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PITI Abatement

Full Documentation

PRIMARY RESIDENCE – PURCHASE

Property Type	Maximum LTV	Maximum CLTV ²	Maximum HELOC CLTV ²	Maximum Abatement Amount	Underwriting Engine & Required Response
<ul style="list-style-type: none"> 1- 2 units PUD Warrantable Condo 	90%	95%	95%	6% or 6 months, whichever is less	DU – Approve/Eligible, EA1,EA2 ³ LP – Accept/Accept-Plus
<ul style="list-style-type: none"> 1-2 units PUD Warrantable Condo 	95%	95%	95%	3% or 6 months, whichever is less	DU – Approve/Eligible, EA1,EA2 ³ LP – Accept/Accept-Plus

Full Documentation

SECOND HOME – PURCHASE

Property Type	Maximum LTV	Maximum CLTV ²	Maximum HELOC CLTV ²	Maximum Abatement Amount	Underwriting Engine & Required Response
<ul style="list-style-type: none"> 1- unit PUD Warrantable Condo 	90%	90%	90%	6% or 6 months, whichever is less	DU – Approve/Eligible, EA1,EA2 ³ LP – Accept/Accept-Plus
<ul style="list-style-type: none"> 1unit PUD Warrantable Condo 	95%	95%	95%	3% or 6 months, whichever is less	DU – Approve/Eligible, EA1,EA2 ³ LP – Accept/Accept-Plus

- For Fannie Mae transactions, the “Maximum LTV w/sub. fin.” may be as high as the “Maximum LTV w/o sub. fin.”
- Maximum CLTV refers to the maximum combined loan-to-value of drawn and outstanding liens secured by the subject property. Maximum HELOC CLTV refers to the maximum potential combined loan-to-value of all liens using the full amount of the line of credit. All loans must meet the LTV, CLTV and HELOC CLTV criteria.**
- Loans receiving an Expanded Approval response from DU must meet the minimum credit score requirements listed in the **UNDERWRITING** section below.

SUMMARY:

Fixed and adjustable rate, fully amortizing, conforming first lien mortgage program that will allow for the seller to prepay up to (6) months of the borrower’s total PITI payment.

Second mortgage payments cannot be abated under any means as they are not considered closing costs/prepays of the first mortgage transaction.

PRODUCTS OFFERED:

Product	DO/DU Arm Plan	ARM Disclosure
<ul style="list-style-type: none"> PITI Abatement 30 Yr Fixed 	n/a	n/a
<ul style="list-style-type: none"> PITI Abatement 15 Yr Fixed 	n/a	n/a
<ul style="list-style-type: none"> PITI Abatement 3/1 LIBOR ARM 	FM GENERIC, 3 YR	3318
<ul style="list-style-type: none"> PITI Abatement 5/1 LIBOR ARM 	FM GENERIC, 5 YR	3319
<ul style="list-style-type: none"> PITI Abatement 7/1 LIBOR ARM 	FM GENERIC, 7YR	3337

LOAN AMOUNTS:

MAXIMUM: Maximum conforming loan limits
MINIMUM: \$20,000

INELIGIBLE TRANSACTIONS:

For sale by owner transactions are not allowed.

SUBORDINATE FINANCING:

Refer to [Doc. #6113](#) for subordinate financing guidelines.

ELIGIBLE PROPERTY TYPES:

- Single family homes
- Two unit properties
- Planned unit development (PUDs)
- Warrantable condominiums (conversions must have less than 10% investor concentration)

INELIGIBLE PROPERTY TYPES:

- 3- to 4-unit properties
- Manufactured homes
- Modular
- Cooperative properties

INTERESTED PARTY CONTRIBUTIONS:

The seller's prepayment of the borrower's PITI payment is considered an interested party contribution (IPC) and will adhere to established IPC restrictions per FNMA's Seller Guide. In addition, the seller's IPC contribution towards the PITI payment may not exceed the maximum allowable contribution percentage (depending on LTV) of the lesser of the property's sale price or appraised value. Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or any other party with an interest in the real estate transaction.

None of the funds required for closing (including closing costs, downpayment, or abatement funds) may be funded through premium pricing.

- 9% maximum for LTVs 75.00% and below
- 6% maximum for LTVs 75.01-90%
- 3% maximum for LTVs 90.01-95%
- Interested party contributions in excess of the maximum PITI Abatement Escrow may be used exclusively to cover closing costs and prepaid expenses.

TEMPORARY BUYDOWNS:

Not allowed.

QUALIFYING RATE:

Initial note rate.

QUALIFYING RATIOS:

Determined by Desktop Underwriter or Loan Prospector.

RESERVES:

Determined by Desktop Underwriter or Loan Prospector.

APPRAISAL:

The 'Contract' section of the Approved Appraisal Report form used must affirmatively show that the appraiser: (i) analyzed the contract for sale, and (ii) included on the form the dollar amount and a description of any financial assistance (e.g., loan charges, sale concessions, gifts or downpayment assistance, etc.) that was paid by any party on behalf of the borrower.

UNDERWRITING:

All loans must meet the parameters as set out in Flagstar Bank's current Residential Underwriting Guidelines, as amended.

- Condominium conversions must have less than 10% investor concentration.
- Determined by Desktop Underwriter for *Approve/Eligible* loans.
 - ✓ For DU processing the abatement funds must be entered as follows:
 - In the Details of Transaction, the full amount of the Abatement funds being provided by the seller will be entered on Line e, Estimated prepaid items. This amount will then also be entered on either Line k, Borrower's closing costs paid by Seller or Line l, Other Credit as a Seller Credit.
 - Note: The Abatement funds entered on these two lines will be *in addition to* any other prepaids and/or interested party contributions applicable to the transaction (i.e. these two lines may not be equal).
- For loans that receive an *EA1/Eligible* or *EA2/Eligible* response:
 - ✓ Salaried borrowers must have minimum credit score of at least 700 (no exceptions).
 - ✓ Self-Employed borrowers must have minimum credit score of at least 720 (no exceptions).
- Standard appraisal requirements must be met, PIW is not available.
- The sales price must not exceed the listing price.
- **All loans must be identified with Special Feature Code 189.**

All underwriters (including Flagstar, Elite & contract) are responsible for the proper allocation of PITI Abatement funds in the fee summary screen based on calculations reflected on the PITI Abatement Worksheet. Total PITI abatement funds must be entered in line 1326 in the fee summary screen "Funds in Escrow".

- "Funds in Escrow" amount must equal monthly payments including principal, interest, taxes, homeowners insurance, and mortgage insurance. This does not include monthly homeowners association fees associated with condominium units or PUDs. In the event that the escrow requirement for taxes and insurance is waived, the abatement funds will consist of principal and interest only.
- Any additional contributions that exceed the PITI Abatement will be designated on the approval letter as allowable seller contributions.

The following forms must be submitted to underwriting prior to close:

- Applicable ARM Disclosure ([#3318](#), [#3319](#), or [#3337](#))
- PITI Abatement Disclosure ([Doc. #3689](#) for 6% Maximum Abatement or [Doc. 3693](#) for 3% Maximum Abatement)

- PITI Abatement Worksheet (Doc. #3690) needs to be submitted to underwriting prior to clear to close once final taxes and insurance have been determined in order to correctly calculate the abatement amount.

INELIGIBLE BORROWERS: Non-occupant co-borrowers.

MORTGAGE INSURANCE:

All loans above 80% LTV require mortgage insurance coverage according to the following guidelines:

STANDARD MORTGAGE INSURANCE GUIDELINES¹		
<i>LTV</i>	<i>30-year</i>	<i>15-year</i>
90.01-95%	30%	25%
85.01-90%	25%	12%
80.01-85%	12%	6%

1. Reduced MI may be allowable based on the DU findings.

Mortgage insurance for condominium conversion properties is not eligible from RMIC.

New York properties: for purposes of determining whether or not mortgage insurance will be required, use the loan-to-value ratio that results from dividing the loan amount by the *appraised value* of the property. If the loan-to-value resulting from this method is greater than 80%, then use the standard method of determining loan-to-value (based on the LESSER of sales price or appraised value) to determine the required MI coverage level.

STATE ELIGIBILITY: Available throughout the United States with the following restrictions:

- **New York:** Refer to **MORTGAGE INSURANCE** section above for mortgage insurance coverage calculation requirements.

PREPAYMENT PENALTY: None.

ADJUSTABLE RATE DETAILS:

Interest rate adjustment caps	
<i>3/1 LIBOR:</i>	Initial – 2% up/down; Periodic – 2% up/down; Lifetime – 6% up
<i>5/1 LIBOR:</i>	Initial – 2% up/down; Periodic – 2% up/down; Lifetime – 6% up
<i>7/1 LIBOR:</i>	Initial – 5% up/down; Periodic – 2% up/down; Lifetime – 5% up
Margin	See price sheet
Index	
<i>3/1, 5/1, 7/1, LIBOR:</i>	1-Year LIBOR
Interest rate floor	Margin is the floor
Change dates	
<i>3/1 LIBOR:</i>	36 th payment due date and every 12 months thereafter
<i>5/1 LIBOR:</i>	60 th payment due date and every 12 months thereafter
<i>7/1 LIBOR:</i>	84 th payment due date and every 12 months thereafter
Conversion option	None
Assumption	Subject to conditions, fees and rate adjustment
Negative amortization	None

CLOSING DOCUMENTATION:

Closing docs can be ordered through Flagstar Bank’s Web-Based Closing Docs (WBCD) service available on Loantrac. However, the PITI Abatement Worksheet ([Doc. #3690](#)) is not generated with the package at this time. It will be the customer’s responsibility to complete this document.

All loans:

- **Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series.**
- Standard title commitment with all applicable endorsements.
- PITI Abatement Acknowledgment, [Doc. #3691](#) (available in the Seller’s Guide).

3/1 LIBOR ARMs:

- Fannie Mae multi-state Adjustable Rate Note, Form #3526.
- Fannie Mae multi-state Adjustable Rate Rider, Form #3189.

5/1 & 7/1 LIBOR ARMs:

- Fannie Mae multi-state Adjustable Rate Note, Form #3528.
- Fannie Mae multi-state Adjustable Rate Rider, Form #3187.

If applicable:

- Fannie Mae/Freddie Mac multi-state Condo Rider, Form #3140.
- Fannie Mae/Freddie Mac multi-state PUD Rider, Form #3150.
- Fannie Mae/Freddie Mac Multi-state 1-4 Family Rider, Form #3170.
- Fannie Mae/Freddie Mac multi-state Second Home Rider, Form #3890.

NOTE: For all loans, the PITI abatement must be reflected on line 1326 of the HUD I settlement statement as “**Funds in Escrow**”. The total abatement amount deposited into the PITI escrow account must be equal monthly payments. Line 1326 should be carried to the first page of the HUD I settlement statement on any available line 504-509 as an individual line item.

Any additional abatement funds available that exceed the maximum abatement amount based on LTV, OR even monthly PITI payments, but are not in excess of the allowable contribution, may be applied to closing costs and pre-paids. These **additional funds** are to be placed on the HUD I settlement statement as follows:

- Available line 204-209 “Seller Credit to Borrower”.
- Available line 504-509 “Seller Credit to Borrower”.
 - These entries should be equal amounts.