

Credit

1. Bankruptcy allowed after 2 years, foreclosure allowed after 3 years with re-established credit. Short sales treated the same as foreclosure.
2. Borrowers can not be delinquent on any Federal Department debt, i.e. student loans, VA, SBA, etc.
3. Minimum 620 credit score is required for all borrowers, including all streamline refinances.
4. No late mortgage payments in the past 12 months permitted.
5. Borrowers in Chapter 13 are allowed with a 12 month history of payments to Bankruptcy Trustee with no late payments and permission from the court to obtain new financing.
6. Installment debt with payments >\$100 and <10 months remaining must be included when calculating the Debt-to-Income Ratio.
7. Permanent Resident or U.S. Citizen allowed. Non-Permanent Resident Aliens are permitted provided they occupy the property as their primary residence and provide a valid SS# and work visa.
8. Need Social Security Card and may require Social Security validation.
9. Co-signed obligations will not be included in the Debt-to-Income Ratio if there is evidence the primary borrower has made payments as agreed for the last 12 months (copies of canceled checks front and back).

Income

1. Max Back-End Ratio allowed 50%.
2. Executed 4506T required on all borrowers and ordered at the time docs are requested.
3. 3/1 ARM qualify at note rate. 1 year ARM qualify at note rate if LTV<95%, if LTV is >95% qualify at note rate +1%.

Assets

1. 100% Gift Funds allowed for down payment and closing costs.
2. Reserves not required for Single Family Residence, Condo or 2 units. 3 months PITI reserves are required for 3-4 units and must be seasoned for 60 days.
3. 6% seller concession allowed, can be used for closing cost or lower rate. No LTV/CLTV restrictions.
4. Verification of Assets: borrowers can use 60% of their 401K or VOD plus one months bank statements or two months bank statements to verify assets and services.
5. Gift Letter required from donor. Must source gift to escrow or borrowers account and provide proof of donor's ability to give.

Property

1. Property must be seasoned for 12 months before new appraised value can be used for refinance transaction.
2. MLS listing must be expired for 6 months on rate and term, and cash out refinances.
3. Homebuyer summary, Appraisal VC sheets, and most repair requirements eliminated. Must have functional kitchen for health and safety reasons.
4. No Flip Rule! Properties must be owned by seller for minimum 90 days. (Date commences on title recording to date of the new purchase contract)
5. FHA Appraisers permitted to determine value. No declining market.
6. Owner Occupied only. Non-Owners not allowed (except streamline without appraisal).
7. No pre-payment penalty.
8. Mortgage Insurance is required on all loans regardless of LTV. UFMIP is 1.750% financed into loan.
9. Cash out allowed to 95% with 12 months seasoning. 85% cash out allowed 1-2 units.

General Mortgage Facts

FHA Loans Continued

- The FHA loan limit in Denver metro area is \$406,250.
- The minimum down payment required for an FHA loan is 3.5% of the purchase price.
- The UFMIP (Up Front Mortgage Insurance Premium) is 1.75%
- The monthly Mortgage Insurance Premium is .55% and must be paid for at least 5 years

Conventional Loans

- The maximum loan amount for a single-family home is \$417,000.
- Loans with a loan-to-value (LTV) ratio of 80 percent or greater will require the borrower to purchase Private Mortgage Insurance.
- Conventional loans generally require larger down payments than government-backed loans.
- Lenders may be willing to keep the loan in their own lending portfolio, thus allowing more underwriting flexibility because the loan will not have to meet secondary market guidelines.

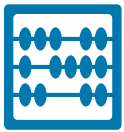
VA Loans

- The maximum loan amount guaranteed by GNMA is \$417,000.
- VA Loans are available up to \$1,000,000 but any amount over \$417,000 will require a 25% down payment.

Example:

Loan amount: \$600,000
 $\$600,000 - \$417,000 = \$183,000$
25% of \$183,000 is \$45,750
A down payment of \$45,750 would be required for a loan of \$600,000.

- Minimum FICO score of 680 required for loans above \$650,000.



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To Check the Status of Your Mortgage Broker,
visit: <http://www.dora.state.co.us/real-estate.htm>

Jumbo Loans

- A Jumbo Mortgage is a mortgage that exceeds current agency limits of \$417,000.
- A Super Jumbo Loan is a mortgage that exceeds \$1,000,000.
- There are no limits on Jumbo Loans, but there are higher interest rates and stricter guidelines.

Useful FICO Facts for Buyers

- To receive a FICO score, a person must have at least one credit account open for six months and at least one that has been active within the last six months.
- To obtain an optimal FICO score a person would have 2 installment loans (car loan, student loan) and 3 revolving accounts (credit cards) using 10% - 30% of their available credit.
- Contact your creditors immediately if you miss a payment, and work out a payment plan (preferably before they report you to the credit bureaus).
- Do not close credit card accounts in good standing. Someone with no history of credit tends to be seen as a higher risk than someone who has a record of managing debt responsibly.
- Avoid charging to the limit of one card. It's better to charge less on two cards with room to spare.
- Ask creditors to raise your credit limit so that you do not appear overextended.
- Do not open new accounts, because it shows an interest in acquiring new debt, which can lower your score.
- Correct errors on your credit reports.
- If you suspect your creditor is not reporting positive information to the bureaus, contact the creditors or the bureaus directly to set the record straight.
- Do not assume that a high salary guarantees a good credit score.
- Find out the key factors that are dragging down your score so you can fix them.

Ratios

Front End Ratio (Mortgage payment expense to effective income)

Add up the total mortgage payment (principal and interest, escrow deposits for taxes, hazard insurance, mortgage insurance premium, homeowners' dues, etc.). Then, take that amount and divide it by the gross monthly income.

The maximum Front End Ratio to qualify is 29%.

Back End Ratio (Total fixed payment to effective income)

Add up the total mortgage payment (principal and interest, escrow deposits for taxes, hazard insurance, mortgage insurance premium, homeowners' dues, etc.) and all recurring monthly revolving and installment debt (car loans, personal loans, student loans, credit cards, etc.). Then, take that amount and divide it by the gross monthly income.

The maximum Back End Ratio to qualify is 50%.