

Non-Conforming 5/1, 7/1, & 10/1

5.1-A Eligible Properties

- Warrantable Condos (low and high rise)
- PUDs
- Owner occupied, second homes

5.1-B Ineligible Properties

- Condo hotels
- Mobile/Manufactured housing
- Non-warrantable condos
- Co-ops
- Log homes
- Leasehold Property
- Properties located in California, Hawaii, Alaska, & Dade County, Florida

5.1-C Doc Type

Full

5.1-D LTV/CLTV Parameters – Fully Amortized

Purchase / Rate-Term Refinance				
Occupancy	Units	LTV	CLTV	Minimum FICO
Primary	1	80	N/A	720
Second Home	1	75	N/A	740
Cash Out Refinance ¹				
Occupancy	Units	LTV	CLTV	Minimum FICO
Primary	1	75	N/A	740

¹Maximum cash out \$325,000

5.1-E Loan Amount

5.1-E1 Minimum Loan Amount

\$417,001

5.1-E2 Maximum Loan Amount

Number of Units	Continental U.S.
1 Unit	\$1,000,000

5.1-F Term

30 year terms

5.1-G Underwriting

Loan must be run through DU or LP and must receive an Approve/Eligible or Accept finding for both. Minimum FICOs are listed in the matrix above and apply regardless of AUS findings. (Memo 12.2010)

Mortgage/rental history must be verified as required by the AUS findings. No 60, 90, or 120 day mortgage lates in the last 12 months regardless of findings.

Minimum trade lines requirements: a consecutive 12 month payment history for 3 open trade lines is required.

In addition to DU/LP AUS approvals all loans must be manually underwritten to BB&T guidelines. All loans over \$417,000 must be sent to corporate for second signature. In addition all loans over \$650,000 must be prior approved by investor (BB&T). (Memo 12.2010)

5.1-H Ratios

Max DTI 45%. Must have LP/DU approval @ 45%.

Paying down debt or paying off debt to qualify is **not acceptable**.

5.1-I Income / Documentation

Fully document income and assets.

New hires must begin work prior to closing regardless of employment contracts.

Rental income is documented by the borrower’s individual tax returns on Schedule E. The underwriter should request the most recent two years federal income tax returns as evidence of the receipt of rental income. Depreciation can be added back to the net income or loss shown on Schedule E. Unallowed

losses should be deducted from the net income that is shown on Schedule E and any loss carryovers from previous years should be added to the net income.

If the property was not owned in this tax year, a copy of the fully executed lease is required. 75% of the gross rental income from the lease may be used to offset the mortgage payment in qualifying the borrower.

If prior home was not sold, borrower must qualify with that mortgage debt counted in total DTI. Lease and/or MLS listings will not be allowed to offset mortgage payment.

5.1-J Reserves

- 6 month's PITI liquid reserves regardless of AUS findings.
- Payment shock-If the PITI payment is doubling, 9 months liquid reserves is required.
- Personal liquid assets include checking, savings, and brokerage accounts in the borrower's name. Non liquid assets include IRA's, 401(K), life insurance cash value, annuities, and deferral income.
- Gift funds, business assets, unused credit lines, or property equity are not allowed for reserves.

Definition of PITI:

The definition of PITI on non-conforming loans has been clarified to include all components of the monthly housing expense:

- Principal and Interest
- Hazard, flood, and mortgage insurance premiums
- Real estate taxes
- Ground rents
- Special assessments
- HOA dues
- Subordinate finance payments secured by the subject property

5.1-K Declining Market

BB&T has identified two declining market categories, Declining and Severely Declining.

Property located in a Declining market requires a 5% LTV reduction from maximum allowed financing for the property and transaction type.

Property located in a Severely Declining market requires a 10% LTV reduction from maximum allowed financing for the property and transaction type.

A list of declining/at risk markets will be updated periodically and posted on Credit Policy and BB&T websites.

5.1-L Appraisals

A full URAR is required, regardless of AUS response; appraisal value must be supported by truly comparable recent sales in close proximity to the subject property Landsafe field review when deemed necessary.

5.1-M Ineligible Scenarios

- Refinance of a property listed for sale in the last 6 months.
- Borrowers who have more than 4 financed properties (when subject property is second home).
- Undocumented income

5.1-N Non-Occupant Co-Borrowers

Not allowed

5.1-O Interested Party Contributions

Occupancy	Maximum Seller Contributions
Owner Occupied	6%
Second Home	6%
Investment	N/A

5.1-P Adjustable Rate (ARM)

5/1, 7/1, & 10/1 ARM available:

- 5/2/5 caps
 - The first adjustment may change the previous interest rate by no more than 5% up or down
 - Subsequent Adjustment Cap: each subsequent adjustment may change the interest rate by no more than 2% up or down
 - Lifetime Cap: The lifetime cap is 5% over the initial note rate.
 - Life Floor: The life floor will never be lower than the margin.
- Margin: 2.25%
- Index: 1 year LIBOR-The average of interbank offered rates for one year in U.S. dollar-denominated deposits in the London Market (LIBOR) as published in *The Wall Street Journal*. The index will be notated on the current rate sheets.
- Codes: J-A5L, J-A7L, & J-A10L
- DU ARM plan: 3252

- Qualifying rate is the greater of the Note rate or the fully indexed rate.
 - In E3, the margin and DU ARM plan will be hard coded to the program J-A5L, J-A7L, or J-A10L. The index will not be hard coded and will need to be manually entered into E3. This can be completed from the TOL screen, click the Loan Program Data, and then enter from the Qualifying Rate data screen. If the index and margin are not entered into E3 then the DU will qualify the borrower at 1 ½% above the note rate.
- No conversion option
- HPML: ineligible

5.1-Q Temporary Buydowns

Not allowed

5.1-R Mortgage Insurance

N/A max 80% LTV

5.1-S Assumability

Not assumable

5.1-T Prepayment Penalty

Not allowed

5.1-U Residency

U.S. Citizen and Permanent resident aliens are allowed. Non-permanent resident aliens are not allowed. Borrowers must have a valid social security number.

5.1-V Down Payment/Gifts

Gift funds not allowed.

Proof of liquidation of asset accounts required, regardless of AUS feedback.

5.1-W Subordinate Financing

Not allowed

5.1-X State Specific Information

Texas homestead cash out loans are not allowed. Please see the Texas 50(a)(6) section for additional details on eligible products.