AUS, and if automatically omitted by the AUS/TOTAL scorecard, and if allowed by PCM underwriting, the debt may be omitted).

For properties located in community property states, the debt of a non-purchasing spouse must be included in qualifying ratios as verified by a triple merge credit report. The non-purchasing spouse does not have to meet PCM credit score requirements. Judgments and/or tax liens belonging solely to the non-purchasing spouse do not have to be re-paid as a condition of loan approval, but must have an established payment arrangement and the payment included in qualifying the borrower. If a payment arrangement is not in place, 5% of the outstanding balance will be used for qualifying. In addition, an attorney opinion letter must be obtained to certify the borrower is not liable for the debt and that the judgment and/or lien cannot be placed against our borrower or the subject property.

Qualifying Rate:

Qualifying is on note rate except on the 1 year ARM (Refer to *Temporary Buydown* section for 2/1 & 1/1 Buydown qualifying information).

The 1 year ARM is qualified at the maximum 2nd year rate for LTVs >95%. For LTV 95% and below, qualifying is at the note rate.

Refinances:

Eligible refinances include credit qualifying no cash-out, cash-out, streamline with or without an appraisal and credit qualifying streamline.

Proceeds from cash out refinances cannot be used to buy out or pay off a Chapter 13 bankruptcy.

If a property is owned less than twelve months (for rate/term & cash out) the LTV will be based on the lesser of the current appraised value or the original acquisition cost.

Recently listed properties are ineligible for refinances unless the listing was withdrawn (or expired) prior to the date of application. Cash out refinances on recently listed properties will be limited to 70% of the lesser of the last list price or current value unless a minimum of 6 months has passed from the withdrawal or expiration date.

To be eligible for refinancing when there will be a short pay off, borrowers must be current on the mortgage being refinanced (in addition to being 0x30 in the most recent 12 months) and meet one or both of the following conditions:

- Demonstrate that there is insufficient equity in the home based on its current appraised value, and/or
- Verify a reduction in income that affects the borrower's capacity to repay the existing debt against the property.

All borrowers on cash out refinances must be occupants. A non-occupant co-borrower may NOT be added to assist with qualifying on a cash out transaction, regardless of LTV.

Construction-Perm Refinance:

Used for payoff of a construction note to on a newly constructed dwelling only. Transactions will be treated as a refinance only and borrower must be the current Owner of record (land).

Acceptable documentation of acquisition cost is required on all properties for LTV calculation as follows:

- HUD-1 settlement statement & recorded deed from purchase of land (if owned greater than 6 months or received as gift/inheritance current value from appraisal cost breakdown will be used).
- HUD-1 settlement statement from construction loan closing, if separate from land transaction
- Construction contract from builder/contractor or construction statement with breakdown of costs signed by the borrower and builder.

A VOM plus 12 months canceled checks (or all checks since opened date if less than 12 months) will be required to verify timely payments have been made.

A CO (Certificate of Occupancy) will be required at closing. For properties over 90%, FHA new construction exhibits will be required (Building Permit, Fully Executed Builder's Certification, HUD 1 year Builder Warranty).

If the borrower is acting as their own builder, they must provide documentation that they are a properly licensed General Contractor. Any borrower that is not properly licensed, must employ a licensed General Contractor for the construction of the home.

A three day right of rescission will be required when the property is appraised as "owner occupied" rather than vacant or photos reflect that the home is already being occupied.

Appraisals CANNOT be performed prior to the home being at least 90% complete. Properties that are appraised prior to 90% completion may require additional documentation and inspections as necessary to meet FHA guidelines for proposed construction.

Streamline Refinances:

For all streamline refinances with case numbers ordered on or after November 17th, the following requirements must be met:

- 1) A credit report with at least 2 scores reporting will be required (640 minimum). The subject mortgage account must reflect a 0 x 30 history for the last 12 months (minimum 6 months with current servicer AS OF THE DATE OF APPLICATION or must be submitted as credit qualifying).
- 2) Although income verification is not required and does not need to be reflected on the 1003, a VOE verifying the borrower's employment for the past 12 months will be required. DTI will not be calculated.
- 3) Self employed borrowers must be able to document self employment history for minimum of 12 months with business license, CPA confirmation, etc.
- 4) Borrowers who receive income from retirement, pension, social security or disability must be able to document with either an official letter from the previous employer or institution making the payments or confirmation from a CPA that the income has been reported on the borrower's tax returns.
- 5) Loans must meet PCM's net tangible benefit requirements with no exceptions. With the exception of ARM to Fixed refinances, minimum payment (PITI) reduction of 5% will be required in addition to any PCM requirements. 1 year ARM to Fixed transactions will be limited to a maximum 2% rate increase. Hybrid (3,5,7 year) ARM to Fixed transactions will be limited to a maximum 20% increase in total mortgage payment (PITI).
- 6) If assets are required for closing, they must be documented according to the asset verification requirements noted on page 1 of these guidelines, and cover a full 60 days.
- 7) Maximum base loan amounts for Streamline refinances WITHOUT an appraisal will be limited to the outstanding principal balance, the current interest charged by the servicing lender on the payoff (maximum 60 days), monthly MIP collected by the servicing lender (maximum 60 days) less any applicable UFMIP refund. Late charges, delinquent interest, escrow shortages, fax/deed fees and all new closing costs, prepaid escrows and interim interest must be paid by the borrower at closing from verified funds.

The maximum loan term on a streamline refinance without an appraisal is limited to the lesser of 30 years or the remaining loan term plus 12 years.
- 8) Maximum base loan amounts for Streamline refinances WITH appraisals will be the lesser of:
 - a. The total of the outstanding principal balance, the current interest charged by the servicing lender on the payoff (maximum 60 days), monthly MIP collected by the servicing lender (maximum 60 days), closing costs, prepaid items to establish the escrow account less any applicable UFMIP refund.

OR

- b. 97.75% of the current appraised value.

Discount points cannot be included in the new loan amount and must be paid by the borrower at closing from verified assets.

- 9) Subordinate financing may remain in place subject to a maximum CLTV of 100%. The value for streamline refinances without an appraisal will be based on the original appraised value as verified on the FHA Refinance Authorization.

Any loan not meeting the above criteria, INCLUDING those transactions that include a reduction in mortgage term, must be submitted, underwritten and closed as a full doc, rate/term refinance. Loans that were previously approved as true Conventional Delinquent FHASecure refinances are not eligible for streamline refinances.

Use of TOTAL Scorecard (i.e.: any loan run through DU, LP or any AUS system feeding to FHA's TOTAL Scorecard) will automatically void the option for a loan to be underwritten as a streamline refinance. THERE ARE NO EXCEPTIONS TO THIS GUIDELINE. PCM will perform case queries upon underwriting and final approval to confirm a loan has not been scored. Any loan scored must be properly documented and resubmitted as a regular, full doc rate/term refinance.

Net Tangible Benefit:

All refinances, with the exception of the payoff of a construction loan, must meet Primary Capital's Net Tangible Benefit requirements. For requirements please go to our website at www.pcmexpress.com.

Reserves:

For 1-2 unit properties, reserves are not required unless required by AUS approval or at underwriter discretion.

For 3-4 unit properties, 3 months reserves are required regardless of approval method.

Retirement funds that can only be liquidated upon retirement or termination may not be used for reserves. Only 60% of vested balance may be used once account is confirmed acceptable for use.

Sales Concessions:

Seller contributions up to 6% are allowed.

Interest Credits:

Interest credits, up to a maximum of 7 days, will be allowed provided there is a documented, unforeseen circumstance and if the interest credit is in the best interest of the borrower. Acceptable circumstances include, but are not limited to:

- Lock or contract expiration (where extension is not possible)
- Program discontinued
- Unable to delay closing due to borrower work conflict

Files must be documented accordingly. Refinances that are delayed will require verification all mortgage payments due have been properly posted in the month due. (i.e.: if 3 day right of rescission date falls on or after October 1, verification September's payment has been made & posted in September will be required.)

Temporary Buydowns:

Temporary buydowns are permitted on purchase transactions with a 30 year term. Either a 2-1-0 or a 1-1-0 is allowed.

Buydown fees cannot be charged to the borrower. However, the buydown may be funded by the seller or lender. Seller funded buydowns are included in the maximum seller concessions of 6%.

Borrower will be qualified at the note rate, not the start rate.

Underwriting:

All loans with the exception of streamline refinances must be scored using FHA Total Scorecard through DU. Loans receiving a Refer rating will be manually underwritten to PCM credit guidelines. [Refer to the Credit Score/Credit Requirements section for additional guidelines on manual downgrading of AUS findings.](#)

