



Conventional Loan Program

WELCOME

Welcome to Primary Resource Network, your non-conforming partner in today's ultra-competitive mortgage banking environment. At Primary Resource Network, we don't use the term "partner" lightly. Partnership implies our commitment to you that we will do everything in our power to make your business thrive, from providing you competitive pricing day in and day out, to constantly offering new products to help you stay one step ahead of your competition. It

also means that we treat your customer as our customer. We understand that a lender who honors its commitment is important to you because it's your reputation at stake on every single loan transaction and we intend to be there for you to ensure the deadlines and commitments you set with your customers are met every time.

Too often in our industry companies strive to be just as good as their competition but "just as good" isn't good enough for us! Look for us to go the extra mile for you every time, from offering comprehensive training to your sales and administrative staff on how to solicit and close more non-conforming business to providing the kind of customer service that makes originating these loans a pleasure. And closing more loans means a healthier bottom line for both of us!

Partnership implies two parties bringing value to the table so what, you may ask, do we expect of you? Putting it simply we expect to earn 100% of your non-conforming business - not the lion's share, not the vast majority, but 100%. Tell us what it would take to be your sole provider of non-conforming loans and let us go to work every day to accomplish that goal.

Sincerely,

Dr Sota Omoigui - Chairman/ CEO
President

CHAPTER ONE

INTRODUCTION

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CHAPTER TWO

GENERAL INFORMATION

2000 INTRODUCTION

Primary Resource Network is a private conduit that provides competitive programs, products, prices and services to originators of non-conforming first and second mortgages.

2100 THE GUIDE

The purpose of Primary Resource Network's Correspondent Lending Guide is to assist you, the mortgage professional, with the product offerings and underwriting guidelines that Primary Resource Network offers as well as the policies and procedures that we have in place to ensure that loans which you submit to Primary Resource Network for review and approval go through the process smoothly.

As changes occur in our programs and/or guidelines, you will be notified through a bulletin that describes all the changes and the impact these changes, if any, have on other areas of the Lending Guide. All changes will be clearly identified by an implementation date and we will strive to give Correspondents ample warning of any changes to ensure the minimal impact of such changes. We have tried to address the important issues and anticipate questions you may have; however, any questions or comments you may have to improve the effectiveness of this Guide would be appreciated.

2200 GUIDE ORGANIZATION

The Guide is divided into chapters. Chapter 2 contains general information on Primary Resource Network's Conventional Loan Program. Chapter 3 outlines the Registration process while Chapter 4 explains the Lock-in/Submission procedure. Finally, Chapter 5 outlines Primary Resource Network's Underwriting Guidelines from which all credit decisions are based and Chapter 6 contains sample copies of all forms and disclosures you will need in conducting business with us.

2300 OFFICES AND ADDRESSES

2301 Corporate Office

Primary Resource Network
2727 Main Street
Suite 710
Los Angeles, CA 90045

2400 CONTACTS

Dr Sota Omoigui - Chairman/ CEO

Terri Tucker - COO

Fred Moss - Executive Vice President and Branch Manager North Carolina

Layla Anderson - Executive Vice President and Branch Manager California

Jodie Rozelle - Executive Vice President - Marketing

Carlton Bailey-Jones - Executive Vice President - Marketing

Trelane Prince - Director of Human Resources

Eryn Houser - Executive Secretary

2500 LENDING STATES

We currently accept business in the following states:

California

North Carolina

2600 BUSINESS HOURS

Normal business hours are Monday through Friday - 8:30 AM to 5:30 PM (PST)

2700 LEGAL COMPLIANCE

2701 General Statement

Primary Resource Network requires that all Correspondents comply with all federal and state laws and regulations regarding the origination of 1st and 2nd mortgage loans. The following narration is a brief outline and is not to be considered legal advice. The guidelines set forth in this section will not limit any representations or warranties compliance related, that Correspondent has made to Primary Resource Network relating to this Guide or the executed Correspondent Agreement as they may be amended from time-to-time.

2702 Equal Credit Opportunity Act (ECOA)

Primary Resource Network requires strict compliance. To ensure equitable lending practices,

federal law prohibits lenders from discrimination for reasons of:

- Race, religion, sex, age, color, marital status or national origin
- Income received from public assistance
- Applicants exercising right under the Consumer Credit Protection Act

2703 Government Monitoring Information

The Correspondent is responsible for compliance with all laws and regulations. This is represented and warranted as part of your commitment to Primary Resource Network.

2704 Right to Receive Appraisal

Regulation B requires a creditor to provide a copy of the appraisal report used in connection with an application for credit. Primary Resource Network expects originators to comply with this requirement.

2705 Adverse Action

ECOA requires that a Lender notify an applicant of action taken on a loan application within thirty (30) days of receiving a completed application. The credit denial must be in writing. You must ensure that all ECOA requirements have been complied with. If Primary Resource Network declines a loan it will notify Correspondent in writing. It is the Correspondent's obligation to issue the adverse action letter to the applicant.

2706 Home Mortgage Disclosure Act (HMDA)

Primary Resource Network is required to meet all HMDA reporting requirements. All loans submitted for underwriting must have the Government Monitoring information completed or complied with.

2707 RESPA and Truth-In-Lending / Good Faith Estimate

The originating Correspondent guarantees that all laws and regulations have been complied with, now, and in the future, as regulations change. All compliance documentation must be included in the credit file.

2708 High Cost Loans (Section 32)

Section 32 loans are not acceptable by Primary Resource Network.



CHAPTER FOUR

LOCK-IN/SUBMISSION

4000 DAILY RATES AND LOCK-IN PROCEDURE

Rates will be posted at www.PrimaryResourceNetworkfunding.com daily after 11:30 a.m. They can be accessed by clicking on the **Conventional** button and selecting **Today's Rate Sheet**. (Exhibit 7). Rates can be locked in from 11:30 a.m. until 11:59 p.m. for that day's rates. Overnight protection is not available. Any loans locked after or before this time will be subject to any rate changes.

At www.PrimaryResourceNetworkfunding.com you can lock your loan file on-line. Select the **Conventional** button option and click on "**Lock-In**". Complete all of the required fields in the lock form (Exhibit 8) and click on "**Send To Primary Resource Network**" at the bottom of the screen. Once your lock in request has been submitted to Primary Resource Network, you will receive a lock confirmation via e-mail later that day confirming both the lock and the information included in the lock.

4100 LOAN SUBMISSION

A hard copy file must be received in our office no later than 5 business days prior to rate lock expiration. Primary Resource Network will issue an Underwriting Determination within 24 hours of submission of the complete package and will clear all conditions within 4 hours of receipt. A loan file with all conditions cleared by noon can be scheduled to close the following business day.

The following documents must be included in the original submission package to Primary Resource Network for Underwriting:

- Conventional New Loan Submission Worksheet completed (Exhibit 9)
- SSF loan number, if loan has been locked prior to submission
- DO Underwriting Determination (Exhibit 10)
- Completed 1003 & 1008
- DO Triple Merge credit report (Exhibit 11)
- Current paystub

- Sales Contract (if applicable)

Any file received without the above items will be held from underwriting until pending information is received.

4200 PRODUCTS OFFERED

Currently Primary Resource Network is offering the following conventional products:

- Fixed Rate 30, 20, 15 & 10 year terms
- Owner Occupied, Second Homes & Investment Properties
- Single Family 1-4 Units, Condominiums, Townhouses



CHAPTER FIVE

UNDERWRITING GUIDELINES

5000 GENERAL INFORMATION

Updates and Amendments

This Seller Guide may be amended or supplemented from time to time by the issuance of revised pages or other written communication. All amendments or revisions will become effective on the date stated in the written communication.

5100 UNDERWRITING GUIDELINES

General

1. Fixed Rate Mortgage available for 10, 15, 20 & 30 year terms
2. Primary Resource Network's Conventional Lending Program may be used for primary residences, second homes and investor properties.
3. Credit documents are to be no more than 60 days old at the time of underwriting and must be dated within 90 days of the Note date.
4. Mortgages made to corporations, partnerships, land trusts, etc. are unacceptable.
5. Primary Resource Network will not purchase blanket or wrap-around mortgages, cross collateralization is not allowed.
6. The granting of a long-term mortgage to a borrower for the purpose of replacing interim financing used to fund the construction of a new residence will be treated as a refinance transaction if new money is advanced to debts other than the interim financing or as cash to the customer. The value will be based on the lesser of acquisition cost (land value + cost of construction) or appraised value. If the site was owned more than one year or more, the site value from the appraisal may be utilized. The purchase price of the site and construction costs must be fully documented.

7. Primary Resource Network considers the payoff of an installment land contract or a lease purchase agreement a purchase-money transaction when all of the proceeds are used to pay the outstanding balance on the contract.
8. If the borrower has been on title less than one year, the appraised value will be used to calculate LTV for all refinance transactions. Any drastic increase in value from sale price must be justified in the appraisal.
9. Primary Resource Network will purchase a maximum of four mortgage loans, up to \$1,000,000 in total, made to the same borrower. Primary Resource Network will not purchase mortgage loans made to borrowers with more than five investment properties and one owner-occupied residence.
10. Loans with non-occupying co-borrowers are acceptable with the Owner applicant ratios in line and the occupant applicant must have their 5% own funds into the transaction. Desktop Originator may grant a waiver for occupant applicant ratios based on the overall risk levels of the loan file.
11. Permanent resident aliens are acceptable. Evidence of permanent residency issued by the Immigration and Naturalization Service with a 2-year credit history and 2 year employment history in the U.S. is required. Non-permanent resident aliens are acceptable on transactions involving primary residences ONLY. Applicant must have a Social Security card, work visa with an acceptable expiration date and 2 year U.S. credit history.
12. A 24-month chain of title may be requested if title history is questionable. Otherwise, short form title is accepted in states where they are permitted.

5200 PROPERTIES

Acceptable Properties

1. 1 – 4 unit family residential properties.
2. Condominiums, where the project is complete with no additional phasing or annexation, at least 90% sold and closed, at least 60% owner-occupied; control of Homeowners Association (HOA) turned over to individual unit owners for at least one year; no more than 10% of units can be owned by a single entity; and otherwise meet current FNMA Type A guidelines. Primary Resource Network will not purchase mortgage loans on more than 10% of the units in a single condo project.
3. Planned Unit Developments (PUDs) which are at least 90% sold and closed, with control of HOA turned over to unit owners, and which otherwise meet FNMA guidelines. Single family

detached residences located in a PUD are not subject to the above restrictions provided the HOA monthly assessment is minimal and the only common elements are greenbelts, berms, and similar types of minor improvements.

4. Modular homes that are situated on the permanent foundations; have assumed the characteristics of conventional stick-built housing; and where there is proven, demonstrated market acceptance. All comparables used in the appraisal must be of the same construction type.

Unacceptable Properties

1. Mobile homes.
2. Unimproved parcels of land.
3. Cooperative units.
4. Time sharing units.
5. Properties in trust (unless an estate planning trust; please refer to Page 4-1).
6. Properties used for agricultural or commercial purposes.
7. Unique properties (e.g., geodesic domes, earth homes, etc.).
8. Properties not suitable for year-round occupancy.
9. Properties currently listed for sale in the last 6 months (except purchase transactions).
10. Properties with health or safety hazards, adverse environmental conditions, etc.
11. Properties listed with historical registries or registered as historical landmarks.

Eligible Occupancy

Primary Residence: Defined as the borrower's principle residence

Second Home: Defined as a property the borrower occupies from time-to-time which is suitable for year-round occupancy

- Applicant may not own more than one second home
- A 2-4 unit is not eligible for second home financing
- Rental income can not be received or use to qualify on a second home

Investment Property: A property which the borrower owns but does not occupy

Transaction Eligibility

Purchase: A transaction in which the proceeds are used to finance the purchase of a property. Value will be determined by the lesser of appraised value or sales price.

Rate/Term Refi: There are no seasoning requirements for no-cash-out refinances. The funds received from the transaction may include the following:

- Paying off first mortgage & closing costs associated with the loan
- Payoff junior/subordinate lien at least one year old from origination date of the refinance, unless the loan was a purchase money second or home improvement loan that can be documented.
- If subordinate lien is a home improvement loan, receipts and canceled checks must be obtained to support the actual costs of improvements. Evidence must be provided that all funds received were used for the improvements. Appraisal must support improvements with no adjustments.
- Paying off and ex-spouse per a divorce decree, must be reflected on the final HUD I.

Cash-Out: There are no seasoning requirements on cash-out transactions. There is a seasoning requirement when a refinance includes payoff of subordinate liens with less than 12 months seasoning. The following are considered cash-out:

- Paying off junior liens less than 12 month old
- Disbursing cash back to the applicant
- Funds used to payoff other unsecured liens
- Funds used to payoff consumer debt
- Cash out received greater than 2% or \$2000

Property Requirements

1. Real property must be owned in fee simple to be acceptable collateral; however, lease hold properties are acceptable if they meet FNMA guidelines; i.e., lease must exceed the term of the new mortgage by at least five years (ten years in Hawaii). All appraisals performed on leasehold properties must contain a minimum of two leasehold comparable sales.

2. A well and/or septic inspection report will be required for purchase money mortgages where one is provided for in the real estate sales contract. Well and/or septic inspections will not otherwise be required unless recommended by the appraiser as a result of a visual inspection. However, whenever a subject property is serviced by a well and/or septic system, the mortgagor

must hold the lender and its successors/assigns, harmless from any liability for any condition or problem, pre-existing or otherwise, regarding the subject well and/or septic system.

3. Primary Resource Network will not purchase loans secured by any property where said property, or our lien interest therein, could in any way be damaged, impaired, defeated, or extinguished by the operation of any covenants, conditions, restrictions, or rights or record, including any reversionary rights, which would be disclosed by proper title evidence in full compliance with Primary Resource Network requirements.

5300 FACTORY-BUILT HOUSING GUIDELINES

Introduction

Factory-built homes include panelized, prefabricated, and Manufactured built homes. Mobile homes are not eligible as security for mortgage loans. Quality of construction and marketability are key concerns when evaluating factory-built housing.

Factory-Built Guidelines

When factory-built homes meet the following criteria, they represent an acceptable risk to Primary Resource Network.

1. The subject property must assume the characteristics of site-built construction in both its appearance and functional utility.
2. Owner-occupied, primary residences only. No second homes or investor properties.
3. Comparables must support marketability and value. If described as a “manufactured home”, the comparables must be similar factory built homes.
4. Comparables must support marketability and value. The comparables must be similar built homes.
5. Property must be permanently affixed to a foundation.
6. Property has never been registered with the Department of Motor Vehicle’s
7. Home must have been built after 6/15/76
8. Foundation system must have been designed by an engineer to meet the conditions of the site.
9. Foundation, both perimeter and piers, must have footings that are located below the frost line.

5400 DEBT-TO-INCOME CALCULATION

Eligible Income

Borrowers must have a history of receiving stable income from employment or other applicable sources for the last two years. All income necessary to qualify for the loan must have a reasonable expectation of continuation for the next three years.

All gaps in employment must be satisfactorily explained in writing and must contain the borrower's signature.

1. The ability of the borrower to service the debt. We will not approve a loan if we feel the borrower cannot clearly service the debt
2. The mortgage must be beneficial to the borrower or at least not put the borrower in a worse situation than they were before the loan.
3. **When Tax returns are needed for qualifying purposes a 4506 will be mandatory. *Stated Loans* will also need a 4506 to verify that taxes have been filed! Once the broker has submitted the 4506 Primary Resource Network will then process thru to the IRS.**

Self-Employed

The Underwriter will make a determination if the business is profitable and the income is consistent. The file will be documented one of the following ways:

- Verbal VOE
- One year personal federal tax returns,
- Two years personal federal tax returns. Or
- Two years personal and two years business federal income tax returns (business tax returns do not have to be provided unless the business is a corporation, an "S" corporation, or a partnership)
- Files originated after April 15th a P&L and balance sheet will be requested if prior year tax returns have not been filed along with the tax returns for the number of years requested by D.O.

Borrowers must have been self-employed for at least one year and must have a minimum of six months self-employment in qualifying income. If the borrower has been self-employed less than one year, the underwriter must confirm that the borrower is in the same line of work, and the borrower must be able to document a reasonable profitability of success based on market feasibility studies and pro forma financials statements for the business. The lender must carefully analyze the borrowers training and experience, the location and nature of the business, and the demand for the type of business in the area. These types of self-employed buyers will be looked at in a case-by-case basis.

Commission

The following may be requested in determining income on a commission income applicant:

- Verbal VOE,
- One paystub,
- One paystub and W-2,
- One year personal federal income tax returns, or
- Two years personal federal income tax returns

If the commission income is less than 25% of total income, a verbal VOE, one paystub, or one paystub and W-2 may be required.

If the commission income exceeds 25% of total income, a verbal VOE, personal tax returns for the previous year or for the past two years will be required. The tax returns must reflect a minimum of 6 months commission earnings in order to include the income in qualify the applicant. Limited time in commission income depends on the applicants overall level of risk. The D.O. determination will indicate if this income is acceptable.

Social Security

Acceptable verification includes a copy of the current years awards letter and evidence of current receipt. If receiptant is older than 62 years of age, evidence of continuance is not required. If applicant is younger, evidence continuance of income for the next three years from the date of the Note is required. Social Security income can be grossed-up 125% for qualifying purposes.

Ineligible Income

Unacceptable sources of income include, but are not limited to:

1. Income not reported to the IRS
2. Educational benefits
3. One-time capital gains
4. Refund of federal, state, or local income tax
5. Rent from boarders in owner-occupied, single-family dwelling
6. Temporary income

Other Debts

In addition to the subject mortgage payment, the following debts should be included in the calculation of the debt-to-income ratio (DIR):

1. Other mortgage payments including principal, interest, property tax, and property insurance. If the senior lien is an Adjustable Rate Mortgage (ARM), borrowers must be qualified at the lower of the Note rate plus 2% or the index plus the margin. Mortgages having a minimum of a two-year fixed rate period will be qualified at the start rate. Private mortgage insurance premiums and owner's association dues or ground rents should be included if applicable.
2. Monthly payment reflected on credit report can be used to calculate the DIR. If no monthly payment is stated on the credit report or other form of verification on a revolving account, 5% of the outstanding balance on the account must be used to calculate the monthly payment.
3. Outstanding installment debts with ten months or less remaining and debts to be paid off at closing do not have to be calculated in the DIR.
4. Auto leases must always be included in the DIR, regardless of the number of payments remaining.
5. 401K loan payments will not be counted into the DIR.
6. Co-signed debts will not be included in the DIR if sufficient proof is provided that the primary debtor makes the payments. Sufficient proof consists of at least six months canceled checks from the primary debtor evidencing the proper payment amount and payable to the proper creditor.

5500 CREDIT VERIFICATION

Credit Report

Each mortgage file submitted to Primary Resource Network must contain:

- A merged credit report ordered through Desktop Originator

Credit History

Brokers submitting files to Primary Resource Network through Desktop Originator are required to request a triple-merged credit in-file. Primary Resource Networks underwriter is responsible for reviewing the credit report to determine if the data that was evaluated was accurate. The underwriter is obligated to take action when information not considered by Desktop Originator would result in a more negative response. At this time, Primary Resource Network is NOT manually overriding any Underwriting Determinations issued by Desktop Originator for erroneous information presented in the customers credit file.

Requirements for remedy will be indicated on the Underwriting Determination from D.O. If applicable the following requirements will be requested:

1. Public records to be satisfied prior to or at closing
2. Individual collections greater than \$250 per account or in total aggregate of \$1,000 must be satisfied prior to or at closing.

Consumer Credit Counseling

Individuals participating in consumer credit counseling or like agencies are eligible for Primary Resource Network's program; however, they must meet the specific guidelines and waiting periods as outlined for Chapter 13 bankruptcies. Desktop Originator does not always read accounts in consumer credit counseling, therefore the determination issued is subject to underwriting approval.

Prior Bankruptcies and Foreclosures

If the date filed, date discharged, or date satisfied is within the last 24 months, the loan will receive a Refer with Caution and will not be eligible for financing.

If the date filed, date discharged, or date satisfied is more than 24 months ago, the recommendation from D.O. could be Approved Eligible, Expanded Approval I-II. The file must have documentation that the discharge of bankruptcy or satisfaction of mortgage occurred greater than 24 months ago. The underwriting determination will indicate which items are required.

Chapter 13

The age of the Chapter 13 bankruptcy is calculated from the Discharge date. Evidence of discharge greater than 24 months must be provided.

Chapter 7

The age of the Chapter 7 bankruptcy is calculated from the discharge date. Evidence of bankruptcy discharge must be provided.

Foreclosure/Deed In Lieu

The age of the foreclosure is calculated from the lesser of the discharge date, if included in a bankruptcy, or the final pay out date of any deficiency.

5600 MORTGAGE VERIFICATION

Mortgage Credit

1. When a verification of mortgage or verification of rental is required, Desktop Underwriter will include the requirement in the findings.

- Verification of Mortgage (VOM), mortgage statement or payment history from institutional lender/servicer.
- Credit report, or
- Canceled checks (legible) from borrower when mortgage is held by private individual/entity. A V.O.M. will be accepted on a case by case basis.

2. If borrower rented previously, a 12 month rental history must be verified by one of the following:

- Legible canceled checks from borrower
- Verification of Rent (VOR) for fully documented income loans only.
- Statement from landlord for fully documented income loans only.

Requirements for a housing history may be waived in the determination from Desktop Originator.

5700 ASSET VERIFICATION

General Asset Verification

If Desktop Originator requires assets to be verified, a verification message will identify the documentation requirements for each liquid asset listed on the application. In addition, there will be a verification message that will indicate the amount of assets that the underwriter is required to verify. In some cases, this message will include only the amount of funds needed for the closing and for any debts to be satisfied. In other cases, it will include some level of reserves in addition to funds needed for closing. As the broker, you are only required to document the value of assets sufficient to cover the dollar amount specified in the message given by D.O. "Assets totaling \$xxxx.xx must be verified."

The following assets are considered liquid assets for funds available for the transaction:

1. Checking, Savings, Gift funds, certificates of deposit, money market accounts, mutual funds, stocks and bonds, secured borrowed funds, bridge loans, trust funds, equity from pending sale from a property owned.
2. With 401k loans, other retirement accounts, cash value of life insurance, stock accounts liquidation may be requested to be documented.
3. When entering retirement funds into Desktop Originator, the market value net the penalties and taxes should be entered. The input amount should be 70% of the value of the account.
4. Gifts from immediate family members are allowed for purchase-money transactions and refinances on primary and second homes. A gift letter is required, signed and dated by donor, stating the amount of gift and that no repayment is expected or implied. Verification of receipt of funds by borrower is required, unless otherwise conditioned by the D.O underwriting determination. Occupant applicants must have their own 5% into the transaction if the gift is less than 20% of sales price.
5. Contributions from interested parties such as the seller, builder, realtor, etc., are allowed for purchase-money transactions involving primary residences and second homes. Contributions must be clearly stipulated in the sales contract and are limited to a maximum of 6% (3% on CLTVs greater than 90%) of the lesser of sales price or appraised value. Contributions may only be used for normal and customary closing costs. Gifts may be used in combination with contributions, subject to any and all other restrictions stated within these guidelines.
6. Other acceptable sources of funds, if properly verified, include but are not limited to:
 - U.S. Savings Bonds
 - Stocks, bonds, and mutual funds
 - Sale of personal or real property
 - Repayment of loan
 - IRA/Qualified Retirement Plans
 - Trust accounts
 - Deposit on sales contract

7. Unacceptable sources of funds include, but are not limited to:

- Credit card advances
- Any borrowed funds not secured by an asset
- Cash on hand
- Sweat equity
- Trade equity
- Real Estate Commissions

8. Rent Credits – In a lease/purchase option transaction where the purchase option is being exercised, only the amount of rent paid in the excess of proven market rents for the area may be applied toward the required down payment.

- The lease option must specify the amount of each payment that will be applied to equity.
- The property appraisal must provide rent comparables to support the amount being applied to equity (fair market rent must be documented on Form 216).
- The property value will be the original lease option price, unless the borrower can prove residence in the lease option property for at least 12 months, in which case the current appraised value will be used.
- Borrower must provide 12 months canceled checks to prove the lease existed for one year and three months utility bills to verify residency.

Regardless of the age of said agreement, borrower must provide a copy of the lease and/or contract of sale. Canceled checks must be provided for a period of 12 months, or for the entire duration of the agreement, if established less than one year ago.

5800 APPRAISAL REQUIREMENTS

General Appraisal Requirements

Full Appraisal

A full FNMA appraisal must be identified as a complete, summary appraisal report under Uniform Standards of Professional Appraisal Practice (USPAP). Appraisal(s) required as follows:

Value	Report(s) Required
Up to \$500,000	One full FNMA appraisal

Reviews

Desk reviews and field reviews may be required for additional support at the discretion of underwriting.

Review Type	Description
Desk Review	Desk Review is limited to the data in the report. The data may not be independently verified. Reviewer checks the calculations, the reasonableness of the data, the methodology applied, and compliance with client's guidelines and professional standards.

Note: Desk review provides minimal additional support to value; it is a technical review only.

Field Review

Field Review should include an exterior inspection of the subject and comparable sales, verification of all data in the report pertaining to the subject and the comparable sales, market research, and the development of an alternative value when appropriate.

Note: Field review should be completed by a local appraiser and addresses the accuracy of the report.

Date of Appraisal:

The appraisal must be less than 6 months old at closing. Appraisals six months to one year old must include an update of an appraisal completed by the original inspecting appraiser. Appraisals over one year old from date of closing cannot be used; a current appraisal will be required.

Forms and Documentation

Form Documentation	Property Type
FNMA 1004	Single family residences and PUDs with minimal or no common elements; and two family residences
FNMA 1025	Three to four family residences
FNMA 1073	Condominiums, cooperatives, and PUDs with substantial common elements
FNMA 442	Required on appraisals “subject to” completion
Form 216	Required on two to four family income producing residences; attach to the appraisal
Form 1007	Required on single family income producing residences; attach to the appraisal

Neighborhood Description

When slow growth, declining values, and oversupply, and/or a marketing time over six months have been identified, detailed explanations are required in the Comments sections. A statement of “none noted” under Comments will not be acceptable.

Appraiser must identify the cause of the problem; discuss past, current and future market trends; and explain any negative affects on marketability and values of residential properties as a result of these factors.

Site Description

Site description should include comments on both positive and negative factors affecting marketability and value. Detrimental conditions including adverse easements, encroachments, flood and slide areas must be discusses in detail.

Site size should include lot dimensions, square footage, and/or the total acreage.

Excess Acreage: Only five acres of a larger parcel may be included in value. The contributory value of the surplus acreage must be reported.

Additional Living Units

If the subject property includes an additional living unit (garage apartment, in-law apartment, and detached apartment), it must be inspected and properly described in the report. The appraiser must determine if the unit is legal, if it can be rented, if it was properly permitted, and

its contributory value.

Comparable sales with additional living units should be analyzed and included in the appraisal whenever possible.

Comparable Sales

The appraisal must include a minimum of three closed sales.

The appraiser should use the most recent sales data. Comparable sales should be six months old or less (will accept up to one year). If ALL comparable sales are over six months old, an additional sale or current listing should be included. The appraiser must comment on the lack of more recent sales.

Comps must be from subject's immediate market area or subdivision when possible. Appraiser should include comps within 0.5 miles from subject in an urban (highly populated) area; within 1.0 mile in a suburban area; and within 5 miles in a rural area.

Data Sources

Appraiser must include two verification sources in the Sales Comparison Approach as required by USPAP.

This is essential when the mortgage broker or real estate agent for the buyer or seller are one of the sources. It is recommended that listing number is included on Multiple Listing Sales.

One source is inadequate and unacceptable particularly when the source is public record or a data service using public records only.

Adjustments

Adjustments should be consistent. Adjustments for location, view, quality, condition, and functional utility require explanation.

Across the board and line adjustments over 10% of sale price should be explained in detail. Gross adjustment exceeding 25% on two or more comparable sales must be explained.

Additional Data

Four or more comparables are required when:

- All comparables are over .5 miles from subject in an urban area.
- All comparables are over 1.0 mile from subject in a suburban area.

- All comparables are over 5 miles from subject in a rural area.
- Gross adjustments exceed 25% on all comparables.
- Range of adjusted sales price exceeds a 15% spread from lowest to highest.

Outbuildings

The contributory value of an outbuilding must be valued in terms of what the typical buyer in subject's market would pay for this added feature. Value to a particular buyer having a specific use for the building would not be a reasonable contributory value.

Significant outbuildings with non-residential uses may affect subject's highest and best use. If the building adds substantially to value, the appraiser may need to reconsider subject's highest and best use and whether that use is other than residential.

Collateral Requirements

Primary Resource Network looks at the overall risk of the collateral, not just the appraised value. Certain collateral issues indicate a higher risk level. To compensate for greater risk, Primary Resource Network will expect reduced loan-to-value ratios.

