INTEGRITY FIRST
FINANCIAL GROUP INC.
Bringing Integrity to Home Lending

CREDIT POLICY

	Conventional	FHA	VA
Borrower			
Foreign Nationals	Non-resident aliens (foreign nationals) not allowed on conforming products. See Specialty Products for options.		
Maximum Borrowers	Maximum four (4) borrowers per loan		
Non-occupant co-borrowers	Allowed per program guidelines **see Qualifying Ratios section below for debt ratio limitations	Allowed with limitations **see Qualifying Ratios section below for debt ratio limitations A Non-Occupying Borrower Transaction refers to a transaction involving two or more Borrowers in which one or more of the Borrower(s) will not occupy the property as their Principal Residence. For Non-Occupying Borrower Transactions, the maximum Loan-to-Value (LTV) is 75 percent. The LTV can be increased to a maximum of 96.5 percent if the Borrowers are Family Members, provided the transaction does not involve: • a Family Member selling to a Family Member who will be a non-occupying co-Borrower; or • a transaction on a two- to four-unit property.	Not allowed
Eligibility			
Manual Underwriting	Not allowed	Allowed Required when AUS is Refer, and when an Approve/Accept recommendation if: • the mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard; • additional information, not considered in the Automated Underwriting System (AUS) recommendation affects the overall insurability of the Mortgage; • the Borrower has $1,000 or more collectively in Disputed Derogatory Credit Accounts; • the date of the Borrower's bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment; • the case number assignment date is within three years of the date of the transfer of title through a Pre-Foreclosure Sale (Short Sale); • the case number assignment date is within three years of the date of the transfer of title through a foreclosure sale;	Allowed

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<table>
<tr><th></th><th>Conventional</th><th>FHA</th><th>VA</th></tr>
<tr><td>Manual Underwriting (cont.)</td><td></td><td>• the case number assignment date is within three years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure;

• the Mortgage Payment history, for any Mortgage trade line reported on the credit report used to score the application, requires a downgrade as defined in Handbook 4000.1 II.A.4.b.iii (K) - Housing Obligations/Mortgage Payment History;

• the Borrower has undisclosed mortgage debt that requires a downgrade; or

• business income shows a greater than 20 percent decline over the analysis period.

See Qualifying Ratios section for specific manual underwriting requirements.</td><td></td></tr>
<tr><td>MI/MIP/UFMIP/VAFF</td><td>MI required for LTV greater than 80%</td><td><u>UFMIP</u>

Cases assigned on or after 04/09/12
• Purchase/Refinance = 1.75% of the base loan amount
• Streamline Refinance = 1.75% of the base loan amount
Note: Cases assigned 06/11/12 or later:
Streamline Refinance of FHA loans endorse on or before 05/31/09 = 0.01% UFMP

<u>ANNUAL MIP</u>
Purchase/Refinance & Streamline Refinance

Cases assigned 06/11/12 or later: Streamline Refinance of FHA loans endorsed on or before 05/31/09 = 0.55% MIP regardless of the Base Loan Amount or LTV

<u>Loan Term More Than 15 Years</u>
Cases Assigned on or After 01/26/15
Base Loan Amount $625,500 or less
- LTV 95.01% or more = .85%
- LTV 95.00% or less = .80%
Base Loan Amount above $625,500
- LTV 95.01% or more = 1.05%
- LTV 95.00% or less = 1.00%
Cases Assigned 04/01/13 – 01/25/15
Base Loan Amount $625,500 or less
- LTV 95.01% or more = 1.35%
- LTV 95.00% or less = 1.30%
Base Loan Amount above $625,500
- LTV 95.01% or more = 1.55%
- LTV 95.00% or less = 1.50%</td><td>
<table>
<tr><th>Type of Veteran</th><th>Down payment</th><th>Percentage for first time</th><th>Percentage for Subsequent Use</th></tr>
<tr><td>Regular Military</td><td>None
5% or more
10% or more</td><td>2.15%
1.50%
1.25%</td><td>3.30%
1.50%
1.25%</td></tr>
<tr><td>Reserves/ National Guard</td><td>None
5% or more
10% or more</td><td>2.40%
1.75%
1.50%</td><td>3.30%
1.75%
1.50%</td></tr>
</table>
Cash-out Refinancing Loans:
Note: There are no reduced funding fees for regular refinances based on equity. Reduced fees only apply to purchase loans where a down payment of at least 5 percent is made.
<table>
<tr><th>Type of Veteran</th><th>Percentage for First Time Use</th><th>Percentage for Subsequent Use</th></tr>
<tr><td>Regular Military</td><td>2.15%</td><td>3.3%”</td></tr>
<tr><td>Reserves/ National Guard</td><td>2.40%</td><td>3.3%”</td></tr>
</table>
“The higher subsequent use fee foes not apply to these types of loans if the veteran’s only prior use of entitlement was for a manufactured home loan.
<table>
<tr><th>Type of Loan</th><th>Percentage for Either Type of Veteran Whether First Time or Subsequent Use</th></tr>
<tr><td>IRRRLs</td><td>0.50%</td></tr>
</table>
</td></tr>
</table>

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<table>
<tr><th></th><th>Conventional</th><th>FHA</th><th>VA</th></tr>
<tr><td>MI/MIP/UFMIP/VAFF (cont.)</td><td></td><td><u>Loan Terms 15 Years or Less</u>
Cases Assigned on or After 04/01/13
Base Loan Amount $625,500 or less
- LTV 90.01% or more = .70%
- LTV 78.01% to 90.00 % = .45%
Base Loan Amount above $625,500
- LTV 90.01% or more = .95%
- LTV 78.01% to 90.00 % = .70%
Cases Assigned 04/01/13 – 06/02/13
All Base Loan Amounts
- LTV 78.00% or less = 0.00%
Cases Assigned on or After 06/03/13
All Base Loan Amounts
- LTV 78.00% or less = .45%</td><td><table><tr><td>Manufactured Home Loans (NOT permanently affixed)</td><td>1.00%</td></tr><tr><td>Loan Assumptions</td><td>0.50%</td></tr></table>The Funding Fee Exemption Status on IRRRLs is displayed in webLGY at the time the Case Number is ordered
The Subsequent Use Funding Fee Condition indicates the veteran has used their home loan benefit before so a higher funding fee is required.</td></tr>
<tr><td>Eligibility Specifics</td><td>N/A</td><td>N/A</td><td>In general, maximum guaranty, assuming the veteran has full entitlement, is as shown in the table below.<table><tr><th>Loan Amount</th><th>Maximum Potential Guaranty</th><th>Special Provisions</th></tr><tr><td>Up to $45,000</td><td>50 percent of the loan amount.</td><td>Minimum guaranty of 25 percent on IRRLs.</td></tr><tr><td>$45,001 to $56,250</td><td>$22,500</td><td>Minimum guaranty of 25 percent on IRRLs.</td></tr><tr><td>$56,251 to $144,000</td><td>40 percent of the loan amount, with a maximum of $36,000</td><td>Minimum guaranty of 25 percent on IRRLs.</td></tr><tr><td>$144,001 to $417,000</td><td>25 percent of the loan amount</td><td>Minimum guaranty of 25 percent on IRRLs.</td></tr><tr><td>Greater than $417,000</td><td>The lessor of:
• 25% of the VA county loan limit, or
• 25% of the loan amount</td><td>Minimum guaranty of 25 percent on IRRLs.</td></tr></table>A veteran is eligible for VA home loan benefit if he or she served on active duty in the Army, Navy, Air Force, Marine Corps, or Coast Guard after September 15, 1940, and was discharged under conditions other than dishonorable after either:
90 days or more, any part of which occurred during wartime, or
181 continuous days or more (peacetime)</td></tr>
</table>

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	Conventional	FHA	VA
Eligibility Specifics (cont.)			2-year requirement: A greater length of service is required for veterans • Enlisted (and service began) after 7,1980, or Entered service as an officer after October 16, 1981 These veterans must have completed either: • 24 continuous months of active duty, or • The full period for which called or ordered to active duty, but not less than 90 days (any part during wartime) or 181 continuous days (peacetime).
Credit			
Minimum FICO	At least one FICO is required per borrower. Minimum 620 FICO required for High Balance or Cash Out transactions.	At least one FICO is required per borrower. Minimum 580 FICO required for full credit qualifying loan with AUS Approve/Accept and for manual underwrite. ****FICO less than 620 with AUS Approve/Accept must meet manual underwrite guidelines (see Eligibility section for guidelines)**. Minimum 620 FICO required for High Balance or Cash Out transactions.	At least one FICO is required per borrower. Minimum 620 FICO required for High Balance or Cash Out transactions.
Non-Traditional Credit	Not allowed on any program		
Mortgage/Housing Lates	Max 2X30 in the last 12 months regardless of AUS	Max 2X30 in the last 12 months regardless of AUS For Streamline, no mortgage lates in last 6 months	Max 2X30 in the last 12 months regardless of AUS. For IRRRL, if loan will be 30 days or more past due as of the date of closing, loan must be submitted for prior approval to VA.
Paying down debt to qualify	Allowed with the exception of paying down/off a lease for qualifying is not allowed.	Closed-end debts do not have to be included in DTI if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5 percent of the Borrower's gross monthly income. The Borrower may not pay down the balance in order to meet the 10-month requirement. Paying down/off leases is not allowed.	Borrower may pay down a closed-end debt to less than 10 months but accounts with a term less than 10 months will not be excluded from debt ratios if payment is large enough to cause a severe impact on the family's resources for any period of time. Paying down/off leases is not allowed.
Qualifying Debt Ratios	Maximum 55% DTI regardless of AUS Approve/Accept When a non-occupant co-borrower is used, occupying borrower max debt ratio is 100%	Maximum 55% DTI regardless of AUS Approve/Accept When a non-occupant co-borrower is used, occupying borrower max debt ratio is 100% Maximum qualifying ratios for manually underwritten loans are determined according to the lowest minimum decision credit score and compensating factors. Lowest Minimum Decision Credit Score 580 and above: **1. 31/43** **2. 37/47** - Requires 1 of the following Compensating Factors: • Verified/documented cash reserves equal to or exceeding 3 (1-2 units) or 6 (3-4 units) total monthly mortgage payments.	Manual DTI ratio max at 41% unless the ratio is greater than 41% due to tax free income not grossed up which would result in a less than 41% DTI if grossed up OR compensating factors present. Compensating factors needed unless residual income exceeds the guideline by 20%.

	Conventional	FHA	VA
Qualifying Debt Ratios (cont.)		• Minimal Increase in Housing Payment - New total monthly mortgage payment doesn't exceed current total monthly housing payment by more than $100 or 5% (whichever is less); and - There is a documented 12 month housing payment history with no more than one 30 day late payment. In cash-out transactions all payments on the mortgage being refinanced were made within the month due for the previous 12 months. - May not be used as a compensating factor if the borrower has no current housing payment. • Residual income **3. 40/40** - No Discretionary Debt: • The borrower's housing payment is the only open account with an outstanding balance not paid off monthly; and • The credit report shows established credit lines in the borrower's name open for at least 6 months; and • The borrower can document these accounts have been paid off in full monthly for at least the past 6 months. **4. 40/50 -** Requires 2 of the following Compensating Factors**:** • Verified/documented cash reserves equal to or exceeding 3 (1-2 units) or 6 (3-4 units) total monthly mortgage payments. • Minimal Increase in Housing Payment - New total monthly mortgage payment doesn't exceed current total monthly housing payment by more than $100 or 5% (whichever is less); and - There is a documented 12 month housing payment history with no more than one 30 day late payment. In cash-out transactions all payments on the mortgage being refinanced were made within the month due for the previous 12 months. - May not be used as a compensating factor if the borrower has no current housing payment. • Significant Additional Income (Overtime, Bonuses, Part-Time or Seasonal Employment) Not Reflected in Effective Income - Received for at least 1 year, and will likely continue; and - If it were included in gross effective income, is sufficient to reduce the qualifying ratios to not more than 37/47. • Residual income	
Income/Employment			
Residual Income	N/A	**If required for the transaction Residual income is calculated as total effective income of all occupying borrowers less: • state income taxes; • federal income taxes;	**If required for the transaction Residual income is calculated as net effective income minus monthly shelter expense.

	Conventional	FHA	VA
Residual Income (cont.)		• municipal or other income taxes; • retirement or Social Security; • total fixed payments (includes total Mortgage Payment and monthly obligations on all debts and liabilities); • estimated maintenance and utilities; • job related expenses (e.g., child care); and • the amount of the gross-up of any non-taxable income.	
VVOEs	**Employed borrowers** – required within 10 days prior to the Note date • Independently obtain a phone number and, if possible, an address for the borrower's employer. This can be accomplished by using a • telephone book, the Internet, directory assistance, or by contacting the applicable licensing bureau. • Contact the employer verbally. The conversation must be documented. It should include the following: • name and title of the person who confirmed the employment, • name and title of the person who completed the verification for IFFG, • date of the call, and • the source of the phone number. **Self-employed borrowers** – required within 30 days prior to the Note date • Verify the existence of the borrower's business • from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; or • by verifying a phone listing and address for the borrower's business using a telephone book, the Internet, or directory assistance. • Document the source of the information obtained and the name and title of the IFFG employee who obtained the information.		
Tax Transcripts - when are they required and when can they be used in lieu of tax returns	Full Tax Transcripts are required when Federal Tax Returns are required for qualifying income type. If Federal Tax Returns are not required for the loan, then W-2 Transcripts are sufficient assuming borrower is W-2 wage earner. Some type of Transcript will be required for every loan file and may affect where the loan can be sold. **Subject to underwriter exception review, in specific cases where the borrower cannot locate their Federal Tax Return and the Tax Returns were self-prepared and there is no negative income reflected on any Schedule, Tax Transcripts may be used in lieu of Federal Tax Returns.		
Tax Returns	Federal Income Tax Returns filed with the IRS for the past two years (or per findings if allowed) are required for the following sources of income or employment: • earns 25% or more of his or her income from commissions; • is employed by family members; • is employed by interested parties to the property sale or purchase; • receives rental income from an investment property (only one year of tax returns is required unless the borrower meets one or more of the other conditions in this list); • receives income from temporary or periodic employment (or unemployment) or employment that is subject to time limits, such as a contract employee or a tradesman; • receives income from capital gains, royalties, real estate, or other miscellaneous non-employment earnings reported on IRS Form 1099; • receives income that cannot otherwise be verified by an independent and knowledgeable source; • uses foreign income to qualify; • uses interest and dividend income to qualify; • uses tip income reported on IRS Form 4137 that was not reported by the employer on the W-2 to qualify; or • receives income from sole proprietorships, LLCs, partnerships, corporations or any other type of business structure in which the borrower has a 25% or greater ownership interest. To utilize one year of tax returns for Freddie Mac, 5 years of self-employed business existence must be verified. Verification can be provided by a CPA, business tax returns, professional business license		
Assets			
Bank Statements	The two most recent monthly statements for each asset account, regardless of AUS findings.		
Business Funds	Allowed for use of funds for the down payment, closing costs and reserves if borrower is 100% owner of business and a business cash flow analysis has been completed by the underwriter to determine that the withdrawal of funds from the business for the transaction will not have a negative impact on the business. Three (3) months of business bank statements are required for the analysis. Business Tax Returns are required as well.		

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	Conventional	FHA	VA
Property			
Deed Restrictions	Generally not allowed unless Affordability-Related or Age-Related. All other Deed Restrictions will be reviewed on a case-by-case basis.		
Flips	Allowed if loan is not HPML. If loan is HPML, see your manager.	**Resales Occurring within 90 Days or Fewer After Acquisition:** A property that is being resold within 90 days or fewer following the current owner's date of acquisition is not eligible for an FHA-insured Mortgage. **Resales Occurring Between 91-180 Days After Acquisition:** A Mortgagee must obtain a second appraisal by another appraiser if: • the resale date of a property is between 91 and 180 days following the acquisition of the property by the seller's; and • the re-sale price is 100 percent "over the purchase price" paid by the seller to acquire the property. The required second appraisal from a different appraiser must include documentation to support the increased value. If the second appraisal supports a value of the property that is more than 5 percent lower than the value of the first appraisal, the lower value must be used as the property value in determining the adjusted value. The cost of the second appraisal may not be charged to the borrower. The Mortgagee must obtain a 12-month chain of title documenting compliance with time restrictions on resales. **Exceptions to FHA property flipping restrictions are made for:** • properties acquired by an employer or relocation agency in connection with the relocation of an employee; • resales by HUD under its real estate owned (REO) program; • sales by other U.S. government agencies of Single Family Properties pursuant to programs operated by these agencies; • sales of properties by nonprofits approved to purchase HUD-owned Single Family properties at a discount with resale restrictions; • sales of properties that are acquired by the seller by inheritance; • sales of properties by state and federally-chartered financial institutions and Government-Sponsored Enterprises (GSE); • sales of properties by local and state government agencies; and • sales of properties within Presidentially Declared Major Disaster Areas (PDMDA), only upon issuance of a notice of an exception from HUD. • The restrictions listed above and those in 24 CFR 203.37a do not apply to a builder selling a newly built house or building a house for a borrower planning to use FHA-insured financing.	Allowed - multiple title transfers within the last year require scrutiny by the underwriter.

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	Conventional	FHA	VA
Interested Party Contributions	The table provides IPC limits for conventional mortgages. IPCs that exceed these limits or the total of closing costs are considered sales concessions. The property's sales price must be adjusted downward to reflect the amount of contribution that exceeds the maximum, and the maximum LTV/CLTV ratios must be recalculated using the reduced sales price or appraised value. IPCs can be used for: • Up to 30 days of interest • Real estate taxes if taxes are being impounded • Up to 14 months of property insurance premiums • Up to 12 months of HOA assessments • Initial and/or mortgage insurance premiums • Escrow accruals for renewal of borrower purchased MI • Temporary or permanent interest rate buydown	Interested parties refer to sellers, real estate agents, builders, developers or other parties with an interest in the transaction. Interested parties may contribute up to 6 percent of the sales price toward the borrower's origination fees, other closing costs and discount points. The 6 percent limit also includes: • Payment for permanent and temporary interest rate buydowns, and other payment supplements; • Payments of mortgage interest for fixed rate mortgages; • Mortgage payment protection insurance; and • Payment of the Upfront Mortgage Insurance Premium (UFMIP). Interested party contributions that exceed actual origination fees, other closing costs, and discount points and interested party contributions exceeding 6 percent are considered inducements to purchase and result in a dollar-for dollar reduction to the purchase price when computing the adjusted value of the property before applying the appropriate loan-to-value (LTV) percentage. Interested party contributions may not be used for the borrower's minimum required investment (MRI). Payment of real estate agent commissions or fees, typically paid by the seller under local or state law, or local custom, is not considered an interested party contribution.	Seller concessions include, but are not limited to, the following: • payment of the buyer's VA funding fee • prepayment of the buyer's property taxes and insurance • gifts such as a television set or microwave oven • payment of extra points to provide permanent interest rate buydowns • provision of escrowed funds to provide temporary interest rate buydowns, and • payoff of credit balances or judgments on behalf of the buyer. Seller concessions do not include payment of the buyer's closing costs, or payment of points as appropriate to the market.
	Max IPC:		
	O/O or 2nd home > 90% LTV 3% max IPC		
	O/O or 2nd home 74.01% - 90% LTV 6% max IPC		

	Conventional	FHA	VA
Interested Party Contributions (cont.)	O/O or 2nd home 75% or less 9% max IPC		
	N/O/O all LTV and CLTV ratios 2% max IPC		
Employment Agreements or Contracts	A paystub will be required prior to closing.		