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## 801 MBI AIO Eligibility Matrix

Primary Residence & Second Home					
Type	Loan Amount	Purchase/Rate & Term		Cash Out	
		Max LTV	Min Score	Max LTV	Min Score
Full Doc	Up to \$850,000	85.01% – 90% <sup>(2, 3)</sup>	720 <sup>(2)</sup>	n/a	n/a
	Up to \$1,000,000	80.01% – 85% <sup>(2, 3)</sup>	720 <sup>(2)</sup>	n/a	n/a
	Up to \$1,000,000	80% <sup>(3)</sup>	700	80%	700
	\$1,000,001 - \$1,500,000	75%	700	75%	700
	\$1,000,001 - \$1,500,000	80% <sup>(1, 3)</sup>	720	N/A	N/A
	\$1,500,001 - \$2,000,000	70%	720	70%	720

- Requires 15% of line in reserves and only available for purchase transactions
- Loans from 80.01 to 90% LTV are eligible for mortgage insurance subject to the following parameters:

- 1-unit primary residences (second home ineligible; 2-4 unit ineligible)
- Purchase and rate/term refinance transactions (cash-out not permitted)
- Asset depletion not permitted.
- Max DTI 40%
- Maximum Loan Amount / LTV / MI Coverage / Minimum Credit Score

MI Provider	LTV Range	Max Loan Amount	MI Coverage	Minimum Credit Score
ARCH / MGIC	85.01 - 90%	850,000	12%	720
	80.01-85%	1,000,000	6%	

- Approved MI Providers - Non-delegated submissions only:
    - Arch MI – AMG Coverage
    - MGIC
  - LPMI and BPMI single premium only (AMG master policy). (borrower paid monthly MI is not available). Non-Refundable.
  - Additional requirements are as noted in [Part K – Private Mortgage Insurance](#) of these guidelines.
- The maximum LTV in New Mexico for All In One loans is capped at 79.99% for the following transactions:
    - loans with amounts within the conforming loan limit\* that are
    - secured by borrower’s principal residence.

\*Loan limits are to be based on the date the borrower signs the note.

### For all transactions:

- Payment calculated at the **greater of** the floor rate or the Monthly Average 1-Year CMT Index + margin, by the LOC amount, amortized over 30 years. Refer to the AIO Loan rate sheet for the floor rate per product code.
- Max debt ratio = 40%. For transactions with LTV <= 80%, a debt-to-income greater than 40% and up to 43% is allowed when the borrower can verify 15% of the line of credit amount in reserves.
- Interest on the AIO HELOC cumulates daily throughout each monthly billing-cycle, beginning the day after funding. In an effort to help borrowers avoid unnecessary interest expense during the account set-up period, cash disbursed at closing is discouraged unless needed to fund near-term needs. For all AIO cash out loans when cash in hand is disbursed at closing, the borrowers must verify their need for

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cash out at closing by submitting a letter of explanation that explains the amount, reason and timing (if applicable).

- If cash disbursed at closing exceeds the lesser of 1% or \$2,000 a **detailed borrower explanation (LOE)** is required PTD. The explanation letter should outline the amount and reason for the borrower requested cash disbursement. If applicable, the explanation should include a reference to the timing of the use of funds to evidence the disbursement is to fund a near-term need. (sample/preferred template: [AIO HELOC Cash-Out Explanation Form](#))
- Zero initial advances (draws) are not allowed.

### **Eligibility Matrix - Regional / Geographic Restrictions:**

Eligible in all states except New York & Texas. See below for additional restrictions for properties located in New Mexico and Massachusetts.

**New Mexico** - Due to state requirements relating to escrow accounts, the maximum LTV in New Mexico for All In One loans is capped at 79.99% for the following transactions:

- loans with amounts within the conforming loan limit\* that are
- secured by borrower's principal residence.

\*Loan limits are to be based on the date the borrower signs the note.

**Massachusetts - Loans in Massachusetts are subject to the requirements on the following pages.**

Transactions in Massachusetts (MA) are subject to the below additional considerations:

#### **1) Massachusetts Loans – Subprime Mortgage Loan Rule (ARM Products):**

The Massachusetts Subprime Mortgage Loan Rule applies to owner occupied transactions when any borrower is a first time homebuyer:

- **Conforming loan amounts** (Based on the line of credit amount): the AIO fully-indexed rate (Index + Margin) **may not exceed 3% over the 30-year treasury rate**, as of the 15<sup>th</sup> (or next business day if the 15<sup>th</sup> falls on a weekend) of the preceding (prior) month the application was taken.
- **Non-Conforming loan amounts** (Based on the line of credit amount): the AIO fully-indexed rate (Index + Margin) **may not exceed 4% over the 30-year treasury rate**, as of the 15<sup>th</sup> (or next business day if the 15<sup>th</sup> falls on a weekend) of the preceding (prior) month the application was taken.
- U.S. Treasury Rate Look-Up: <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldYear&year=2018>

Example:

- AIO Application date: October 1
- Loan Amount (Line Amount): \$410,000
- AIO Fully indexed rate (Index + Margin): **5.5%**
- 30-year Treasury Rate value as of September 17<sup>th</sup>: 3.13%
- Formula for testing Subprime status: 3.3% + 4% = **7.13%**
- Result: AIO loan application passes state Subprime Mortgage test and can close

Underwriter must complete the MA Subprime Lender Certification and include in the loan file. This document may be accessed in the Tools section of the Operations Intranet page: [AIO MA Subprime Lender Certification](#)

**2) Massachusetts Loans – Refinancing within 60 months (Net Tangible Benefit):**

If refinancing a primary or second home within 60 months, MA requires a “borrower’s interest test” which verifies net tangible benefit (NTB). The Massachusetts NTB form must be completed and signed by the lender prior to closing. The NTB form included in the loan documents must be signed/dated by the borrower(s) on or before closing.

In addition:

- The AIO Loan APR at time of closing **may not exceed 1% over the Prime Rate Index** as published in the Wall Street Journal.
- Prime Rate Index Look-Up: [http://www.wsj.com/mdc/public/page/mdc\\_bonds.html](http://www.wsj.com/mdc/public/page/mdc_bonds.html)

CONSUMER MONEY RATES						
Consumer Money Rates						
Monday, October 01, 2018						
Interest Rate	YIELD/RATE (%)		52-WEEK		CHANGE IN	
	Last	Wk Ago	High	Low	52-Wk	3-Yr
Federal-funds rate target	2.00- 2.25	1.75- 2.00	2.00	1.00	1.00	2.00
Prime rate*	5.25	5.00	5.25	4.25	1.00	2.00
Money market, annual yield	0.47	0.47	0.53	0.25	0.17	0.18
Five-year CD, annual yield	1.89	1.88	1.89	1.44	0.45	0.42
30-year mortgage, fixed	4.71	4.85	4.87	3.85	0.84	0.85
15-year mortgage, fixed	4.12	4.15	4.17	3.14	0.98	1.05
Jumbo mortgages, \$424,100-plus	4.93	5.16	5.16	4.21	0.56	0.52
Five-year adj mortgage (ARM)	4.72	4.80	4.82	3.38	1.34	1.45
New-car loan, 48-month	3.93	4.42	4.52	2.99	0.87	0.75

\* Base rate posted by 70% of the nation's largest banks. [Get this by E-mail](#)

Source: SIX Financial Information, WSJ Market Data Group, Bankrate.com

Example:

- Previous mortgage closing date: April 10, 2016
- AIO Application Date: October 1, 2018
- Net Tangible Benefit Test Required: Yes
- AIO APR: **5.5%**
- Current Prime Rate Index value: **5.25%**
- Formula for testing Net Tangible Benefit: 5.25% + 1% = **6.25%**
- Result: AIO loan application passes state Net Tangible Benefit test and can close

**3) Massachusetts Loans – High Cost Test:**

- Loan must pass Massachusetts High Cost ComplianceEase audit.

**Program Highlights**

**Eligible Borrowers:**

- U.S. Citizens

- Inter-Vivos Revocable Trusts
- Permanent Resident Aliens
- Non-Permanent Aliens that meet the following requirements
  - Provide documentation to verify borrower is legally present in the U.S.
  - Evidence borrower is legally employed in U.S. for past 12 months
  - Income and employment likely to continue for 3 years

**Borrower Suitability:**

- Interest on the AIO HELOC cumulates daily throughout each monthly billing-cycle, beginning the day after funding. In an effort to help borrowers avoid unnecessary interest expense during the account set-up period, cash disbursed at closing is discouraged unless needed to fund near-term needs. For all AIO cash out loans when cash in hand is disbursed at closing, the borrowers must verify their need for cash out at closing by submitting a letter of explanation that explains the amount, reason and timing (if applicable).
  - If cash disbursed at closing exceeds the lesser of 1% or \$2,000 a **detailed borrower explanation (LOE)** is required PTD. The explanation letter should outline the amount and reason for the borrower requested cash disbursement. If applicable, the explanation should include a reference to the timing of the use of funds to evidence the disbursement is to fund a near-term need. (sample/preferred template: [AIO HELOC Cash-Out Explanation Form](#))
- Zero initial advances (draws) are not allowed.
- Multiple AIO Loans:
  - If the existing AIO loan(s) is/are held by a Different Investor, the borrower is permitted to have one (1) AIO loan on this program. No exception required.
  - If the existing AIO loan(s) is/are held by this investor (Merchants Bank of Indiana), multiple AIO loans are generally not permitted but will be considered on a case-by-case basis. Investor exception approval is required.

**Minimum Line Size:** No minimum.

**Maximum Draw Amount:** 99% of line

**Credit Standards:** Minimum 700 FICO score

**Debt-to-Income Ratios:** Maximum 40%. For transactions with LTV <= 80%, a debt-to-income greater than 40% and up to 43% is allowed when the borrower can verify 15% of the line of credit amount in reserves.

**Property Types:**

- SFR's (modular and manufactured not permitted)
- 2-4 units properties
- Condo's; no litigation permitted
  - Non-Warrantable Condos considered on a case by case basis (LTV ≤ 80% only).
- Properties recently listed for sale:
  - Rate / Term allowed subject to the following:
    - Copy of cancellation required
    - Value determined using lesser of last listing price or appraisal
    - For loans requiring mortgage insurance (LTV > 80%) a subject property listed within the last 6 months is not eligible
  - Cash-Out allowed as long as application date is 120 days after property was removed from listing
    - No seasoning may be considered if:
      - Application is dated after the listing cancellation date

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- Borrower provides a detailed LOE describing their decision to keep the property and intent moving forward
- Exception approval is required through CMG's Chief Credit Officer

## Product Eligibility / Product Terms / Product Codes

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### Product Terms / Codes (for applications dated prior to 10/1/2021):

- 801-MBI
  - First lien position line of credit
  - 30 Year draw / repayment period

Life Cap: 6% over greater of floor rate or initial fully indexed rate  
Margin: See Ratesheet  
Index: 1 month LIBOR  
Floor: 3.75%

One Month adjustable rate (index + Margin)

- 801-MBI-5FIX
  - First lien position line of credit.
  - 30 Year draw / repayment period
  - 5 year fixed term / Fully adjustable for remainder of term

First Cap / Subsequent Cap: 2%  
Life Cap: 6%  
Margin: See Ratesheet  
Index: 1 month LIBOR  
Floor: 3.75%

### Product Terms / Codes (for applications dated on or after 10/1/2021):

- 801-MBI-CMT
  - First lien position line of credit
  - 30 Year draw / repayment period

Life Cap: 6% over greater of floor rate or initial fully indexed rate  
Margin: See Ratesheet  
Index: Monthly Average 1-Year CMT  
Floor: 3.75%

One Month adjustable rate (index + Margin)

- 801-MBI-5FIX-CMT
  - First lien position line of credit.
  - 30 Year draw / repayment period
  - 5 year fixed term / Fully adjustable for remainder of term

First Cap / Subsequent Cap: 2%

Life Cap: 6%

Margin: See Ratesheet

Index: Monthly Average 1-Year CMT

Floor: 3.75%

## Part A – Borrower Eligibility & Property Ownership Restrictions

### Borrower Suitability

- Interest on the AIO HELOC cumulates daily throughout each monthly billing-cycle, beginning the day after funding. In an effort to help borrowers avoid unnecessary interest expense during the account set-up period, cash disbursed at closing is discouraged unless needed to fund near-term needs. For all AIO cash out loans when cash in hand is disbursed at closing, the borrowers must verify their need for cash out at closing by submitting a letter of explanation that explains the amount, reason and timing (if applicable).
  - If cash disbursed at closing exceeds the lesser of 1% or \$2,000 a **detailed borrower explanation (LOE)** is required PTD. The explanation letter should outline the amount and reason for the borrower requested cash disbursement. If applicable, the explanation should include a reference to the timing of the use of funds to evidence the disbursement is to fund a near-term need. (sample/preferred template: [AIO HELOC Cash-Out Explanation Form](#))
- Zero initial advances (draws) are not allowed.
- **Multiple AIO Loans:**
  - If the existing AIO loan(s) is/are held by a different investor, the borrower is permitted to have one (1) AIO loan on this program. No exception is required.
  - If the existing AIO loan(s) is/are held by this investor (Merchants Bank of Indiana), multiple AIO loans are generally not permitted but will be considered on a case-by-case basis. Investor exception approval is required.
- Loan files must include the AIO simulator results in the loan file:
  - Borrowers must submit the results from the AIO Simulator specific to their mortgage scenario:
    - All Channels:  
[www.allinoneloan.com/#calculator](http://www.allinoneloan.com/#calculator)
  - Underwriter must review the AIO Simulator results for net tangible benefit

**Note:** State required NTB forms must always be included in the loan file.

### Eligible Borrowers

- U.S. Citizens
- Inter-Vivos Revocable Trusts
- Permanent Resident Aliens
- Non-Permanent Aliens that meet the following requirements
  - Provide documentation to verify borrower is legally present in the U.S.
  - Evidence borrower is legally employed in U.S. for past 12 months
  - Income and employment likely to continue for 3 years

### Ineligible Borrowers

The following are ineligible borrowers:

- Non-Permanent Resident Aliens that do not meet eligibility requirements
- Aliens that do not meet the above requirements
- Diplomats
- Irrevocable Trusts



- Land Trusts
- Limited and/or general partnerships, corporations, LLC's
- Non-occupant co-borrowers

### Excluded Parties Search (LDP/GSA)

CMG loans require confirmation that companies or individuals involved in the origination or underwriting of a mortgage transaction are not on the General Services Administration (GSA) excluded party list or the HUD Limited Denial Participation (LDP). Refer to the CMG Policy: [Exclusionary Lists CPS-1019-ALL](#)

### Property Ownership Restrictions

Maximum number of financed properties:

- If subject property is the primary residence & LTV ≤ 80%: **Unlimited**. For loans with mortgage insurance, borrower(s) may not own more than three financed properties.
- If subject property is the second home: **6**

## Part B – Appraisals & Property Requirements

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### Appraisals

- Must be ordered through CMG approved AMC's
  - Loan amounts up to **\$1,500,000** require 1 full appraisal
  - Loan amounts greater than **\$1,500,000** require 2 full appraisals (lower of two values used for qualifying)
  - Transferred Appraisals are NOT permitted
  - Appraisal = 12 months prior to the date of the note and mortgage. A recert-of-value is required if older than 120 days and must occur within 120 days prior to the date of the note and mortgage
- Refer to CMG's [Appraisal Requirements](#), as applicable, in addition to the above program requirements.

### Unacceptable Collateral

- Properties with:
  - Health / Safety Issues
  - Less than average condition noted on appraisal
  - No permanent heat source (except for properties in Hawaii)
- Leasehold Properties
- Co-Ops
- Community Living Group Homes, Long Term Care Facilities, etc.
- Geographic Restrictions
- Not suitable for year round use or no year round access
- Utilities that are turned off
- CondoTels
- Properties subject to private transfer fee covenants
- Illegal use of the property;
- Hawaii – located within lava zones 1 or 2;
- Property located in an area that is deemed an environmental risk;
- Unique property in which the marketability cannot be established (e.g., dome, geothermal);
- Unapproved non-conforming use property (does not include grand fathered use);

- Timeshare, houseboat, segmented ownership project.
- Residential dwelling consisting of five or more units;
- Community Land Trusts
- Survey Exceptions
- Properties with previous Sink Hole (as noted on contract, prelim(recorded permit and/or remediation), sellers disclosures, etc.)

## Part C – Occupancy

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### Primary Residence

- 1-4 unit properties
- PUD's attached and detached
- Condo's; no litigation permitted
  - Non-Warrantable Condos considered on a case by case basis (only for LTV ≤ 80%)

### Second Homes

- Underwriter to determine reasonableness
- SFR's, PUD's, and Condo's; no litigation permitted
  - Non-Warrantable Condos considered on a case by case basis

## Part D – Underwriting Documentation

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### Underwriting Documentation

#### Age of Documents

- Appraisal = refer to appraisal section
- Preliminary Title Report = 90 days
- Credit Package = 90 days

### Electronic Signatures

Initial disclosures may be electronically signed by the borrower, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act).

For additional details and requirements, refer to CMG's Policy: [Electronic Signatures](#)

## Part E – Application

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The originator should perform a preliminary review of the borrower's application to determine that the requested mortgage loan satisfies program mortgage eligibility criteria. The originator's level of review should be the same for each mortgage.

This eligibility review should happen before underwriting begins based on predictive risk factors that are incorporated into the guidelines, specifically:

- LTV/CLTV/HCLTV
- Qualifying Credit Score
- Product Type
- Loan Purpose
- Occupancy
- Property Type, including number of units

## **NMLS**

CMG will validate Nationwide Mortgage Licensing System (NLMS) IDs provided on all loans submitted against the NLMS Registry which can be accessed at the following link: <http://www.nmlsconsumeraccess.org/>

The validation will include the following:

- Originator ID is found on the NMLS Consumer Access Website
- Originator ID matches the Originator Name
- 1003 Application Date is not prior to Originator Authorization Date
- Originator is authorized to conduct business in the property state
- Originator ID matches the listed Company Originator ID
- Company Originator ID is found on the NMLS Consumer Access Website
- Company Originator ID matches the company name
- Company is authorized to conduct business in the property state
- 1003 Application Date is not prior to the Company Authorization Date
- 1003 Includes the Originator Name, Originator ID, Company Name, and Company Originator ID

## Part F – Credit Requirements

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### Minimum Tradelines

- 4 rated trades for a minimum of 24 months; and
- At least one of the trades reported in the last 6 months

### Representative Score

- Middle of three scores or lowest of two scores used
- Lowest score among all borrowers used
- Borrowers with only one score are ineligible

### Bankruptcies, Consumer Credit Counseling, Foreclosures

- None in the past 7 years from discharge date
- Balance reduction note modifications and short sales are not permitted within the past 7 years

Note: Exceptions are NOT considered for loans with mortgage insurance. For LTV's > 80% Borrowers with a prior foreclosure; short sale; bankruptcy or deed in lieu within the past 7 years are not eligible.

### Mortgage Rental History

- No 30 day delinquencies permitted in the past 12 months

### Tax Liens / Judgments / Collections / Charge Offs

- Proof liens are paid or pay at closing
- Proof paid or underwriter discretion to be paid at closing

### Undisclosed Debt

- Refer to CMG's Policy for guidance and requirements: [Undisclosed Debt](#).

## Part G – Income Documentation

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### Full Doc

- Wage earners
    - Most recent paystubs covering a 30 day period
    - Most recent two years W2's
  - Self Employed\*
    - Most recent two years federal returns with all schedules
    - Most recent two years federal Corporate and/or Partnership returns (if applicable)
    - If paystubs and W2's issued, most recent paystubs and two years W2's
    - If more than 6 months into fiscal year, signed P & L
- Note: UW is by FNMA standards, including the use of the Liquidity Test and Cash Flow forms when using self-employment to qualify. Borrower must pass liquidity test to use business income

\*The underwriter must prepare a written evaluation of its analysis of a self-employed borrower's personal income, including the business income or loss, reported on the borrower's individual income tax returns. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower. This is not required when a borrower is qualified using only income that is not derived from self-employment and self-employment is a secondary and separate source of income (or loss). Examples of income not derived from self-employment include salary and retirement income.

## Asset Depletion

- For LTVs ≤ 80%, asset depletion permitted on net documented assets\*. Monthly income calculation is net documented assets based on percentage allowed divided by 120 months. See below for allowable assets and percentage allowed for net documented assets:

ASSET DEPLETION MATRIX		
Allowable Assets*	Borrower is ≥65 years old	Borrower is <65 years old
Checking	100%	100%
Savings	100%	100%
Money Market	100%	100%
Certificate of Deposit	100%	100%
Stocks and Bonds	100%	70%
Mutual Funds	100%	70%
Retirement Accounts (401K, IRA)	100%	70%
Depletion Months	120	120

\*Net documented assets: If both reserves and asset depletion are documented with the same account, subtract reserves to get eligible net documented assets that may be used in the monthly income calculation.

Asset depletion is not permitted for LTVs > 80%.

\* Net Documented Assets: If both reserves and asset depletion are documented with the same account, subtract reserves to get eligible net documented assets that may be used in the monthly income calculation

Note: Assets must be an allowable asset as noted in the chart above. In addition, assets from the following sources are always ineligible even if in an above allowable asset category:

Ineligible Assets / Account Types		
Stock options	Privately held stock	Non-vested restricted stock units
Foreign funds	Deferred compensation	Non-regulated financial companies
Deferred compensation	Non-regulated financial companies	non-liquid assets (automobiles, artwork, business, net worth, etc.)
Health Savings Accounts	Cash-out refinance proceeds	non-financial assets (collectibles, stamps, coins, artwork, etc.) unless liquidated and placed into an eligible account
assets title in an irrevocable trust	Custodial accounts	Escrow accounts
529 accounts	Accounts pledged as collateral on another loan	Below investment grade corporate and municipal bonds
Cash value/surrender value of life insurance	Annuities	Business funds

## General Information

Unless addressed in this section, follow Fannie Mae general underwriting guidelines

- Alimony / Child Support
  - Copy of divorce decree, separation agreement, or other legal decree outlining terms
  - 3 years continuance
  - Most recent 6 months cancelled checks / bank statements receipt
- Restricted Stock Units (RSU) / Stock Options – Not an eligible source of income
- Removing debts paid by others / business
  - 6 months cancelled checks / bank statements
  - Underwriter discretion to allow
- CMG's [Income Validation](#) Policy applies.
- A minimum history of 2 years of commission income is generally required. In all cases, commission employees must be employed for greater than 1 year at current employer in order to consider using commission income to qualify. No exceptions will be granted for less than 1 year. This also applies to Bonus and Overtime income.

## Part H – Asset Documentation & Reserve Requirements

In an effort to fully document a borrower's ability to meet their obligations, all liquid assets should be disclosed on the 1003 and verified, not just the amount required to meet minimum reserve requirements.

### Reserve Requirements

- 10% of loan amount (all LTVs). For transactions with LTV  $\leq$  80%, a debt-to-income greater than 40% and up to 43% is allowed when the borrower can verify 15% of the line of credit amount in reserves.
- Two months statements or most recent quarterly statement required

### Additional considerations regarding reserves:

- Gift funds are an unacceptable source of reserves.
- Advanced funds from a HELOC are not acceptable to be used for reserves.
- Marketable securities or vested stocks are an acceptable source of reserves, as well as retirement accounts.
- Borrower must be able to liquidate funds used to meet the reserve requirement. Accounts that cannot be liquidated are not eligible to be used as reserves.
- 100% value will be used for accounts that can be liquidated, i.e.; retirement savings, cash, equitable stocks and bonds, as well as cash-value of life insurance policies.
- Net documented assets for asset depletion: If both reserves and asset depletion are documented with the same account, subtract reserves to get eligible net documented assets that may be used in the monthly income calculation.
- When an income has a defined expiration date or allows the depletion of an asset, care must be taken when this is the sole source or majority of qualifying income. The underwriter must consider the borrower's continued capacity to repay the mortgage loan when the income source expires or the distributions will deplete the asset prior to maturation of the mortgage loan.

### Downpayment, Gifts, and Contributions

- Borrower must have 10% of own funds into the transaction
- Gift funds are NOT permitted as reserves.

- Max 3% interested party contributions
- After 10% from borrower funds, gift funds are permitted (including for investment properties). Gift letter and verification of donor's ability to donate required. See below for Gift of Equity.
- A gift can be provided by a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner. The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

**Gift of Equity:** A gift of equity is permitted for principal residence and second home purchase transactions. Acceptable donor requirements for gifts also apply to gifts of equity; however, Gift of Equity can count as borrower funds to meet the 10% minimum borrower contribution requirement.

- The following documents must be retained in the loan file:
  - a signed gift letter, and
  - the settlement statement listing the gift of equity.

Note: If the requirements listed are met, the gift of equity is not subject to interested party contribution requirements.



## Part I – Property Eligibility

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### Eligible Property Types

- SFR's (modular and manufactured not permitted)
- 2-4 units properties
- Acreage:
  - 10 acre maximum
  - Properties with greater than 10 acres require investor pre-approval.
- Condo's; no litigation permitted
  - Non-Warrantable condos considered on a case by case basis (LTV ≤ 80% only).
  - Limited Reviews are permitted, subject to meeting all Fannie Mae requirements.
- Properties recently listed for sale:
  - Rate / Term allowed subject to the following:
    - Copy of cancellation required
    - Value determined using lesser of last listing price or appraisal
    - For loans requiring mortgage insurance (LTV > 80%) a subject property listed within the last 6 months is not eligible
  - Cash-Out allowed as long as application date is 120 days after property was removed from listing
    - No seasoning may be considered if:
      - Application is dated after the listing cancellation date
      - Borrower provides a detailed LOE describing their decision to keep the property and intent moving forward
      - Exception approval is required through CMG's Chief Credit Officer
- Free and clear properties are eligible with a verified reason for cash disbursed at closing in order to fund near-term financial commitments (See Cash-Out Refinance Section).

### Ineligible Property Types

- Mixed Use
- Property on tribal land
- Cooperatives
- Leaseholds
- Manufactured or modular housing
- Unique such as log, dome, earth, geothermal homes
- Condotels
- Free and clear properties are not eligible without a verified reason for cash disbursed at closing (See Eligible Property Types Section).
- Properties exceeding 10 acres (Properties with greater than 10 acres require investor pre-approval.)

## Part J – Disaster Policy

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When a property is located in a Disaster Area, CMG must verify the structure is sound and not negatively impacted by the Disaster. This must be verified prior to closing / purchasing the loan. Refer to CMG's [Disaster Area Policy](#) for additional details and requirements.

## Part K – Private Mortgage Insurance

- Loans from 80.01 to 90% LTV are eligible for mortgage insurance subject to the following parameters:
  - 1-unit primary residences (second home ineligible; 2-4 unit ineligible)
  - Purchase and rate/term refinance transactions (cash-out not permitted)
  - Asset depletion not permitted.
  - Maximum DTI: 40%
  - Maximum Loan Amount / LTV / MI Coverage / Minimum Credit Score

MI Provider	LTV Range	Max Loan Amount	MI Coverage	Minimum Credit Score
ARCH /	85.01 - 90%	850,000	12%	720
MGIC	80.01-85%	1,000,000	6%	

- Approved MI Providers - Non-delegated submissions only:
    - Arch MI – AMG Coverage. All other applicable AMG underwriting requirements apply. AMG-UW Manual
    - MGIC
  - LPMI and BPMI single premium only (AMG master policy). (borrower paid monthly MI is not available). Non-Refundable.
  - Approved MI Providers - Non-delegated submissions only:
    - Arch MI – AMG policy.
    - MGIC. MGIC Program ID 2504.
  - LPMI & Borrower paid single premium only (borrower paid monthly not available)
  - Borrower down payment:
    - First 10% of down payment must be from borrower own funds. Gift and grant funds are eligible for the remainder of funds needed for closing.
  - Rate/term refinances must pay off the 1st lien and 2nd lien
    - 2nd lien must have been used to purchase property, or be seasoned at least 12 months if not used to purchase the property. (Seasoned Definition: Any junior lien(s) that is non-purchase related, including an equity line of credit without any draw within the last 12 months. Note: Detailed draw history documentation from the borrower or lender is required; a credit supplement is not allowed.)
  - Borrower may not own more than three financed properties
  - Verbal VOE required within 10 days of the note
  - Allow calculation of the mortgage payment as follows: 1-month LIBOR Index + Margin, by the Line of Credit amount, amortized over 30 years. This is subject to a 3.75% floor and a lifetime cap of 6% over the greater of the floor rate or the initial fully indexed rate.
  - Allow 100% of retirement accounts for reserves
  - Allow cash value life insurance for reserves
  - Standard reserve requirement: 10% of the loan amount
  - Allow underwriter discretion as to whether collection accounts and charge-offs on non-mortgage accounts have to be paid.
- a. The following loan characteristics are ineligible for LTVs > 80% - no exceptions permitted:
- Asset depletion
  - Subordinate financing

- Manufactured housing
- Non-warrantable condos
- Borrowers with a prior foreclosure; short sale; bankruptcy or deed in lieu within the past 7 years
- Subject property listed within the last 6 months

**BPMI Single Premium & LPMI – BPMI Quotes, LPMI Pricing, & Ordering MI:**

- Mortgage insurance CANNOT be ordered through Byte.
- For Lender Paid Mortgage Insurance (LPMI) please refer to ratesheets for LPMI pricing.
- Arch - must be ordered under the AMG Master Policy (this is different than the AMI master policy with Arch MI that CMG uses to order mortgage insurance for conventional conforming loans). **CMG Internal:** Retail Processors & AIO Underwriters and Wholesale AIO Underwriters will receive login information directly from Arch for logging in to obtain quotes for borrower paid single premium MI and order MI under the AMG Master Policy for either borrower paid single premium or lender paid mortgage insurance. Users that have an existing Arch MI login to facilitate submitting delegated MI files to Arch will now have a dual purpose login and will need to be sure to pick the AMG Master Policy option for all AIO loans and pick the AMI master policy option for conventional conforming loans.  
<https://ratestar.archmi.com/quote/#/?provider=CMG>
- For MI Quotes, MI rates are published on the ratesheet. CMG Internal - for ordering MGIC insurance – Use MGIC Program ID of 2504 - <https://sso.mgic.com/gc/login?service=https%3a%2f%2floancenter.mgic.com%2f>

Select MI premium plan for AIO program: BPMI Single or LPMI Single

Select AIO Coverage Percent:

- ≤ 85% LTV - 6%
- 90% LTV - 12%

Enter MGIC Program ID #2504

**MI Information**

Apply an MGIC Quote ID to your MI Order  [View Quote](#)

Premium Paid By:  Premium Type:  Coverage Percent:  Refund Option:

Employee Relocation:  Housing Finance Agency:  **MGIC Program ID #1:**  MGIC Program ID #2:

[See MGIC Underwriting Guide](#)  Save as Preference for Future Submissions

Enter the borrower's last name and the loan number.

Select the type of review you are requesting and documents you are submitting.

Upload documents you normally send.

Select a notification option.

Enter any special File Handling Notes.

Click **Send Files**.



**Loan Documentation**

Borrower Last Name:  Lender Loan Number:

Upload Document(s)

What type of documents are you uploading?  
 Appraisal  
 Underwriting/Organization  
 Closing

Select Document(s) [Having trouble uploading? Try the Basic Uploader](#)

Drag & Drop File(s) here, or

Notification Option:  
 Email:   
 Fax:   
 No notification needed; I will retrieve my loan decision documents in the Loan Center.

File Handling Notes (Optional):

Character Count: 0 / 2000

NOTE: Changes to phone/fax number above will be only for this request. If you wish to change permanently, click [Page](#) to access your Profile.

When applying for MBSIC MI, MBSIC will rely on the insurance application data submitted for its MI decision. Verification information is not reviewed or considered by MBSIC in its insurance underwriting decision, but may be reviewed by MGIC after a loan is issued to verify the insurance Application information. By submitting this application, it's implied that you agree to these [terms](#).

## Part L – Transaction Types

Unless addressed in this section, follow Fannie Mae general underwriting guidelines for definitions and LTV calculations

### Eligible Transaction Types

#### Purchase

- 1% draw holdback required; max draw at closing is 99%

#### Rate/Term Refinance

Additional restrictions:

- Max cash out (or available equity at closing) = lesser of 1% or \$2000
- 1% draw holdback is not counted towards the 1% / \$2000 cap calculation
- For LTV ≤ 80% - Payoff of all liens secured to subject regardless of age or original purpose
- For LTV > 80% - Rate/term refinances must pay off the 1st lien and any existing 2nd lien
  - 2nd lien must have been used to purchase property, or be seasoned at least 12 months if not used to purchase the property. (Seasoned Definition: Any junior lien(s) that is non-purchase related, including an equity line of credit without any draw within the last 12 months. Note: Detailed draw history documentation from the borrower or lender is required; a credit supplement is not allowed.)

#### Cash Out Refinance

- Interest on the AIO HELOC cumulates daily throughout each monthly billing-cycle, beginning the day after funding. In an effort to help borrowers avoid unnecessary interest expense during the account set-up period, cash disbursed at closing is discouraged unless needed to fund near-term needs. For all AIO cash out loans when cash in hand is disbursed at closing, the borrowers must verify their need for cash out at closing by submitting a letter of explanation that explains the amount, reason and timing (if applicable).
  - If cash disbursed at closing exceeds the lesser of 1% or \$2,000 a **detailed borrower explanation (LOE)** is required PTD. The explanation letter should outline the amount and reason for the borrower requested cash disbursement. If applicable, the explanation should include a reference to the timing of the use of funds to evidence the disbursement is to fund a near-term need. (sample/preferred template: [AIO HELOC Cash-Out Explanation Form](#))
- Zero initial advances (draws) are not allowed.
- Seasoning: The property must have been purchased (or acquired) by the borrower at least six months prior to the disbursement date of the new mortgage loan except for the following:
  - There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).
  - The delayed financing requirements are met. See Delayed Financing Exception below.
  - If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower's six month ownership requirement. (In order to close the refinance transaction, ownership must be transferred out of the LLC and into the name of the individual borrower(s).
  - If the property was owned prior to closing by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower's six month ownership requirement if the borrower is the primary beneficiary of the trust.

- Delayed Financing Exception: Borrowers who purchased the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met:
  - The original purchase transaction was an arms-length transaction.
  - For this refinance transaction, the borrower(s) must meet borrower eligibility requirements. The borrower(s) may have initially purchased the property as one of the following:
    - a natural person;
    - an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust;
    - an eligible land trust when the borrower is the beneficiary of the land trust; or
    - an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.
  - The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale.)
  - The preliminary title search or report must confirm that there are no existing liens on the subject property.
  - The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
  - If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.  
Note: Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.
  - The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value).
  - All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable.

## **Part M- Secondary/Subordinate Financing**

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Not Allowed

## **Part N- Interested Party Contributions**

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Limited to 3%

**Part Y - Links to CMG Policies, Etc.**

<b>CMG Policies &amp; Procedures:</b>	<a href="#">Appraisal Requirements</a>
	<a href="#">Disaster Area</a>
	<a href="#">Electronic Signatures</a>
	<a href="#">Exclusionary Lists</a>
	<a href="#">HPML &amp; HPCT Exception Policy</a>
	<a href="#">Income Validation</a>
	<a href="#">Undisclosed Debt</a>

## Part Z - Recent Updates / 90 Day Lookback

12/15/2021 Revised guidelines to increase the loan amount that requires 2 appraisals from \$1,000,000 to \$1,500,000 & revised loan amounts up to \$1,500,000 require 1 full appraisal

11/17/2021 Added clarification regarding 2 AIO loans per borrower that minimum reserve requirements must be met for each AIO loan.

10/11/2021 Updated to clarify appraisal age requirement

10/01/2021 Updated to reflect new product information for CMT Index

4/15/2021 ARCH MI increased max loan amounts for the LTV buckets. Both ARCH and MGIC will now insure up to \$850,000 for 85.01 – 90% LTV and up to \$1,000,000 for LTVs up to 85%.

4/2/2021 Added additional guidance regarding eligible/ineligible assets for asset depletion.

3/22/2021 Minimum credit score for ARCH Mortgage insurance enhanced to 720 (*previously 740*).

2/4/2021

Interest on the AIO HELOC cumulates daily throughout each monthly billing-cycle, beginning the day after funding. In an effort to help borrowers avoid unnecessary interest expense during the account set-up period, cash disbursed at closing is discouraged unless needed to fund near-term needs. For all AIO cash out loans when cash in hand is disbursed at closing, the borrowers must verify their need for cash out at closing by submitting a letter of explanation that explains the amount, reason and timing (if applicable).

- The [AIO HELOC Submission Form](#) will be required at submission for all AIO loans in order to help properly set up the loan's expected initial advance and cash-out amounts. This will benefit underwriters when reviewing the file.
- If cash disbursed at closing exceeds the lesser of 1% or \$2,000 a **detailed borrower explanation (LOE)** is required PTD. The explanation letter should outline the amount and reason for the borrower requested cash disbursement. If applicable, the explanation should include a reference to the timing of the use of funds to evidence the disbursement is to fund a near-term need. (sample/preferred template: [AIO HELOC Cash-Out Explanation Form](#))