

Conforming Jumbo

4.1-A Overview

A jumbo conforming mortgage loan is any conventional conforming mortgage loan for which the original principal balance exceeds the standard conforming loan limits. The new loan limits are applicable only to high-cost areas and will be calculated based on the location of the subject property. The program is only allowed for loans which meet all requirements, including the 2009/2010 temporary (ARRA) high balance conforming loan limits. Loans which are eligible for this program under the 2009/2010 temporary (ARRA) loan limits must close and fund by December 31, 2010.

For conventional guidelines that are not addressed in this chapter, please review the Conforming 30 Fixed chapter in Credit Policy

4.1-B Eligible Properties

- 1 unit properties
- Warrantable Condos (low and high rise) -Not allowed in Florida
- PUDs
- Owner occupied, second homes, and investment properties

4.1-C Ineligible Properties

- 2-4 Units
- Condo hotels
- Mobile/Manufactured housing
- Non-warrantable condos
- Co-ops
- Log homes
- Leasehold Property

4.1-D Doc Type

Full

4.1-E LTV/CLTV Parameters – Fully Amortized

Section 4.1: Conforming Products

Purchase and Rate/Term Refinance**				
Occupancy	Units	LTV	CLTV	Minimum FICO
Primary	1	90	90	720
Primary	1	80	80	700
Primary	1	75	75	660
Second Home	1	65	65	740
Investment	1	65	65	740
Cash Out Refinance				
Occupancy	Units	LTV	CLTV	Minimum FICO
Primary	1	60	60	740

NOTES**:

Maximum 80% LTV/CLTV when combination of 1st & 2nd loan amounts is over \$625,500 (**only applies to R/T-not purchase loans**)

Attached PUDs and Condos are limited to 85% (or LTV guidelines if more restrictive)

4.1-F Minimum Loan Amount

\$417,001 (\$625,501 in Hawaii)

4.1-G Maximum Loan Amount

As determined by HUD. Max conforming loan amounts can be found on <https://entp.hud.gov/idapp/html/hicostlook.cfm>

Under limit type, make sure to select Fannie/Freddie instead of FHA Forward. The branches are responsible for checking the maximum loan amount for their area.

4.1-H Term

15 & 30 year term

4.1-I Underwriting

Loans must be run through DU and receive an Accept or Approve/Eligible finding. Loans underwritten in Loan Prospector (LP) are not permitted. Underwriters should ignore the minimum documentation requirements listed on the certificates. Loans should be manually reviewed to make sure all program requirements are met.

- Minimum FICO scores are as listed in the grid above
- All borrowers must have a FICO score
- Maximum 45% DTI-no exceptions
- 0 x 30 payment history on all housing debts for the last 12 months (requires for all mortgages and rental payments). Borrowers must have a 12-month housing history
- Cannot pay off revolving debt to qualify

On loan amounts greater than \$650,000.00 and LTV > 80% a field review is required. For all properties with LTV/CLTV/HCLTV over 75% and has a value \$1,000,000 or greater, a field review is required.

For all loan amounts > \$417,000 the minimum reduced appraisal option is the 2055 interior/exterior unless DU Findings are more restrictive.

Any adverse credit should be analyzed. Regardless of AUS findings, a minimum 2 years seasoning and reestablished credit needed since bankruptcy due to extenuating circumstances and 4 years seasoning and reestablished credit since bankruptcy due to financial mismanagement.

First Time Home Buyers: Allowed only on owner-occupied properties. A 12-month housing payment history is required showing no late payments. If payment history requirement is not met, the loan is not eligible for purchase.

New attached condos under this program are not eligible for Limited Reviews, established attached and new and established detached are eligible for limited review.

Condo/attached appraiser must provide at least two comparable sales from outside the subject project and outside the developer, builder or property seller.

Fannie Mae's Loan Quality Initiative (LQI)

The following guidelines are effective for loan applications taken on or after June 1, 2010. These changes are in response to Fannie Mae's announcement 2010-03 which purpose is to enhance loan quality. Since this is a Fannie Mae directive it applies to **Conventional Loans only** (LDP & GSA still required on FHA loans).

Borrower Identity and Social Security Verification:

The file must provide documentation to confirm each borrower's identity prior to closing and verify that each borrower has a valid Social Security number. For loans that receive Social Security number verification messages and do not pass the delivery edits from DU, LP, or have credit repository warnings, the accuracy of the Social Security number must be validated with the Social Security Administration using Form SSA-89 or direct validation by a third party. This can be done through Fraud Guard, but requires a separate authorization signed by the borrower.

Undisclosed Liabilities:

The file must provide evidence that all debts incurred or closed by the borrower, up to and concurrent with closing are disclosed on the final 1003 and evaluated in qualifying the borrower for the loan. Any inquiries on the credit report must be addressed individually, by the borrower, both to purpose and outcome of inquiry. Generic explanation letters are not acceptable. In addition, the underwriter must obtain within 7 days of closing, a credit supplement or direct verification from each creditor shown as an inquiry on the credit report, to verify no new credit was extended. Our current policy of re-pulling MERS prior to funding is still in effect.

Due diligence should be exercised by the underwriter in evaluating the credit file. Age of the credit report and/or individual trade lines should be reviewed and considered. A new credit report should be ordered if there is any indication of undisclosed credit. Particular attention should be paid to any large deposits that could be the result of borrowed funds.

When undisclosed liabilities are found, the loan must be re-underwritten and the file reviewed for misrepresentation.

Occupancy Requirements:

If an occupancy verification message appears in the DU findings, or if the underwriter questions occupancy based on the file review, documentation must be provided to confirm the applicant's intent to occupy the property as their principal residence. Possible scenarios:

If the transaction is the purchase of a principal residence, but a recent previous mortgage transaction was also the purchase of a principal residence within the previous 12 months, the borrower must provide some reasonable documentation to justify the new transaction.

If the transaction is a refinance of a principal residence but the loan application contains a different current address for the borrower, the borrower must provide additional documentation to justify the conflicting address information.

Validation of Qualified Parties:

Loans originated, underwritten, or serviced by individuals or companies that are on the Federal General Services Administration's (GSA) Excluded Party List or HUD's Limited Denial of Participation (LDP) list are ineligible. This includes management personnel and any other person or company that has substantive control over the transaction. This is now a requirement for all loans, not just FHA. If any company or individual is found to be on either list, the loan is not eligible for funding. A copy of the appropriate list that has been checked should be placed in the loan file.

The following parties must be checked on all loans, both government and conventional:

- Borrowers
- Co-Borrowers
- Sellers
- Real Estate Agents-Listing and Selling
- Loan Officer
- Broker
- Title Company

- Escrow Company
- Appraiser

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4.1K Appraisal

Max age is 90 days

For all loan amounts > \$417,000 the minimum reduced option is the 2055 interior/exterior unless DU findings are more restrictive

4.1-L Declining Market

Standard declining market guidelines apply

4.1-M Reserves

Primary – 2 months

Second home or Investment - 6 months

The following additional reserve requirements apply to second home or investment property transactions for borrowers who have an interest in multiple financed properties:

- Two months reserves for **each additional financed** second home or investment property.

4.1-N Refinances

On a rate/term refinance, the new loan amount can include:

- Unpaid principal balance of the first mortgage being refinanced
- Unpaid principal balance of a purchase money second mortgage
- Points
- Closing costs
- Prepaid Fees
- Incidental cash back may not exceed \$2000
- For **all** refinances, six months minimum seasoning (i.e. six payments made) since most recent refinance or date of purchase is required.

4.10 Interested Party Contributions

Interested party funds may be used to fund closing costs and prepaid items. Contributions are limited to the following:

Section 4.1: Conforming Products

Occupancy	LTV	Maximum Contribution
Primary and Second	All	3%
Investment	All	2%

Maximum 8% realtor commission limit applies

4.1-P Ineligible Scenarios

- Interest Only
- MyCommunity Mortgages
- One-time close construction transactions
- Temporary Buydowns
- Prepayment Penalties
- 2-4 Unit properties
- Non-traditional credit

4.1-Q Multiple Properties

Limited to 4 including the borrowers principal residence

4.1-R Non-Occupant Co-Borrowers

Not allowed

4.1-S Temporary Buydowns

Not allowed

4.1-T Interest Only

Not Available

4.1-U Mortgage Insurance

Required on LTV's over 80%. Standard mortgage insurance coverage applies, regardless of AUS findings. Reduced or lower cost MI features are not available. Lender Paid Mortgage Insurance is not available. Mortgage Insurers may charge additional premium because of the loan amount.

Section 4.1: Conforming Products

LTV	MI Coverage – 15 Yr	MI Coverage – 30 Yr
85.01 – 90%	12%	25%
80.01 – 85%	6%	12%

4.1V Impound Accounts

Escrow waivers are not permitted on LTV's over 80%. California properties may waive escrows up to 90% LTV

4.1-W Assumability

Not Assumable

4.1-X Prepayment Penalty

Not allowed

4.1-Y Residency

Permanent and non-permanent resident aliens are allowed. See residency guidelines in Credit Policy, Section 4 for additional information

4.1-Z Down Payment / Gifts

Gift funds are allowed on owner-occupied purchase transactions. The borrower must contribute at least 5% from his or her own funds into the transaction, regardless of the LTV.

4.1-AA Subordinate Financing

Allowed. The subordination agreement must be obtained prior to the closing and the underwriter must view to make sure it is valid.

4.1-BB Geographic Restrictions

Attached housing in Florida not allowed (includes attached PUDs)