



## **Alt-A Program Effective: 9/1/03**

### **I. Property criteria**

- a. Detached single-family dwelling, condos (1-4 stories and high rise), and attached town homes.
- b. Maximum loan size is \$600,000.
- c. Minimum loan size is \$50,000.
- d. A full URAR appraisal required by broker. (2 full appraisals required for loans > \$400k.) When a satisfactory second appraisal is provided, a field review will not be required.
- e. Field review to be ordered by SouthStar Funding. SouthStar will add an additional \$150.00 fee for the field review on all loans at closing.
- f. Ineligible Properties
  - i. Modular and Manufactured
  - ii. Properties with more than 5 acres
  - iii. Properties listed for sale in the last 6 months are not eligible for refinance transactions.
  - iv. Properties considered to be “flip” transactions.
  - v. Rural properties.

### **II. Allowable transactions**

- a. Purchase money and Rate / Term refinances.
  - i. Lease / Purchase transactions will be treated as a true purchase transaction.
  - ii. For owner occupied transactions, evidence of sale of current home must be provided via HUD1. If the prior home is being rented, a current executed 12-month lease must be provided. Southstar will use underwriting discretion to determine the likelihood of rental of a current residence in relation to the purchase of a new home. Southstar does not offer financing for non-owner occupied properties.
  - iii. Secondary Financing is not allowed.
  - iv. Maximum of 2 existing rental properties and one owner occupied property after close.
- b. Cash Out
  - i. Maximum LTV is 90%
  - ii. Maximum cash to borrower is \$100,000.
  - iii. Debt consolidation is not counted against cash-out limit.

- iv. 12 month seasoning in the subject property required for cash out.
- v. Equity lines of credit, which have more than \$500.00 withdrawn in the past 12 months, will be considered cash-out. Upon paying off the equity line of credit any withdraws in the past 12 months will count against the \$100,000 cash in hand guideline.
- c. Construction to permanent financing.
  - i. To be treated as a Rate and Term refinance.
  - ii. Value to be based off of the lesser of the Appraised Value or documented hard cost of construction + land value.
- d. First time homebuyers are allowed.
- e. Owner Occupied and Second Homes only.

### **III. Credit Criteria**

- a. 620 lower middle credit score (lowest middle credit score of all borrowers) can use the lower of two scores on a case-by-case basis.
- b. 24 month residential pay history is required.
- c. 0x30 mortgage pay history for past 24 months.
- d. 1x30 allowed on major consumer credit for past 24 months, 0x30 last 12 months
  - i. Major consumer credit is any account with  $\geq$  \$750 high limit
- e. 4x30 allowed on minor consumer credit for past 24 months
  - i. Minor consumer credit is any account with  $<$  \$750 high limit.
- f. 24 months canceled rent checks required for all private/non-institutional landlords.
- g. 5 accounts with a 24-month history are required; one of which must be currently active for past 6 months.
- h. No collections, judgments, charge-offs or tax liens filed within past 24 months. Medical collections  $<$  \$500.00 per occurrence in the past 24 months to be considered on a case-by-case basis. All tax liens and any items listed on title must be paid in full prior to closing. Derogatory credit, other than tax liens or items listed on title, greater than 24 months old will not be required to be paid.
- i. Maximum of 100% residential payment shock allowed. (Double current housing payment).
- j. Chapter 7 Bankruptcy, Chapter 13 Bankruptcy and CCCS must be discharged  $\geq$  5 years.
- k. No foreclosures allowed (120 mortgage delinquency treated as a foreclosure).
- l. Use of brokers credit scores will be allowed given that the brokers credit report is not older than 45 days upon closing and there are no material differences from the Southstar credit report.

### **IV. Program Characteristics**

## **Full Documentation**

### Salaried Borrowers:

- 2 most recent pay stubs covering the last 30 day period evidencing YTD earnings.
- W-2's to cover the most recent 2 year period.
- Verbal VOE at time of closing by SouthStar

### Non-Salaried Borrowers:

- Most recent 2 years personal and business tax returns including all schedules
- Current YTD P&L

### Other Income

- **Non-taxable fixed income** such as Social Security, VA benefits, pension and annuity income may be grossed up 25%. A copy of a current awards letter or evidence of receipt for the most recent 2 months is required.
- **Alimony/Child Support** must continue for at least 3 years from the date of closing. Evidence of receipt for the prior 6 months is required.
- **Car Allowance** can be used to offset the borrowers monthly auto payment.
- **Bonus, Commission and Overtime** must be documented for the prior 2 years and likely to continue. If the amount exceeds 25% of the yearly income, the last 2 years tax returns must be provided.
- **Part-time and Second Job** must be verified for the prior 2 years and be likely to continue
- **Military Income** Flight or hazard pay, rations, clothing allowance, quarters allowance, proficiency pay, and hardship pay are all eligible. Non-taxable income may be grossed up 25%.
- **Rental Income** will be evidenced via current 12 month leases or federal tax returns. When using lease agreements, 75% of the lease amount may be used to offset the current PITI payment. Any net loss must be included as a debt and any net income included in the income.
- **Other income** sources will be viewed at the underwriters discretion.

Downpayment and Reserves: Borrower must provide evidence of sufficient funds to close and 2 months PITI reserves. All funds must be sourced and seasoned for 60 days.

### **Stated Income/Stated Assets (Stated/Stated):**

- 2 years employment history required must be on same job for at least 1 year.
- Income, employment and assets stated on 1003
- Income must be reasonable for employment stated
- Verbal VOE prior to closing for salaried borrowers
- Self-employed borrowers must provide CPA letter or business licenses verifying self-employment for minimum of 2 years
- Borrower must state sufficient assets to cover down payment, closing costs and 4 months reserves

**No Income/No Assets (No Doc):**

- No employment, income or assets stated on application
- No ratios calculated
- Daytime and Evening telephone number to be listed on 1003

**V. Miscellaneous**

- a. 3-year prepayment penalty is required unless bought down to 1 year with .5 discount point to SouthStar Funding or .50% increase in rate. (See pricing sheet for additional enhancements)
- b. Escrow for taxes and insurance are required on each loan.
- c. Maximum of 3% seller concessions are allowed.
- d. Earnest money deposits of 2% or > must be verified by copy of canceled check and funds must be sourced and seasoned for 2 months on all programs.
- e. Citizenship requirements
  - i. U.S. Citizens
  - ii. Permanent Resident Aliens

**VI. Mortgage Insurance Requirements**

- a. Coverage percentages:
  - i. Owner Occupied
    1. 90.01% - 95.00%      30%
    2. 85.01% - 90.00%      25%
    3. 80.01% - 85.00%      12%
- b. MI to be obtained by Primary Resource Network
- c. MI is required on all LTV's >80%