first community mortgage

EQUAL HOUSING LENDER

FCM NMLS ID 629700

Home Opportunity Loan (HOL) Guidelines

Program Code
HOL15
HOL30

9.2022

first community mortgage

Home Opportunity Loan (HOL)
Matrix

The following HOL Matrix and Guidelines are overlays to Agency Guidelines. Guidance not provided in the below guidelines will follow traditional conforming guideline standards.

Credit/LTV Matrix								
Credit Score[1]	LTV[2]	<= 60%	60.01-65%	65.01-70%	70.01-75%	75.01-80%	80.01-85%	85.01-90%
>= 720		6.875%	7.00%	7.125%	7.25%	7.50%	8.00%	8.50%
700-719		7.125%	7.25%	7.375%	7.50%	7.75%	8.00%	8.50%
680-699		7.125%	7.25%	7.375%	7.50%	7.75%	8.00%	NA
660-679		7.375%	7.75%	7.875%	8.00%	8.25%	8.50%	NA
640-659		7.625%	7.75%	7.875%	8.00%	8.25%	8.50%	NA
620-639		8.125%	8.25%	8.375%	8.50%	8.75%	9.00%	NA
No Score		9.00%	9.00%	9.00%	9.00%	9.50%	9.75%	NA
(*) No Score/No Rent History		9.75%	9.75%	9.75%	9.75%	9.75%	NA	NA

Term Adjustment			Cash-Out Adjustment	
	15 Year	-0.25%	Cash-Out Max LTV	0.25%
	30 Year	0.00%		80%

[1]Investment properties require a minimum 680 credit score and max LTV of 70%
[1]Second Homes require a minimum 680 credit score with max LTV of 80%
[2]Condominiums allowed up to 75% LTV
[2]LTV > 80% requires a 12-month rental history
[2]Loans with a Non-Occupying Co-Borrower- max LTV of 85%
** Jumbo Loans not eligible standard conforming loan limits*
**Manufactured Home (1994 or newer)- Primary Residence/Double-Wide Only*

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Underwriting

Underwriting exceptions are not allowed, guidelines must be followed exactly as written

General Information

- QM Eligible/Max 3% points & fees apply
- Max Insurance deductible is the greater of $2500 or 1% of the loan amount
- No purchase of REO property allowed
- Condition of property is required to be C4 or better
- Escrow Account is required and must be maintained for a minimum of 5 years
- MI is not required for LTV's greater than 80%
- No High Cost Loans

Minimum and Maximum Loan Amount

- The minimum base loan amount is $50,000
- The total maximum loan amount must be less than the maximum **conforming loan limits**

Maximum DTI

- Max DTI cannot exceed 43%

Refinance Requirements

- The borrower has paid the mortgage for the last 6 months prior to application
- The borrower must be in title to the subject property at the time of loan application

Properties Previously Listed for Sale

Primary Residence:

- Subject Property must be off the market for a minimum of three (3) months prior to application; and
- Borrower must provide, in writing, a letter of explanation for listing the property and confirmation of intent to occupy the subject property as a primary residence

Secondary/Investment:

- Subject Property must be off the market for a minimum of Six (6) months prior to application; and
- Borrower must provide, in writing, a letter of explanation for listing the property

Pricing and Fees

- Please refer to HOL Credit Matrix for pricing by Credit Score and LTV
    - Loans will be locked for 45 days but note rate can decrease prior to closing
    - Fees will follow FCM's current standard fee structure

Credit/Assets/Liabilities

Credit Qualification

- Minimum credit score is 620
  - Credit score used for qualification will be based on a traditional tri-merge credit bureau for an individual borrower. In the case of multiple borrowers, an average of all borrower's middle scores or lower score if only two bureaus have scores, single score if only one bureau has score.
    - If one borrower does not have a score, 620 will be used as their score for the average
- Credit reports must be pulled with borrower's full names and addresses as listed on the original application
- Tradeline requirements
  - Minimum 2 tradelines required per application
    - If the credit report does not have 2 tradelines, alternative credit may be used to meet the 2 tradeline requirement
    - If credit is no score, borrower must have 2 tradelines. 1 of the 2 tradelines can be an acceptable most recent 12 months of mortgage or rental verification
- Alternate trade lines must cover a 12-month period with the most recent reporting date being within 2 months of the application date to be considered a valid trade line
- Tradelines on the borrower credit denoted as an "authorized user" are ineligible for qualifying purposes
- A 12-month verification of rent or mortgage is required on all loans, regardless of LTV; with exception:
  - A rent-free letter will be accepted on LTV's <= 80% / No Score <= 75%
  - Primary Residence owned free and clear
- Derogatory Credit
  - Bankruptcy, Pre-Foreclosure, Foreclosure, Deed in lieu of foreclosure, or short sale history will require the following:
    - Satisfactory proof derogatory credit is >= 4 years from discharge or dismissal date
  - Tax Liens and Judgements on credit which have not been discharged or satisfied will require the following:
    - Must be included in DTI and monthly liability calculated based upon the written payment arrangement or based upon 3.5% of the balance
- Proof of payment on a tax liability is not required, unless it has become a tax lien or judgment
- Collection accounts - Follow FHA Collection/Judgement Requirements
- Liabilities paid by a third party can be excluded with verification of a 12-month payment history by that third party
- The following are acceptable documentation types for Rent Verification
  - Private Verification of Rent- completed as a credit supplement
  - Rental verification form
  - Copy of consecutive 12 months cancelled checks
  - Copy of bank statement(s) documenting the rental being withdrawn each month for a consecutive 12 months
- FCM's Lender Quality Initiative (LQI) policy applies to all ITIN loans
- Written letter of explanation is required for new credit inquiries
- Any additional liability disclosed on the application, or discovered during the loan process must be added to the loan qualification and may not be excluded, even if it is not on the credit report

Assets

- Asset accounts used for qualification or cash to close must be verified
  - FCM will accept most recent 60-day Bank statements
- No reserve requirement for credit score >=680
- 2 months reserves or certificate from an accredited credit counseling class required for credit score below 680 or no score
- Gift from a relative is an acceptable form of down payment
  - Review Gift Funds Section for additional restrictions
- Seller or another interested party may not contribute to the borrower's down payment
- Earnest Money Requirements:
  - Copy of the canceled earnest money check; OR
  - Bank statement showing the check has cleared; OR
  - Attorney or Title Company letter acknowledging receipt of funds is required
- Large deposits, above 100% of qualifying monthly income, will require a written letter of explanation from the borrower explaining the source of the funds
- The underwriter may ask for verification of any deposit if there is any indication/suspicion that the funds are borrowed or are from an ineligible source
- Self Employed borrowers must provide a letter from Tax preparer/CPA stating whether funds withdrawn from a self-employed borrower's business will have negative impact on that business

Gift Funds

- Gift funds cannot be used for reserves
- Donor availability of funds- follow conventional guidelines

Sales and Financing Concessions

- If the purchase price is less than or equal to the list price, sales concessions or interested party contributions will be accepted up to 6% of the purchase price
- If the purchase price is above the list price, sales concessions or interested party contributions will be accepted up to 3% of the purchase price
- Concessions/Contributions cannot exceed the actual costs
- Sales concessions or interested party contributions cannot be used for any part of the borrower's down payment

Disclosure

- Appraisal Delivery Waiver is not allowed

Income & Employment

Income Verification

- Primary wage earner requirements:
  - Primary wage earner has the highest income of all applicants
  - Primary wage earner must occupy the property as his/her primary residence
  - Tax returns for most recent 1 year prior to application verifying 1 year of stable employment
  - Written verification of employment/employer letter from the borrower(s) current employer
  - W2 borrowers' income, including variable income, is calculated by using the previous year and YTD from the WVOE's
- Self-employed borrower requirements:
  - Tax returns for most recent 1 year prior to the application verifying 1-year work in the same field
  - If the borrower is filing for an extension the following must be provided:
    - Most recent filed tax return and Proof the extension has been filed with the IRS
  - If the borrower(s) own 25% or more of a business, must provide business tax returns for most recent 1-year
  - A letter of explanation for any losses or significant income changes
  - Proof of payment on a tax liability is not required, unless it has become a tax lien or judgment
  - Income is calculated off the most recent year's tax returns
- Child Support or Alimony
  - Required Documentation
    - Executed copy of the fully executed Divorce Decree, property settlement agreement and/or parenting plan
    - Proof of child(ren)'s age
    - Proof of 3-year continuance and receipt of payment for most recent 12-months
- Rental income
  - Must be entered in the REO section and must include PITIA
  - Must be verified using a current 12-month lease or tax returns Schedule E
  - A 25% Vacancy/Maintenance factor will be deducted from gross rental income
  - Calculation of rental income will reduce total housing expenses, after the vacancy factor, and added as income or a liability
  - Proposed rental income, on a conversion from subject property to investment, will require an executed copy of the future lease and proof of security deposit
  - All tax returns must be fully executed by the borrower(s) prior to or at closing

Verification of Employment

- A verbal verification of employment covering a full 2-year period
- A verbal verification of employment will be required within 10 days of closing for all borrowers that are not self-employed
  - If a verbal verification of employment is unavailable or an employer will not provide, FCM will accept a 30-day bank printout showing recent payroll deposits

Eligibility

Eligible Loan Types

- Purchase
- No Cash-Out Refinance
- Cash-Out

Ineligible Loan Types

- ARM
- HELOC
- Bridge Loans
- Construction Loans
- Greater than 30-year terms
- Mobile to Land Loans
- Interest Only
- Balloon Payments
- Negative Amortization

Eligible Occupancy Types

- Primary Residence- Owner Occupied
- Investment Properties- minimum 680 credit score with 70% maximum LTV
- Second Homes- minimum 680 credit score with 80% maximum LTV

Property Flips

If the seller has acquired the subject property within the last 180 days, and the transaction is subject to Higher Priced Mortgage Loan (HPML/Section 35) the following is required:

- Current sales price is greater than 10% of the original seller purchase price and the purchase date is within 90 days, as second appraisal is required. Second appraisal cannot be charged to the consumer and are at cost of the Lender or third party
- Current sales price is greater than 20% of the original seller purchase price and the purchase date is within 91-180 days, a second appraisal is required. Second appraisal cannot be charged to the consumer and are at cost of the Lender or third party

Lesser of the two appraised values will be used for qualification

Eligible Properties

- Single Family Attached/Detached
- Manufactured Home (1994 or Newer)- Primary Residence and Double-Wide only
- Low/Mid/High-Rise Condos (warrantable/non-warrantable)
- Townhomes
- One-unit Attached/Detached PUDs

Geographic Restrictions

- Standard FCM geographic restrictions apply
    - Please click **here** to view our Wholesale/Delegated Correspondent Lending Territory

Borrower Identification

Documentation of Borrower's Identity is required prior to closing, FCM Patriot Act requirements apply. The following are required forms of identification:

- Unexpired Government Photo ID, e.g., Driver's License, Passport, etc.

  AND

- Supplemental documentation such as ITIN card or letter from IRS, Birth Certificate, Tax Returns, Paystub, Tax Bill, Social Security Card, Utility Bill, W-2, etc. may be requested

Non-Occupant Co-Borrower (s)

Non-Occupant Co-Borrower(s) must meet the following requirements:

- Max LTV of 85%
- Non-occupant Co-Borrower(s) is required to sign the note and mortgage
- Non-occupant Co-Borrower(s) cannot have interest in the subject property sales transaction to include but not limited to seller, real estate broker, or builder
- Occupying borrower must contribute to qualifying income and have a minimum 680 credit score