

# ANNOUNCEMENT

1 June 2010

## **Loan Quality Initiative**

In response to Fannie Mae's LL 2010-02, we will be implementing guidelines and procedures to ensure compliance with LQI. This will be a work in progress. Expect fine tuning along the way. This applies to loan applications taken on or after June 1<sup>st</sup> and will only apply to conventional conforming loans.

## **Undisclosed Debt**

We will be doing a soft pull credit report during the 24 hours prior to closing. If there is significant change to balances or additional credit we would then need to rescore and run through the AUS system and reevaluated by underwriting. This could affect pricing and/or approval. Please advise your borrowers at application (mandatory borrower form attached).

## **Updates to Social Security Number Requirements**

For loans that receive red flags for SS# verification through fraud prevention software and or DU/LP, the accuracy of the SS# must be validated directly with the Social Security Administration using Form SSA-89 or direct validation by a third party.

## **Validation of Qualified Parties**

Loans originated, underwritten or serviced by individuals or companies that are on the Federal General Administration's (GSA) Excluded Party List or HUD's Limited Denial of Participation (LDP) list are ineligible.

## **Occupancy Requirements**

For Owner-occupied transactions, documentation to confirm the applicant's intent to occupy as their principal residence is required if there is any address discrepancies or recent transactions for other properties that were identified as principal residences.

## **Recent Inquiries**

As a result of credit inquiries, the loan may be subject to additional requirements. If additional credit was obtained, a verification of the debt must be provided and the borrower must qualify for the rate, terms and approval again. The verification can be achieved through a direct verification with the creditor of use of a credit supplement.

This gives you an overview of what to expect. We will update and get into more details as we work through this. Getting a mortgage will not be for the faint hearted. Please be proactive with your customers, and make sure they don't jeopardize the transaction with additional credit.

*Please contact your Primary Capital Account Executive with questions.*

Loan Quality Initiative Disclosure

Borrower(s):

Property Address:

In response to the loan quality initiatives issued by government agencies, Primary Capital is implementing new policy and procedures to become compliant with the agency requirements. Under these requirements, Primary Capital must warrant the debt utilized for qualifying and the occupancy of the subject property.

Credit Report Monitoring

During the course of the loan process, your credit report will be monitored. This monitoring will be in effect until loan disbursement. **This monitoring will include a final credit report that will be run within 24 hours of closing.**

The purpose of the monitoring is to ensure that your loan approval is issued utilizing the correct liability amounts. **An increase in payments or balance on currently active accounts or acquiring additional debt will result in an additional underwriting review of your loan. This review could result in an increase in loan pricing, delay in loan closing or a denial of your application.**

By signing below, I acknowledge that the liabilities listed on the application are correct. I have not applied for any additional accounts. Additionally, I understand that my credit report will be monitored and the terms of my loan as well as my application status may change if additional debt is incurred prior to loan disbursement.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Occupancy

The subject property will be occupied as a:

\_\_\_\_\_ Primary Residence – **I understand that I must occupy the property within 60 days of closing and maintain said occupancy for a minimum of 12 months.**

\_\_\_\_\_ Second Home – I understand that the property shall be used exclusively as a second home. The property may not be subject to any rental pools, rental agreements or timeshare agreements.

\_\_\_\_\_ Investment

By signing below, I acknowledge that the property will be occupied as stated above. I further acknowledge that the Primary Capital may verify the occupancy status after closing.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date