

**STOCKTON  MORTGAGE
FUNDING**

NON WARRANTABLE CONDOMINIUM

PRODUCT DESCRIPTION	<ul style="list-style-type: none"> • 30 Year Fixed OR • 5/1 LIBOR ARM with a margin of 5% and caps of 2/2/6 • Fully Amortizing • No prepayment penalty • Escrow waivers allowed for LTV's of 80% or less with a fee unless the loan is a primary residence on a Higher Priced Mortgage Loan (HPML) • Allow three additional days for decisions on this product • WHOLESALE LOANS ONLY
TERM	<ul style="list-style-type: none"> • 30 year term only
ASSUMABILITY	<ul style="list-style-type: none"> • ARMs – are assumable per Fannie Mae guidelines • Fixed are not assumable
OCCUPANCY	<ul style="list-style-type: none"> • Primary Residence • Second Homes • Investment Property
QUALIFYING RATE	<ul style="list-style-type: none"> • Fixed Rate - qualify using the note rate • ARM – qualify using the note rate + 2%
DEBT TO INCOME RATIO (DTI)	<ul style="list-style-type: none"> • Primary or Second Home – 45% • Investment Property – 43%
GEOGRAPHIC RESTRICTIONS	<ul style="list-style-type: none"> • Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Michigan, Mississippi, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, West Virginia
MINIMUM CREDIT SCORE	<ul style="list-style-type: none"> • 680 • The lender must request a three in-file merged report • Credit data must be available from 2 repositories
LOAN AMOUNT	<ul style="list-style-type: none"> • Primary or Second Home - \$3,000,000 • Investment - \$2,000,000 <p>\$100,000 minimum loan amount</p>

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AUS DECISION

- DU must be run and findings must be approved
- Ineligible findings are acceptable for jumbo loans only.

LTV/CLTV LIMITATIONS

PRIMARY RESIDENCE (Purchase and Limited Cash Out Refinance)		
Construction Type	LTV	CLTV/HCLTV
Existing	85%	85%
New	80%	80%
PRIMARY RESIDENCE (Cash Out refinance)		
Existing	80%	80%
New	75%	75%

Maximum cash out is \$500,000

DECLINING MARKETS: Properties deemed as located in a declining market will require a 5% reduction in the LTV/TLTV.

INVESTMENT PROPERTY (Purchase and No Cash Out Refinance)		
Construction Type	LTV	TLTV/HTLTV
Existing	80%	80%
New	75%	75%
INVESTMENT PROPERTY (Cash Out Refinance)		
Existing	75%	75%
New	70%	70%

Maximum cash out is \$350,000

DECLINING MARKETS: Properties deemed as located in a declining market will require a 5% reduction in the LTV/TLTV.

**PROJECT REVIEW
REQUIRED
DOCUMENTATION**

Limited Project Review

- HOA Questionnaire
- Master Property Insurance Certificate (and flood, if applicable)
- Litigation Docs, if applicable
- Ground Lease and master sub, if applicable
- Additional documentation may be requested based upon the review

Full Project Review

- HOA Questionnaire
- Master Property Insurance Certificate (and flood, if applicable)
- Litigation Docs, if applicable
- Ground Lease and master sub, if applicable
- HOA Budget
- Master liability insurance
- >20 units Master Fidelity insurance
- CC&R's (new construction and conversion only)
- Engineers Report, if conversion within past 2 years

<p>PROJECT TYPES</p>	<p>Condo Conversions</p> <ul style="list-style-type: none"> • Not allowed under limited review • Non-full gut considered on a case by case basis. Must provide an engineers' report <p>New Construction</p> <ul style="list-style-type: none"> • Not allowed under limited review • New projects that do not meet the minimum 50% presale are allowed. • Closing on the first unit in the project is allowed as long as the subject unit is 100% complete and the building is up to sheetrock (or decorator selections)
<p>PROJECT CHARACTERISTICS</p>	<ul style="list-style-type: none"> • Subject property unit must be 100% residential • Project/building commercial use must be less than 50% and must be typical for the market and have no negative impact on the marketability. • Zoning may be legal confirming or legal non-conforming and zoning must permit reconstruction as a condo with the same density it had prior to the destruction • Mandatory Membership Fees allowed • Units must be at least 475 square feet with a full kitchen • Fractured Projects allowed. Definition: a new project where the original builder/developer went bankrupt and a subsequent developer took over the project OR the builder/developer is renting out over 10% of the project. • HOA lien priority is allowed up to 12 months if within a lien priority state, documented via the HOA cert • A single entity may own up to 75% of the project AS LONG AS the project is established/existing (100% complete, 90% sold & closed, HOA turned over to unit owners) AND the project has sufficient budgetary reserves • Pending Litigation – the HOA may be named as a Plaintiff in pending litigation under allowable reasons. Examples would be in a foreclosure action or for past due HOA assessments. Litigation involving structural items or items that impact safety, habitability or marketability is not allowed. Other types of litigation will be considered on a case by case basis.
<p>PROJECT FINANCIALS</p>	<p>HOA Budget Replacement Reserve Requirements</p> <ul style="list-style-type: none"> • ≥ 5% allocation of replacement reserves allowed • 3-5% require an annual budget • <3% require an annual budget & a reserve study completed by a professional <p>HOA Reserve Balance</p> <ul style="list-style-type: none"> • ≤ 25% of the HOA dues > 60 days' delinquent allowed • > 25% of HOA dues > 60 days' delinquent are on a case by case basis with a reserve study completed within the last 5 years by a professional <p>Non-Incidental Business Income</p> <ul style="list-style-type: none"> • Allowed

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INELIGIBLE PROJECTS	<ul style="list-style-type: none"> • Houseboats • Manufactured Homes • Deed Restriction Communities (age restricted communities allowed) • Continuing Care Retirement Communities • Units with less than a full kitchen • Projects with time shares or fractional ownership • Live/Work projects • Condotels 																			
BORROWER ELIGIBILITY	<ul style="list-style-type: none"> • U.S. Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens permitted as listed below: <ul style="list-style-type: none"> • Valid social security number • Minimum of one year credit and employment history in the U.S. required • Must have one of the following visas or an EAD; <ul style="list-style-type: none"> • A Series (A-1, A-2, A-3) • E Series (E-1, E2) • G Series (G-1, G-2, G-3, G-4, G-5) • H-1 • L-1 • TN, NAFTA or TC, NAFTA • EAD is permitted, if the borrower has more than 2 years in the U.S. Copies of current and previous EAD cards are required. <p>Maximum number of borrowers is 4 (four).</p>																			
RESERVES	<table border="1"> <thead> <tr> <th colspan="2">PRIMARY AND SECOND HOME</th> </tr> <tr> <th>LTV</th> <th>MONTHS RESERVES</th> </tr> </thead> <tbody> <tr> <td>85% LTV</td> <td>9 Months</td> </tr> <tr> <td>80% LTV</td> <td>6 Months</td> </tr> <tr> <td>75% LTV</td> <td>3 Months</td> </tr> </tbody> </table>	PRIMARY AND SECOND HOME		LTV	MONTHS RESERVES	85% LTV	9 Months	80% LTV	6 Months	75% LTV	3 Months	<table border="1"> <thead> <tr> <th colspan="2">INVESTMENT PROPERTY</th> </tr> <tr> <th>LTV</th> <th>MONTHS RESERVES</th> </tr> </thead> <tbody> <tr> <td>80% LTV</td> <td>9 Months</td> </tr> <tr> <td>75% LTV</td> <td>6 Months</td> </tr> </tbody> </table> <p>Add 6 months for each additional property owned</p>	INVESTMENT PROPERTY		LTV	MONTHS RESERVES	80% LTV	9 Months	75% LTV	6 Months
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APPRAISAL REQUIREMENTS	<p>Purchases</p> <ul style="list-style-type: none"> Total Loan Amounts less than \$1,500,000 require 1 full appraisal by a State Certified Appraiser Total Loan Amounts greater than \$1,500,000 require 2 full appraisals by State Certified Appraisers <p>Refinances</p> <ul style="list-style-type: none"> Total Loan Amounts less than \$1,000,000 require 1 full appraisal by a State Certified Appraiser Total Loan Amounts greater than \$1,000,000 require 2 full appraisals by State Certified Appraisers 									
NON OCCUPYING CO-BORROWERS	<p>Non-Occupying Co-Borrowers</p> <ul style="list-style-type: none"> Must be an immediate family member The note and security instrument must be signed by both occupant borrower and non-occupant co-borrower. Occupant borrower must qualify for loan with a maximum DTI of 43% 									
MINIMUM CONTRIBUTION	<table border="1" data-bbox="512 613 1892 735"> <thead> <tr> <th colspan="3" data-bbox="512 613 1892 643">MINIMUM INVESTMENT FROM BORROWERS OWN FUNDS</th> </tr> <tr> <th data-bbox="512 643 974 672">Primary Residence</th> <th data-bbox="974 643 1430 672">Second Home</th> <th data-bbox="1430 643 1892 672">Investment Property</th> </tr> </thead> <tbody> <tr> <td data-bbox="512 672 974 735">100% Gift funds allowed if from a family member</td> <td data-bbox="974 672 1430 735">100% Gift funds allowed if from a family member</td> <td data-bbox="1430 672 1892 735">Gift funds NOT allowed</td> </tr> </tbody> </table>	MINIMUM INVESTMENT FROM BORROWERS OWN FUNDS			Primary Residence	Second Home	Investment Property	100% Gift funds allowed if from a family member	100% Gift funds allowed if from a family member	Gift funds NOT allowed
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SELLER CONTRIBUTIONS	<ul style="list-style-type: none"> 6% for all occupancy types 									
CREDIT HISTORY	<p>Minimum Tradeline Requirements</p> <ul style="list-style-type: none"> Primary wage earner must have a minimum of 2 open tradelines reporting in the most recent 24 months. (not required to be open for 24 months) 1 of the 2 must be open and active in the past 12 months. The other has to be active in the past 24 months, but does not have to be open. Authorized user accounts cannot be used to satisfy the minimum tradeline requirement. <p>Rental History</p> <ul style="list-style-type: none"> Rental history must be verified by canceled checks or a VOR If the borrowers own their home free and clear, no housing payment history is required to be documented. Borrowers living rent free are allowed as long as they are living rent free with a Relative and obtain a letter from the Relative that they are living rent free. <p>Bankruptcy/Foreclosure/Deed in Lieu/Short Sale</p> <ul style="list-style-type: none"> Follow Fannie guidelines for the waiting period Borrowers cannot have had more than 1 bankruptcy filing 									

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SECONDARY FINANCING	Not Allowed
AGE OF DOCUMENTATION	<ul style="list-style-type: none"> All credit documentation must be dated within 90 days of the note date.
4506T/Transcripts	<ul style="list-style-type: none"> IRS Transcripts are not required for W2/salaried borrowers with the following exceptions: <ul style="list-style-type: none"> Borrowers who receive 25% or more of their income from commissions will require 1040 transcripts Loans that have income sources verified by the 1040's (self-employed, rental income, capital gains, etc.) will require 1040 transcripts. If income is being grossed up (social security, etc.) a Wage and Income transcript may be used in place of 1040 transcripts to verify the income is non-taxable. The number of years required will be determined by the AUS findings. <u>All files must have a signed and dated 4506T</u>
LIMITS ON OTHER REAL ESTATE OWNED	<p>If the subject property is a primary residence, there are no limitations on the number of properties the borrower can have financed.</p> <p>Second Homes:</p> <ul style="list-style-type: none"> Up to 10 financed properties (1-4 unit residential properties), including the subject property and the borrowers primary residence, if it is financed. Applies to the number of financed properties, not the number of mortgages on the properties. Is cumulative for ALL borrowers (although jointly financed properties are only counted once) Applies to all properties where the borrower is personally obligated on the mortgage. (i.e. if the financed property has a mortgage in the name of a limited liability company (LLC) and your borrower is not personally liable, it would not be included in the property count.
REFINANCE	<p>Net Tangible Benefit</p> <ul style="list-style-type: none"> A Net Tangible Benefit (NTB) is required for all refinance transactions and a letter of explanation must be included in the file. The NTB includes, but is not limited to a 5% reduction in DTI, a 2% reduction in rate, a 5% reduction in PITIA, a change from an ARM to a fixed or a reduced term. On Cash out refinances, if one of the NTB's is not met, the cash out must equal at least twice the borrower's cost for completing the transaction. <p>Maximum cash back</p> <ul style="list-style-type: none"> \$500,000 for Primary and Second Homes \$350,000 for Investment Properties <p>LTV Calculations</p> <p>If the borrower has owned the property for less than 12 months from the date of the application, the LTV is based upon the lesser of the acquisition price or the current appraised value.</p>