EquitySelect
HELOC

Product Guideline Overview

EquitySelect
Product Matrix Overview

Key Product Features	
Purpose	Refinance
Lien Position	First Lien Position Only
Primary Residence	Owner Occupied
Max LTV	Max 74.99%
Max DTI	Max DTI 50%
Monthly Escrows / Impounds	Not Allowable
Minimum Monthly Payment Percentage Plan	The Borrower will choose a Minimum Monthly Payment Percentage Plan for the life of the loan equal to an annual rate of 1%, 2%, 3%, 4% or 5% (if available). The Minimum Monthly Payment Percentage Plan will be divided by 1/12 and calculated on the prior month's total outstanding amount. The Borrower will remit the Minimum Monthly Payment Percentage Plan on a monthly basis. Borrowers 59 years and younger do not have access to the 1% & 2% Minimum Monthly Payment Percentage Plans. Regardless of selected margin.
Minimum Payment Cap	The Minimum Monthly Payment Cap will be calculated by applying one-twelfth (1/12) of the selected Minimum Payment Plan Percentage to the estimated outstanding account balance assuming a 10% fixed rate of interest ("Qualifying Rate"), as of or close to, the end of the first (1), second (2), third (3), fourth (4), and fifth (5) year, applied to each Minimum Payment Plan of 5%, 4%, 3%, 2%, and 1% respectively, assuming the Home Equity Line of Credit was fully drawn at the date of closing and the calculated Minimum Monthly Payment was made in each Billing Cycle during these periods.
Qualifying Rate	10% Fixed rate of interest
Loan Term	40 Year Loan Term
Minimum Credit Score	650 Minimum Credit Score / 670 Minimum Credit Score with 1x30 mortgage late in the last 12 mos.
Mortgage Lates	1x30 mortgage late in the last 12 mos. (670 Minimum Credit Score).
Minimum Initial Draw (Required)	Minimum Initial Draw is the greater of $75,000 or 50% of the LOC.
Max Initial Draw	90% of the Maximum LOC may be drawn at closing.
Repayment of Initial Draw	No. Not Required
Draw Money as You Need	Allows for Variable Draws
Draw Term	7 Year Draw Term
Prepayment Penalty	No Pre-payment Penalty

Negative Amortization	Yes. No limit on % allowed
Balloon Payment	Yes. A Balloon Payment Will Result
No P+I Recast	After close of Draw term there is no P+I recast. The Minimum Monthly Payment Percentage Plan selected continues until end of term or repayment.
Protected LOC Amount	Unpaid interest will not reduce the LOC Amount. Any unremitted or unpaid Minimum Monthly Payments will reduce the LOC amount.
LOC Growth	No. Unused LOC does not grow
LOC Repayment Period	The Loan does not recast and fully amortize after the Draw Period. The borrower continues to make the Minimum Monthly Mortgage Payment through the Repayment Period. Negative Amortization will continue to be added to the Unpaid Loan Balance until the Final Maturity Date. Borrowers are allowed and encouraged to make more than the minimum monthly payment.
Acceptable Property Types	SFR / Condo / PUD / Owner Occupied 2-4 Units
Max Property Value	$10,000,000 is the Max Property Value allowable
Appraisals	Full Appraisals Apply
2nd Appraisals	For properties with an estimated value of $2,000,001 or higher Two (2) Appraisals will be required. The lower of the two appraised values will be used to determine the valuation.
Seasoning Requirements	The refinance of an existing loan generally must have an application date that is at least 12-months after the closing date of the prior loan being refinanced. Exceptions may be granted on a case by case basis.
Living Trusts	Properties held in a trust are eligible if the requirements for a living trust are met. Irrevocable Trusts are Not Allowable.
Power of Attorney	A power of attorney (POA) can be used for transactions if the borrower is physically or mentally incapable of signing or for convenience. Refer to guidelines for full detail.
Escrow Repair Holdbacks	Not Allowable
Education / Counseling Requirements	Borrower must view the ES Education Video and sign the certification of understanding and completion a minimum of 3 days prior to closing.
Lending limit	$4 Million Max Loan Amount. $75,000 Minimum Loan Amount or 50% of the LOC, whichever is higher.
Assumability	Not Assumable
Index	30 Day SOFR Average – Compounded average of the SOFR over a rolling 30-day period. The 30-day compounded average of SOFR published by the Federal Reserve Bank of New York
Floor Rate	Margin selected
Rate Caps	Lifetime Cap of 15%, All States (Colorado = 12%)

Product Eligibility Information

Occupancy Type:

- Primary Residence Only

Eligible Borrowers:

- US Citizens
- Permanent Residents (Form I-551)

Credit Scores:

- 650 Minimum Credit Score.
- 670 Minimum Credit Score with 1x30 mortgage late in the last 12 months.

Mortgage History:

- 1x30 Mortgage Late in the last 12 months (with 670 credit score).

Seasoning Requirements:

- Prior Purchase Transaction: 6 month seasoning*
- Prior Rate/Term Refinance: 6 month seasoning*
- Prior Cash-Out Refinance: 12 month seasoning* (Exceptions may be granted on a case by case basis).

**Seasoning is from Prior Loan Note date to EquitySelect Closing Date*

Eligible DTI:

- Max 50% DTI

Eligible Forms of ID:

- Drivers License
- US Passport
- Military Photo ID
- Permanent Resident Alien Card with Photo

Eligible Property Types:

- Single Family Residences
- Condominiums (Warrantable)
- Attached or Detached PUD
- 2-4 Units allowed Only if Borrower occupies one of the units as their primary residence

Ineligible Property Types:

- Non-Warrantable Condominiums
- Mobile Homes
- Manufactured Housing
- New construction where the certificate of occupancy was issued less than 12 mos. prior to the appraisal order date and is located within a Special Flood Hazard Area
- Native American Tribal Land homes
- 2 - 4 unit with leasehold interest
- 4 unit with accessory dwelling unit
- Rural Properties
- Leased Land
- Property with illegal accessory units
- Investment properties
- Vacation homes
- Second homes
- Co-ops
- Geodesic, Earth, or Berm homes
- Commercial properties
- Boarding houses
- Bed and Breakfast Or Air B&B
- Condotels
- Properties located within Coastal Barrier Resources Act areas
- Working farms other than “hobby farms”
- Age Restricted Communities

Properties Listed For Sale:

Properties Listed For Sale within the last 12 months are not generally acceptable, however the borrower may provide a letter of explanation detailing the reason(s) for the Underwriter to review. Exceptions considered on a case-by-case basis. If an exception is granted the following is required:

- Listing must be cancelled prior to initial loan application date
- Detailed letter of explanation
- Proof of listing cancellation
- UW will use the prior Listing Price or Appraised Value, whichever is lower.

Eligible POA Types:

Durable Power of Attorney

- Convenience POA
- Physically Incapacitated Borrower POA
- Mentally Incompetent POA

Ineligible POA Types:

- Specific Power of Attorney

Repairs & Escrow Holdbacks:

- Repairs to ensure properties meet Health & Safety standards are required
- Escrow Holdbacks / Set Asides are Not Allowable

Property Related Charges:

- Currently delinquent or previously late Taxes / Insurance / HOA Dues are allowable at Underwriter discretion, however may not be deemed excessive. All delinquencies must be paid current at closing.

Non-Borrowing Spouses

Non-Borrowing Spouses are permitted If the spouse was not removed from title to qualify for an increased line of credit. The following will be required:

- Borrower must have previously owned the property without the spouse on title for a minimum of 6 months prior to loan application.
- Any lien payoff must be borrower debt.
- Non-Borrower Spouse must complete the EquitySelect HELOC Education Video

Counseling Requirements:

- All Borrowers must complete the EquitySelect HELOC Education Video
- All physically sign the Certification of Understanding & Completion Prior to Docs.

Trust Ownership:

- Revocable Trusts Only
- Irrevocable Trusts Are Not Allowable

Properties may close in a living trust, provided the beneficiary of the living trust is a Co-signer and will occupy the Property as their Principal Residence, and the trust provides reasonable means to ensure that HTL will be notified of any changes to the trust, including transfer of beneficial interest and any changes in occupancy status of the Property. A copy of the Trust Agreement or the Declaration of Trust must be provided.

- Attorney review and Opinion Letter is required
- Primary beneficiaries must also complete the HELOC Counseling Video requirements
- Primary beneficiaries must be an eligible Borrower
- New beneficiaries may not be added to the Living Trust
- Primary beneficiaries must sign the HELOC Agreement
- The trustee and primary beneficiaries must sign the Note
- Mortgage & other legal documents, are signed by all parties necessary to create a valid 1st lien. Which include the trustee and the primary & contingent beneficiaries
- Trust must be valid and enforceable
- Provides each beneficiary with a legal right to occupy the Property for the remainder of their life
- Provides for a Notice to HTL of any changes to the trust, including occupancy status of the Property, or any transfer of beneficial interest in the Property.

Program Highlights

- ✓ **Borrowers customize their own Minimum Monthly Payment Percentage % Plan**
- ✓ **1st Position Lien with a 40 Year Loan Term**
- ✓ **Previously Delinquent Property Taxes / Homeowners Insurance or HOA Dues are allowable at Underwriter discretion.**
- ✓ **Non-Borrowing Spouses may be permitted**
- ✓ **Power of Attorney's (POA) Allowable**
- ✓ **Borrowers can close in a Living Trust**
- ✓ **Convenient and Accessible Borrower Educational Counseling Video & Certification**
- ✓ **Flexible Seasoning Requirements**
- ✓ **Properties Listed for Sale within 12 Months May be permitted**
- ✓ **Fannie Mae Eligible Condos**
- ✓ **Quick & Efficient Closing Turn Times w/ Hybrid eClosing**
- ✓ **"Age up" within 6 months of Application Date**
- ✓ **No Recast & Non-Recourse LOC**

New Loan Submission Checklist

REQUIRED DOCUMENTS

(All docs must be completed, signed, and dated by all parties)

TITLE & ESCROW:

Title and Escrow will be ordered through Atlas Title in CA and Equity Settlement Services in FL unless the borrower requests an alternative company for this service.

APPLICATION / DISCLOSURES:

☐ Application package & All disclosures signed and uploaded to Encompass

ID / SSN:

☐ Legible Photo ID for all Borrower(s)

☐ SSN Verification for Borrower(s)

Additional Documents

INCOME:

☐ Pension: Current Award Letter for 3 years continuance and secondary form of receipt (bank statement or 1099-SSA)

☐ SS: Current Award Letter & secondary form of receipt (bank statement or 1099-SSA)

☐ Employment Income: Paycheck stubs to cover a full 30-day period with YTD gross earnings and most recent 2 years W2s

☐ Self-Employed: Most recent 2 years tax returns, all pages and schedules, including business tax returns, if applicable.

☐ Rental Income: Most recent 1 year Tax returns, all pages and schedules

“If Applicable” Documents:

ASSETS:

☐ Most recent 2 months bank statements, all pages, for short to close amount or if using for imputed income.

PROPERTY INFORMATION:

☐ Current Mortgage Statement

☐ Current Hazard Insurance Policy Dec Page

☐ Current Flood Insurance Policy, if applicable Current HOA Statement, if applicable

☐ Copy of Solar Contract/Lease, if applicable

REO:

☐ REO Properties Entered into LOS Schedule of REO

☐ Current HOI Dec Page, HOA Documents, Tax Bill, and Mortgage statements, if applicable.

MISC:

☐ Power of Attorney Documents
☐ Trust (If vested in a trust, provide complete trust)

FAQ's

- **The Borrower recently refinanced, when can they apply?**
  - *For Rate/Term Refi's: there is a 6 month seasoning hold.*
  - *For prior Cash Out Refi's: there is a 12 month seasoning hold, however depending on extenuating circumstances, we may be able to consider an exception.*

- **What if the Borrower's credit is frozen / locked, how do I proceed?**
  - *In order to proceed the Borrower will need to unlock or unfreeze their credit with their bureau.*

- **Do Condo's require full Fannie Mae Approval?**
  - *Condos must meet Fannie Mae eligible requirements*

- **Are Non-Borrowing Spouses allowed?**
  - *They may be permitted if the spouse was not removed from Title to qualify for an increased line of credit.*

- **Does the Borrower have to go to a specific counseling center for the Educational Video?**
  - *No, the Borrower does not have to travel to a counseling center. They can conveniently watch the required EquitySelect Educational Video from their own home.*

- **What happens if the Borrower is past due on their HOA Dues?**
  - *Through the EquitySelect HELOC, we can bring them current at close. Prior lates are allowable at Underwriter discretion.*

- **What if the Property is 4 Units?**
  - *If the Borrower is occupying one of the 4 Units, we can allow for this property type.*

- **Are American Express Payments included in the DTI?**
  - *If the account is an Open 30-Day charge account, it can be excluded the DTI.*

- **Can the Borrower use a POA?**
  - *Yes, the Borrower can use a POA. Guidelines apply to the different allowable POA's.*

- **Can I convert an FHA Appraisal to a Conventional Appraisal?**
  - *Yes, you can convert from FHA to Conventional for Equity Select.*