

Texas Cash-out Program Guide

Fixed Rate

Wholesale Lending
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Program Overview

This Program Guide provides an overview of the conventional products and policies eligible for delivery to Nations Direct Mortgage for financing consideration. The details are based on the policies outlined in the Fannie Mae Single Family Selling Guide ("Fannie Mae Seller Guide"). This document also identifies overlay restrictions specific to Nations Direct Mortgage. The guidelines within this document apply to all loans evaluated using LP or DU unless stated otherwise.

Employee Loan Policy

Loans to the originating Broker and/or their employees are allowed subject to Second Level Review and approval by a Credit Risk Underwriter.

Credit Philosophy

Ability to Repay and Qualified Mortgage

Nations Direct Mortgage is committed to complying with Ability-to-Repay and Qualified Mortgage rules (ATR/QM) by making a reasonable, good-faith determination that borrowers have a reasonable ability to repay the loan in accordance with the policies set forth within Fannie Mae and Freddie Mac guidelines. Factors considered in making this determination include the borrower's income, assets and employment status (if relied on) against the mortgage loan payment, ongoing expenses related to the mortgage loan or the subject property, payments on simultaneous loans secured by the subject property, other debt obligations, and alimony and child-support payments as required by Fannie Mae and Freddie Mac. A borrower's credit history is also considered in the evaluation and must comply with Fannie Mae and Freddie Mac policies. Nations Direct Mortgage will utilize reasonably reliable third party sources of information.

Program Parameters

Texas Cash-out refers to financing provided in accordance with the requirements of Section 50 (a)(6)of the Texas Constitution. Under Section 50 (a)(6)of the Texas Constitution, a borrower may complete a cash out refinance using their primary residence as collateral. Once Texas Cash-out financing has been provided, all future refinance transactions must be treated as a Texas Cash-out even if the borrower is not receiving any cash out.

Texas Cash-out loans are eligible for financing provided:

- the loan complies with all the policies outlined within this document.
- the broker must be properly licensed or registered in compliance with Texas regulations
- Loans must be closed in a Texas Title company's office. No mobile notaries are permitted.

Eligible Programs

- Fannie Mae Program – Fully Amortizing Fixed Rate
- DU Refi Plus – Fully Amortizing Fixed Rate

Ineligible Programs/Features

- Adjustable Rate Mortgages
- Freddie Mac
- High Balance loans
- Government loans
- Jumbo loans

LTV Matrices

Texas Cash-out Fully Amortizing Fixed Rate							
Occupancy	Purpose	Units	LTV	CLTV	Credit Score	DTI Ratio	Reserves
Primary Residence	Rate/Term Cash Out	1	80%	80%	Follow Fannie Mae guidelines as applicable		

Document Providers

All documents must be reviewed by McGlinchey Stafford and Youngblood & Associates.

The Notice Concerning Equity Loan Extension of Credit must be provided to the borrower in the language spoken during the initial interview. To ensure the disclosure is provided to the borrower in the correct language, the loan officer must add a comment to the Loan Submission form identifying the language spoken. The processor must properly identify the language spoken when ordering documents.

Fees

- Borrower paid fees are limited to 3% of the principal balance (including the origination fee). The following are not included in the 3% limitation:
 - closing costs paid with premium pricing
 - Broker fees if taken out of Nations Direct Mortgage discount points or paid out of premium pricing; if fees paid other than out of Nations Direct Mortgage discount, Broker fees must be included in the fee cap.
 - per diem interest
 - Discount points used to reduce the interest rate
 - Escrow/impound funds
 - Escrow waiver fees
- If borrowers are paying discount points, the borrowers, owners-in-title and/or spouse must execute the TX Home Equity Discount Point Acknowledgment.

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- Only fees which are allowed by State Law and RESPA/ECOA regulatory guidelines can be charged to the borrower and MUST be accurate and reflected on the LE and the CLOSING DISCLOSURE. Only the following fees are allowed to be collected in the State of Texas:
 - Origination
 - Discount
 - Credit Report
 - Appraisal
 - Administrative Fee
 - Broker Fees
 - Title Search fees
 - Title Insurance Premium Fee
 - T2, T42 and T42.1 Endorsement Fees
 - Title Examination fee
 - Survey
 - Recording Fee

Policies Applicable on all Texas Cash-out Transactions

All Texas Cash-out transactions must comply with the more restrictive of the Fannie Mae base program guidelines or the Texas Cash-out guidelines outlined within this document.

General

- An equity loan may not be refinanced more than once a year (>12 months).
- All loans must be run through DU an Approve/Eligible recommendation.
- A full appraisal must be obtained regardless of DU findings.
- The lender, not DU, is responsible for identifying a Texas Cash-out 50(a)(6).

Program Restrictions

- Maximum LTV/CLTV is the lesser of 80% or the LTV/CLTV listed in the program-specific LTV Matrix
- Primary Residence only
- Fully Amortizing programs only
- None of the following:
 - Interest Only
 - Temporary Buy-downs
 - ARM loans
 - Balloon loans
 - Special Purpose Cash-Out Refinance loans
 - High Balance loans

Borrower Restrictions

- A married borrower cannot create a lien against the property unless his/her spouse consents to the lien by signing all applicable program and closing disclosures and documents.
- An owner-in-title (whether a spouse or individual) must sign the application and Texas Home Equity Notice (English) or Texas Home Equity Notice (Spanish) notice at the time of application, along with all appropriate documentation.
- Ineligible Borrowers include:
 - Co-Signer(s)
 - Non-Occupant Co Borrowers
 - Foreign Nationals
 - Trusts

Power of Attorney

- Not allowed

Property Restrictions

- 1 unit dwellings only
- Maximum 10 acres
- Survey required to:
 - Confirm lot size
 - Evidence homestead property and any adjacent land are separate
 - Evidence homestead and property is a separately platted and subdivided lot for which full ingress and egress is available
- Properties must be served by municipal utilities, fire and police protection
- Homestead must be separate parcel within permissible acreage
- The following property types are not eligible:
 - 2-4 unit dwellings
 - Properties zoned or designated commercial
 - Properties designated or zoned as agricultural (including properties used primarily for milk production)
 - Resale Restricted properties
 - Mixed Use properties
 - On-Frame modular homes built on a steel undercarriage
 - Working farms and ranches
- Escrow holdbacks are not allowed.
- Rural Property will be considered on an exception basis. A property that DOES NOT meet the following guidelines is considered to be rural:
 - Dwelling must be located within the limits of a municipality or its extraterritorial jurisdiction or a platted subdivision, and
 - Served by at least 3 of the following public utilities:
 - ♦ Electric
 - ♦ Natural Gas
 - ♦ Sewer
 - ♦ Storm Sewer

- ◆ Water

12-Day Cooling Off Period

- Loan may not be closed until at least 12 calendar days after the borrower has dated and signed the initial application and Notice Concerning Equity Loan Extension of Credit.
 - Econsent signatures are acceptable
- The "cooling off" period in which the borrowers, owners-in-title, and/or spouse (including non-borrowing spouse) can change his/her mind about the Texas Cash-out first mortgage runs from the later of:
 - The date the **initial** loan application is signed, or
 - The date that the Notice Concerning Equity Loan Extension of Credit is signed and dated by the borrowers, owners-in-title, and/or spouse.

Secondary Financing

- New subordinate financing is not allowed.
- Existing subordinate financing may remain in place subject to the following:
 - Second lien must re-subordinated.
 - Maximum 80% CLTV.
 - Second Lien may not be a HELOC.

Payoff of Debt

- Lender may require the payoff of the existing first lien as part of the loan approval. However:
 - Lender may not require any other lender-owned debt be paid off as part of the transaction as a condition of loan approval.
 - Loan approval may require the payoff of non-lender owned debt if necessary for qualifying purposes.

Closing

- Title
 - A title insurance policy written on Texas Land Title Association forms (standard or short) including T42 and T42.1 endorsements is required.
 - For self-employed borrowers operating a business from the homestead property, the title company must issue a T42.1 endorsement without exception or deletion.
 - Title may not include language that:
 - ◆ excludes coverage for a title defect that arises because financed origination expenses are held not to be "reasonable costs necessary to refinance" or
 - ◆ defines the "reasonable costs necessary to refinance" requirement as a "consumer credit protection" law since the standard title policy excludes coverage when lien validity is questioned due to a failure to comply with consumer credit protection laws.
- Final CLOSING DISCLOSURE and final loan application

- The final CLOSING DISCLOSURE and a copy of the final loan application must be delivered to/accepted by the borrower(s) during normal business hours. Closing may occur the business day after the receipt of the final CLOSING DISCLOSURE and a copy of the final loan application. If any changes are made to the CLOSING DISCLOSURE or final loan application, the borrower(s) must close the business day after the receipt of the revised documents:
 - ♦ Weekends and state federal holidays are not considered business days
 - ♦ Examples of required time periods are:
 - CLOSING DISCLOSURE and final loan application delivered to/accepted by the borrower(s) on Tuesday, loan can close on Wednesday; or
 - CLOSING DISCLOSURE and final loan application delivered to/accepted by the borrower(s) on Friday, loan can close on Monday
- If the final CLOSING DISCLOSURE and copy of the final loan application are not provided to the borrower(s) on the same day, the loan must close the business day after the latest date that the borrower(s) receives the final CLOSING DISCLOSURE or copy of the final loan application.
- Borrower must sign the Acknowledgment of Itemization of Fees, Points, Interest, Costs and Charges for Texas Cash-out Loan or Line of Credit to evidence their receipt of the final CLOSING DISCLOSURE and loan application at least one day prior to closing.
- Federal Notice of Right to Cancel and Texas Cash-out/Texas HELOC Notice of Right to Rescind must be signed by all borrowers, owners-in-title, and/or spouse (including non-borrowing spouse)
- The following additional Texas Cash-out Specific documents must be included in the closing package:
 - Acknowledgement of Fair Market Value signed by lender and borrower
 - Texas Home Equity Security Instrument (form 3244.1)
 - Texas Home Equity Note (Fannie form 3044)
 - Texas Home Equity Affidavit and Agreement (Form 3185)
 - Texas Home Equity Condo Rider (form 3140.44), if condo
 - Texas Home Equity PUD Rider, (form 3150.44), if PUD
 - Texas Home Equity Certificate from Originating Lender's Regarding Compliance with Section 50(a)(6) Article XVI of the Texas Constitution signed by the Seller's Attorney
 - If borrower owns more than one dwelling, loan file must include an Affidavit of Non-Homestead for all other dwellings.
 - Escrow waivers are allowed. The escrow waiver fee is a loan level price adjustment (LLPA) and is NOT included in the 3% fee limit.
 - Loans must be closed in a Texas title office. No mobile notaries.