



first community mortgage



fcmFirst Guidelines

Program Codes

FCM1FAC30
FCM1FAHP30
FCM1FAHR30
FCM1FA2nd
FCM1SBC30
FCM1SBHP30
FCM1SBHR30
FCM1SB2nd
8.2022



Fixed Rate Purchase				
Occupancy	Number of Units	Maximum LTV ^{1,2,4} /CLTV ³ /HCLTV	FICO	DTI
Primary Residence	1 Unit	97% / 105%	660	The lesser of AUS or 50%

¹ Up to 97% LTV permitted in accordance with Fannie Mae/Freddie Mac guidelines (conforming only)

² Refer to First Time Home Buyer section for additional details

³ Up to 105% CLTV permitted with Community/Affordable Seconds in accordance with Fannie Mae/Freddie Mac guidelines

⁴Minimum LTV 80.01%

Overlays to Fannie Mae guidelines are underlined and in italics



Loan Purpose

Purchase

Primary residence, 1-unit only

Ineligible Product Types

- HomeStyle Renovation/Energy
- CHOICERenovation
- HFA Preferred
- HFA Advantage

First-time homebuyer program

See First-time homebuyer requirements in Eligibility and Requirement section

Non-Arm's Length Transactions

Refer to Fannie Mae Seller Guide or Freddie Mac Seller Guide as applicable

Credit

Credit Requirements

DU Approve/Eligible or LPA is required.

- Credit evaluated by AUS
- Manual underwriting is not permitted
- Delegated underwriting only. Non-delegated underwriting not permitted.
- Non-traditional credit is not permitted

Age of Documents

- All credit documents must be dated within 120 days of the note date
- Preliminary title policies must be no more than 180 days old on the date the note is signed

FICO Requirements

Minimum FICO score is 660

Significant Derogatory Credit

Refer to Fannie Mae Seller Guide or Freddie Mac Seller Guide as applicable

Maximum Loan Amount

Current conforming limits



Income

The income used to qualify the borrower converted to an annual basis must not exceed 140% of the Fannie Mae/Freddie Mac Area Median Income (AMI) – refer to below link as applicable. Other limits may apply (please see First Time Home Buyer Requirements section)

[Fannie Mae AMI Limits](#)

[Freddie Mac AMI Limits](#)

Lender must attempt to verify all income listed on the Uniform Residential Loan Application. Any discrepancies, including underreported income, must be corrected and submitted to DU. All reported income that is verified and meets the criteria for stable monthly income must be used to qualify the borrower.

Employment and income documentation must comply with the requirements of the AUS findings and the Fannie Mae Seller Guide or Freddie Mac Seller Guide as applicable, including all additional investor COVID guidelines and diligence requirements for income and employment verification that are still in place.

Approved third party suppliers and distributors that generate employment and income verification reports are permitted for the purpose of verifying income and/or employment.

Lender must attempt to verify all income listed on the Uniform Residential Loan Application or disclosed at any time throughout the loan process. Any discrepancies, including underreported income, must be corrected and submitted to DU/LPA. All reported income that is verified and meets the criteria for stable monthly income must be used to qualify the borrower.

FCM will require, when self-employment is used to qualify, verification that the borrower's business is open, and operating must be confirmed within twenty (20) business days prior to the note date

- For salaried employees, the verbal verification of employment must be completed within ten (10) business days prior to the note date
- Income validation obtained through DU may fulfill the VVOE requirement provided that it is obtained within ten (10) business days prior to the note date
- For self-employed borrowers, the verbal verification of employment must be completed within 120 calendar days prior to the note date
- All sources of qualifying income must be legal in accordance with all applicable Federal, State and Local laws, rules and regulations, without conflict
- A 4506-C form is required *to be signed at closing* for all transactions.
- Transcript Requirements:
 - *Tax transcripts are required for any loans where tax returns are used for calculation of income used to qualify*
 - *Tax transcripts are required in the following circumstances:*
 - *When tax returns are used to qualify a borrower. The number of years provided must be based on the DU findings. Income verified via tax returns includes but is not limited to the examples listed below:*
 - *Self-employment income*
 - *Rental Income*
 - *Other Income Sources (i.e. Dividend/Interest, Capital Gains, Alimony, etc.)*



- When a written VOE form 1005 is used as a standalone income verification
- Employment by family members
- When amended tax returns have been filed, tax transcripts are required and must support the amended income

Freddie Mac Only:

- FCM will only accept an email as an alternate VVOE for salaried, hourly and commissioned income borrowers. When an email is used, it must:
 - be from the borrower's employer's HR department, and
 - be from the employer's email address, such as name@company.com, and
 - contain all the standard information required on a verbal verification of employment, including the name, title, and phone number of the person providing the verification.
 - Paystubs and bank statements will not be eligible alternatives to VVOEs

Assets

Asset Documentation

Asset documentation must comply with the requirements of AUS findings and the Fannie Mae Seller Guide or Freddie Mac Seller Guide as applicable.

- Approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets.

Financing Concessions

Refer to Fannie Mae Seller Guide as applicable

Borrower Contribution

Refer to Fannie Mae Seller Guide as applicable



Appraisal Requirements

Determined by AUS findings

- Appraisal Condition rating of C5/C6 or Quality rating of Q6: Not permitted
- FCM will require successful UCDP Submission Summary Reports (SSRs) from both Fannie Mae and Freddie Mac. FCM will not purchase loans that include the proprietary messages that indicate 100% of the loans submitted with appraisals from the identified appraiser or supervisory appraiser will be reviewed, or that Fannie Mae/Freddie Mac will not accept appraisals from the identified appraiser or supervisory appraiser as applicable.

Appraisal Transfers

Appraisal transfers are permitted in accordance with the Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable.

Disaster Area Requirements

These guidelines describe the requirements for loans delivered to Company that are secured by properties located in a Declared Disaster Area as federally defined by FEMA or an investor or as determined by Company. This document outlines the minimum requirements for loans secured by properties impacted by a disaster in order to assist in ensuring marketability, soundness and value of the structure.

In addition to the requirements outlined in this document, Company reserves the right to impose restrictions and/or suspend purchases for properties subject to any disasters and adverse events that may impact the collateral.

This section provides guidelines to be followed for properties impacted by a disaster in:

- FEMA Major Disaster Declarations with designated counties eligible for individual assistance (IA)
- Areas where FEMA has not made a disaster declaration, but FCM or an Investor has determined that there may be an increased risk of loss due to a disaster
- Areas where there is reason to believe that a property might have been damaged in a disaster

Upon the occurrence of multiple events, such as a hurricane followed by a flood, the requirements of these guidelines apply to the date of the most recent event.

Notwithstanding any other requirements set forth herein regarding disasters and similar events, Seller represents and warrants that the property securing the Mortgage Loan is free of damage on the purchase date. In addition, any adverse event must be evaluated in terms of its effect on the subject's habitability, marketability, and value.

Seller is responsible for determining potential impact to a property located in an area where a disaster is occurring or has occurred. Irrespective of whether a declaration or announcement has been made, if Seller has reason to believe that a property might have been damaged in a disaster Seller must take appropriate action as outlined below to ensure that the property meets Company requirements and applicable investor requirements at the time of purchase by Company.

Additionally, if Company has a reason to believe that a property might have been damaged in a disaster and has placed a prior-to-purchase condition on the Mortgage Loan, then Seller must follow the requirements of the loan condition.



Disaster Assessment and Disaster Notification Announcements

Company will assess the significance of events in geographic areas impacted by disasters. The assessment will utilize data provided by FEMA and other sources regarding impacted areas. As a result of this assessment, Company may define the affected area differently than the FEMA declaration. Unless communicated otherwise, Company will utilize FEMA for declaration dates, incidents begin dates and incident end dates. The Company's Credit Policy department, at its discretion and if permitted by investor guidelines may choose to declare disaster incident period begin dates and/or incident period end dates other than those recommended by FEMA if there are mitigating factors. Company may communicate a list of counties and/or zip codes by which a property's location is determined to be covered by these guidelines as a disaster area.

Seller is responsible for monitoring the Disaster Declaration File and the FEMA Website including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster. In the event of a declared or undeclared disaster area requiring action, Company Loan Servicing will update the disaster file with the following information:

- Nature and location of disaster
- Disaster incident period (An incident period is defined as the beginning and subsequent ending date to a particular disaster). The incident beginning period is defined by FEMA.
 - Incident period end date may be either:
 - Determined by FEMA and published at FEMA.gov, or
 - Determined by Company and published in the Disaster Announcement, or
 - Determined by an Investor (Fannie Mae, Freddie Mac)
- Impacted counties as determined by FEMA's Major Disaster Declaration of areas eligible for individual assistance and/or Company and/or an Investor (Fannie Mae, Freddie Mac)
- Any related Company and/or Investor (Fannie Mae, Freddie Mac) announcements and special requirements
- Any additional documentation requirements, including
 - Additional appraisal or appraisal product requirements
 - Additional re-inspection requirements
 - Employment re-verification requirements if any
- Effective date of any requirements

Re-Inspection Requirements

The inspection document provided must address the specific disaster and indicate any apparent damage to subject property. Inspection reports may not be used to estimate or recertify value.

Loans with Appraisals (Not Yet Purchased)

If a property is in a Declared Disaster Area and the most recent appraisal was completed on or before the incident period end date, or an incident period end date has not yet been declared, then, subject to the applicable product matrix and investor requirements, Company requires that an acceptable property inspection dated after the declared incident period end date be completed prior-to-purchase confirming the property was not adversely affected by the disaster prior to our purchase of the Mortgage Loan.

- A final exterior inspection or appraisal with exterior photos update signed and dated by the original appraiser
 - Appraisal Update, form Fannie Mae 1004D, Disaster Inspection, or



- Completion Report, form Freddie Mac 442, or
- Property Inspection Report with exterior photos-
 - Form Fannie Mae 2075, or
 - DAIR

Loans without Appraisals Not Yet Purchased: See table below

If a property is in a Declared Disaster Area and the date of issuance of the PIW\ACE is on or before the incident period end date, or an incident period end date has not yet been declared, then, subject to the applicable product matrix and investor requirements, FCM requires that an acceptable property inspection dated after the declared incident period end date be completed prior-to purchase confirming the property was not adversely affected by the disaster prior to our purchase of the loan.

The inspection document provided must address the specific disaster and indicate any apparent damage to subject property. Inspection reports may not be used to estimate or recertify value.

If the re-inspection notes that the property is uninhabitable, unsound, or that the property condition has been affected by the disaster, then a new appraisal must be completed, including an interior inspection and interior and exterior photos showing that:

- All identified damages and associated repairs have been resolved and meet guidelines and,
- The property is habitable, sound, and the property value is supported

Loans without Appraisals

Program	Applies to	Property Inspection Requirements	
Fannie Mae	Loans with a Property Inspection Waiver (PIW) or any other Fannie Mae loan without an appraisal	Loans Not Closed	Loans Closed-Not Purchased
Freddie Mac	Loans with an automated Collateral Evaluation (ACE) or any other Freddie Mac loans without an appraisal	<ul style="list-style-type: none"> ● An acceptable property inspection with exterior photos dated after the incident end date is required and must indicate that the property has not been impacted by the disaster, or ● A Seller Certification meeting Company requirements as outlined above. <p>If re-inspection indicates no damage, then the PIW may be exercised.</p>	

If the re-inspection notes that the property is uninhabitable, unsound, or that the property condition has been affected by the disaster, then a new appraisal must be completed, including an interior inspection and interior and exterior photos showing that:

- All identified damages and associated repairs have been resolved and meet guidelines and,
- The property is habitable, sound, and the property value is supported



Eligibility/Requirements

Borrower Eligibility

Acceptable Residency statuses:

- US Citizen(s)
- Non-US Citizen(s) who are lawfully present in the United States. This includes both Permanent Qualified Resident Aliens and Non-Permanent Qualified Aliens
- Note: *If closing in a Trust, the Trust beneficiaries must meet one of the above residency statuses*
- Living Trust Agreement: Permitted in accordance with Fannie Mae guidelines. File must contain clear evidence of compliance.

Ineligible Borrowers

Loans to Limited Liability Corporations (LLCs) are not permitted

Eligible Property Types

- Single Family Detached
- Single Family Attached
- Single Family with Accessory Unit
 - Must be zoned single family
 - Subject to all applicable Fannie Mae guidelines
- Rural properties (must be residential in nature)
- PUDs permitted in accordance with Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable
- Condominiums permitted in accordance with Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable

Ineligible Property Types

- Manufactured Homes
- Cooperatives
- Mobile Homes
- Condotels
- Hotel Condominiums
- Timeshares
- Working Farms or Ranches
- Unimproved Land
- Community Land Trusts
- Group Homes

Homebuyer Education Requirements

Required for all borrowers, prior to close

- Must meet FNMA/FHLMC (as applicable) requirements:
 - DU/FNMA: HomeView
 - LPA/FHLMC: CreditSmart
- Post-purchase delinquency counseling not required



First Time Homebuyer Requirements

In accordance with the Fannie Mae Seller Guide

- Refer to Fannie Mae Seller Guide or Freddie Mac Seller Guide as applicable

HomeReady®/ Home Possible® - No first-time homebuyer requirement

- The income used to qualify the borrower converted to an annual basis must not exceed 80% of area median income (AMI)

LTV/CLTV/HCLTV \geq 95.01% - At least one borrower must be a first-time homebuyer**

LTV/CLTV/HCLTV $<$ 95.01% - No first-time homebuyer requirement

** First-Time Homebuyer Definition: At least one buyer must not have owned any residential property in the past three years. In addition, an individual who is a displaced homemaker or single parent will also be considered a first-time homebuyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period. See Fannie Mae/Freddie Mac guides for further information.



Underwriting

Delegated underwriting only

- Non-delegated underwriting not permitted

AUS

DU Approve/Eligible or LPA is required.

- Credit evaluated by AUS
- Manual underwriting is not permitted

DTI

Maximum DTI is the lesser of AUS or 50%

Subordinate Financing/Down Payment Assistance

- Fahe My Place Mortgage Interest-only Program:
 - Product code:
- Springboard To Homeownership Program:
 - Product code:

Other down payment /closing cost programs are permitted in conjunction with the Fahe My Place Mortgage Program or the Springboard To Homeownership Program

These programs must comply with the Fannie Mae Seller Guide Community Seconds /Freddie Mac Affordable Seconds Loan Eligibility Guidelines and must be subordinate to Springboard or Fahe's program, as applicable.

Escrow Holdbacks

Escrow holdbacks are permitted for outstanding minor repairs for incomplete construction or for alterations and repairs that cannot be completed prior to loan closing provided the subject property is habitable and safe for occupancy at the time of closing

- Follow Fannie Mae guidelines regarding reason, type of improvements, time to complete, quality, disbursements, and post-closing documentation
- It is the Seller's responsibility to forward final completion documents to FCM per Fannie Mae
- Loans with outstanding escrow repairs must not impact FCM's ability to deliver/sell the loan
- The correspondent lender or designated escrow company will be responsible for managing and disbursing the escrows
- The correspondent lender shall deliver loans that were originated in accordance with the Fannie Mae Seller Guide

Multiple Financed Properties

Refer to Fannie Mae or Freddie Mac Selling Guide as applicable

Escrow Waivers

Escrow accounts for property taxes, homeowner's insurance and flood insurance (if applicable) are required on all loans.



Mortgage Insurance

Mortgage Insurance Requirements

HomeReady/Home Possible Loans:

LTV	Coverage
95.01-97%	25%
90.01-95%	25%
85.01-90%	25%
80.01-85%	12%

Standard Loans:

LTV	Coverage
95.01-97%	35%
90.01-95%	30%
85.01-90%	25%
80.01-85%	12%

Conversion of Primary Residence

Permitted in accordance with Fannie Mae Selling Guide or Freddie Mac Seller Guide as applicable.



Compliance/General

High-Cost Loans

FCM will not purchase High-Cost Loans

Higher Priced Mortgage Loans (HPML)

FCM will purchase HPML in accordance with Fannie Mae/Freddie Mac guidelines as applicable

Geographic Restrictions

Eligible states:

- Springboard: ND, CO, CT, ID, NC, NM, OK, WY
- Fahe: AL, HI, IL (other than in Cook County which is not eligible), IN (other than in Allen, Kosciusko, LaGrange, Marion, Steuben and Wabash Counties which are not eligible), KY, MA, MD, ME, MI, MN, MO, MS, MT, NJ, TN, VA, & WI

All other states are ineligible, as well as properties outside of the United States in a Territory, Province or Commonwealth, including but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, or American Samoa



Description

- A thirty (30) year interest-only second mortgage for down payment and closing cost assistance. The second mortgage interest rate will be equal to the first mortgage rate.
- The second mortgage will be up to four percent (4%) of the lesser of the purchase price or the appraised value, with no dollar cap.
- It is combined with fcmFirst
- The Borrower will sign a second promissory note and a second trust/deed which will be recorded as a subordinate lien on the Property.
- Second mortgage proceeds may be used to fund up to one hundred percent (100%) of the Borrower's cash to close. The only cash back permissible to the Borrower is a refund of any earnest money, prepaid fees and interest or tax credit.
- Other down payment / closing cost programs are permitted to be used in conjunction with the Springboard To Homeownership Program and must also meet the Fannie Mae Community Seconds Loan Eligibility and Fact Sheet or Freddie Mac Affordable Seconds Loan Eligibility and Fact Sheet, as applicable (See Subordinate Financing section below.)

Repayment Terms

- Interest only payments will be due monthly
- The second mortgage is due and payable upon the sale, refinance or transfer of the Property, or maturity or early payoff of the first mortgage
- NOT FORGIVABLE

Eligible Loans

- Offered in conjunction with fcmFirst

AUS Underwriting

- Approve/eligible only from Desktop Underwriter (DU®) or Accept/Eligible from Loan Product Advisor (LPA®)
- Manual underwriting is not permitted.

First Time Homebuyer Requirements

- Fannie Mae HomeReady® or Freddie Mac Home Possible® – No first-time homebuyer requirement
 - The income used to qualify the Borrower converted to an annual basis must not exceed eighty percent (80%) of the Area Median Income (AMI).
- Fannie Mae/ Freddie Mac Conventional LTV 95.01% - 97% - At least one Borrower must be a first-time homebuyer.*
- Fannie Mae/ Freddie Mac Conventional LTV < 95.01% - No first-time homebuyer requirement.
- Note: High balance/Super Conforming loans are limited to 95% maximum Loan-to-Value (LTV) and 105% maximum Combined LTV.

*First-time Homebuyer Definition: At least one buyer must not have owned any residential property in the past three (3) years. In addition, an individual who is a displaced homemaker or single parent will also be considered a first-time homebuyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three (3) year time period. See Fannie Mae Selling Guide or Freddie Mac Guide for further information.



DTI

- Maximum Debt-to-Income (DTI) is the lesser of Automated Underwriting System (AUS) or fifty percent (50%).
- DTI ratios to be calculated using the interest only payment from the second mortgage.

Credit Score Requirement

- 660 minimum FICO score

Eligible Property Types

- 1 unit primary residence, Condominiums, Planned Unit Developments (PUDs), Townhomes, Accessory Units (must meet Fannie Mae/ Freddie Mac Guidelines and be zoned as Single Family Residence).

Loan Purpose

- Purchases only

Occupancy

- Owner occupied only. Borrowers and spouses must reside in the U.S. and occupy the Property as their primary residence within sixty (60) days of closing.

Borrower Contribution

- No minimum Borrower contribution

Program Income Limits

- Income limits: Less than or equal to one hundred forty percent (140%) AMI as described in Fannie Mae's Income Lookup Tool or Freddie Mac's Income Eligibility Tool.
- All stable and verifiable income listed on the Uniform Residential Loan Application, or disclosed at any time during the loan process, must be submitted to AUS and applied against the Program income limits.
- Follow Fannie Mae Selling Guide or Freddie Mac's Single-Family Seller Guide, as applicable, with respect to allowable income sources and calculation methods.

Subordinate Financing

- Other down payment /closing cost programs are permitted in conjunction with the Springboard To Homeownership Program.
 - These programs must comply with all Fannie Mae Community Seconds Loan Eligibility guidelines or Freddie Mac Affordable Seconds Loan Eligibility guidelines
- Must be subordinate to first and second lien.

Subordination

- Not permitted

Home Buyer Education

- Required prior to close for all Borrowers and must comply with Fannie Mae or Freddie Mac Homebuyer Education Requirements.
 - DU/FNMA: HomeView
 - LPA/FHLMC: CreditSmart
- Post-purchase delinquency counseling is not required.



Disclosure

- Must comply with TILA-RESPA Integrated Disclosure (TRID) rules:
 - A completed Loan Estimate and Closing Disclosure are required.
- Other federal and state disclosures regarding second liens may apply.
- Other than the Program Fees listed below, no other fees are permitted or charged to the Borrower.

Second Loan Amount Calculation

- Second loan amounts are always calculated as a percentage of the lesser of the purchase price or the appraised value.