

## PINNACLES 5/1 ARM PROGRAM

**2 Year Full Doc and 24 Month Bank Statement  
Owner Occupied**

### Purchase

Property Type	Credit Score	LTV/CLTV	Max Loan Amount
1 Unit SFR / PUD	680+	60% / 60%	\$2,000,000
Condominium	680+	60% / 60%	\$1,500,000
2-4 units	700+	60% / 60%	\$2,000,000
	680+	55% / 55%	

### Rate & Term / Cash-Out Refinance

Property Type	Credit Score	LTV/CLTV	Max Loan Amount
1 Unit SFR / PUD	680+	55% / 55%	\$2,000,000
Condominium	700+	55% / 55%	\$1,500,000
	680+	50% / 50%	
2-4 units	700+	50% / 50%	\$2,000,000
	700+	55% / 55%	\$1,500,000

**1 Year Full Doc, 1 Year W2 and 12 Month Bank Statement**

**Owner Occupied**

**Purchase**

Property Type	Credit Score	LTV/CLTV	Max Loan Amount
1 Unit SFR / PUD	680+	60% / 60%	\$2,000,000
Condominium	680+	60% / 60%	\$1,500,000
2-4 Units	700+	55% / 55%	\$2,000,000
	680+	50% / 50%	

**Rate & Term / Cash-Out Refinance**

Property Type	Credit Score	LTV/CLTV	Max Loan Amount
1 Unit SFR / PUD	680+	55% / 55%	\$2,000,000
Condominium	700+	55% / 55%	\$1,500,000
	680+	50% / 50%	
2-4 Units	700+	50% / 50%	\$2,000,000
	700+	50% / 50%	\$1,500,000

**Second Home and Investment Properties**

**All Doc Types**

**Purchase / Rate & Term**

Property Type	Credit Score	LTV / CLTV	Max Loan Amount
SFR / PUD / 2-4 Units	700+	55% / 55%	\$2,000,000
	680+	50% / 50%	\$1,000,000
Condominium	700+	55% / 55%	\$1,000,000
	680-699	50% / 50%	

Asset Depletion			
Owner Occupied and Second Home			
Purchase, Rate & Term and Cash Out			
Property Type	Credit Score	LTV / CLTV	Max Loan Amount
All	680	55% / 55%	\$1,000,000
		50% / 50%	\$2,000,000
Investment			
Purchase and Rate & Term			
Property Type	Credit Score	LTV / CLTV	Max Loan Amount
All	680	50% / 50%	\$2,000,000

Interest-Only loans are interest-only for the initial hybrid period and fully amortizing thereafter

The payoff/pay down or any debt except the following are considered cash-out:

- First Mortgage
- Home Equity Line of Credit which have had no draws taken in the past 12 months
- Purchase Money Second
- Closed-End Second at least 12-months old
- Max cash out is \$300,000

Product Types						
ARM Features				Interest Only Features		
Product	Margin	Caps	Index	Amort Term	Final Maturity	I/O Term
5/1 ARM	3.25%	5-2-5	1 Year LIBOR	25 Years	30 Years	60 Month
				30 Years	40 Years	120 Month

<b>Assumption, HPML, Points/Fee's, &amp; Note Terms</b>	
<b>Assumability</b>	ARM may be assumed by a qualified borrower after the initial fixed term
<b>HPML</b>	HPML loans are eligible for purchase but are required to comply with the HPML Appraisal Rule, and to establish and fund an escrow account for property taxes and insurance for a minimum of five (5) years
<b>Points and Fees</b>	Maximum allowed is 5%

<b>2 Year Full Documentation</b>	
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Wage earner or self-employed borrower</li> </ul>
<b>Income</b>	<ul style="list-style-type: none"> <li>• Two (2) years of most recent tax returns or two (2) years of most recent W-2s</li> <li>• Pay stubs reflecting the most recent 30-day period</li> <li>• Tax transcripts are required for all income used to qualify</li> </ul>
<b>Assets</b>	<ul style="list-style-type: none"> <li>• Minimum two (2) most recent bank statements</li> </ul>

<b>12 &amp; 24 Bank Statement, 12 &amp; 24 Month 1099 and 1 Year Full Documentation</b>	
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Self-employed borrowers are individuals with a schedule C or corporate tax return - Must have a minimum 25% ownership interest</li> <li>• Salaried and/or commission borrowers are not eligible for Bank Statement Programs</li> <li>• Borrowers classified as investors (i.e. Real Estate Investors; day traders; etc.) are not eligible for Bank Statement Programs</li> <li>• Self-employed borrower's business phone number must be independently verified</li> <li>• Self-employed borrowers may have co-borrower that earns W-2 income</li> <li>• First Time Homebuyers max DTI on Bank Statement Programs is 43%</li> </ul> <p><b>NOTE: Borrowers classified as investors ie: day traders, real estate investors who do not have ownership in a company are NOT considered self-employed for purposes of the Bank Statement Programs, 1099 and 1 Year Full Doc Programs - this includes borrowers whose primary source of income is rents as shown on Schedule E</b></p> <p><b>NOTE: Borrowers who work for family members are not eligible for Bank Statement Programs, 1099 and 1 Year Full Doc Programs</b></p>
<b>Assets</b>	<ul style="list-style-type: none"> <li>• Minimum two (2) most recent bank statements               <ol style="list-style-type: none"> <li>1. Document YTD income with current bank statements</li> <li>2. Evidence that the borrower has been self-employed in the same business for a minimum of two (2) years</li> </ol> </li> </ul>
<b>12 or 24 Months Bank Statement Program</b>	<ul style="list-style-type: none"> <li>• Bank Statement Programs are available to self-employed borrowers with a 25% or greater ownership interest in the business</li> <li>• Deposits from sources other than the business must be deducted, these include but are not limited to:               <ul style="list-style-type: none"> <li>• Deposits from Social Security</li> <li>• Transfers from another (non-business) account</li> <li>• Tax refunds or income deposited from a known employer</li> </ul> </li> </ul>

- Non-sufficient funds (NSF) or overdraft protection activity in the past 12 months must be explained by the borrower. Excessive NSF or overdraft activity may disqualify the borrower from using the bank statement program:
  - No more than three (3) occurrences in the last 12 months. An occurrence is defined as one or more checks returned the same day.
  - Zero (0) NSFs/overdrafts are allowed in the last three (3) months

**Personal Bank Statement Program or 1099 Program**

100% of eligible business related deposits can be used

When using the 1099 program the following are required:

1. Document YTD income with current bank statements
2. Evidence that the borrower has been self-employed in the same business for a minimum of two (2) years

**Business Bank Statement Program**

Borrowers must have a minimum 50% ownership interest in the business

There are three (3) options to determine expenses:

**Option 1 - Third-party prepared P&L**

- P&L must cover same time period as the bank statements
- Gross earnings should be within 15% of the bank statement eligible deposits
- Lower of the net income from the P&L or total deposits are used to determine income - Multiple by borrowers' ownership percentage
- Owners of the business who are not on the loan must provide a signed & dated letter acknowledging the transaction and confirm that the borrower has access to the account for income purposes

**Option 2 - Third-party prepared expense statement**

- Net income using the expense statement is calculated by taking the total eligible deposits minus the expense percentage provided by the third party
- Net income from the expense statement is calculated by using the eligible deposits multiplied by the expense percentage provided and then divided by either 12 or 24 months

	<p><b>Option 3</b> - 50% of eligible business deposits can be used when P&amp;L and expense statement are not available</p> <ul style="list-style-type: none"> <li>• A business narrative is required that contains the following: description of the business, number of employees, equipment - leased or owned, type of customer base and location of the business</li> </ul> <p>The following applies to Option 3 only: If the business operates in an industry with typically higher expense ratios, a third-party prepared P&amp;L or business expense statement must be provided to validate the expense ratio (calculation Option 1 and 2). Industries with higher expense ratios include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Manufacturing, Construction, Retail, Food Service/Restaurant and Transportation</li> </ul>
<p><b>1 Year Tax Return or 1 Year W-2</b></p>	<p>Available to wage earners or self-employed borrowers</p> <p><b>Self-Employed Borrower</b> must provide:</p> <ul style="list-style-type: none"> <li>• Most recent year tax return (personal and business) <b>AND</b></li> <li>• YTD P&amp;L <b>AND/OR</b></li> <li>• Paystub showing YTD income <b>AND</b></li> <li>• Evidence of the existence of the business for at least two (2) years is required</li> </ul> <p><b>Commission/Salary + Commission Borrowers</b> must provide:</p> <ul style="list-style-type: none"> <li>• Most recent year tax return <b>AND</b></li> <li>• Most recent paystub showing YTD income</li> </ul> <p><b>All other Salaried Borrowers</b> must provide:</p> <ul style="list-style-type: none"> <li>• Most recent year W-2 <b>AND</b></li> <li>• Most recent paystub showing YTD income</li> </ul> <p>Most recent two (2) months personal bank statements to validate required reserves Tax transcripts are required</p> <p>A WVOE is required for all non-self-employed borrowers, the WVOE must reflect the income for the same period as the single year tax return or W2 and evidence of employment in same line of work for at least two (2) years</p>



<p><b>12 or 24 Month 1099 Program</b></p>	<p>Program available to borrowers who are paid via 1099 and file as self-employed or independent contractor and meet the following:</p> <ul style="list-style-type: none"> <li>• A 50% ownership is required</li> <li>• A minimum of two (2) years self-employment in the same business</li> <li>• Provide evidence of the existence of the business for at least two (2) years, documentation includes but is not limited to, a copy of business license, business credit report, CPA letter</li> <li>• Do NOT submit tax returns</li> <li>• IRS 1099 transcripts are required</li> <li>• Evidence of YTD earnings via YTD bank statements</li> </ul> <p>Income Calculation Total gross of all 1099 income + YTD bank statement income / total # of months – It is essential to review the bank statements to determine allowable deposits</p>
<p><b>Asset Depletion</b></p>	<p>Asset depletion (AD) on a stand-alone basis or to supplement other income Eligible assets include cash or cash equivalents, marketable securities (i.e. money market accounts, savings, stocks, bonds, and mutual funds) Ineligible assets include equity in real estate and private stock <u>Retirement assets may only be used for AD if the borrower is retirement age (59 ½)</u> Assets used for AD must be verified by two (2) months most recent statements</p> <p>Calculation: The calculation is based on a 5% factor - ie: \$1MM asset x 5% = \$50,000 / 12 = \$4167.67</p>

Borrower and Property Eligibility	
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• US Citizens</li> <li>• First Time Homebuyers (defined as a borrower who has not had ownership in a residential property in the prior three (3) years)</li> <li>• Permanent Resident Aliens with appropriate documentation</li> <li>• <b>Non-Occupant Co-Borrowers (must be disclosed on the initial application; cannot be added at a later date to qualify; and must be related to the primary borrower)</b></li> </ul>
<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"> <li>• Applicants with Diplomatic Immunity</li> </ul>
<b>Ineligible Properties</b>	<p>Ineligible Properties include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Leasehold Properties</li> <li>• Co-ops</li> <li>• Condotels</li> <li>• Timeshares</li> <li>• Income producing and Commercial Enterprise Properties (Farms, Ranches, Bed and Breakfasts, Assisted Living, etc.)</li> <li>• Manufactured homes (Including log cabins)</li> <li>• Properties with &gt; 5 acres</li> </ul>

<b>Underwriting</b>	
<b>Minimum Loan Amount</b>	<ul style="list-style-type: none"> <li>• \$100,000</li> </ul>
<b>Mortgage/Rent</b>	<ul style="list-style-type: none"> <li>• 0 x 30 in past 12 months</li> </ul>
<b>Trade Lines</b>	<ul style="list-style-type: none"> <li>• Two (2) active trade-lines reporting for at least 24 months with activity in the last 12 months OR</li> <li>• Three (3) tradelines reporting for 12 months with activity in the last 12 months</li> </ul>
<b>Foreclosure, Short Sale, Bankruptcy, Loan</b>	<ul style="list-style-type: none"> <li>• Must be seasoned at least 12 months (See rate sheet for adjustment for seasoned less than 36 months)</li> </ul>
<b>Loans to One Borrower</b>	<ul style="list-style-type: none"> <li>• Not to exceed five (5) properties, and/or \$2,000,000</li> </ul>
<b>Maximum Financed Properties</b>	<ul style="list-style-type: none"> <li>• Borrowers are allowed up to 15 financed properties including subject. If purchasing a Primary Residence, there is no limit to the number of properties financed.</li> </ul>
<b>Credit Documentation</b>	<ul style="list-style-type: none"> <li>• May not be more than 90 days old at the time of the close</li> </ul>
<b>Debt to Income Ratio (DTI)</b>	<ul style="list-style-type: none"> <li>• Max DTI is 45% LTV</li> <li>• 50% DTI is allowed with <math>\geq 12</math> months reserves</li> <li>• <math>DTI \leq 43\%</math> do not require residual income</li> <li>• <math>DTI &gt; 43\%</math> require residual income – See below</li> </ul>
<b>Residual Income</b>	<ul style="list-style-type: none"> <li>• Defined as the cash flow remaining after all monthly obligations have been paid. Requirements -0.0045 (.45%) of the UPB. (UPB X 0.0045 = required residual income)</li> </ul>
<b>Gift Funds</b>	<ul style="list-style-type: none"> <li>• Gift Funds are acceptable after a minimum down payment has been made from the borrowers' own funds:               <ul style="list-style-type: none"> <li>○ Owner Occupied: 10% of Borrowers' funds</li> <li>○ Non-Owner Occupied: 20% of Borrowers' funds</li> </ul> </li> </ul>
<b>Secondary Financing</b>	<ul style="list-style-type: none"> <li>• Only institutional secondary financing is allowed</li> </ul>

<p style="text-align: center;"><b>Condominiums</b></p>	<p>Non-warrantable condos allowed with the following:</p> <ul style="list-style-type: none"> <li>• Completed questionnaire</li> <li>• Commercial space not to exceed 40%</li> <li>• Completion status – All phases and common elements must be completed and at least 50% sold</li> <li>• Delinquent HOA Dues – No more than 20% of the total units may be 60 days or more past due</li> <li>• Investor Concentration – Allowed up to 60%, higher percentages may be considered on a NOO transaction when a history of a high investor concentration percentage can be demonstrated</li> <li>• HOA Control – Developer may be in control of the HOA provided that the Master Agreement allows that the homeowners take control once a predetermined percentage of units have been sold within a specified period of time</li> <li>• Litigation – Pending litigation may ne be structural and does not impact marketability, potential damages do not exceed 25% of the HOA reserves, evidence from insurance carrier or attorney representing insurance carrier that the insurance coverage is sufficient to cover the lawsuit</li> <li>• Single Entity Ownership – Single entity may own up to 30% of the units</li> </ul>
<p style="text-align: center;"><b>Seasoning</b></p>	<ul style="list-style-type: none"> <li>• No seasoning requirements for refinance transactions (both rate/term and cash-out)</li> </ul>
<p style="text-align: center;"><b>Transferred Appraisals</b></p>	<ul style="list-style-type: none"> <li>• <b>Transferred appraisals are not allowed</b></li> </ul>
<p style="text-align: center;"><b>Vesting</b></p>	<ul style="list-style-type: none"> <li>• Loans must be closed in the name of an individual or trust</li> </ul>

Assets/Reserves	
Minimum Reserve Requirements	
Loan Amount	Required Reserves
\$100,000 - \$1,500,000	9 months PITI
\$1,500,001 - \$2,000,000	12 months PITI
For each REO owned an additional 2 months PITI is required	

Appraisals	
Loan Amount	Appraisal Requirements
≤ \$1,500,000	One (1) full appraisal with three (3) sold comps < six (6) months
>\$1,500,000	One (1) full appraisal with three (3) sold comps < six (6) months and a field review or a Clear Capital CDA. If tolerance is > 10% a 2 <sup>nd</sup> appraisal is required
<b>Transferred appraisals are not allowed</b>	
<b>Compliance Note:</b> The ECOA Valuations Rule requires that copies of appraisals and other written valuations be delivered to borrowers promptly upon completion; or within three (3) business days of closing.	