



Product
E3 Codes

PCM CONFORMING INTEREST ONLY
PCM10/110
PCM5/110
PCM7/110
PCM3010

Full Documentation

Max LTV**	Max CLTV	Score	Trans	Units	Max Amt
Fixed Rate					
Primary Residence					
70	70	720	Purchase, R/T	1	\$417,000
Second Home					
70	70	720	Purchase, R/T	1	\$417,000
ARM					
Primary Residence					
70	70	720	Purchase, R/T	1	\$417,000
Second Home					
70	70	720	Purchase, R/T	1	\$417,000

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 on 30-year term only.

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.

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.

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.

ARM Specifics:

Caps	5/1 7/1 10/1	5/2/5 5/2/5 5/2/5
Margin	2.25	
Index	One Year LIBOR	
Adjustments	Fixed for 5, 7 or 10 years. Thereafter, adjusts annually.	
Conversion	Not available	
Assumability	Assumable per FNMA/FHLMC guidelines	

Assets:

Documentation of assets will be based on DU 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. Terms of withdraw must be documented on all retirement accounts even if only used 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 HUD and 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.

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.
- Acceptable documentation of acquisition cost on all 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 transactions are not allowed.
- 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 requirements 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 is owned greater than 12 than or equal to 12 months prior to the close of interim financing
 - LTV/CLTV ratio is based on:
 - 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: The borrower must have a minimum of 5% own funds. 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. • LP/DO to determine reserves requirements.
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.
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.
The current primary residence will become an investment property AND at least 30% equity in the current primary residence can be documented*	<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. • 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>If not using rental income to offset the mortgage payment in qualifying:</p> <ul style="list-style-type: none"> • Two months reserves (PITI) required for BOTH properties.
The current primary residence will become an investment property AND at least 30% equity in the current primary residence CANNOT be documented*	<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 DU 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. New and existing HELOCs must use 1% of the total line for qualifying if there is not payment amount shown on the credit report or the HELOC is not reflected on the credit report.

*No late mortgage (to include line of credit secured by property) payments in the past 12 months allowed, regardless of AUS findings. No exceptions. This includes subject property and any other property owned by borrower.

*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.

Credit Score:

All transactions must have a minimum credit score of 720 regardless of DU findings. All borrowers must meet credit score requirements.

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. Documented per DU findings.

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.

Verification of Employment:
PCM will obtain a verbal VOE on all borrowers within 72 hours of closing. For self employed borrowers, a third party verification of the business must be obtained within 30 days of closing. Verification may be from CPA, Regulatory Agency, or copy of current business license AND a verifiable phone listing and address for the business.

Interest Only

Option: Payments are interest only for the first 10 years. After the initial interest only period, payments are amortized over the remainder of the term of the loan. The interest only payment is calculated each month based on the current unpaid principal balance. If the borrower makes voluntary payments of principal during the interest only period, the subsequent monthly payments will be based on the lower balance. There is no prepayment penalty.

Minimum Loan Amount: \$30,000

Multiple Property Ownership: On second home transactions, borrowers may only own 4 financed 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.

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: Primary Capital does not allow loans to close under a Power of Attorney. *Exceptions made for active military borrowers.

- Property Type:** Eligible properties include 1unit properties, and PUDS.
- Ineligible properties include investment properties, 2-4 units, condos, manufactured housing, modular homes, log homes, unique properties, model homes, leaseholds and non warrantable condominiums.
- Qualifying Rate:** On fixed rate loans, the borrower will qualify at the fully amortizing (PITI) payment based on note rate.
- 5/1 Arm:** Borrower must qualify at the greater of Note rate plus 2% or the fully indexed rate.
- 7/1 and 10/1 Arm:** Qualify at the greater of the Note rate or the fully indexed rate assuming a fully amortizing repayment schedule.
- Qualifying Ratios:** Maximum DTI, on all transactions, is 45%, regardless of 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.

Reserves:

All transactions require 24 months – PITI payments.

*Reserves above required regardless of DU findings.

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

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	70% and below	9%
Second Home	70% and below	6%

Title:

A full title commitment with a complete 24-month chain of title is required on all loans. Title cannot be held in the name of a trust or LLC, must be in borrower(s) names.

Underwriting:

All loans must receive DU Approve/Eligible.