

Piggyback Home Equity Line of Credit (HELOC) Product Profile

Matrices

Transaction Type	Property	CLTV	FICO	Maximum Loan Amount	Max DTI	Housing History	Reserves	
Purchase, Rate & Term & Cash-Out Refinance	1 Unit	95% ⁽¹⁾	760	\$500,000	45%	0x30x12	6 Months	
			720				9 Months	
		90%	700	\$250,000	43%		6 Months	
	1-2 Unit	≤ 80%	720	\$500,000	45%		Follow AUS	
			680	\$350,000	43%		Follow AUS	
		700	\$500,000	45%	Follow AUS			
Second Home								
Purchase or Rate & Term Refinance	1 Unit	90%	760	\$500,000	45%	0x30x12	6 Months	
			720				9 Months	
			680	\$250,000	43%		6 Months	
		85%	720	\$500,000	45%		6 Months	
			≤ 80%	700			\$350,000	Follow AUS
				680			\$250,000	

1. Cash-out transactions limited to 90% CLTV

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VERSION CONTROL9

PROGRAM SUMMARY

Revolving line of credit with a 10-year draw period followed by a 20-year repayment period; full term is 30 years. Payment during the draw period will consist of interest only payments based on the outstanding balance. HELOCs will be table-funded and will close in the name of NewRez or wholly owned subsidiary or joint venture of NewRez. A full draw of the HELOC is required at the time of closing. This product must be closed concurrently with a NewRez first mortgage in one of the following loan programs:

Conventional DU or LPA	Dream Big, High Balance Extra, Jumbo Series A, F, I and J
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UNDERWRITING

Loans are to be underwritten in conjunction with the first lien and follow the more restrictive of the first lien guidelines or the requirements within this product profile. The first lien must score Approve/Eligible or Accept through Desktop Underwriter (DU) and Loan Product Advisor (LPA). High Balance Extra and Jumbo Series first lien products will receive a score of DU/Ineligible or Accept/Ineligible. DU/LPA findings should be followed when the first lien is a conventional loan unless otherwise noted within this product profile.

PRODUCTS OFFERED

Term	Product Name	State Eligibility
30 Year Term - 10 Year IO Draw Period with 20-year repayment term	NewRez HELOC Second	All except Alaska, Colorado, Hawaii, Tennessee, Texas
	NewRez HELOC Second – CO	Colorado
	NewRez HELOC Second (TN)	Tennessee

PROGRAM TERMS

	Description
NewRez HELOC:	Lien Position: Second Lien only. Loan cannot close as a first-lien.
	Draw Period: 10 Years - Interest Only payments are due during the draw period.
	Repayment Period: 20 Years - Principal and Interest payments become due during the repayment period. Payments are based on 20-year amortization.
	Index for all States except Tennessee: Prime Rate
	Index for Tennessee: 30-Year Treasury Constant Maturity Rate
	Margin: Refer to Rate Sheet
	Interest Rate Caps: 2% each year
	Interest Rate Floor: 3.95%
	Interest Rate Ceiling, all states except Colorado: 16.00%
	Interest Rate Ceiling, Colorado only: 12%
	Interest Rate Change Date: The rate will adjust on the first calendar day following the publication of any change to the Index.
	Assumable: No
Early Closure Fee: None	
Qualifying Payment: Fully amortizing payment based on the fully indexed rate (index + margin) plus 1% using the full line amount over a 20-year amortization period.	

ELIGIBLE BORROWERS

- Borrowers must be the same for both the first mortgage loan and the HELOC for all transactions.
- U.S. citizens
- Permanent resident aliens
- Revocable/living trusts are acceptable provided it is established by, and the primary beneficiary is, an individual. Loans closing in a trust must follow the same trust requirements as the first mortgage.

INELIGIBLE BORROWERS

- Non-permanent resident aliens
- Non-Occupant Co-Borrowers
- Land trusts are not eligible, including Illinois land trusts

ELIGIBLE PROPERTY TYPES

- 1 and 2-unit primary residence
- 1 unit second home
- Warrantable condominiums
- Planned unit developments (PUDs)
- Modular homes

INELIGIBLE PROPERTY TYPES

- 3 and 4-unit properties
- Condotels
- Cooperatives
- Geodesic Domes, Berms, Earth homes
- Investment properties
- Manufactured/mobile homes (single- or double-wide)
- Properties appraised with a property condition of C5 or worse
- Properties currently listed for sale
- Properties encumbered with private transfer fee covenants (title, sales contract or final CD should be evaluated to confirm)
- Properties titled as Life Estates
- Properties under construction at time of loan closing

INELIGIBLE FIRST LIEN TYPES

- Construction or renovation loans
- FHA, VA, or USDA mortgages
- Non-Agency/Jumbo products not listed in the [program summary](#)

MINIMUM LINE AMOUNT

- \$15,001 is the minimum line that can be requested; full line amount must be drawn at closing
- \$200 minimum draw requirement for any subsequent draws

FEES

- Annual Fee - \$75 per year; waived the first year
- Processing Fee - \$495
 - *APPLICATION FEE IN NEW JERSEY
 - *LOAN FEE IN VIRGINIA
- Recording Fee - The appropriate recording fee for the mortgage/security instrument must be charged on the HELOC loan
- Settlement/Closing Fee - A settlement/closing fee may be charged by the settlement agent for closing the HELOC loan
- State-specific or Government imposed fees and taxes - Any fees or taxes charged by state or local governments must be charged on the HELOC, as applicable
- Additional standard common and customary fees associated with the closing of a HELOC transaction may apply. Title insurance is required for loan amounts greater than or equal to \$250,000.

INITIAL DISCLOSURES

- Applicants must be provided the following HELOC-specific documents with the initial disclosures:
 - *Important Terms of Your Home Equity Line of Credit*, (this is the TILA disclosure for HELOCs)
 - *What You Should Know About Home Equity Lines of Credit* (Federally-mandated CFPB booklet)
- HELOCs are exempt from the TILA-RESPA Integrated Disclosures (TRID) rule. Therefore, Loan Estimates and Closing Disclosures are not provided.
- A Good Faith Estimate “GFE” is not required.

QUALIFYING RATE/PAYMENT

- The Qualifying Rate for all HELOCs is the fully amortizing payment based on the fully indexed rate (index + margin) plus 1% using the full line amount over a 20-year amortization period.
- Refer to first lien mortgage guidelines for the HELOC qualifying payment requirement as it pertains to the first lien mortgage.

TOTAL DEBT RATIO

The maximum debt-to-income (DTI) ratio is 45% (regardless of whether DU or LP approved a higher ratio amount for the first mortgage). Refer to eligibility matrix for additional restrictions.

APPRAISAL

A full appraisal appropriate to the property type must be obtained. The appraisal from the first mortgage can be used; Property inspection waivers (PIW), Automated Collateral Evaluation (ACE), or any other waiver or reduced appraisal offered by the first lien guideline requirements are not permitted. A full traditional first mortgage appraisal must be disclosed as part of the first mortgage disclosures if applicable.

CREDIT

- Each Borrower must have a valid and usable score from at least two of the following three agencies: Experian (FICO), Trans Union (Empirica), and Equifax (Beacon). Only scores from these three agencies are acceptable. Qualifying credit scores are determined as follows:
 - Determine the score for each Borrower on the loan. Select the middle score when three agency scores are provided and the lower score when only two agency scores are provided. This is the individual Borrower’s score.
 - To determine the representative Credit Score for the loan (each loan has only one representative Credit Score), the lowest representative Credit Score of all borrowers is used.

- A minimum of three trade-lines is required for each borrower. One trade-line must currently be open and active for twelve (12) or more months with a minimum high balance of \$1,000, regardless of credit score.
- Credit history must show 0x30 for all mortgages in last 12 months.
- Bankruptcies/CCCS – discharged or dismissed at least four (4) years with satisfactory re-established credit.
 - Borrowers with multiple bankruptcies are not permitted.
- Foreclosures/Short Sales/Deed in Lieu – Seven (7) years from the completion date of the foreclosure, short sale or deed in lieu is required. Satisfactory re-established credit is required.
- No collections or charge-offs in the most recent 24 months. Collections over \$1,000 either individually or cumulatively must be paid off prior to or at closing. Medical collections are not included in these requirements.
- Paying off Debt to Qualify:
 - **Revolving Debt:** Borrowers can pay off revolving debts to qualify. The debt must be paid in full and documentation provided to evidence the account has been paid in full. All debts to be paid off at closing must be clearly identified on the settlement statement. Revolving debt cannot be paid down to qualify.
 - **Installment Debt:** Installment debts may be paid off or paid down to 10 or fewer payments. Documentation must be provided to evidence the account has been paid off or paid down. All debts to be paid off at closing must be clearly identified on the settlement statement.

EMPLOYMENT/INCOME

- Income, employment and assets must be listed on the 1003 and verified.
- Borrowers must have two years of employment history unless documentation is provided to support a borrower was in school.
- Standard Fannie Mae/Freddie Mac full documentation is required (W-2 and current pay stub, etc.). Loans receiving data validation through DU/LPA are eligible. Documentation from the 3rd party vendor must be in the file.
- Pay stubs must be computer generated. Handwritten pay stubs require a written verification of employment as well as tax transcripts for W-2s and tax returns.
- IRS 4506-T is required for all loans. The 4506-T must be executed in accordance with the first lien loan program requirements to validate all income used for qualifying.
- A Verbal VOE is required 10 days prior to closing for wage earners and no more than 30 days prior to closing for self-employed borrowers.

ASSETS

- Assets must be documented according to the standards of the first mortgage.
- Reserves must meet the more restrictive requirements of the first mortgage or NewRez HELOC eligibility matrix.
 - Both the PITI of the first mortgage and the qualifying payment of the HELOC must be used when calculating the number of months of reserves
- 95% CLTV transactions require borrowers to have 5% of their own funds into the transaction.
- Gift funds cannot be used as reserves.

AGE OF DOCUMENTATION

All documentation must be no more than 90 days old as of the note date.

INSURANCE COVERAGE

- Mortgage Insurance – Not required for HELOCs
- Title Insurance - Second lien title insurance is required for loan amount \geq \$250,000
- Hazard Insurance - Refer to Fannie Mae selling guide for Hazard Insurance Requirements

- The following mortgagee clause is required to reference as loss payee for both the first mortgage and the HELOC:
 Shellpoint Mortgage Servicing, ISAOA ATIMA
 PO Box 7050
 Troy, MI 48007-7050
- Flood Certificate/Flood Insurance
 - A Flood Certificate must be obtained prior to closing for all loans.
 - The Flood Certificate from the concurrent first lien mortgage may be utilized.
 - Flood insurance will be required where necessary and if required must be escrowed with the first lien mortgage without exception.
 - Flood insurance coverage, if required, must be determined based off the first lien mortgage amount and the HELOC amount.
 - The following mortgagee clause is required to reference as loss payee for both the first mortgage and the HELOC:
 Shellpoint Mortgage Servicing, ISAOA ATIMA
 PO Box 7050
 Troy, MI 48007-7050

STATE ELIGIBILITY

Available with the following geographic restrictions

State	Restriction
Alaska, Hawaii and Texas	Not eligible
Kansas, Michigan, Wyoming	Brokers are required to provide documentation to show they have the appropriate license or state approval required to offer/broker HELOC loans.

CLOSING REQUIREMENTS

- Closing documents for the HELOC should be provided along with the first lien Initial Closing Disclosure. If closing documents are unable to be produced at that time they must be provided to the borrower at least 24 hours in advance of the actual closing.
- All title holders must sign the mortgage even if they are not on the loan.

FIRST PAYMENT DATE

- Payments for all HELOC loans will be due on the first of the month.

MORTGAGE ELECTRONIC REGISTRATION SYSTEM (MERS)

- HELOC loans require MERS registration and MIN numbers.

HIGH COST (SECTION 32) OR HIGHER PRICED (SECTION 35) MORTGAGE LOANS

- High Cost (Section 32) mortgage loans under this program are not permitted. Loans that do not meet applicable state points and fees tests are also ineligible.
- Higher Priced (Section 35/HPML) mortgage loan regulations do not apply to open-ended credit transactions.

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RIGHT OF RESCISSION

Standard rescission guidelines apply. For all refinance transactions, all borrowers and title holders must execute a Notice of Right-to-Cancel form at closing.

POWER OF ATTORNEY

Powers of Attorney are acceptable only for purchase money transactions and *bona fide* rate/term refinance transactions where the line of credit is used to pay only outstanding mortgage debt on the subject property along with closing costs and prepaid expenses. The Power of Attorney must meet applicable requirements of the first lien mortgage.

ESCROWS

An escrow account for taxes and insurance can be established with the first mortgage loan, but not with the home equity line of credit. However, regardless of whether an escrow account is established with the first mortgage loan, all housing expenses, including first and subordinate mortgage loan payments, property taxes, homeowner's insurance, association fees, etc., must be included in the debt ratio calculation.

VERSION CONTROL

Section	Description of Update	Date of Update
	Product issued	7/12/2018
STATE ELIGIBILITY	Utah removed from list of ineligible states Oregon removed from list of states with additional broker documentation requirements	8/06/2018
PRODUCTS OFFERED	Added NewRez HELOC Second – CO	9/14/2018
STATE ELIGIBILITY	Colorado removed from list of states with additional broker documentation requirements	9/14/2018
PRODUCTS OFFERED	Added NewRez HELOC Second – TN	11/20/2018
PROGRAM TERMS	Added the 30-Year Treasury Constant Maturity Rate as the Index for NewRez HELOC Second – TN	11/20/2018
STATE ELIGIBILITY	Tennessee removed from list of ineligible states	11/20/2018
CREDIT	Clarified that a minimum of three trade-lines is required for each borrower.	11/20/2018
STATE ELIGIBILITY	Louisiana removed from list of ineligible states	03/05/2018