

STOCKTON  MORTGAGE
FUNDING

FHA

FHA FIXED RATE

1. PRODUCT DESCRIPTION

- FHA Fixed Rate Mortgage
- 15 to 30 year term in annual increments
- Fully amortizing
- Qualified Mortgage (QM) Safe Harbor loans are permitted
- Qualified Mortgage (QM) Rebuttable Presumption loans are permitted

Eligible Programs:
203(b) 1-4 unit

2. ASSET/RESERVES

Premium Pricing

- Prepaid expenses and/or closing costs may be paid with premium pricing

Seller Contributions

- Maximum 6%
- Seller contribution limited to
 - Discount points
 - Buy down funds (if applicable)
 - Seller paid closing costs
 - Prepaid expenses
 - UFMIP (entire)

Gifts

- Acceptable to use toward all down payment, closing costs and prepaids
- Gift must come from a close family member (child, parent, grandparent, spouse, adopted son or daughter, stepson, stepdaughter) or an individual with a long-standing relationship (must be able to document) with the borrower
- Gift given in the form of cash is not acceptable
- Federal, state, local government agencies and FHA Approved non-profit agencies considered by FHA to be an instrumentality of the government may provide funds for down payment, closing costs and prepaid expenses. Must be approved by Stockton Mortgage.
- Charitable organizations may also provide gift funds/grants to be used for down payment, closing costs and/or prepaid expense. Funds derived from these sources cannot be used to payoff borrower's debts. Must be approved by Stockton Mortgage.
- Obtain Tax Identification Number for the charitable organization
- Prior to approval, the non-profit's gift documentation must be reviewed to ensure no repayment is required and no liens will be placed on the subject property as a result of the gift

Sweat Equity

- Not permitted

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ASSET/RESERVES (cont.)	<p>Reserves – Cannot be from a gift</p> <ul style="list-style-type: none"> • Total Scorecard Approve <ul style="list-style-type: none"> • 1-2 units – None • 3-4 units – 3 months PITIA • Total Scorecard Refer and manual underwrite <ul style="list-style-type: none"> • 1-2 units – 1 months PITIA • 3-4 units – 3 months PITIA
3. ASSUMPTIONS	<p>Permitted – FHA loans are assumable to credit worthy borrower only Stockton Mortgage does not perform creditworthiness reviews of assumption requests for servicing lenders</p>
4. BORROWER ELIGIBILITY	<p>Permanent Resident</p> <ul style="list-style-type: none"> • See 4000.1 for eligibility • Non-Permanent Resident • See 4000.1 for eligibility • Foreign Nationals Not permitted • DACA Visas Not permitted <p>Trusts See 4000.1 for eligibility</p>
5. CREDIT	<ul style="list-style-type: none"> • TOTAL Scorecard Approve – Credit evaluated by TOTAL Scorecard, subject to clear CAIVRS, LDP and GSA search results (see credit score requirements below) • TOTAL Scorecard Refer and manual underwrite – FHA Credit Standards apply, subject to clear CAIVRS, LDP and GSA search results • Non-purchasing Spouse – See the Special Requirements/Restrictions section for community property states <p>Housing (Mortgage/Rental) Payment History (PITIA)</p> <ul style="list-style-type: none"> • Inclusive of all liens regardless of position • Applies to all mortgages on all financed properties • TOTAL Scorecard Approve (rental history not required) <ul style="list-style-type: none"> • Follow TOTAL Scorecard (See Chapter 7F Credit for manual downgrade requirements) <p>Credit Score Requirements</p> <ul style="list-style-type: none"> • Regardless of TOTAL Scorecard decision and manual underwrite – 620

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CREDIT (cont.)	<p>Waiting Periods: (all waiting periods must be met prior to application)</p> <ul style="list-style-type: none"> • Foreclosure – 3 years from the completion date of the foreclosure action. If it was a FHA foreclosure, the three year waiting period begins when FHA pays the claim to the lender. • Deed in Lieu of Foreclosure or Pre-foreclosure Sale or Short Sale – 3 years from the date of the pre-foreclosure sale. If the loan was a FHA, the three year waiting period begins when FHA paid the claim associated with the pre-foreclosure sale. • Bankruptcy (Chapter 7) – 2 years from the discharge date. • Bankruptcy (Chapter 13) – Manual – all items must be met: a) 1 year of the payout period under the bankruptcy has elapsed; b) the borrower’s payment performance has been satisfactory and all required payments have been made on time, and c) the borrower has received written permission from the bankruptcy court to enter into the mortgage transaction. Total Scorecard – 2 years from the discharge date. <p>Rent payments When verifying rental history, if the borrower rents from an apartment complex, a verification of rent is allowed. If the landlord is an individual or family member, copies of canceled checks are required.</p>
6. CO-BORROWERS	<p>Co-Borrower and Co-Signer</p> <ul style="list-style-type: none"> • Cannot be the seller, builder, real estate agent, etc. unless the seller is a parent • Income, assets and debts from all borrowers (including co-borrowers/co-signers) are used in qualifying • Must have a primary residence in the US <p>Non-Occupant Co-Borrower</p> <ul style="list-style-type: none"> • Max LTV 75% if not a family member • Max LTV 75% if parent is seller and non-occupant co-borrower • If LTV exceed 75% for family member, one unit property only
7. EMPLOYMENT/INCOME	<p>Follow 4000.1 for income guidelines.</p> <p>Expected income refers to income from cost of living adjustments, performance raises and a new job.</p> <ul style="list-style-type: none"> • Must be guaranteed to begin with 60 days of the mortgage closing. • Cannot be from a family owned business. • If from a new job and the borrower starts before the scheduled closing date, a paystub covering 30 days of the new income must be obtained prior to closing. <p>Form 4506-T</p> <ul style="list-style-type: none"> • Prior to Final Underwriting Decision <ul style="list-style-type: none"> • 4506-T must be obtained for each borrower. Transcripts needed when: <ul style="list-style-type: none"> • tax return transcript(s) when the personal income tax return(s) are used for qualification (self-employment, rental income, etc.); or • W-2 or 1099 transcript(s) for salaried borrowers or for borrowers with other types of income not documented with tax returns (retirement, social security disability, etc.) • At Closing 4506-T must be signed by each borrower

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8. ESCROW WAIVERS Not permitted

9. LIMITATIONS ON OTHER R.E. OWNED Borrower may own no more than one FHA loan with maximum financing unless borrower qualifies for exceptions as per 4000.1

10. LOAN AMOUNT	Units	Maximum Loan Amount	High Cost Maximum Loan Amount
		Continental US	Continental US
Lowest Maximum (Floor)	1	\$331,760	\$765,600
	2	\$424,800	\$980,325
	3	\$513,450	\$1,184,925
	4	\$638,100	\$1,472,550

- The Base Loan Amount cannot exceed the FHA Statutory Mortgage Limits for each county. A county’s mortgage limit will not be less than the “floor” or greater than the “ceiling” as outlined in the table above. (Total loan amount with financed UFMIP may exceed “highest maximum” ceiling.)
- The lower minimum “floor” loan amounts for the FHA High Balance products will be based on the Base Loan amount and not the Total Loan Amount that includes financed Up-Front Mortgage Insurance (UFMIP).
- The mortgage amount may be rounded down to the nearest \$1.00
- Maximum Base Loan Amount is calculated as the lesser of
 - Sales price or appraised value
 - Minus any adjustments for excessive seller contributions/inducements to purchase
 - Multiplied by the appropriate LTV factor. See LTV Limitations section
- 3-4 Unit Properties
 - Loan amount must meet self-sufficiency test
 - The net rental income must be equal to or greater than the PITIA payment

Identity of Interest Transactions

- Maximum LTV is 85% with the following exceptions:
 - Purchasing a home that was the primary residence of a family member
 - A property owned by a family member in which the borrower has been a tenant for at least six months immediately predating the sales contact. A lease or other written evidence to verify occupancy is required.
 - The borrower is a current tenant and has leased the property for at least six months immediately predating the sales contract. A lease or other written evidence to verify occupancy is required. Also, in the case of a tenant purchase, the file must contain an appraiser estimate of fair market rents to verify that the borrower paid rent within 10 percent of the fair market rent.

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11. LTV/CLTV LIMITATIONS	Units	Base LTV	CLTV with Sec Fin From Govt Agency/Non-Profit Considered as instrumentality of govt.	CLTV with Sec Fin from a Non-Profit Govt Agency not considered as instrumentality of govt.	
	Purchase				
	1-4	96.5%	100% (of cost to acquire)	96.5%	
	Non Arms Length Transaction (Identity of Interest)				
	1-4	85%	85% (lesser of AV or SP)	85% (lesser of AV or SP)	

12. MORTGAGE INSURANCE	Mortgage insurance is required for all loans				
	• See the attached chart for details on Upfront MIP (UFMIP) and annual MIP				
	MORTGAGE INSURANCE PREMIUM FACTORS CASE NUMBERS ASSIGNED ON OR AFTER 1-26-15				
	LTV Loan Term	Base Loan Amount <= \$625,500		Base Loan Amount > \$625,500	
		UFMIP	Monthly	UFMIP	Monthly
	>95% LTV Greater than 15 years	1.75%	85 bps	1.75%	105 bps
	<=95% LTV Greater than 15 years	1.75%	80 bps	1.75%	100 bps
	> 90% LTV Less than or equal to 15 years	1.75%	70 bps	1.75%	95 bps
> 78% and <=90% LTV Less than or equal to 15 years	1.75%	45 bps	1.75%	70 bps	
<=78% LTV Less than or equal to 15 years	1.75%	45 bps	1.75%	45 bps	
Duration of Annual MIP based upon amortization term and LTV ratio at origination					
• LTV <= 90% 11 years					
• LTV > 90% Loan Term					

13. OCCUPANCY	Primary Residence
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14. PROPERTY TYPES	<p>Eligible Property Types</p> <ul style="list-style-type: none"> • 1-4 units • 1 unit PUD • Condo <ul style="list-style-type: none"> • Must be on FHA approved list • Must comply with FHA and Stockton Mortgage condominium project approval requirements • Site Condos do not require project approval • Modular, Precut, Panelized Housing • Manufactured Homes (double wide only) • Existing Construction <ul style="list-style-type: none"> • Must be permanently installed on a site for one year or more prior to date of application • New Construction – purchase/refinance of completed new construction homes • Eligible only if borrower is second purchaser of the property and seller is not the builder-contractor or manufactured housing dealer who installed MH unit on site • Must be a non-arms length transaction • The manufactured home must be classified as real property as evidenced through tax certificates or title policy to validate that both land and MH unit is deeded as one. • ALTA 7 or state specific equivalent Title Endorsement required • Manufactured housing PUD units – detached only <p>Ineligible Property Types</p> <ul style="list-style-type: none"> • 2-4 unit PUD • Condo Hotel • Co-op • Properties located within designated Coastal Barrier Resource System (CBRS) areas • Leasehold Estates 			
15. PREPAYMENT PENALTY	Not permitted			
16. QUALIFYING RATE	Qualify using the initial note rate			
17. QUALIFYING RATIOS	AUS Decision	Minimum Credit Score	Maximum Qualifying Guidelines	Acceptable Compensating Factors
	Approve	620	Follow AUS	No compensating factors required
	Refer and Manual Underwrite	620 or No Credit Score	31% / 43%	No compensating factors required Energy Efficient Homes may have stretch ratios of 33/45 No Credit score is priced as a 620 score

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QUALIFYING RATIOS (cont.)	AUS Decision	Minimum Credit Score	Maximum Qualifying Guidelines	Acceptable Compensating Factors
	Refer and Manual Underwrite	620 or above	37% / 47%	One of the following: <ul style="list-style-type: none"> • Minimum 3 months PITIA for 1-2 units or 6 months PITIA for 3-4 units • New total monthly mortgage payment not more than \$100 or 5% higher than previous total monthly housing payment, whichever is less, and 1 x 30 in last 12 month housing history (cash out 0 x 30 in last 12 months); or • Residual income
	Refer and Manual Underwrite	620 or above	40% / 40%	Borrower with no discretionary debt
	Refer and Manual Underwrite	620 or above	40% / 50%	Two of the following: <ul style="list-style-type: none"> • Minimum 3 months PITIA for 1-2 units or 6 months PITIA for 3-4 units • New total monthly mortgage payment not more than \$100 or 5% higher than previous total monthly housing payment, whichever is less, and 1 x 30 in last 12 month housing history (cash out 0 x 30 in last 12 months) • Significant additional income not considered effective income • Residual income

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18. SECONDARY FINANCING	<ul style="list-style-type: none"> • May be used for down payment, closing costs, and prepaids from the following sources: • Federal, state or local governmental agencies • FHA approved non-profit agencies that are considered instrumentalities of government • FHA approved non-profit agencies NOT considered instrumentalities of government are acceptable provided the borrower makes a cash investment of at least 3.5% of the sales price. May be used for closing costs and prepaids only • Family member • Must be Stockton Mortgage approved • See HUD Handbook 4000.1 • Stockton Mortgage cannot provide secondary financing
19. SPECIAL REQUIREMENTS/ RESTRICTIONS	<p>HUD REO Purchase (standard 96.5% LTV)</p> <ul style="list-style-type: none"> • Maximum base loan amount is calculated using the lesser of the contract sales price, appraised value or initial list price • FHA maximum mortgage amount calculation to be documented using FHA Maximum Mortgage Calculation Worksheet or similar summary of component costs and credits to calculate final mortgage amount
SPECIAL REQUIREMENTS/ RESTRICTIONS (cont.)	<p>Property Flipping</p> <ul style="list-style-type: none"> • Properties resold 90 days or fewer following the date of acquisition by the seller are not eligible (measured from date of settlement of seller's purchase to date of execution of the sales contract by all parties). If the property resold less than 180 days and value has increased by 100% or more, a second appraisal is required. <p>Ineligible</p> <ul style="list-style-type: none"> • The Energy Efficient Mortgage Program • Mortgage Credit Certificate (MCC)/Section 8 Vouchers <p>CAIVRS, LDP and GSA Search</p> <ul style="list-style-type: none"> • Access FHA Connection for the following information and document the results on the FHA Loan Underwriting and Transmittal Summary, HUD Form 92900-LT • A copy of the FHA Connection screen results for all searches must be in the loan file • If the name of any party to the transaction appears on any of the lists below, the application is not eligible for mortgage insurance (An exception may be made when a seller appears on the LDP list and the property being sold is the seller's principal residence) <ul style="list-style-type: none"> • CAIVRS <ul style="list-style-type: none"> • CAIVRS for all borrower on the transaction: Borrowers, co-borrowers and so-signers, if applicable. CAIVRS must be cleared • Limited Denials of Participation (LDP) List <ul style="list-style-type: none"> • Examine/Search the list for all parties to the transaction: all borrowers, sellers, listing and selling real estate agents, and Loan Officers. The appraiser, termite company, and all licensed professionals contracted to provide mechanical certifications such as heating, plumbing, air conditioning, roofing and electrical companies should also be searched • Government Services Administration's (GSA) Lists of Parties Excluded from Procurement or Non-procurement Programs Examine/Search the list for all parties to the transaction: all borrowers, sellers, listing and selling real estate agents, and Loan Officers. The appraiser, termite company, and all licensed professionals contracted to provide mechanical certifications such as heating, plumbing, air conditioning, roofing and electrical companies should also be searched

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20. TEMPORARY BUYDOWNS	Not permitted
21. TYPES OF FINANCING	<ul style="list-style-type: none"> • Purchase Mortgage • Construction Mortgages – Not permitted • Rate & Term, Cash-out and Streamline Refinances follow FHA Handbook On the date of the FHA case number assignment: <ul style="list-style-type: none"> • the Borrower must have made at least six payments on the FHA-insured Mortgage that is being refinanced; • at least six full months must have passed since the first payment due date of the Mortgage that is being refinanced; • at least 210 Days must have passed from the Closing Date of the Mortgage that is being refinanced; and • if the Borrower assumed the Mortgage that is being refinanced, they must have made six payments since the time of assumption. • If owned less than 12 months, use lesser of original sales price, appraised value or current appraised value.
22. UNDERWRITING	<ul style="list-style-type: none"> • All loans must be submitted to TOTAL Scorecard except streamlined Refinance • TOTAL Scorecard Approve may follow documentation requirements • See Credit section for additional restrictions • TOTAL Scorecard Refer and manual underwrite – Must meet manual underwriting guidelines <p>Manual Downgrade from Approve to Refer A manual downgrade from a TOTAL Scorecard Approve decision to a Refer/Manual Underwrite is required if additional information not considered by TOTAL Scorecard affects the overall insurability or eligibility of the mortgage.</p>