FSB Documentation / Underwriting Policies

Homeowner's Insurance Policy:

- Must be replacement cost based
    - (Currently testing 100% RCV without guarantee with SD office)
- Must be at least loan amount OR 100% replacement guaranteed

Water Test

- Water test required for all Gov loans with Well water

FHA Bank Statements

- Must have 2 months bank statements OR 1 month statement If Prior Ending balance is reflected. It must state Prior ending balance and cannot just show starting balance per discussion/emails with HUD

Certificate of Occupancy New Construction

- Conventional loans require certificate of occupancy or verification they are not issued in area where property is located. If appraiser notes C/O has been issued that will be accepted.

Earnest Money

- Must have one of the following:
    - Front And Back of Cancelled Check
    - Front of Check AND written statement from Title that funds were deposited and check cleared
    - Front of check and bank statement reflecting withdraw
    - Wire verification that clearly states remitter and receiver

Expiration dates for Income and Asset Docs

- Must be the most recent as of the application date
- Update if documents are greater than 120 days old
    - Follow – AUS findings

Soft Pulls:

Conventional Loans:

- We will NO longer require updated payment and balances on tradelines that were also on the original credit report to be updated on all loans, UNLESS:
    - The loan is being underwritten in combination with a Freddie Mac Appraisal Waiver, OR
    - The loan is for a Cash Out Refinance
- Only NEW tradelines that were NOT on the original credit report need to be added to the liability section on the URLA.

FHA/VA Loans

Effective Immediately for all loans in process that currently have NOT had a soft pull run previously note the following changes:

- If the loan has an Approved Eligible Finding and the original credit report is NOT expired, we will no longer require a soft pull within 10 days of closing. A Soft pull will no longer be required at all.
    - All Cash Out Refinances will still require a Soft Pull
- If the loan has a Refer/Eligible finding a soft pull will still be required due to it being a manual underwrite
    - We still strongly encourage FSB processors at the time of initial loan submission to pull soft pull credit reports on loans with FICO scores below 680 with Refer findings. This practice can help identify new collections after hard credit pulls that can cause significant qualification issues at a later time during the loan process.

- A soft pull will be required within 10 days of loan closing, regardless of the AUS findings if the underwriter determines (based on provided processing documentation) that there are any red flags.
    - Sometimes LOs or Processors use soft pull to update pay history. If that is done, the soft pull will be utilized. If any derogatory credit is shown, a new hard pull credit report must be obtained and reissued to the AUS findings.
    - Examples of Red flags (not all inclusive):
        - Deposits that are not able to be sourced and requested to be "backed out"
        - Overdrafts on payments to creditors on bank statements
        - Significant inquiries directly prior to credit being pulled
        - Re-occurring payment transactions on bank statements
    - Once a document has been submitted to underwriting for review, it will be considered for the need of a soft pull with no exceptions.

USDA Loans

- A Soft pull is never required.

NSF and Overdrafts

- Conv, FHA, VA Loans:
    - LOX on any overdrafts occurring on documentation that is required for loan approval
    - Accounts must be brought current
- USDA Loans:
    - Greater than 3 overdrafts occurring on documentation that is required for loan approval we will require the following
    - Account brought current, cannot be reporting negative
    - Homebuyer Education
    - LOX from borrower indicating why the overdrafts occurred and how they have been resolved

HOA Policy:

- If a property is Not a PUD, and nothing is reflected on title. The underwriter will use the matching listing information and appraisal to verify the HOA dues. The processor will provide a Processor cert confirming the HOA dues amount.

- If the property is in a PUD as reflected by the appraisal or Title an HOA cert is required and signed by a third party (HOA Manager).

- If the title reflects an HOA but the appraisal does not reflect a PUD. an HOA cert is required, but the appraiser will NOT be asked to mark as a PUD. An HOA cert is required and signed by a third party (HOA Manager).

- If there is a private road, a road maintenance agreement with any amounts due is required.