

PREMIUM: RESIDUAL INCOME PROGRAM

Introduction:

This program is designed for borrowers with strong income who wants to spend more on housing and/or have high debt. Borrower's ability to repay is calculated by the residual income of the borrower. Borrowers must have 300% of the VA required residual income based on family size and geographic region.

Program Summary:

Transaction types	Purchase / Rate and Term / Cash out Refinance	
Occupancy	Primary Residence	
Minimum Loan Amount	\$135,000	
kMaximum Loan Amount*	\$2,000,000	
Minimum Required FICO	680	
Maximum DTI	59%	
Housing Payment History	0X30 in prior 24 months	
Income Documentation type	Full Income Documentation: Wage earner: 2 years W-2, 30 days pay stubs Self employed: 2 years tax returns Additional Income through Asset Depletion	
Waiting Period Requirement	Chapter 7 Bankruptcy	48 months
	Chapter 13 Bankruptcy	48 months
	Housing Event (Foreclosure/DIL/Short Sale)	48 months

*Refer below Guideline for allowed LTV for maximum loan amount.

Product code										
Loan Purpose	<ul style="list-style-type: none"> Purchase Rate & Term Refinance* Cash Out Refinance <p>*Cash back to borrower is limited to the \$2000.</p>									
Occupancy	<ul style="list-style-type: none"> Primary residence <p>Note: Non Occupying Co-Borrower/ Co Signer / Guarantor are not allowed.</p>									
Eligible State	<ul style="list-style-type: none"> AL, AR, AZ, CA, CO, CT, DE, FL, IA, ID, IL, IN, KS, KY, LA, MD, ME, MI, MN, MO, MT, NC, ND, NE, NJ, NM, NV, NY, OK, OR, PA, RI, SC, SD, TN, TX (purchase only), UT, VA, WA, WI, WY, DC 									
Amortization Term	<ul style="list-style-type: none"> 5/1 ARM: 7 year / 10 year I/O or 30 Year Self - Amortization 7/1 ARM: 10 year I/O or 30 Year Self – Amortization 30 year FRM: 7 year / 10 year I/O or 30 Year Self – Amortization <p>Note: Interest Only (I/O) products are for a 30-year term. After the Interest Only period the loan must amortize over the remaining term.</p>									
Prepayment Penalty	<ul style="list-style-type: none"> Not Allowed 									
Eligible Properties	<ul style="list-style-type: none"> Attached / Detached SFRs PUD, Warrantable Condo 									
Eligible Borrowers	<ul style="list-style-type: none"> U.S. Citizens Permanent Resident Aliens with a Green Card (I-551 or I-151) 									
Compliance	<ul style="list-style-type: none"> Escrows required for taxes and insurance Total Points and Fees must be less than 3% Compliance with all applicable Federal and State regulations Fully documented ability-to-repay Section 32 or state high cost loan is not allowed 									
Minimum Loan Amount	<ul style="list-style-type: none"> \$135,000 <p>Note: Loan amounts of \$100,000 to \$134,999 are permitted with a 5% reduction to the maximum permissible LTV.</p>									
Minimum FICO Required	<ul style="list-style-type: none"> 680 									
Maximum DTI Ratios	<ul style="list-style-type: none"> 59 % DTI 									
Minimum trade-line to establish credit history	<p>Minimum Trade line Requirement*</p> <ul style="list-style-type: none"> 3 trade lines reporting for 12+ months with activity in last 12 months; or An acceptable 12 month housing history not reporting on credit may also be used as a trade line. <p>*Credit lines on which the borrower is not obligated to make payments are not acceptable for establishing a minimum history.</p>									
Bankruptcy and Housing Event waiting Period	<table border="1"> <thead> <tr> <th colspan="3">Waiting Period Matrix¹</th> </tr> <tr> <th>Chapter 7 Bankruptcy</th> <th>Chapter 13 Bankruptcy</th> <th>Housing Event²</th> </tr> </thead> <tbody> <tr> <td>4 years</td> <td>4 years</td> <td>4 years</td> </tr> </tbody> </table>	Waiting Period Matrix ¹			Chapter 7 Bankruptcy	Chapter 13 Bankruptcy	Housing Event ²	4 years	4 years	4 years
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<p>Notes</p> <ol style="list-style-type: none"> Waiting period is measured from the month and year of discharge to the loan closing date. A 'Housing Event' is a completed foreclosure, short sale, deed in lieu or notice of default (or similar notice required under state law as an initial phase of the foreclosure process). 										

Housing Payment History

- No late allowed in past 24 months

LTV / CLTV

LTV Matrix					
Occupancy Type	Maximum Loan Amount	Max LTV			Reserves
		Purchase	Rate / Term Refinance	Cash Out Refinance*	
Primary Residence	\$400,000	80% ¹	80% ¹	75%	4 months PITIA
	\$850,000	80% ¹	80% ¹	70%	
	\$1,650,000	75%	75%	65%	
	\$2,000,000	65%	65%	60%	

1. Maximum LTV for New York state is 75%

Maximum Cash Out Amount* Matrix		
Occupancy Type	LTV	Maximum cash out amount
Primary Residence	75% ≥ LTV > 70%	\$150,000
	70% ≥ LTV > 65%	\$250,000
	65% ≥ LTV > 55%	\$400,000
	55% ≥ LTV > 50%	\$850,000
	50% ≥ LTV	\$1,250,000

*The Cash Out Amount is the difference between

- The loan amount, and
- The sum of Seasoned Mortgages** and customary closing costs paid from the Loan's proceeds.

**Seasoned Mortgages are Mortgages that were paid in full with proceeds of the Loan, and were

- (a) Closed-end mortgages that were outstanding for one year or longer, or
- (b) Revolving (HELOC) mortgages that have been outstanding for one year or longer, and which have not been drawn on in excess of \$2000 during the twelve-month period preceding the date of the Final Application.

Subordinate Financing

- Not Allowed

Income Documentation

- Full Doc:** 2 yrs W-2, 30 days' paystubs; self-employed 2yrs tax returns.

Self Employed Borrower

- Minimum 2 year history required.

Unacceptable Source of Funds

- Cash on hand;
- "Sweat equity" or labor;
- The sale of automobiles, household goods or similar personal property;
- Proceeds from a loan secured by an automobile, household goods or similar personal property;
- Proceeds from unsecured loans including but not limited to credit card advances, and signature loans;
- Balances derived from larger than typical deposits that are not traced to an acceptable source;
- Balances held in accounts outside of the United States.

Assets	<ul style="list-style-type: none"> • Assets need to be sourced & seasoned for 60 days • Gift funds are allowed; however borrower should provide 5% of loan amount from own funds
Contribution by Interested Parties	<ul style="list-style-type: none"> • The amount of seller contributions to closing costs is limited to 6% of the purchase price of the Subject Property.
Residual Income	<ul style="list-style-type: none"> • Residual income must exceed 300% of requirement from VA residual income tables.
Max. Number of Properties Financed	<ul style="list-style-type: none"> • Maximum financed properties by SWMC can be 2
Temporary Buydown	<ul style="list-style-type: none"> • Not Allowed
Assumable	<ul style="list-style-type: none"> • Allowed
Property Flip Waiver	<ul style="list-style-type: none"> • A subject property will be considered to have been conveyed in a Flip transaction if the sellers who sold the Subject Property to the Borrowers obligated on a loan to be sold to Sprout acquired an interest in the Subject Property within twelve months of the such loan's closing date, except that the following transactions will not be considered Flip transactions: <ul style="list-style-type: none"> ◦ A sale by home builder or real estate developer of a newly constructed house or condominium, provided that if the location where such house or condominium is located requires that builders or developers be licensed that the selling builder or developer hold the prerequisite license; ◦ A sale by a bank, licensed mortgage servicer, government entity or government sponsored entity of a property acquired through a foreclosure or deed in lieu of foreclosure; ◦ A sale by a nationally recognized relocation company; or ◦ A property sold by the estate of a deceased prior owner, provided that the deceased prior owner held title to such property for 12 or more months prior to the sale of the loan's closing.
Appraisal Review Product	<ul style="list-style-type: none"> • A Clear Capital Collateral Desk Analysis (CDA) is required on the loan. • Second appraisals required for properties with a market value of \$1 million or greater.
Ineligible Property Type	<ul style="list-style-type: none"> • Manufactured homes • Properties with more than one unit. • Properties with any commercial occupancy. • Time shares • Ground leases and similar leaseholds • Condotels (condominium hotels) • Kiddie Condos (student based condominiums) • Non Warrantable Condo • Properties of more than ten acres • Farms, ranches or other agricultural properties • Rooming or boarding houses • Properties with adverse environment conditions • Rectories, Priest Houses and similar uses • Properties improved by residences of less than 600 sq. ft. of GLA • Properties unique or unusual for their neighborhood • Log homes • Earth, berm or basement properties • Vacant land • Properties not accessible by roads • Properties not suitable for year-round occupancy • Cooperative properties (unless located in the five boroughs of New York City) • Properties used as bed and breakfasts • Properties considered dome or geodesic • Properties located in Hawaii lava zone 1 or 2 • Houseboats • Mobile homes