## Wholesale Lending - At-a-Glance Program Guide

### Key Underwriting Guidelines

#### Mortgage Programs

<table>
<thead>
<tr>
<th>FRMs – 15 and 30 Year Terms</th>
<th>ARMs – 3/1, 5/1, 7/1, 10/1 &amp; 3/1, 5/1, 7/1, 10/1 – Interest Only</th>
</tr>
</thead>
</table>

Refer to rate sheet for rates, pricing, LTVs & TLTVs for the above programs

Following are Key requirements for Standard Doc/Guidelines Loans; refer to Account Rep. for others.

For – Portfolio Express Refi – Refer To Separate Charts

#### Standard Doc/Standard Guidelines

**Appraisal**

Refer to At-a-Glance – Key Appraisal Requirements.

**Assets**

**Types**

| **Liquid Assets** – 100% of seasoned funds on deposit in the Borrower’s checking, savings, money market or certificate of deposit accounts may be used to cover down payment, closing cost and/or reserve requirements. Any recent large deposits will need to be sourced. A large deposit is defined as a deposit that is inconsistent in the amount and/or timing (out of pattern deposit) when compared to recent (90-120 days) normal deposit patterns and verified income levels. Other acceptable assets include: |
| Gifts that do not have to be repaid (see Down Payment and Gifts sections below for additional information). |
| Proceeds of a loan fully secured by the Borrower’s own assets |
| Proceeds from the sale of the Borrower’s assets |
| Funds disbursed from a Trust |
| Stocks, Bonds and Mutual Funds (see Reserves section below for additional information) |
| Funds vested in retirement accounts & 529 College Savings Plans (see Reserves section below for additional information). |

**Verification** – When verified assets are required, they must be verified by complete copies of account statements. Verification of Deposit forms is not acceptable.

**Verification of Funds at Closing** - Funds brought to close by the Borrower must have evidence that they came from the Borrower and must come from a financial institution that was disclosed by the Borrower on the loan application and was verified by Union Bank.

**Business Assets** – On a case-by-case basis, business assets may be used to meet down payment requirements and closing costs for the following self-employed Borrowers:

- Sole Proprietors
- Corporations – Borrower must own 50% or more of the Corporation (or 25% or more of a closely-held family Corporation).
- Partnerships – Borrower must be a General Partners and own 50% or more of the Partnership.
- If funds from a Partnership or Corporation will be used for down payment and/or closing costs, the applicant must provide evidence that at least 5% investment in the property is from their own personal assets (non-business accounts).

Six months business bank statements must be provided. Underwriters will review the bank statements and tax returns to determine if the withdrawal of the funds would have an adverse impact on the on-going operations and profitability of the business. The statements must show that there are sufficient assets to cover business expenses for (6) months plus the amount needed for
### Types (Continued)

The down payment and closing costs. Business assets may not be used to meet reserve requirements. Additional documentation and guidelines apply. Contact your Account Executive for details.

<table>
<thead>
<tr>
<th>Unacceptable Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds of a personal or unsecured loan</td>
</tr>
<tr>
<td>Gifts that must be repaid in full or in part</td>
</tr>
<tr>
<td>Sweat equity</td>
</tr>
<tr>
<td>Cash advances on a revolving charge account or an unsecured line of credit</td>
</tr>
<tr>
<td>Cash-on-hand/cash for which the source cannot be verified</td>
</tr>
<tr>
<td>Assets that have been transferred to Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minor Acts (UTMA) accounts.</td>
</tr>
<tr>
<td>Health Savings Account (HSAs)</td>
</tr>
<tr>
<td>Cryptocurrency – Includes Bitcoin, Litecoin, Ripple, Ethereum, etc., Exchange-Traded Fund (ETF) accounts or any other form of holding cryptocurrency. Funds liquidated from cryptocurrency are also unacceptable as assets.</td>
</tr>
</tbody>
</table>

### Contributions by Interested Parties

**Contribution Limits:**

- Owner–Occupied, primary residence & 2nd home – LTV over 90% – 3%; LTV equal to or less than 90% – 6%
- Investment Property – All LTVs – 2% of value.
- Contributions cannot exceed total amount of closing costs, including recurring (prepaids) & non-recurring.

**Application of Interested Party Contributions** – Interested party contributions may not exceed the amount of the actual closing costs. Contributions may be applied as follows:

- Reduce permanently the interest rate on the Mortgage; a.k.a. a Permanent Buydown.
- To pay fees related to the Mortgage financing charges/closing costs – recurring and non-recurring. Specific limitations/requirements related to the type of closing cost include:
  - Interest charges – limited to no more than (30) days of interest
  - Real estate taxes – covering the Borrower’s portion on any installment that is currently due plus the initial escrow deposit.
  - Hazard insurance premium – limited to no more than (14) months
  - HOA dues – limited to no more than (12) months’ dues; the HOA fee must be paid directly to the Homeowner’s Association.
  - Mortgage insurance – limited to amount required to be collected at closing.
- Pay the cost of other items traditionally paid by the Borrower, such as application fees, appraisal fees, transfer taxes, tax stamps, attorney fees, surveys, closing costs and title insurance.

### Credit

Refer to Broker-Glance – Credit

### Down Payment Minimum Requirements

**Minimum Down Payment** – A minimum down payment of 5% of the value must be paid from the Borrower’s own funds. The remaining down payment may be gift funds. If the LTV/TLTV is 80% or less, the entire down payment may be a gift (refer to Gifts Section below for additional information). Refer to Rate Sheet for maximum LTVs and TLTVs.

**Earnest Money Deposit** – The source of the earnest money deposit as shown on the Sales Contract or in the Escrow Instructions must be verified if the amount exceeds 2% of the sale price or if the deposit is being used as part of the Borrower’s minimum requirement for costs to close. To verify the deposit, provide a copy of (2) months account statements showing the funds withdrawn or indicating that the average balance for the past (2) months was sufficient to have
DOWN PAYMENT MINIMUM REQUIREMENTS (CONTINUED)

included the deposit and a copy of the cancelled check (front and back) to verify the date the check cleared the account.

GIFTS

Yes - with letter from relative-donor stating: name, address, phone, relationship to Borrower, address of property and statement saying no repayment expected, and – Trail of gift funds from the donor to either the Borrower or to escrow (on behalf of the Borrower) must be documented. Gifts are not allowed on investment property loans or loans over $2,000,000, or combined Union Bank loans over $2,000,000.

Gifts may be applied only to down payment and closing costs. Gifts may not be used as reserves or to pay off debt to qualify.

Funds being contributed by a non-occupant Co-Borrower must be the non-occupant Co-Borrower’s own funds.

RESERVES

INVESTMENT PROPERTY – Unless otherwise stipulated by Program Guidelines, reserves are required as follows:

<table>
<thead>
<tr>
<th>Transactions/Loan Amount</th>
<th>Fixed-Rate and Fully Amortizing ARMs</th>
<th>Interest-Only ARMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases and No Cash-Out Refinances</td>
<td>6 months</td>
<td>12 months</td>
</tr>
<tr>
<td>≤ $750,000</td>
<td>6 months</td>
<td>12 months</td>
</tr>
<tr>
<td>&gt;$750,000 to $1,500,000</td>
<td>12 months</td>
<td>12 months</td>
</tr>
<tr>
<td>Cash-Out Refinances</td>
<td>24 months</td>
<td>24 months</td>
</tr>
<tr>
<td>All Loan Amounts</td>
<td>24 months</td>
<td>24 months</td>
</tr>
</tbody>
</table>

The requirements above apply when the subject property is an investment property. Reserves for other investment properties may apply when:

- The Borrower is purchasing a new primary residence and retaining their current residence as an investment property. Refer to the Disposition of Borrower’s Current Residence section below.
- The subject property is a second home or an investment property and the Borrower owns more than (4) financed properties. Refer to the Maximum Number of Financed Properties section below.

Note: Additional reserve requirements may apply if:
- The Borrower is qualifying with Asset Utilization Income

OWNER OCCUPIED PRIMARY RESIDENCE & SECOND HOME – Unless otherwise stipulated by Program Guidelines, reserves are required as follows:

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Fixed-Rate and Fully Amortizing ARMs</th>
<th>Interest-Only ARMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $750,000</td>
<td>6 months</td>
<td>12 months</td>
</tr>
<tr>
<td>$750,001 to $1,500,000</td>
<td>9 months</td>
<td>12 months</td>
</tr>
<tr>
<td>$1,500,001 to $2,500,000</td>
<td>12 months</td>
<td>18 months</td>
</tr>
<tr>
<td>$2,500,001 and Over</td>
<td>24 months</td>
<td>24 months</td>
</tr>
</tbody>
</table>
RESERVES (CONTINUED)

The above requirements apply when the subject property is a primary residence or second home. Additional reserve requirements may apply when:

- The Borrower is purchasing a new primary residence and retaining their current residence as a second home. Refer to the Disposition of Borrower’s Current Residence section below.
- The subject property is a second home or an investment property and the Borrower owns more than (4) financed properties. Refer to the Maximum Number of Finance Properties section below.
- The Borrower is qualifying using Asset Utilization Income.
- The loan includes a LTV enhancement – refer to the rate sheet.

STOCKS, BONDS AND MUTUAL FUNDS – When used as reserves, used 70% of the account/face value, net any margin accounts.

RETIREMENT ACCOUNTS & 529 COLLEGE SAVINGS PLANS – When used as reserves, use 60% of the vested amount. For retirement accounts, if the Borrower is 59 ½ years or older, 70% of the value of the account may be used.

RETIREMENT ACCOUNTS AS INCOME & RESERVES

If the Borrower is taking distributions from an IRA or 401(k) account, the funds eligible to be used as reserves would be the account balance minus distribution amounts over a 3 or 5 year period, utilizing 70% of the remaining balance.

- If the income represents 50% or less of the qualifying income, then distributions over a (3) year period would need to be deducted from the account before utilizing the account as reserves.
- If the income represents more than 50% of the qualifying income, then distributions over a (5) year period would need to be deducted from the account before utilizing the account for reserves.

Example:
Income from the retirement account represents 51% of the qualifying income.
Distribution income is $50,000 annually X 5 years = $250,000.
Retirement balance of $1,200,000 - $250,000 = $950,000 X 70% = $665,000 for reserves and/or asset utilization.

Verifying Terms of Withdrawal on Retirements Accounts – Verification of terms of withdrawal is required for 401(k), 403(b), and 457b retirements accounts on second home and investment property transactions. Verification of terms is not required if the subject is a primary residence. Verification of terms of withdrawal is also not required for any type of IRA retirement account.

INTEREST-ONLY ARMS – Reserves are based off of the Fully-Amortizing qualifying payment, not the Interest-Only payment.

INELIGIBLE SOURCES OF RESERVES – Examples of assets that are not eligible to be used as reserves include:

- Non-financial assets such as collectibles, coins, stamps, and art work that would require appraisal and/or liquidation.
- Stocks issued by, or notes/loans receivable from a privately-held company (unless liquidation is verified prior to closing).
- Stock options and non-vested restricted stock.
- Gift funds.
- Cash Proceeds from a Cash Out refinance transaction.
<table>
<thead>
<tr>
<th>RESERVES (CONTINUED)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Assets that have been transferred to Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) accounts</td>
<td></td>
</tr>
<tr>
<td>• Assets in a 1031 Exchange/Accommodator account.</td>
<td></td>
</tr>
<tr>
<td>• Retirements accounts where the funds are not accessible prior to termination, retirement or death. Examples include PERS, STRS, and many Union pension plans.</td>
<td></td>
</tr>
<tr>
<td>• Cryptocurrency – Includes Bitcoin, Litecoin, Ripple, Ethereum, etc., Exchange-Traded Fund (ETF) accounts, or any other form of holding cryptocurrency. Funds liquidated from cryptocurrency are also unacceptable as reserves.</td>
<td></td>
</tr>
</tbody>
</table>

**SIMULTANEOUS TRANSACTIONS** When originating multiple loans simultaneously, the Borrower must have sufficient reserves to support each transaction. For example, if one loan requires (2) month’s reserves and the other requires (6) months reserves, a total of (8) months reserves would be need to be verified based on the qualifying payment for each property.

**Example:** Property A – (6) months reserves required, qualifying payment $1,000 = $6,000; Property B – (9) months reserves required, qualifying payment $2,000 = $18,000. Total Reserves = $24,000

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**BORROWER**

**FOREIGN NATIONAL** Not eligible

**NON-ARM’S LENGTH**

An arm’s length transaction occurs when all the parties involved are entirely independent of one another. This is, all parties deal with one another as strangers and have no reason to collude. If a direct relationship exists between any of the parties to a transaction, including the Borrower/Buyer, Lender, Employer, Broker, Realtor, or Appraiser, then the transaction is considered a non-arm’s length transaction. The following are allowable non-arm’s length transactions on primary residences and second homes:

**Transactions with Family Members** -

- The family member or relative is the Borrower’s Spouse, Child, Parent or any other individual related to the Borrowers by blood, adoption, or legal guardianship, or a Registered Domestic Partner or Fiancé /e. Except in cases where the Seller is delinquent as addressed under Bail Outs/Short Sales below.
- An executed Purchase or Sales Agreement between the Purchaser and the family member is in the loan file.
- The source and ownership of funds for the down payment, closing costs, and reserves are well documented in the loan file.

**Transactions Where the Employer is Family Member or the Seller** – In addition to the above requirements, two years tax returns and a signed IRS form 4506-T are required to verify the Borrower’s income.

**Transactions Where the Realtor as Buying Agent is the Buyer/Borrower** – Acceptable and commissions from the subject transaction can be used for closing costs up to the standard allowable contribution limits with two years tax returns showing a history of real estate commission income.

**Note:** Buyer/Borrower must not be the Listing Agent.

**Note:** The Appraiser must address the effect of the non-arm’s length relationship.

**Transactions Where the Realtor is the Listing Agent and Buyer/Borrower** – These transactions are not allowed.
| NON-ARM’S LENGTH (CONTINUED) | Transactions Where Borrower is Principal / Employee of Submitting Broker – will be allowed as follows:  
- Standard documentation;  
- Owner-Occupied/primary residence;  
- No non-occupant Co-Mortgagors;  
- Borrower has no involvement with the loan transaction other than in the Borrower capacity and will receive no compensation from the transaction. For example, the Borrower may not be the originator or processor of the loan.  
For those Broker Principals/Employees who desire a Union Bank loan product, but do not meet the above requirements, application can be made through our retail network Mortgage Consultants or Loan-By-Phone (800) 838-0038.  
Other Non-Arm’s Length Transactions – Other non-arms transactions not included in the list above will be considered on a case-by-case basis, taking into account all layers of risk. Transactions deemed acceptable must be approved by the Underwriter and the Underwriting Manager.  
Second Homes & Investment Properties - On new construction, Borrower cannot be affiliated in any way with the Builder, Developer or the property Seller.  
Bail Outs/Short Sales – Non-arm’s length transactions are not allowed if the Seller is currently delinquent on their mortgage(s) or on short sale transactions. A copy of the demand for payoff for the existing Mortgage(s) should be obtained for verification. |

| DISPOSITION OF BORROWER'S CURRENT RESIDENCE | On a purchase of a primary residence, the following guidelines must be met according to the disposition of the Borrower's current residence:  
**Appraisal Requirements** – A noted in the guidelines below, an appraisal may be required to document the equity in the Borrower’s current residence. These appraisals must be ordered through FNC Collateral Management System (refer to Broker-Glance Appraisal Requirements) and the following appraisal requirements apply:  
- Drive-by appraisals are allowed for single-family residences, excluding manufactured homes.  
- Full appraisals are required for manufactured homes and 2-4 unit properties.  
**Principal Residence Pending Sale** – In order to exclude the payment for a Borrower’s primary residence that is pending sale but will close after the subject transaction the following requirements must be met:  
- A copy of an executed Sales Contract for the property pending sale and confirmation all contingencies have been cleared/satisfied.  
- The closing date for the departure residence must be within (30) days of the subject transaction Note date.  
- (6) months liquid reserves must be verified for the PITIA of the departure residence.  
**Note:** If the requirements above not met, then the payment on the property must be included in the Borrower’s debt ratios and (6) months reserves are required if the Borrower does not have at least 25%* equity in the property, or (2) months reserves if the Borrower does have at least 25%* equity in the property.  
*If there is a line of credit (HELOC) secured against the departing residence, the full line must be considered when calculating the required equity. |
### DISPOSITION OF BORROWER’S CURRENT RESIDENCE (CONTINUED)

#### Departure Residence Subject to Guaranteed Buy-out with Corporation Relocation
- In order to exclude the payment for a Borrower’s primary residence that is part of a Corporate Relocation, the following requirements must be met:
  - Copy of the executed Buy-Out Agreement verifying the Borrower has no additional financial responsibility toward the departing residence once the property has been transferred to the 3rd party.
  - Guaranteed Buy-Out by the 3rd party must occur within (4) months of the fully executed guaranteed Buy-Out Agreement.
  - Evidence of receipt of equity advance if funds will be used for down payment or closing costs.
  - Verification of an additional (6) months PITIA of the departure residence.

#### Conversion of Principal Residence to a Second Home
- Both the current and the proposed mortgage payments must be used to qualify the Borrower for the new transaction; and
- A minimum of six (6) months of PITI reserves is required for both the Borrower’s current residence and the subject property. A reduction to two (2) months for the Borrower’s current residence is allowed if there is documented equity of at least 25 percent in the existing property derived from an appraisal or by comparing the unpaid principal balance to the original sales price. If standard guidelines require more than (6) months reserves for the subject property, standard guidelines would prevail. For programs where no reserves are required, a minimum of (2) months reserves will be required for the current residence, regardless of the percent of equity.

#### Conversion of Principal Residence to an Investment Property
- Up to 75 percent of the rental income can be used to offset the mortgage payment in qualifying if one of the following requirements is met:
  - There is documented equity of at least 25 percent** in the existing property derived from an appraisal or by comparing the unpaid principal balance to the original sales price of the property, or
  - The Borrower’s new primary residence is a minimum of (100) miles from their current residence.
- The rental income must be documented with:
  - A copy of the fully executed Lease Agreement; and
  - The receipt of a security deposit from the Tenant and deposit into the Borrower’s account, and
  - A minimum of two (2) months reserves is required for the Borrower’s current residence and a minimum of six months (6) reserves is required for the subject property. Standard guidelines requiring more than (6) months reserves for the subject property would prevail. For programs where no reserves are required, a minimum of (2) months reserves will be required for the current residence, regardless of the percent of equity.
  - Regardless of the percent of equity.
  - If the 25 percent equity in the property cannot be documented or if the new residence doesn’t meet the relocation requirements above, rental income may not be used to offset the mortgage payment.
- Both current the proposed mortgage payments must be used to qualify the Borrower for the new transaction; and Six (6) months of PITI reserves is required for both the Borrower’s current residence and the subject property. Standard guidelines requiring more than (6) months reserves would prevail for the subject property. For programs where no reserves are required, a minimum of (2) months reserves will be required for the current residence.

**If there is a line of credit (HELOC) secured against the departing residence, the full line must be considered when calculating the required equity.
2 – 4 Unit Properties

- **Unit Previously Occupied By the Borrower** – If there is documented equity of at least 25% or the Borrower meets the relocation requirements above, rental income from this unit may be used and the documentation requirements noted above must be met. If the equity is less than 25% or the relocation requirements are not met, no rental income from this unit may be counted.

- **Remaining Units** – Regardless of the amount of equity, the net rental income from the remaining units may be counted. Calculate the net rental income from the Borrower’s most recent two years of tax returns. Leases are permitted only if the property is not on Schedule E because it was acquired subsequent to filing the tax return.

**Note:** If there is less than 25% equity in the Borrower’s current residence or the relocation requirements are not met, and the Borrower owns other rental properties, the PITI payment from the Borrower’s current residence may be included with the net rental income.

**Note:** If a Borrower converted their principal residence to an investment property at least six months prior to the application date, the above requirements do not apply. Rental income from the property can be used subject to standard rental income guidelines.

**Paying Down a Mortgage to Meet the 25% Equity Requirement** – The Borrower may use seasoned personal funds to pay down a mortgage in order to meet the 25% equity requirement. Funds coming from a gift, business asset or line of credit on another property would not be allowed.

### IRS FORM 4506-T

An IRS Form 4506-T Request for Transcript of Tax Return must be signed and dated by all Borrowers and is required at the time of loan submission. In addition, all Borrowers must sign and date a 4506-T at the time of loan closing.

**Note:** If a Borrower has applied for a loan without their Spouse, the Spouse is not required to sign the 4506-T. The 4506-T can be executed without the Spouse’s signature.

The 4506-T will be executed prior to documents on the following loans:

- 1040 tax returns have been provided to verify income
- Investment Properties
- Portfolio Express Refinances
- Green Loan Documentation
- Non-Arm’s Length Transactions

The 4506-T must also be executed on transactions that meet the following parameters:

<table>
<thead>
<tr>
<th>Loan Purpose</th>
<th>Loan Amount</th>
<th>LTV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase and No Cash-Out Refinance</td>
<td>&gt; $1,500,000 and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&lt; $2,500,000</td>
<td>&gt; 50%</td>
</tr>
<tr>
<td></td>
<td>&gt;= $2,500,000</td>
<td>All</td>
</tr>
<tr>
<td>Cash-Out Refinance</td>
<td>&gt; $1,100,000 and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&lt; $1,500,000</td>
<td>&gt; 50%</td>
</tr>
<tr>
<td></td>
<td>&gt;= $1,500,000</td>
<td>All</td>
</tr>
</tbody>
</table>

**Conditional Requirement** – At Underwriter discretion, execution of an IRS 4506-T can be required for any loan.

**IRS Rejection of Tax Transcript Request Due to Identity Theft or Other Concerns** – The IRS may reject tax transcript requests due to suspected identity theft or other concerns. In these situations, the IRS will only release the tax transcripts to the Borrower. When tax
**WHOLESALE LENDING - AT-A-GLANCE PROGRAM GUIDE**

**KEY UNDERWRITING GUIDELINES**

| IRS FORM 4506-T (CONTINUED) | transcripts are required per guideline above, in lieu of obtaining tax transcripts, Underwriters will perform enhanced due diligence in reviewing and validating the tax returns. This includes obtaining one or more of the following.  
- Copy of cancelled check to the IRS for taxes owed or proof of refund received  
- A statement from the CPA or tax preparer stating the taxes have been filed and verifies Wages (Line 7), Total Income (Line 22), and Adjusted Gross Income (Line 36). In addition, CPA/tax preparer license to be verified.  
- Proof tax returns have been filed with copy of IRS stamped tax returns or proof of e-filing.  
Waiving tax transcripts must be approved by a Union Bank Underwriting Supervisor or Underwriting Manager.  
If there are concerns about the tax returns or the overall risk of the transaction and the Underwriter determines that tax transcripts are needed, the Borrower should be advised to go to their nearest IRS office and obtain a copy of their tax transcripts stamped by the IRS. The nearest IRS offices can be found at [http://apps.irs.gov/app/officeLocator/](http://apps.irs.gov/app/officeLocator/).  
**Note:** These procedures only apply when the reason for the IRS rejection is “Unable to Process,” “Limitation,” or “Identity Theft.” They do not apply if tax transcripts are not received due to “no record found” or “data does not match.”  
- **Portfolio Express** – If tax transcripts cannot be obtained due to identity theft or other concerns, full documentation is required.  
- **Green Loan Documentation** – Is not allowed if tax transcripts cannot be obtained due to identity theft or other concerns. |

| MAXIMUM NUMBER OF FINANCED PROPERTIES | Owner Occupied Properties – There is no limitation on the number of financed properties a Borrower owns when the subject property is Owner occupied.  
**Note:** Primary Occupancy – Loan Seasoning – Union Bank will consider primary-residence loan applications from the same Borrower(s) on different properties only one time during any (12) month period. This requirement does not apply if there is a HUD–1 final closing statement in file showing the previous residence as being sold. This applies to first mortgages and Union Bank FlexEquity loans.  
Second Homes and Investment Properties – The Borrower may not have an individual or joint interest in more than ten (10) financed 1-4 unit residential properties, including their primary residence and the subject property. If there is more than one Borrower on the loan, the limit applies to the cumulative total of financed properties for all Borrowers. If a Borrower is on title to a property, it would be included in the total of financed properties even if the financing is in someone else’s name. Land, commercial properties and timeshares are not included in the number of financed properties. The following describes how the limitations apply based on type of ownership:  
- **Ownership in a Corporation or S-Corp** – If the financing is in the name of the Corporation or S-Corp, it would not be counted in the number of properties financed. If the financing is in the name of the Borrower, it would be counted.  
- **Ownership in a Limited Liability Company (LLC) or Partnership** – The property is counted in the number of properties financed regardless of financing.  
- **Joint Ownership by Borrower and Co-Borrower** - If a property is jointly owned by the Borrower and Co-Borrower, it would only be counted once.  
- **Borrower Obligated on Note/Not on Title** – The property is counted in number of properties financed. |
• **Manufactured Homes** – Included if manufactured and the land on which it is situated is titled as real property.

If the Borrower owns five (5) to ten (10) financed properties, only Purchase and No Cash-Out Refinance transactions are allowed. In addition, the following eligibility requirements must be met:

<table>
<thead>
<tr>
<th>ELIGIBILITY REQUIREMENTS: FIVE TO TEN FINANCED PROPERTIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Type</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>Second Home or Investment Property</td>
</tr>
<tr>
<td>Purchase</td>
</tr>
<tr>
<td>No Cash-Out Refinance</td>
</tr>
<tr>
<td>Cash-Out Refinance</td>
</tr>
<tr>
<td>Investment Property</td>
</tr>
<tr>
<td>Purchase and No Cash-Out Refinance</td>
</tr>
<tr>
<td>Cash-Out Refinance</td>
</tr>
</tbody>
</table>

- The Borrower cannot have any history of bankruptcy, foreclosure, or short payoffs within the past (7) years.
- The Borrower cannot have any delinquencies (30-day or greater) within the past (12) months on any mortgage loans.
- Rental income on the subject investment property must be fully documented. Rental income from other properties owned by the Borrower must be supported by two years’ federal income tax returns.
- The Borrower must complete and sign IRS Form 4506-T Request for Transcript of Tax Return. The 4506-T must be executed to validate the accuracy of the tax returns provided by the Borrower prior to the Borrower signing loan documents.
- The Borrower must have reserves for the subject property and for other properties currently owned by the Borrower (i.e., other financed second home and investment properties) in accordance with the following:
  - Six to 24 months of reserves, depending on loan amount, on the subject property if it is a second home (3),
  - Six to 12 months of reserves, depending on loan amount, on a subject property if it is an investment property, (3) and
  - Six months of reserves on each other financed second home or investment property.

**Important:** All reserve requirements are based on the definition of reserves (PITIA) which includes principal and interest, taxes and hazard insurance, and the following when applicable: flood and mortgage insurance, ground rent, special assessments, Homeowner’s association dues, and subordinate financing payments.

**Footnotes:**
- (1.) Or the maximum LTV/TLTV allowed per program guidelines, whichever is less.
- (2.) Or the minimum credit score required per program guidelines, whichever is greater.
- (3.) Or the minimum amount of reserves required for the specific transaction.
- (4.) An LTV reduction is not required if the property is located in an area with declining values.
### NON-OCUPANTS CO-BORROWER

Allowed unless otherwise stipulated by program or doc type.
- Primary residences only
- Not allowed on 2-4 unit properties
- Occupant Borrower must be shown in first position on the loan application – not non-occupant Co-Borrower.
- Co-Borrower is not required to sign the Security Instrument/Deed of Trust if not taking title, but must sign the Note.
- At least one of the Borrowers qualifying for the loan must be vested on title.
- The occupying Borrower must be on title and must sign the Note for the loan to be considered under Owner-occupied provisions.
- **Debt Ratios**
  - **Immediate Relatives** – If the non-occupant Co-Borrower is an immediate relative (i.e. Grandparent, Parent, Sibling, or Child), standard debt ratio guidelines apply.
  - **Other Non-Occupant Co-Borrowers** - The occupant Borrower’s debt ratio may not exceed 50% using the entire qualifying PITIA payment plus the Borrower’s other debt. The combined debt ratio of the Borrower and non-occupant Co-Borrower must be within debt ratio guidelines for the loan product selected.
- Occupant Borrower must have down payment of at least 5% of his/her own funds, unless the LTV/TLTV is ≤ 80%. If the down payment is a gift, refer to the Gifts section above. Down payment funds provided by the non-occupant Co-Borrower are not considered gift funds and are verified per standard asset documentation guidelines. Funds from a non-occupant Co-Borrower must be his/her own funds.
- Reserve funds may come from either the occupying Borrower or the non-occupant Co-Borrower.
- Non-occupant Co-Borrower has no other interest (e.g., Seller, Builder, Realtor, etc.) in the transaction.
- Maximum Number of Non-Occupant Co-Borrowers – One application with up to two non-occupant Co-Borrowers is allowed.

### PERMANENT & NON-PERM RESIDENTS

Non-permanent residents are permitted under the same terms as US citizens & permanent residents – with proof of legal residency – certified, front & back copy of the USCIS visa or other satisfactory documentation. Refer to the Immigrant/USCIS Identification Verification Form for eligible types of visas.

Verification of Immigrant USCIS is required to be completed before a loan is submitted to underwriting for consideration. Please submit the required documentation with your Broker Submission Package.

**Documentation Requirements**

**Permanent Residents**

Acceptable evidence of lawful permanent residency includes one of the following:
- Copy of the front with photo & back of Permanent Resident Card (USCIS form I-551), or
- Copy of the front with photo & back of Conditional Alien Registration Receipt Card (USCIS form I-551) accompanied by an unexpired USCIS Form I-751 (Petition to Remove the Conditions of Residency) filing receipt, or
PERMANENT & NON-PERM RESIDENTS (CONTINUED)

- Copy of the front with photo & back of an unexpired foreign passport which contains an unexpired stamp reading: Processed for I-551. Temporary Evidence of Lawful Admission for permanent residence. Valid unit [date]. Employment authorized, or
- Copy of the front with photo & back of an unexpired EB -1, EB-2, EB-3, EB-4, or EB-5

**Non-Permanent Residents**

**Acceptable Visas:** Non-permanent residents must have one of the following visas types: E-1 & E-2, E-3, H-1B, H-1B1 – 3, H–1C, H-2A – 2B, H-3-4, I-327, I-571, K-1, K-3, L-1A – L-1B, L2, O-1, O-2, O-3, P-1, 2, 3, & 4, Q-1, Q-3, R-1-2, S11 & S12, SQ1 & SQ2, TN, (NAFTA), V-1.

- NAFTA – Mexican and Canadian Citizens – Copy of passport with photo and entry stamp reflecting ‘TN.’
- For all other eligible visas, provide all of the following:
  - Copy of most current USCIS visa with photo and entry stamp to validate visa class, employer, and expiration date, and
  - Provide the supporting forms referenced under ‘annotation’ on front of visa.
    For example, L-1 visa – provide I-129S at POE.
- Expired Visas or Borrower is Employed with New Employer Not Shown on Visa – Provide copy of I-797A showing new expiration date/new employer.
- K-1, K-3, H4, or L2 Visas – If applicant is working, must be accompanied by an Employment Authorization Card (EAD)/Form I-766.
- Employment Authorization Cards (EAD) – Form I-766 – Only eligible if accompanied by a eligible visa

Please note that due to the various and unique statuses of non-permanent resident applicants, additional documentation may be needed.

**Non-Permanent Residents Who do not Meet Standard Credit Requirements**

Non-permanent residents who do not meet Standard Credit Requirements are eligible for the loan amounts/LTVs/TLTVs shown below if they meet the following requirements:

**Employment** - Borrower must have been residing and working in the U.S. for a minimum of (6) months and must meet one of the following:

- Continuous employment with the same employer for a minimum of (2) years
- (2) years employment in the same line of work, or
- Recent College/Graduate School – (2) year history to be comprised of minimum (1) year employment plus previous schooling. Individuals must have completed a Bachelor’s degree or higher in a field related to his/her employment verified with copy of transcripts, diploma, or equivalent document.

**Credit** – Borrowers must either have (2) years combined foreign and/or U.S. credit or a minimum of (6) months of U.S. Credit.

**2 Years Verified Credit – Foreign and/or U.S. Credit**

- An International Credit Report (ICR) obtained through CBC Innovis or a single-bureau Canadian Credit Report that includes the following:
  - Minimum of three tradelines that includes 1 mortgage/rental rating, (1) installment debt rating, and (1) revolving debt rating.

  **Note:** A revolving account with high credit of $10,000 or greater may be used in lieu of an installment debt.
### Key Underwriting Guidelines

#### Permanent & Non-Perm Residents (Continued)

- The ICR must contain specific dates that credit references were established and the payment history and status of these accounts.
- Combined foreign and U.S. credit must reflect the following:
  - Minimum (2) year overall history (determined by the oldest open date).
  - One currently active account (the “Date of Last Activity” or DLA must reflect activity in the month the credit report was pulled or the previous month).
  - Each tradeline must be opened for a minimum of (6) months and reflect activity in the most recent (24) months (except for the currently active account, the tradelines do not need to be open or active).
- Refer to Broker Glance – Credit for credit history requirements.

### Credit - 6 Months U.S. Credit
- Borrowers must report/show a minimum of (6) months of U.S. credit.
  - Minimum (2) tradelines with (6) months seasoning reflected on the Borrower's credit report.
  - Minimum (6) months rental rating verified via canceled checks or bank statements.
  - All credit must be paid as agreed.

### Maximum Loan Amounts/LTVs/TLTVs/Reserve Requirements

<table>
<thead>
<tr>
<th>Credit History</th>
<th>Max Loan Amount</th>
<th>Max LTV/TLTV</th>
<th>Reserves</th>
<th>Interest-Only ARM</th>
<th>ARM</th>
<th>I.O. ARM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Years Verified (Foreign and/or U.S. credit)</td>
<td>$750,000</td>
<td>80%</td>
<td>6 months</td>
<td>12 months</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>$1,000,000</td>
<td>80%</td>
<td>9 months</td>
<td>12 months</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>$1,500,000</td>
<td>75%</td>
<td>12 months</td>
<td>12 months</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>U.S. Only – minimum 2 trades w/ 6 months history &amp; verified rent payments</td>
<td>$1,000,000</td>
<td>70%</td>
<td>12 months</td>
<td>12 months</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>$1,500,000</td>
<td>65%</td>
<td>18 months</td>
<td>18 months</td>
<td>18</td>
<td>18</td>
</tr>
</tbody>
</table>

- Purchase and no cash-out refinances only
- Primary residences only
- All other standard guidelines apply

### Trusts

Revocable, Irrevocable & Qualified Personal Residence Trust/QPRT permitted. All Trustees must complete & sign a Trust Certification & at least one of the Trustors must be applying, qualifying & signing Mortgage instruments.
**TRUSTS (CONTINUED)**

Trust Certification must be completed, signed, and notarized prior to document preparation.

- Loans in AZ, CA, NV, OR, & WA – Complete ‘Trust Certification’ form
- Loans in IL – Complete ‘Trust Certification – Illinois Only’ form

**Refinance With Change of Title – From Trust to Individual** – For a refinance transaction, if title is currently held in a Trust and a Trust Certification is not provided with file submission, the Underwriter will condition for a signed and notarized Trust Certification. If the Borrower’s actual intent is to take title out of the Trust, the change of title must be made prior to submitting the loan to Union Bank.

**Qualified Personal Residence Trust** – This type of Trust is allowed if Borrowers can provide a statement from their Attorney stating that it is permissible for the Bank to secure a lien on the property in the Trust for the entire term of the loan or line of credit.

**TENANTS-IN-COMMON (TIC)**

When vesting is TIC on a 2 – 4 unit property, Standard Documentation is required. All vested Owners of the property are required to be Borrowers on the credit. For refinance transactions, all current vested Owners and Borrowers must remain the same, no new Borrowers may be added to the loan.

**CREDIT**

No minimum credit score for Standard Doc – Standard Credit Required

**DEBT RATIOS**

Amortizing Loans (ARMs & Fixed Rate) – 43%

- Interest Only ARMs –
  - 30-Year Term – 45% (In AZ & NV, Max. 43%)
  - 40-Year Term – 43%

Refer to Portfolio Products Information Chart for ARM Qualifying Rates.

**DOCUMENTATION**

**PORTFOLIO EXPRESS REFI**

Refer to At-a-Glance Chart

**EMPLOYMENT / INCOME**

Standard Guidelines – For Standard Doc

**E-SIGNATURES**

On Portfolio Program loans, electronic signatures are acceptable on the following documents if the corresponding e-sign certificates to evidence authentication are provided:

- Loan Estimate (LE) Certification (signed by Broker)
- No Up Front Fee Certification (signed by Broker)
- Credit Authorization (Signed by applicant(s))
- Broker Relationship Disclosure (signed by applicant(s) and Broker)
- Owner Occupancy Certification (signed by applicant(s))
- Housing Counseling Agency Acknowledgment (signed by applicant(s))
**E-SIGNATURES (CONTINUED)**

Electronic signatures on the following documents are acceptable without an e-sign certificate:

- Sales Contracts (signed by all parties to the contract)
- Broker signed 1003

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**LIABIILITIES**

**CONTINGENT LIABILITIES**

**Cosigned/Guaranteed Debt:** To exclude a debt on which our Borrower is a Co-Signer or Guarantor, the following is required:

- A copy of the Note verifying the primary Obligor is not our Borrower and that the primary Obligor is the individual making the payments.
- Copies (front and back) of (12) months’ canceled checks, written by the primary Obligor, or copies of bank statements covering the past (12) months and showing the Lender, and
- The timeliness of payments is determined by the credit report for the Borrower, by the bank statement copies, or by verification from the Lender covering the last (12) months.

**Joint Liabilities** - When a Borrower is a joint Obligor on a liability, the debt, or a portion of the debt, may be excluded from the debt ratio if the following requirements are met:

- A copy of the Note shows that the individual making the payments is obligated on the debt.
- The other Obligor on the debt is not a Borrower on the subject loan transaction,
- The account has been paid as agreed, and
- (12) Months cancelled checks are provided showing the other Obligor has been making the payment or a certain percentage of the payment.

**Individual Liabilities** – All individual liabilities must be included in the Borrower’s debt ratio.

**Tax Repayment Plans** - Voluntary tax repayment plans are not required to be paid off as long as a tax lien has not been recorded, the loan doesn’t require mortgage insurance, and the requirements below are met. The monthly payment must be included in the debt-to-income ratio. The following requirements must be met:

- A letter of explanation (LOE) addressing the reason for the tax repayment plan.
- Copy of the tax repayment plan to verify the terms of repayment
- Verify that the tax repayment plan is for **one** repayment plan event, which may include multiple years.
- Borrowers must meet Standard Credit definition per the RLU with no history of tax liens or major derogatory credit.
- Tax repayment plans owing greater than $5,000 must have 6 months history of acceptable payment history. If less than $5,000 no repayment history is required.
- Monthly payments under the tax repayment plan must be included in the Total DTI if more than three months is remaining.
- Borrower must verify sufficient funds, in addition to down payment and reserves (as per standard liquid asset requirement guidelines), to pay off the balance of taxes owed under the tax repayment plan, or the LTV/TLTV must be 5% under the maximum allowed per program guidelines/rate sheet.
- Tax repayment plans greater than $50,000 must be reviewed and approved by the Underwriting Supervisor or Underwriting Manager.
CONTINGENT LIABILITIES (CONTINUED)

- If any of these requirements are not met, the taxes owed must be paid in full prior to or at funding.
- Loans requiring Mortgage Insurance are ineligible to have the tax repayment plan left open and must be paid in full.

INSTALLMENT DEBT

Installment debt is generally defined as that which has fixed monthly payments and a pre-determined payoff date, e.g., auto loans are considered installment debt.

**Debt Ratio Calculation:** Certain installment debts with less than (10) payments remaining may be excluded from the debt ratio. However, if an installment debt with less than (10) months remaining increases the total debt ratio 3% or more, it must be included for qualifying unless the Borrower has sufficient assets to pay off the entire debt. These funds must be in addition to all funds required for closing and reserves.

**Paying Down Installment Debt to Less than (10) Payments** – Debts may not be paid down to less than (10) months payments in order to exclude them from the debt ratio. Only debts that are paid in full may be excluded.

**Paying off Alimony and/or Child Support**

If the Borrower wants to pay off alimony or child support and more than (12) months remain, one of the following would be required:

- Letter from recipient’s Attorney acknowledging that payment in full is acceptable
- If recipient self-represented, a notarized statement acknowledging that payment in full is acceptable.
- Court approval of payment in full

If (12) or less payment remain, the loan may proceed without obtaining any additional documentation.

**Alimony** – On loans that do not require Mortgage insurance, alimony can be treated as a reduction to income if the following requirements are met:

- Verify alimony payments have been paid on time for the last (12) months (minimum (12) month history is required). Support payments made prior to court-ordered alimony can be used toward the (12) month history if the support payments were for an amount similar to the current alimony payment.
- No derogatory credit allowed in the last (12) months, except for medical collections that meet Standard Credit guidelines.

If these requirements are not met or the Borrower chooses not to provide the required documentation, alimony must be treated as a liability. If it is more beneficial to the Borrower, alimony may be treated as a liability (requirements above do not need to be met).

**Student Loans**:

Payments on student loans must be included in debt ratios, even if the payment is deferred. One of the following options may be used to calculate the payment for qualifying:

- The actual payment that will Fully-Amortize* the loans as shown on the credit report, the installment loan agreement, or other acceptable documentation provided by the Borrower, or
- A calculated payment that will Fully-Amortize* the payment based on documented repayment term (typically the loan term is reflected on the credit report), or
- 1% of the outstanding balance of the student loan.

The Underwriter is responsible for determining that the payment on the credit report, or other provided documentation, will Fully-Amortize the loan.
**INSTALLMENT DEBT (CONTINUED)**

The recommended waterfall is to start with the first option noted above. If the payment cannot be verified as being Fully-Amortizing or a payment cannot be determined, then the Underwriter should utilize a payment as determined by the other two options that is the most advantageous to the Borrower.

If the repayment terms or loan term is unknown, a calculated payment that will Fully-Amortize the loan based on the chart below can be calculated using the prevailing student loan interest-rate that can be verified at [https://studentaid.ed.gov/sa/types/loans/interest-rates](https://studentaid.ed.gov/sa/types/loans/interest-rates)

<table>
<thead>
<tr>
<th>Cumulative outstanding balance of all student loans</th>
<th>Repayment Required for Qualifying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $7,499</td>
<td>10 years</td>
</tr>
<tr>
<td>$7,500- $9,999</td>
<td>12 years</td>
</tr>
<tr>
<td>$10,000- $19,999</td>
<td>15 years</td>
</tr>
<tr>
<td>$20,000 - $39,999</td>
<td>20 years</td>
</tr>
<tr>
<td>$40,000 - $59,000</td>
<td>25 years</td>
</tr>
<tr>
<td>$60,000 or greater</td>
<td>30 years</td>
</tr>
</tbody>
</table>

**SOLAR EQUIPMENT**

Solar companies currently offer homeowners three methods of acquiring solar power. If the Borrower has solar equipment, the loan file will need to include documentation of how the equipment was acquired in order to determine if a monthly liability should be included in the DTI. The three types are outlined below:

- **Solar Equipment Purchase** - If the homeowner purchases the solar equipment, he or she may or may not have a debt associated with the solar equipment. If the homeowner purchased the equipment outright without any financing, then no monthly payment is required to be included in the DTI. If the solar equipment was purchased with an installment loan or 2nd mortgage, the debt must be included in the DTI unless the debt is being paid off.

- **Solar Equipment Lease** - If the homeowner leases their solar equipment, the lease payment must be included in the DTI.

- **Hybrid – Use of Solar Company Energy** - If the homeowner enters into a contract to use energy generated by a Solar Company who has installed equipment on the homeowner’s property and they are only charged monthly for the use of solar energy in place of a utility bill to the utility companies, then no monthly debt is required to be included in the DTI. One of the companies who offer this new hybrid solar use is Solar City. They lock in a rate for (20) years and the Borrower will only pay for the solar energy they use.

**Note:** If the solar lease or solar loan payment is included in the monthly utility bill, the solar lease or solar loan payment portion must still be included as a liability in the DTI.

**BALLOON LOANS**

Balloon loans, whether they are installment loans or mortgages, must be considered in the underwriting analysis if they become due and payable within (12) months of the closing date. The credit report must be reviewed to determine if the Borrower has any balloon loans. The monthly payment is multiplied by the term remaining. If this amount would not be sufficient to pay off the balance, the loan would be identified as a balloon loan.

The Borrower must provide a letter to address whether his or her intention is to pay off the loan or to refinance it into a new debt.
| BALLOON LOANS (CONTINUED) | To exclude the payment, the Borrower must either provide definitive evidence to show that the loan will pay off within the amortization term or provide evidence of sufficient funds to pay off the balloon payment when due. These funds must be in addition to any down payment, closing costs, and reserves needed for the current transaction. If the Borrower intends to refinance the balloon, the greater of the current payment or the applicable formula below must be included in the Borrower’s debt ratio:  
- If balloon loan is a first mortgage, calculate a monthly payment for the outstanding balloon payment over (30) years using the FNMA (30) day net yield interest-rate, as disclosed on the rate sheet.  
- If the balloon loan is a subordinate Mortgage, calculate a monthly payment for the outstanding balloon payment over (15) years at the current market interest-rate, provided by the Union Bank Capital Markets Department. |

| OCCUPANCY |
| --- | --- |
| OWNER- OCCUPIED | Yes |
| SECOND VACATION HOME | Yes |

| INVESTMENT PROPERTY | • Allowed in CA, IL, OR, and WA  
• Not allowed in AZ or NV |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Limit of (3) investment property loans to one Borrower.</td>
<td></td>
</tr>
</tbody>
</table>

| PROPERTY ELIGIBILITY |
| --- | --- |
| ACCEPTABLE TYPES | SFR/PUD, Condo, 2-4 |
| ACREAGE / RURAL | Yes – Maximum (20) acres |

| LEASEHOLDS | YES – Permitted; No Manufactured Homes – Must meet Union Bank Leasehold Estate Requirements (contact Account Representative for details.  
**Documentation** –  
- Copy of the Lease and Sublease (if applicable)  
- Consent to Encumber Lease – Union Bank’s Consent to Encumber Lease document must be signed by the Lessor(s)/Sub-Lessor(s) on all Leasehold property loans. The consent is recorded with the Deed of Trust. In some cases, UB will consider the Lessor(s)/Sub- |
### Leaseholds (Continued)

Lessor(s) proprietary “consent” form. RLD’s Compliance Officer will determine whether the non-bank form is acceptable for the loan transaction.

**IMPORTANT:** If the proprietary consent form includes a requirement that the Bank collect or remit lease payments which are in default, and the Lessor(s)/Sub-Lessor(s) refuse to sign the UB form, UB will be able to grant the loan as follows:

- All other Leasehold and Consent to Encumber guidelines are met,
- The property is a primary residence or second home,
- The maximum LTV/TLTV is reduced as noted below:

**Portfolio Programs** – The maximum LTV is reduced by 5%. For Portfolio Fixed-Rate loans, Fully-Amortizing ARMs, and Interest-Only ARMs, the maximum LTV is the lesser of 75% or 5% below the maximum allowed for the loan transaction. If the loan includes a concurrent Union Bank FlexEquity, the maximum TLTV = maximum LTV. Standard TLTVs apply for outside 2nds.

**Note:** An additional consent to encumber is required for any concurrent FlexEquity Line of Credit.

### Listed Properties – Past 6 Mos

Allowed, if the following requirements are met:

- No cash-out refinance
- Proof of cancelled listing prior to closing.
- An acceptable letter from Borrower describing the rationale for changing their intention to sell the property.
- 1st Mortgage with Concurrent FlexEquity – Only allowed if the entire transaction is a no-cash-out refinance. Cash-out from the FlexEquity is not allowed.

### Location

With applicable State licensing (Refer to Account Executive) – Arizona, California, Nevada, Oregon, and Washington. Illinois only available for select Brokers.

### Manufactured Home

Not eligible.

### Property Flipping

**Properties Re-sold within 90 Days** - Due to the risk associated with a property that was recently acquired by the Seller and is being resold, a property being resold within (90) days of its previous sale is not eligible for financing. The (90) day seasoning requirement is based on the sale closing date to the loan application date.

**Properties Resold after 90 Days** - For any resale that occurs between (91) days and (6) months, the following should be clearly documented in the loan file:

- The property Owner must be Seller of record according to publicly available information and is supported by loan file documentation.
- A significant increase in the property value must be explained, documented and supported by the appraisal. The Appraiser must address all improvements and renovations made to the property since the Seller purchased it and address whether or not those improvement support the increase in value.
### WHOLESALE LENDING - AT-A-GLANCE PROGRAM GUIDE

**KEY UNDERWRITING GUIDELINES**

<table>
<thead>
<tr>
<th>PROPERTY FLIPPING (CONTINUED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The percentage of increase in the sales price should be realistic based upon the timeline, improvements and local market.</td>
</tr>
<tr>
<td>• Union Bank will obtain a second appraisal or desk review when warranted.</td>
</tr>
</tbody>
</table>

Exemptions to the above requirements are as follows

- The Seller is part of an employer relocation program
- The Seller obtained the property through an inheritance or as part of a settlement in a divorce agreement.
- The Seller is a Financial Institution or MI Company which acquired the property as a result of a foreclosure or deed-in-lieu of foreclosure.

### RECOUP OF FUNDS

**RECOUP OF FUNDS**

**Recoup of Funds Used for the Recent Purchase of the Subject Property** – If a Borrower purchased the subject property with cash within the last (12) months and is requesting to recoup the funds used to purchase the property, the transaction must meet the following requirements:

- Primary residence, second homes, and investment properties are eligible up to (12) months after the original purchase date (6) months seasoning is not required).
- Applications submitted within (90) days of the purchase are treated as no-cash-out refinances. Refer to the rate sheet for maximum loans amounts, LTVs/TLTVs (not to exceed 80%), and minimum credit score requirements.
- Applications submitted more than (90) days after the purchase closing are treated as cash-out refinances. Refer to the rate sheet for maximum loans amounts, LTVs/TLTVs, and minimum credit score requirements.
- Investment properties are eligible as long as all funds used to purchase the property came from the Borrower’s own funds.
- Standard policy regarding number of properties a Borrower may have financed applies.
- A satisfactory letter of explanation with supporting documentation as to why the property was bought using cash and the reason they are now seeking to recoup their monies.
- Copy of HUD 1 Settlement Statement or Certified Final Closing Statement for the purchase of the subject property which confirms that no Mortgage financing was used to obtain the subject property. The Preliminary Title Search or report must also confirm no liens on the subject property. The Closing Statement must be reviewed for anything Union Bank would consider as a sales concession. Any sales concessions must be deducted from the purchase price.
- A copy of the Sales Contract with all counter offers and/or addendums and a copy of the certified Escrow Instructions to confirm if any personal property was included in the sales price. The Sales Contract must be reviewed for anything Union Bank would consider a discrepancy. Any discrepancies/red flags must be addressed.
  - A change in Buyers on the Purchase Contract could be an indication or a strawbuyer and should be investigated thoroughly.
- LTV/TLTV will be based upon the lesser of the purchase price or appraised value, less any personal property that may have been included in the purchase.
RECOUP OF FUNDS (CONTINUED)

- Verification of the source of funds used to purchase the subject property must be documented from the Borrower’s own funds (i.e., bank statements, HELOC on another property, etc.). The source must meet Union Bank guidelines for acceptable types.

- Contributions By Relatives/Family Members – These funds are acceptable subject to the following guidelines and restrictions:
  - Property is a primary residence or second home
  - Acceptable contributors include a family member related by blood, marriage or adoption, a person who for whom the borrower is a Guardian, a person who is a Guardian for the Borrower, or a Domestic Partner, Fiancée or Fiancé.
  - The contributor cannot have any interest or involvement in the purchase transaction, other than the contribution of funds.
  - The contributor must provide a signed letter stating the funds were contributed for the purchase of the subject property and the letter must include the contributor’s name, address, telephone number, their relationship to the Borrower, the amount of the contribution, and the address of the subject property.
  - The trail of the funds from the contributor to the Borrower must be documented.
  - The contributor must be paid back through escrow.

- Business Funds – If business funds were used, the loan is not eligible for recoup of funds. Standard cash-out refinance and seasoning requirements apply.

- Any loans used as the source for the purchase transaction (i.e., HELOC on another property) will be required to be repaid or paid down with loan proceeds:
  - If there are sufficient loan proceeds to pay off a loan that was used to purchase the subject property, the loan must be completely repaid. However, if there are not sufficient funds to pay off the loan, the proceeds must be used to pay down the loan.

- If the purchase was a non-arm’s length transaction or a bail-out, it would be ineligible for a Recoup of Funds-Cash-Out refinance.

**Note:** Six month seasoning of ownership of the subject property is not required for Recoup of Funds cash-out refinances.

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SUBORDINATE FINANCING

<table>
<thead>
<tr>
<th>SUBORDINATE FINANCING</th>
<th>State Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CA, IL, OR, and WA – New and existing subordinate financing allowed behind all Portfolio Program loans.</td>
</tr>
<tr>
<td></td>
<td>AZ and NV – No new subordinate financing allowed. Existing subordinate financing allowed only behind Fully-Amortizing ARMs and Fixed-Rate loans. Max. TLTV = Max. LTV.</td>
</tr>
</tbody>
</table>

**Copy of Note Required** – A copy of the Note is required when:

- The subordinate financing is a concurrent funding
- The subordinating lien is not reflected on the credit report (e.g. private liens, employer assistance and community seconds are not likely to report).
### SUBORDINATE FINANCING (CONTINUED)

- A re-subordinating lien is reflected on the credit report which indicates it may possibly allow negative amortization (current balance is higher than original loan) or a balloon payment (remaining term and payment is insufficient to amortize the loan).

- TLTVs – Refer to Rate Sheet.
  - **Union Bank Seconds** - When the second is a Union Bank, the maximum TLTV may lower than what is shown on the rate sheet. Contact your Account Representative for maximum TLTVs.

### ALLOWABLE TERMS – INSTITUTIONAL LENDERS

Subordinate Financing provided by institutional Lenders is generally acceptable subject to the guidelines below. An institutional Lender refers to Banks, Savings & Loans and Credit Unions. In addition, Mortgage Companies which are wholly-owned or are subsidiaries of Banks or Savings and Loans are also considered institutional Lenders. Other types of institutions or private party/individuals are not considered as “institutional Lenders.”

#### Prepayment Penalties – Allowed.

#### Home Equity Line of Credit (HELOC)

- **Scheduled Payment Terms** – The terms of the equity line financing must provide for regular monthly payments sufficient to meet the interest due.

- **Early Termination Fees** – Some HELOCs may contain an early termination fee if the line is closed within one to three years of the origination date. Early termination fees are acceptable as long as they do not exceed $500 and can only be charged during the first three years of the loan.

- **Total-Loan-to-Value Calculation** – The TLTV ratio must be calculated using the amount of the equity line limit, rather than the outstanding balance owed on the equity line.

- **Reduction in Equity Line** – In order to use a reduced equity line amount for the TLTV calculation, a modification of the line or other documentation from the Lender must be received showing that the equity line has been permanently reduced.

- **Payment Calculation** - Payments on Home Equity Lines of Credit (HELOCs) must be included in the debt ratio, as follows:

  **Union Bank FlexEquity – New or Seasoned < 12 months**
  The qualifying payment = interest + principal. See table below on how to calculate the qualifying payment based on the HELOC product type.

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Interest-Only Payment</th>
<th>Principal &amp; Interest Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest:</td>
<td>Line Amount * (Fully Indexed Rate)*(30/365)</td>
<td>Line Amount * (Fully Indexed Rate + .25% Stressor)*(30/365)</td>
</tr>
<tr>
<td>Principal:</td>
<td>Line Amount / 360</td>
<td>Line Amount / 360</td>
</tr>
</tbody>
</table>

*Fully Indexed Rate = current index value + margin*

**Example for Interest Only (FLEX/RELOC)**

Line Amount = $100,000  
WSJ Prime = 5.25%  
Margin = 1.50%  
Interest = $100,000 * 6.75 * (30/365) = $554.79  
Principal = $100,000/360 = $277.78
### Key Underwriting Guidelines

#### Subordinate Financing (Continued)

<table>
<thead>
<tr>
<th>Descriptive Title</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying Payment</td>
<td>$554.79 + $277.78 = $832.57</td>
</tr>
</tbody>
</table>

**Example for Principal & Interest (FLEXA/RELOCA)**

- **Line Amount**: $100,000
- **WSJ Prime**: 5.25%
- **Margin**: 1.50%
- **Stressor**: 0.025%

**Interest**:

\[ \text{Interest} = 100,000 \times 7.0\% \times \frac{30}{365} = 575.34 \]

**Principal**:

\[ \text{Principal} = \frac{100,000}{360} = 277.78 \]

**Qualifying Payment**:

\[ \text{Qualifying Payment} = 575.34 = 277.78 = 853.12 \]

**Non-Union Bank HELOC – New or Seasoned < 12 months**

If copy of note received, use a fully-indexed rate based on the current index value, fully amortized payment based on repayment term once interest-only payment period ends. If copy of note is not required by guidelines, use 1% of the line amount.

**HELOC >= 12 months old – Union Bank & Non-Union Bank HELOC’s**

Use the current payment. If the balance is zero, no payment needs to be included in the debt ratio. If there is an existing balance, the current payment must be used, even if the line is paid down to zero. However, if the line is paid off and closed, no payment needs to be included.

**Note:** HELOC Modifications – If the HELOC is being modified, the payment calculation can be based on the new line amount regardless of the seasoning on the HELOC.

#### New Subordinate Financing

- **Adjustable Interest Rate**: Only allowed if the subordinate lien is a HELOC.
- **Fixed Rate Subordinate Liens**: The following requirements must be met:
  - The second Mortgage must be a Fully-Amortizing loan (Interest-Only, balloon, and other types of second Mortgages that are not Fully-Amortizing are not allowed).
  - The loan must allow prepayment in full or in part at any time without a prepayment penalty.

**Seller Carry-Backs**: The terms of Seller carry-back seconds must meet the requirements above. In addition, the interest rate must be at or near prevailing market rates. If financing is provided at a below-market rate, it is considered a sales concession and the subordinate financing amount must be deducted from the sales price.

#### Subordinating Liens

- **Refinance Transactions**: For a refinance transaction, any existing institutional or non-institutional, second Mortgage must meet the following requirements:
  - The second Mortgage must be clearly subordinate to the refinance/first Mortgage.
  - The terms of the second Mortgage must provide for scheduled payments sufficient to meet the interest due.
  - The original maturity date must have been at least (5) years, with a minimum of (2) years remaining, unless the junior lien is Fully-Amortizing.

The second Mortgage must allow prepayment in full or in part at any time without a prepayment penalty.

- **Employer Seconds**: Subordinate financing provided by a Borrower’s employer must be approved by the Underwriting Department or Credit Administration prior to loan commitment. Generally, employer subordinate financing would be acceptable if the program meets the following documentation requirements and repayment terms:
### SUBORDINATE FINANCING (CONTINUED)

**Documentation Requirements** – The employer’s Program Documentation must meet the following criteria:
- Establishes that the employer has a formal second Mortgage program.
- Identifies the employer’s address.
- Indicates how the funds will be transferred to the Borrower, Lender, or the Closing Agent.

**Note:** The above documentation is not required on existing employer seconds that are being re-subordinated.

**Repayment Terms** – Employer financing may be structured as follows:
- Fully-Amortizing level payments.
- Deferred payments for some period before changing to Fully-Amortizing level payments**
- Deferred payment over the entire term**
- Forgiveness of debt over time.
- Shared Appreciation

**Note:** If payments are deferred for a minimum of (5) years, then no payment needs to be included in the debt ratio analysis.

**Repayment if Employment is Terminated** – Most employer financing will require repayment if the employee is terminated, whether voluntarily or involuntarily. The repayment terms must give the employee a minimum of six months to repay the debt or provide a repayment term of at least (60) months. If the Note requires repayment in less than (6) months, this will still be acceptable if:
- The TLTV is 80% or less, or
- The Borrower has sufficient assets to pay off the 2nd after down payment, closing costs and reserve requirements have been met, or
- Loan is forgiven by the employer on a pro-rata basis, not to exceed (4) years.

**Government Sponsored Energy Loans** - Liens for government sponsored energy loans, sometimes referred to as Property Assessed Clean energy (PACE), Home Energy Renovation Opportunity (HERO), or energy retrofit loans are not allowed. These loans generally have automatic first lien priority over previously recorded liens.

**Solar Lease Financing** - Union Bank will consider financing a property with a Solar Lease Financing Agreement recorded on title when the Title Company will issue a Solar Lease Endorsement. With this endorsement, title is insuring Union Bank in first position and that the Solar Company only has rights to the equipment which is not considered real property and they are providing protection against loss or damage to the property.

The property must still retain access to traditional electrical utilities to ensure consistent access to electricity in the event the solar panels become non-functioning. The solar panels must not be included when determining the value of the property. The Owner of the solar panels must not be named as a Loss Payee (or named insured) on the property Owner’s hazard insurance policy.

The following documentation will be required:
- Copy of the Solar Lease Agreement Financing
  The lease or power purchase agreement must indicate the following:
  - Solar panels are removable without causing damage to the mortgaged premises
  - Any damage that does occur as a result of the removal of the solar panels is the responsibility of the Owner of the equipment and the Owner must be obligated to repair the damage and return the improvements to their original condition.
  - In the event of foreclosure, either:
### SUBORDINATE FINANCING (CONTINUED)

- The Lender may terminate the Lease/Purchase Agreement and require the third party Owner to remove the equipment.
- The Lender has the right to become the Beneficiary of the Borrower’s Lease/Purchase Agreement with the third party without charge or
- The Lender has the right, but not the obligation, to enter into a new Lease/Purchase Agreement with the third party under terms no less favorable than the prior Owner.
  - Copy of the Solar Lease Endorsement ensuring Union Bank against loss sustained by reason of any impairment of the lien of the insured mortgage on title. Except to the extent that the said solar contract discloses rights of ownership solely to the solar electric generation system installed on the land.

### OTHER GUIDELINES

For underwriting guidelines not addressed here, refer to other charts/Glances (e.g., Portfolio Express) or to Account Executive.