



Funding Partners
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H2O Quick Reference

Underwriting Guidelines

Eligible Borrowers:	First-time homebuyers, defined as borrowers who have not owned a residence within the past three years, or in case of divorce, ex-spouse of the borrower was awarded the primary residence that was not ordered sold. This applies to all signers to the loan.
Income Threshold:	80% of the most recently published HUD Area Median Income, adjusted for actual household size, for the county in which the property is located. Income is established by the currently demonstrated income, excluding overtime, shift bonus, commission and bonus income that have not been earned consistently for the most previous 2-year period with a strong likelihood of continuance.
Loan Amount:	5% of the purchase price, where price does not exceed maximum conventional conforming loan limits. FP reserves the right to further restrict maximum price based upon market conditions and household size.
Compatible Mortgages:	H2O may be used in conjunction with conventional conforming and certain portfolio programs that offer fixed or intermediate variable rate terms designed for entry-level buyers. (i.e. FLEX, My Community, 5/1, 7/1, etc.). <i>Interest Only 1st Mortgages, FHA, VA, Subprime and other non-conforming products are not permitted.</i>
Loan to Value:	Maximum Combined Loan to Value is 105% of purchase price.
Debt Ratio:	Maximum back ratio of 41%, to include all proposed housing related payments and contractual consumer obligations.
Minimum Investment:	Borrower must have a minimum direct transaction investment of \$1,000 from a source acceptable to the primary lender. In no case may the Seller satisfy this minimum requirement.
Assets:	Borrower may not have verified assets in excess of the purchase price.
Repayment:	Periodic payment of principal and equity share are not required. Payments for less than the full amount of principal, equity share and public recording fees are not accepted. Subsequent subordination requests are not permitted.
Use of Funds:	Down payment, closing costs and pre-paid items related to the primary loan.
Term:	Maximum term is 15 years.
Loan Fees:	\$150 Application Fee shall be charged only at the time of loan closing and reflected on the HUD1 Settlement Statement.
Collateral:	2 nd lien priority on subject real property. May take lesser lien priority as dictated by descending loan amount.
Shared Equity:	Pro rata share of borrower recognized property appreciation, calculated according to the percentage of the H2O loan to original purchase price. Resulting percentage is applied to appreciation gain at the time of loan repayment. Subsequent value is established by appraisal, sales price or satisfactory Comparative Market Analysis.
Homebuyer Training:	Required on all loans, as evidenced by a Fannie Mae, Freddie Mac, HUD or CHFA-approved provider.

Origination Procedures

- Application:** Mortgage loan officer submits Loan File Checklist to Funding Partners, complete with all documentation shown on the form. A loan commitment is usually issued within 48 hours, or less. Any remaining documentation requirements will be detailed.
- Processing:** Funding Partners will order title commitment and evidence of hazard insurance. Final loan documents are delivered electronically to loan officer for presentation to borrower. All outstanding items must be cleared prior to funding.
- Closing:** FP will deliver closing instructions and loan proceeds direct to title. Wires are sent 24 hours prior to scheduled closing date, so the loan officer must advise of any schedule changes as soon as possible.
- Fees Collected:** The Application Fee of \$150 is collected at closing, in addition to the public recording fee for the deed of trust (4 pages), and will appear on the HUD1 Settlement Statement. All settlement figures should appear on a single statement. FP will review and approve the final statement prior to funding. Title insurance is not required for H2O loans.
- Requirements:** LOAN OFFICER'S ARE REQUIRED TO PRESENT ALL H2O DOCUMENTS AT, OR PRIOR TO, CLOSING. Please note both the borrower and loan officer must execute the Lender Certification form, acknowledging disclosure of all loan terms and contact information.
- Settlement:** Borrower may NOT receive any proceeds at the time of settlement regardless of total contribution. Title will be instructed to show any excess proceeds as a principal reduction to FP on the Settlement Statement and return such funds for proper credit. No changes to the H2O loan documents or loan amount shown on the HUD1 are permitted as a result of excess proceeds.
- Post Closing:** The original deed will be recorded by title with all other original H2O loan documents returned to FP via overnight courier. Any excess proceeds will be applied as principal reduction, with applicable notice delivered to the borrower upon receipt.