



PRODUCT:

Conforming High Balance

CHB15R CHB15W
CHB30R CHB30W

Full Documentation - Borrower Paid MI					
Max LTV	Max CLTV	Score	Trans	Units	Max Amt
Primary Residence					
80	80	700*	Purchase, R/T	1	N/A*
60	60	740	C/O	1	N/A*
Second Home					
65	65	740	Purchase, R/T	1	N/A*
Investment					
65	65	740	Purchase, R/T	1	N/A*
For county specific loan amount limits, please follow the link in the Maximum Loan Amount Section.					
If the LTV is ≥75%, then the minimum credit score is 660.					

Primary Capital Mortgage guidelines have been created to provide direction and consistency in determining a credit decision. The intention of these guidelines is to describe the general underwriting philosophy of the company, however is not all inclusive of different situations that may arise from loan to loan. PCM strives to make solid underwriting decisions based on the quality of the loan, basing our underwriting decision on all aspects of the loan file (i.e. loan to value ratio, collateral value, credit history, assets, qualifying ratios, etc.). Although multiple risk factors are assessed, the underwriter will attempt to balance the evaluation between the borrower and the property & the borrower’s ability to repay the loan provided.

PCM reserves the right to apply additional underwriting criteria depending on the overall risk of the loan file. Guides are subject to change without notice.

Amortization: Product is available as 15, 20, or 30 year fixed rate loans.

Appraisal Requirements: A full URAR is required on all transactions. **PCM does not accept transferred appraisals. All appraisals must be ordered through PCM HVCC department.** See PCM HVCC policy. www.pcmexpress.com.

****Field review is required if the loan amount is greater than \$625,000 and the LTV/CLTV is greater than 80%; or the property is valued at \$1,000,000 or more and the LTV/CLTV is greater than 75%.**

The effective date of the appraisal cannot be greater than 12 months old from the closing date, and all comps used in the appraisal report cannot be greater than 12 months old.

*Appraisals are valid for 120 days. A re-cert of value will be required after 120 days & additional comps as determined by the underwriter (all transaction types).

Recent property flips (in the past 180 days):

LTV over 80% will require MI loan approval if property has changed hands in the past 180 days.

LTV 80% & below will be reviewed heavily by PCM underwriter and may require additional documentation regarding recent flip.

Appraisal requirements for PUDs, in new subdivisions, are as follows:

- One Comparable from inside the subject development must be obtained. A minimum of one comparable is required from outside the development and from outside the influence of the developer.

All properties that are located in a zip code, designated by FEMA as a disaster area, will require a full 1004 interior/exterior appraisal regardless of DU/LP findings.

PCM will allow the use of form 2075 as long as the corresponding DU findings allow.

Assets:

Documentation of assets will be based on AUS findings with the following additional requirements:

- A VOD must be accompanied by minimum 1 months complete bank statement or account history printout.
- All online or other activity printouts must clearly identify the borrower, the bank name and account number.
- Verification of full account numbers will be required if not found on full statements or printouts.
- Accounts shared by spouse are required to have written permission by spouse not on the loan to verify borrower has access to funds in shared account.
- Mutual funds, stocks and Bonds must be discounted by 30% of the available balance.
- Retirement accounts must be discounted by 40% of the vested balance after loans. Retirement accounts that do not allow any type of withdrawal may not be considered for reserves.
- If credited at closing, all Earnest Money deposits must be documented with a copy of the canceled check and the bank statement reflecting the funds drawn from the borrower's account. Any large/non-payroll deposits must be documented in accordance with PCM guidelines.
- Deposits that are not verified from payroll, retirement, SSA, disability sources and that are deemed to be excessive must be documented with a satisfactory letter of explanation and supporting documentation. Factors in determining if a deposit is deemed to be excessive may include:
 - The borrower's income stream
 - The borrower's recent history of cash withdrawals
 - The borrower's typical deposit history and spending habits.

- The percentage of the deposit(s) in relation to the borrower's overall asset portfolio.
- **Self employed borrowers wishing to use assets held in the business name may be subject to additional documentation requirements in order to consider the funds acceptable for closing.**

Construction to Permanent LTV Calculation:

Loan Requirements:

- The loan is a permanent new loan used to pay off construction financing (new construction only).
- The construction must be complete at the time of closing, a CO will be required. Photos of completed property are required.
- **Must be secured by owner-occupied primary residence and second homes only.**
- Transactions are treated as refinance only and borrower must be current owner of record of land and must be named as borrower for the construction loan.
- Acceptable documentation of acquisition cost properties (see below).
- Payments must be documented with 12 months of cancelled checks and a VOM.
- Home renovation loans/existing construction refinances are not considered construction/permanent refinance.
- Cash out –anything other than construction lien being paid off is considered cash out. This includes construction cost paid by the borrower outside of construction financing, unsecured liens, etc. Disburse cash to borrower exceeds 2% or \$2000.
- 3 day right of rescission will be required where the appraiser notes the property as "owner occupied" instead of vacant or the appraisal photos show the property to be occupied.
- Re-cert of value required after 120 days on appraisal.

Ineligible Properties:

- Properties in which the borrower has a development interest (example, if the borrower is also the builder).
- See also PCM ineligible properties.

LTV /CLTV calculations for construction to permanent financing are as follows:

- LTV/CLTV must be within the guidelines posted above.
- When the lot is owned less than 12 months prior to the close of interim financing.
 - LTV/CLTV ratio is based on the lesser of:
 - Current appraised value of the subject property (both the lot and the improvements), or

- Total acquisition costs (sum of documented costs of construction and the **sales price** of the lot – documented by HUD-1).
- When the lot has been acquired 12 or more months before applying for the construction financing.
 - LTV/CLTV ratio is based on the:
 - Current appraised value of the subject property (both the lot and the improvements).
- As a reminder acquisition cost must be documented as follows:
 - Purchase contract or construction statement (cost breakdown) signed by the borrower and the builder.
- If the lot is acquired separately, the borrower must also provide a copy of the recorded deed with the filing date (if applicable) and one of the following:
 - Copy of the land purchase agreement or contract for deed, or
 - HUD-1 settlement statement.
- If land acquired by gift or inheritance, the value of the land (regardless of the date of acquisition) will be the current appraised value of the land as reported on the appraisal. LTV still based on lesser of current appraised value of the subject property or the sum of the documented cost of construction and the appraised value of the lot.

Cash to Close: For primary residence and second home transactions, the borrower must have a minimum of 5% own funds documented & verified. Only required on scenarios where a down payment is present.

Conversion of Principal Residence:

Scenario	Policy Effective on September 9, 2008
The current primary residence is pending sale but will not be close prior to the purchase of a new primary residence.	<ul style="list-style-type: none"> • Both the current and new mortgage payments (principal, interest, taxes, and insurance) must be used to qualify the borrower for the new transaction. • Six months PITI reserves for both properties or as determined per AUS. • *current primary residence PITI payment can be excluded as long as the six months PITI reserves (or two months with documented equity for both properties); copy of executed sales contract & confirmation that any financing contingencies have been cleared.
The current primary residence will become a second home AND at least 30% equity in the current Primary residence CAN be documented*	<ul style="list-style-type: none"> • Both the current and the new mortgage PITI payments must be used to qualify the borrower for the new transaction. • Two months reserves (PITI) required for BOTH properties. • Conversions to second homes must meet the criteria for second homes.
The current primary residence will become a second home AND at least 30% equity in the current primary residence CANNOT be documented*	<ul style="list-style-type: none"> • Both the current and new mortgage PITI payments must be used to qualify the borrower for the new transaction. • Six months reserves (PITI) required for BOTH properties. • Conversions to second homes must meet the criteria for second homes.

<p>The current primary residence will become an investment property AND at least 30% equity in the current primary residence CAN be documented*</p>	<p>If using up to 75% of the rental income to offset the mortgage payment in qualifying:</p> <ul style="list-style-type: none"> • Six months reserves (PITI) required for BOTH properties or as required per AUS (standard reserve requirement). • Rental income must be documented with a fully executed lease agreement and proof that a security deposit was received from the tenant and deposited in the borrower's account.
<p>The current primary residence will become an investment property AND at least 30% equity in the current primary residence CANNOT be documented*</p>	<ul style="list-style-type: none"> • Rental income may NOT be used to offset the mortgage payment. • Both the current and the new mortgage PITI payments must be used to qualify the borrower for the new transaction. • Six month reserves (PITI) required for BOTH properties.
<p>*To determine if a property has 30% equity, Primary Capital will obtain an AVM upon receipt of file.</p>	

Credit:

Credit requirements will be determined by AUS in most cases*.

Home Equity Line of Credit (HELOC) payment on subject property will be calculated by using 1% of the total line amount for qualifying. Lines with zero balance must still use 1% of the total line for payment.

*Monthly payment for Home Equity Line of Credit (HELOC) secured by property other than the subject property will use the payment documented on the credit report. If the balance is zero, no monthly payment is required to be counted in the recurring monthly debt. **If not shown on the credit report, payments on a home equity line of credit with an outstanding balance may be calculated at 1% of the outstanding balance or the payment reflected on the Borrower's billing statement.**

If the HELOC provides for a monthly payment of principal and interest or interest only, the payment on the HELOC must be considered as part of the borrower's recurring monthly debt obligations. If the HELOC does not require a payment, there is no recurring monthly debt obligation.

***Borrower may have a 1x30 late mortgage (to include line of credit secured by property) payment in the past 12 months. This includes subject property and any other property owned by borrower.**

Note: The 1x30 must be present on the credit report and DU findings.

*Borrowers with a Prior Preforeclosure Sale/Deed-in-Lieu of Foreclosure or Short Sale are subject to agency guides for waiting period required after a preforeclosure event. The waiting period commences on the completion date of the preforeclosure event and may vary based on financial circumstance as well as LTV/transaction type.

*Transactions over 80% are not eligible.

Authorized User accounts identified by AUS finding will be analyzed to ensure the tradelines are an accurate reflection of the borrower's credit history. Borrowers with excessive authorized user tradelines will require additional documentation.

Disputed credit report tradelines identified by AUS finding will be analyzed for accuracy and that accounts have been included and considered in the credit risk assessment. Additional documentation may be required.

Installment debts with less than 10 months remaining are not automatically excluded from qualifying ratios. Exceptions to omit the debt are determined on a case by case basis and require compensating factors to consider omission. Auto leases cannot be omitted.

Revolving accounts will be included in the debt-to-income ratio calculation regardless of the number of payments remaining. If the revolving account will be paid off and CLOSED during the origination process or at closing, the payment DOES NOT have to be included in the DTI ratio. However, PCM will require documentation confirming that the account has been paid off and closed. If the revolving account will NOT be closed, the payment MUST be included in the DTI ratio.

Loan Quality Initiative applies to loan applications taken on or after June 1st. PCM will pull soft credit report during the 24 hours prior to closing. If there is a significant change to balances or additional credit PCM will require new credit to include changes (rescore), loan re-run through AUS and re-evaluated by underwriting. This could affect pricing and/or approval. New inquiries will be addressed by the reviewer and require verification if new credit was obtained. This could also require new credit (rescore), re-run AUS to maintain approval.

Deferred Student Loans with no monthly payment reported will use 2% of the balance of the student loan for monthly payment.

Credit Score:

All transactions must have a minimum credit score of 620 regardless of AUS findings. All borrowers must meet credit score requirements. See product grid on page 1 for score requirements. ***All borrowers must have a credit score.**

Condominiums:

Condominiums are ineligible on this product.

**Documentation
(credit file):**

Credit file documentation must be dated within 90 days of the note date. PCM reserves right to request updated documents for underwriting decisions or files nearing expiration (before 90 days).

**Eligible Borrowers
(Non US Citizen):**

Lawful permanent or non-permanent residents of the U.S. PCM requires documentation to verify that a non U.S citizen is legally present in the U.S. A

copy of the Green Card or valid acceptable Visa is required. For Green Card, a copy of the front and back is required. Actual copy Visa is required (unexpired) with acceptable class.

All borrowers must have valid Social Security Number and a minimum of 2 years residency and employment in the U.S. (must have filed income with U.S for past 2 years).

Geographic Restrictions:

None

Gifts:

Gifts are allowed after borrower has contributed 5% own funds on primary residence and second home transactions. For LTVs 80% and below, the entire down payment may be a gift. Gifts are not allowed on investment transactions.

Employment/Income Documentation:

In addition to AUS income documentation requirements, PCM will obtain a 4506 on all borrowers (official transcripts from IRS) for the most recent two years. PCM may require additional income documentation not required by AUS findings (additional paystubs, tax returns, bank statements to show payroll deposits, etc). VOE's are acceptable but must be accompanied by a paystub. VOE must be completed on Fannie/Freddie forms. Other sources of income (such as commission, bonus, overtime, etc.) must have a documented 2 year history of receipt as verified with tax returns, written VOE's and/or other documentation required to meet AUS findings.

Borrowers with an extended absence (6 months or more) must be back on the job a minimum of 6 months and have a documented prior 2 year work history in the same or similar line of work for income to be considered stable for qualifying.

Verbal or independent verification of employment will be performed by PCM on all loans, including those made to self employed borrowers. Requirements are as follows:

Salaried borrowers

- Verbal VOE's will be obtained within 72 hours of closing
- PCM must be able to independently verify the phone number for the business (i.e.: online search, directory assistance, etc.)
- If the borrower's employer uses an online service such as "The Work Number", the information must be current within 10 days of closing.

Self-employed borrowers

- Third party verification dated within 30 days of closing (i.e.: CPA letter, Agency verification, etc.), AND
- Verification of the telephone number and address of the borrower's business from an additional source such as The Yellow Pages, internet website, directory assistance, etc.

(Self employed borrowers that are unable to meet the above requirements, may be subject to additional supporting documentation as deemed necessary by PCM underwriting.)

Investment Properties: Investment transactions require the following additional items:

- Hazard insurance to have at least 6 months rent loss coverage.
- Appraisal to include investment forms 216/1007.
- Six months PITI reserves.
- Non-arm's length transactions not allowed.
- 6 months seasoning required for rate/term refinances; 12 months for cash out refinances.

Maximum Loan Amount: For maximum loan amounts per county, please use the following link.
<https://entp.hud.gov/idapp/html/hicostlook.cfm>

Multiple Property Ownership: On second home and investment transactions, borrowers may only own 4 properties including their primary residence.

Net Tangible Benefit: All refinances must meet Primary Capital's net tangible benefit requirements. For requirements please go to our website: www.pcmexpress.com

Non-Occupant Co-Borrower: Non-occupant co-borrowers are not allowed.

Non Arms Length Transactions: The following scenarios are considered non-arms length transactions and are not eligible for financing:

- Purchase transactions between family members.
- Purchase transactions between employer and employees.
- Applicants employed by family members.
- Loans for builders on properties they or their company have built.
- Renters buying from landlord.

Occupancy: If the borrower has a previous mortgage transaction for a primary residence within the past 12 months, the borrower must provide reasonable documentation to justify the new transaction (i.e.: letter of explanation and other supporting documentation) and confirm their intent to occupy the subject property as their new primary residence. Borrowers must occupy the subject property within 60 days of closing, and intend to continue occupancy for a minimum of 12 months.

Payoff Statements: Current payoff statements will be required on all refinance transactions. The payoff statement must reflect that the loan is not more than 30 days delinquent, does not contain charges associated with default/forbearance and does not indicate evidence of a short pay.

Power of Attorney: **PCM will allow POA's on all Owner Occupied transactions as well as all active Military borrowers. POA's must be approved by PCM underwriting prior to closing.**

Private Mortgage Insurance:

LTV	30 Year	15 Year
80.01-85%	12%	6%

The above MI percentages per LTV brackets are the required amounts regardless of automated findings.

*PCM applies MI overlay requirements when underwriting the loan file, additional conditions may apply.

*Financed MI, annual or monthly lender paid MI are not allowed.

Private Mortgage Insurers:

MGIC, UG or Radian.

Property Type:

Eligible properties include single family attached and detached, 2-4 unit properties, & PUDs. PUDs must be agency warrantable.

Properties with excessive acreage may require additional information in order to be deemed eligible.

Ineligible properties include manufactured housing, condos, modular homes, log homes, unique properties, model homes, leaseholds, working farms or Properties located in a Coastal Barrier Resource System.

Condominiums are not allowed on investment property transactions.

Qualifying Ratios: Maximum DTI, on all transactions, is 50%, regardless of AUS findings.

Real Estate Commission: Maximum 8%.

Refinance Transactions:

General Requirements for Refinance Transactions - When existing mortgage will be satisfied as result of a refinance transaction, one of the following requirements must be met:

- At least one borrower on the refinance mortgage was a borrower on the mortgage being refinanced.
- At least one borrower on the refinance mortgage held title to and resided in the mortgaged premises as a primary residence for at least 12 months and has either been making timely mortgage payments for the most recent 12 month period or can demonstrate a relationship (relative, domestic partner) with the current obligor.
- At least one borrower has recently inherited, or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).

Limited Cash Out/Rate Term:

- Pay off the existing 1st mortgage.
- Pay off any junior/subordinate lien used in their entirety to purchase the subject property.
- Draws on purchase money HELOC have NOT exceed greater of 2% or \$2000 of the line total in the past 12 months. Must document 12 month history of draws.
- Cash to borrower does not exceed 2% of the new mortgage or \$2000.
- If property was listed for sale within the last six months prior to the date of the application, it must be taken off the market prior to the application date. If the property was listed for sale at the time of or after the application date, it is not eligible for refinance.

Cash Out:

- The borrower is receiving any cash in hand that is greater than the lesser of \$2,000 or 2% of the loan amount.
- The borrower has an equity line where the draws have exceeded the greater of 2% of the line total or \$2,000 in the last 12 months.
- The borrower has obtained a subordinate mortgage that was not used to purchase the property.
- Any debt other than subject property liens is paid off from loan proceeds.
- If the most recent transaction on the subject property was a cash out transaction and it occurred within the last six months, the new mortgage must be treated as cash out even if the borrower is not receiving a cash out.
- ***If the property was purchased within the prior six months, the borrower is ineligible for a cash-out refinance transaction.**
- If property was listed for sale within the last six months prior to the date of the loan application; 1. Must be taken off market prior to the application date; and 2. The maximum LTV/TLTV/CLTV is the lower of 70% or the maximum for product/occupancy/property type. If the

property is listed for sale at the time of or after application it is not eligible for refinance.

Seasoning-Cash Out Refinances:

- Primary residence = 6 months.
- Investment = 12 months.
- Second home = 6 months.

*Borrower(s) must be on title (recorded) for seasoning time required.

Cannot be in the name of an LLC, business trust or corporation of any kind

**Re-negotiated
Sales Contracts:**

PCM will not accept re-negotiated sales contracts that increase the sales price AFTER the original appraisal has been completed if:

- The appraised value is higher than the contracted sales price provided to the appraiser, AND
- The new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, AND
- The only change to the purchase agreement is an increase to sales price.

If the purchase agreement is re-negotiated following the completion of the appraisal, the loan-to-value will be based on the lower of the original purchase price or the appraised value, UNLESS:

- Re-negotiation of only seller paid closing costs and/or pre-pays when seller paid closing costs/pre-pays are common and customary for the market and supported by the comparables, OR
- An amended sales contract for new construction is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal must be obtained to verify the value of the modifications/changes.

Reserve Requirement:

Primary residence over 80% LTV = 2 months PITI (see MI guides).

All Second home transactions = 2 months PITI.

All Investment transactions = 6 months PITI.

*Reserves above required regardless of AUS findings.

*See Asset section for calculations to determine value of assets being used for reserves (mutual funds, bonds, retirement accounts).

Right of Redemption:

Properties subject to a right of redemption are eligible for financing with proper title coverage and redemption bond.

**Second Home
Requirements:**

- Must be located a reasonable distance away from the borrower's principal residence.
- Must be occupied by the borrower for some portion of the year.
- Must not be rental property or timeshare arrangement.

- Must be located in typical 2nd home location (i.e., mountains, resort area, golf community, etc).

Seller Contributions:

Occupancy	LTV/CLTV	Maximum Contribution
Primary Residence	75.01 - 85%	6%
	75% and below	9%
Second Home	75.01 – 80.00%	3%
	75% and below	6%
Investment	All LTV/CLTV	2%

Subordinate Financing:

Please refer to maximum LTV grid for CLTV requirement. PCM cannot provide second lien financing; however, an outside second from an institutional lender will be allowed. Seller-held seconds are not allowed.

Temporary Buy downs:

Not allowed.

Title Commitments:

Full commitment with 24 month chain of title will be required.

Seller name on the contract must match owner of record, as of the date of the buyer’s offer. Any discrepancy may require additional documentation to be approved by PCM (i.e.: relocation agreement, foreclosure deed, etc.). (See also “Property Flipping”).

Properties held in corporation names, LLC’s, Relocation companies, etc. will require documentation to show authorized signor for contract and closing.

Underwriting:

All loans must receive LP accept or DU approval. Freddie Mac- Caution/Eligible A minus offerings as well as DU expanded level approvals are not allowed on this program.