

# ASSET QUALIFIER PROGRAM



Flanagan State Bank

Revised: December 1st, 2022

## ASSET QUALIFIER (1YR & 2YR) ALT INCOME DOCUMENTATION

1-4 Unit Primary Residence<sup>3</sup>

### PRODUCT DESCRIPTION:

Qualification is determined solely based on the borrower's assets which are liquid or may be liquidated without restriction. No income or employment needs to be verified. No DTI is developed for this program.

**THIS IS A QUICK GUIDE FOR THE ASSET QUALIFIER PROGRAM. REFER TO FULL GUIDELINES FOR SIMPLE ACCESS WHICH SUPERSEDE THIS DOCUMENT.**

#### Purchase and Rate/Term Refinance<sup>4</sup>

<=\$1,000,000<sup>1</sup>

	Owner Occupied	Second Home	Investment
FICO <sup>5</sup>	Alt-Doc	Alt-Doc	Alt-Doc
740	75%	N/A	N/A
720	75%	N/A	N/A
700	75%	N/A	N/A

#### Purchase and Rate/Term Refinance<sup>4</sup>

<=\$1,500,000

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FICO <sup>5</sup>	Alt-Doc	Alt-Doc	Alt-Doc
740	75%	N/A	N/A
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<=\$2,000,000

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740	75%	N/A	N/A
720	75%	N/A	N/A
700	75%	N/A	N/A

<=\$2,500,000<sup>6</sup>

	Owner Occupied	Second Home	Investment
740	75%	N/A	N/A
720	75%	N/A	N/A
700	75%	N/A	N/A

<=\$3,000,000<sup>6</sup>

	Owner Occupied	Second Home	Investment
740	75%	N/A	N/A
720	75%	N/A	N/A

#### FOOTNOTES:

1. Minimum loan amount \$125,000
2. DTI = N/A
3. Owner-Occupied Only; Second Home and Investment Properties are not eligible
4. Cash-Out Refinance not eligible
5. Significant Derogatory Credit Event Seasoning - 5 years
6. Loan amounts > \$2MM require Credit Committee approval; NO EXCEPTIONS TO MAX LOAN AMOUNTS

### GUIDELINES

#### Credit Requirements

Generally, use the lowest middle score on the file. If one borrower is providing 75%+ of the assets for the subject transaction, including funds to close and all post-closing reserve requirements, in accounts that are either solely in their name or jointly with persons who are not borrowers on the transaction, then they are deemed to be the primary asset contributor and their FICO may be used for guideline purposes. Borrowers with only one (1) bureau reporting are not eligible. Each borrower must have three trade lines and a credit history covering 24 months. One trade line must have been open and active within the last 6 months. At least one trade line must be seasoned for 24 months.

#### Qualifying Ratios

Note that these requirements are superseded by any regulatory requirements such as HPML, unless Note that these requirements are superseded by any regulatory requirements such as HPML, unless exempt by definition.

Fully-Amortized ARM Loans: Qualified at the greater of the Note rate or the index plus margin, using the full term of the loan.  
(Continued)



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<p><b>Qualifying Ratios (Continued)</b></p>	<p>Interest Only Loan: Determine a simulated fully amortizing payment for purposes of loan qualification based on the following:</p> <ul style="list-style-type: none"> <li>For 30-year loan - use a 20-year term and the Note rate* to simulate the qualifying payment</li> <li>For 40-year loan - use a 30-year term and the Note rate* to simulate the qualifying payment</li> </ul> <p>*For IO ARMs, use the greater of the Note rate or fully-indexed rate (index + margin)</p> <p>Interest-Only loans will require a minimum 700 FICO. Interest Only is capped at max LTV of 85% or the max LTV defined by the eligibility matrix, whichever is less.</p>
<p><b>Eligible Borrowers</b></p>	<p>Eligible Borrowers include United States Citizens, Permanent Resident Aliens, Non-Permanent Resident Aliens, and First Time Home Buyers.</p> <p>Non-Permanent Resident Aliens are eligible for Purchase and Rate-Term Refinance transactions only with a maximum LTV of 80%, unless lower per the eligibility matrix. Cash-Out Refinances are not eligible.</p> <p>FTHB Eligible with one of the following: Document a 12-month rental history (documented via cancelled checks, paid by the borrower or an institutional VOR completed by a management company; private party/landlord VORs are not an acceptable form of documentation) within the 3 years prior to application showing 0x30. Payment shock cannot exceed 250%; if a FTHB is living rent-free or cannot document their 12mo housing history, the borrower is not eligible. Interest-Only is not eligible.</p> <p>Non-Occupant Co-Borrower must be a relative. For purposes of these guidelines, a relative is defined as someone who had a relationship to the primary borrower by blood, law, or marriage. Non-occupant co-borrower's debt service must be included in debt service calculation for determining qualification. Only permissible on a purchase or rate and term refinance transaction. LTV must be reduced by 5% (with a max LTV of 75%) in order to utilize all assets OR occupant borrower must contribute 5% of own funds to the transaction (purchase only).</p>
<p><b>Ineligible Borrowers</b></p>	<ul style="list-style-type: none"> <li>Borrowers with diplomatic immunity</li> <li>Borrowers without a social security number or a number that cannot be validated with the SSA.</li> <li>Life Estate</li> <li>Non-revocable trust - no exceptions</li> <li>Guardianships</li> <li>Borrowers previously convicted of mortgage fraud</li> <li>Broker company employees and owners</li> </ul>
<p><b>Eligible Properties</b></p>	<ul style="list-style-type: none"> <li>1-4 unit attached and detached properties Attached and detached PUDs</li> <li>Attached and detached Condos which are warrantable under Fannie Mae/Freddie Mac criteria.</li> <li>Non-Warrantable Condos with one Non-Warrantable feature (see Non-Warrantable Condo section). Max 75% LTV. Pricing adjustments apply.</li> <li>Properties with an Accessory Unit (ADU) must meet Fannie Mae/Freddie Mac criteria</li> <li>TBD Properties (file must be resubmitted when property address is found - valid change of circumstance to add the property address is ineligible for this product).</li> </ul>
<p><b>Ineligible Properties</b></p>	<ul style="list-style-type: none"> <li>Acreage greater than 20 acres (appraisal must include total acreage)</li> <li>Mixed Use Properties</li> <li>Agricultural zoned property</li> <li>Log Homes</li> <li>Manufactured housing/Modular homes</li> <li>Properties subject to oil and/or gas leases</li> <li>Unique properties</li> <li>Working farms, ranches, or orchards</li> <li>Hobby Farms</li> <li>Co-ops</li> <li>Condo units located in a condo hotel</li> <li>Properties with a condition rating of C5 or C6</li> <li>Rural properties are eligible as primary residence only. Must be primarily for residential use. Property must not be agricultural or provide a source of income to the borrower. Lot size and acreage must be typical for the area and similar to the surrounding properties. Present use as per the appraisal must be the highest and best use for the property. Maximum 75% LTV/CLTV.</li> </ul>
<p><b>Geographic Eligibility</b></p>	<p>The Simple Access product suite is eligible in ALL states, provided the Originator is licensed to originate in the subject property state. Geographic eligibility is based on the originator's licensure. No state subprime or equivalent allowed.</p> <p>Loans that fall under the definition of New York Subprime Home Loan are not eligible for the product.</p> <p>In the event an appraisal indicates a property is located in a declining market, the file will be subject to further review by REMN.</p>

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<p># of Properties Owned</p>	<p>Loan/Property restrictions per borrower are as follows:</p> <ul style="list-style-type: none"> <li>Borrowers are collectively limited to eight (8) loans either issued or purchased by REMN/HBFS not to exceed \$10,000,000. If greater than four (4) loans, then REMN WS Credit Committee approval is required</li> <li>Borrowers with &gt; 15 properties are not eligible for any second home or investment property transaction (purchase, rate/term, or cash-out). This is an aggregate based on all borrowers, and includes commercial properties and properties owned free and clear</li> <li>Borrowers may have REMN/HBFS financing on a maximum of 5% of the properties in a condominium project. Condo project will require upfront validation with the Project Standards group to ensure maximum exposure in the project has not been reached.</li> <li>For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed</li> </ul>
<p>Pre-Payment Penalties</p>	<p>Prepayment penalties may be placed on investment properties (all documentation types) where allowed and to the extent permitted by state and federal law. Except as otherwise specified or directed, the prepayment penalty placed shall be for a term of at least 1 year and permit the Borrower to pay down up to 20% of the original principal balance per 12-month period. Any pay downs (including complete payoff) which exceed 20% per year are penalized in an amount not less than 2.5% of the amount prepaid which exceeds 20% of the original principal balance, unless restricted by state/federal law. Any loan which has a prepayment penalty must be a business purpose loan as defined in 12 CFR 1026.3(a). Pricing implications may apply in the event that a PPP shorter than three years or no PPP is placed.</p> <p>Eligible states for PPP are AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, ME, MD, MO, MT, NC, ND, NE, NH, NV, NY, OK, OR, PA, SC, SD, TN, TX, UT, VA, VT, WA, WI, WY.</p>
<p>Reserves</p>	<p>No separate reserves are required. Post-closing assets must meet one of the three requirements listed in Income Guidelines below.</p>
<p>Gifts</p>	<p>A borrower of a mortgage loan may use funds received as a personal gift from an acceptable donor as a source of funds to close, closing costs, and funds to pay down debts on a primary residence or second home only. Gift funds are not eligible for investment property transactions. The gift donor must be a relative. A relative is any person related by blood, legal proceedings, marriage, or adoption and also includes a fiancé or domestic partner. Gift funds may not be used for reserves. The borrower must contribute 5% of the purchase price from their own funds, except as otherwise specified. A purchase of a primary residence with an LTV ≤80 does not require a borrower contribution, except as otherwise specified.</p>
<p>Seller Concession</p>	<p>On a primary or second home, 9% up to 75 LTV and 6% to 90 LTV.</p>
<p>Appraisals</p>	<p>Appraisals may not be more than 120 days old as of the note date. All transactions require a new appraisal. Appraisals must be ordered through a REMN approved Appraisal Management Company.</p> <p>Determining Collateral Value</p> <p>Collateral valuations impact the determination of the loan-to-value ratios, as well as approval and identification of exceptions. Loans wherein the best usage is as a “tear down and replace” are not eligible. The methods for determining collateral value are different for purchase versus refinance transactions (see below). In instances where two full appraisals are completed, utilize the lower of the two.</p> <ul style="list-style-type: none"> <li>Purchase Transaction             <ul style="list-style-type: none"> <li>The collateral value is based upon the lesser of the sales price (minus concessions or excess contributions) or the appraised value.</li> </ul> </li> <li>Refinance Transaction             <ul style="list-style-type: none"> <li>For properties owned less than 12 months as of the application date, current value may be used provided the value is supported both by appraisal and a CDA with a variance ≤10%. If value not supported, use lesser of purchase price plus documented improvements or market value. If more than 12 months, use market value.</li> </ul> </li> </ul> <p>In instances where one appraisal is required, the CU and/or LCA score must be reviewed. If the CU and/or LCA score is less than or equal to 2.5, no additional appraisal review products are required unless otherwise specified. If the CU and/or LCA score exceeds 2.5 or there is no CU and/or LCA score, a CDA with a variance less than 10% is required. If the variance between the CDA and the appraisal is greater than 10%, a field review must be performed.</p> <p>NOTE: The &gt; 10% variance rule applies when the CDA variance is reflecting a lower value than the property appraisal. If the CDA variance is reflecting a higher value than the property appraisal, the property appraisal is fully supported, and a field review is not necessary.</p> <p>If the value of the field review is within 5% of the value of the appraisal, utilize the lower of the two. If the value is outside of 5% of the appraised value, complete a second full appraisal. Loan amounts above \$1.5MM and up to \$2MM may not utilize the CU and/or LCA score in lieu of obtaining a CDA. In the event of two appraisals, the lower of the two values will be utilized and a CDA is not required unless otherwise specified in these guidelines.</p> <p>(Continued)</p>



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<p>Appraisals (continued)</p>	<p>For each transferred appraisal, the following criteria must be met:</p> <ul style="list-style-type: none"> <li>• A copy of the appraiser's current license, to be independently verified by REMN WS</li> <li>• A copy of the appraiser's current E&amp;O Policy with sufficient coverage name the appraiser as insured</li> <li>• If the appraisal is a transferred appraisal, the AMC must provide an assignment of appraisal to REMN WS. In lieu of this requirement the AMC's business license must be independently verified by REMN WS.</li> <li>• The AIR certificate confirming compliance with Dodd-Frank AIR requirements</li> <li>• A Collateral Desktop Analysis (CDA) with a variance between 0% and positive 10%, inclusive</li> </ul> <p>Appraisal Requirements:</p> <ul style="list-style-type: none"> <li>• Up to and including \$1,500,000 - One Appraisal</li> <li>• Above \$1,500,000 - Two Appraisals</li> <li>• HPML Loan with a Flipped Property - Two Appraisals</li> </ul>
<p>Eligible Asset Types for Income Calculation</p>	<p>Assets are determined based on the below calculation:</p> <ul style="list-style-type: none"> <li>• Cash and cash equivalents - 100% of face value</li> <li>• Marketable securities (excludes unvested RSUs and Stock options) - 80%</li> <li>• Retirement funds - 70% unless if borrower is of retirement age, then use 80%. If utilizing retirement account, document borrower's ability to access the funds</li> <li>• Cash surrender value of an annuity or life insurance contract - 100%</li> <li>• Bitcoin - must be liquidated and deposited into a United States bank/financial institution account, or a bank/financial institution account from our Acceptable Bank List for Foreign Credit/Assets. Deposit must be seasoned for a minimum 60 days.</li> <li>• The proceeds of sale from documentable assets owned by the borrower over the prior 6 months.</li> </ul> <p>The balance of any loans secured against financial assets being used for asset qualification will be netted against the asset's value before application of discount, without regards to the total amount that may be drawn. The borrower(s) may only use their proportionate share of any accounts jointly held with parties who are not on the loan application. If no specified percentage of ownership is listed, it will be assumed the account is divided evenly amongst the account holders.</p>
<p>Ineligible Asset Types for Income Calculation</p>	<ul style="list-style-type: none"> <li>• Business funds (may be used for funds to close)</li> <li>• Non-liquid assets (automobiles, artwork, business net worth etc.)</li> <li>• Face value of life insurance. Cash value of a vested life insurance policy is allowed at 100%. When used for reserves the cash value must be documented but does not need to be liquidated or received by borrower.</li> <li>• Unvested restricted stock</li> <li>• Stock options, unless exercised</li> <li>• Securities that are not publicly traded</li> <li>• Cryptocurrency other than Bitcoin.</li> </ul>
<p>Documentation Requirements</p>	<p>The following documentation is required for this program:</p> <ul style="list-style-type: none"> <li>• The most recent 6 months of statements must be provided for any account that will be utilized for asset qualification. The statements must be analyzed for deposit activity)</li> <li>• Any deposit greater than 10% of the face value of the account of the most recent statement must be sourced and documented. Business accounts used for funds to close should follow standard asset requirements:             <ul style="list-style-type: none"> <li>◦ Gift funds do not need to be seasoned any longer than would be required under standard asset requirements</li> <li>◦ Gift funds may be utilized for funds to close a purchase only.</li> </ul> </li> <li>• Any deposits which cannot be sourced will be deducted from the end value of the account</li> </ul> <p>Note: Taxes, insurance, and HOA/common charges on non-subject properties do not need to be documented if utilizing Methods 1 or 2. Asset balances must be verified with the most recent full month's statement available as of the closing date. If statements are issued quarterly, provide updated documentation showing a balance within 60 days of the note date, via statements or other verification of the account balance.</p> <p>The residual income for the Asset Qualifier product must meet or exceed \$1,300 per month. For purposes of the product, gross income is determined by taking available assets and dividing by 60 months. Do not impute tax deductions when determining residential income.</p>
<p>Calculation Method for Asset Qualifier</p>	<p>Qualification is determined solely based on the borrower's assets which are liquid or may be liquidated without restriction. No income or employment needs to be verified. No DTI is developed for this program. Total post-closing assets must meet one of the three requirements below:</p> <ul style="list-style-type: none"> <li>• Method One   Mortgage Only             <ul style="list-style-type: none"> <li>◦ Total post-closing assets must equal 125% of all outstanding mortgage debt for which the Borrower has personal liability. Any mortgage debt which a borrower may document in compliance with Business Debt in Borrower's Name or Co-Signed Loans Sections of the full guidelines may be omitted from this calculation.</li> </ul> </li> </ul> <p>(Continued)</p>

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<p>Calculation Method for Asset Qualifier (continued)</p>	<ul style="list-style-type: none"> <li>• Method Two   Simplified                             <ul style="list-style-type: none"> <li>◦ Total post-closing assets must equal 110% of the subject loan amount on the subject property plus 25% of all other outstanding debt (mortgage and consumer). Any debt which a borrower may document in compliance with Business Debt in Borrower's Name or Co-Signed Loans Sections of the full guidelines may be omitted from this calculation.</li> </ul> </li> <li>• Method Three   Traditional                             <ul style="list-style-type: none"> <li>◦ 100% of loan amount</li> <li>◦ Reserves required per program guidelines</li> <li>◦ 60 months of total of other debt service, as determined by the liability section of this guideline. Do not include PITIA on rental properties, as that is addressed separately. Do not include PITIA on the subject property.</li> <li>◦ 60 months of net loss on rental real estate properties as determined below in this section. Do not include the subject property's PITIA.</li> </ul> </li> </ul>
<p>Rental Property Calculation</p>	<p>Rental properties are counted on a net basis based on 75% of lease less PITIA to determine impact on debt service. Net rent can never exceed \$0 for determining impact.</p> <p>For example, a property with a lease of \$1,600 and PITIA of \$1,500 would have \$300 per month added to debt service (<math>\\$1,600 \times 75\% \text{ less } \\$1,500 = \\$300</math>). A lease of \$2,400 and PITIA of \$1,500 would have \$0 per month added to the debt service (<math>\\$2,400 \times 75\% = \\$1,800 \text{ less } \\$1,500 = \\$300</math>).</p> <p>Since the result is greater than \$0, nothing is added to the debt service. Each property is countered separately. Other REO (including any rental properties) require additional reserves. Document at least 3 months receipt of rental income.</p> <p>If no rent can be documented for the property, include the full PITIA in its debt service.</p>



**LOOKING FOR MORE INFORMATION? CONTACT US TODAY!**

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