

PIGGYBACK HELOC PINK GUIDELINES

OVERVIEW

These guidelines apply to Piggyback HELOC Pink loans. These guidelines must be used in tandem with the *Piggyback HELOC Pink Process Job Aid – UND*.

HIGHLIGHTS

- 12/13/23: New guidelines for the Piggyback HELOC Pink product.

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INTERNAL USE ONLY

OVERVIEW

Unless addressed in these guidelines, the loan must follow the requirements for the AUS (DU or LP approval) on the primary loan. Variances cannot be used and Conventional Overlays will apply when applicable.

ELIGIBILITY

LOAN TERMS

The following loan terms apply:

- Minimum Line Amount: \$20,000 for Piggybacks
- Minimum Utilization (draw amount): 75% of the line amount
 - After the initial draw at closing, the minimum proceeding draw is \$1,000.
 - HELOC is subject to 90 day lock-out period after the initial draw at closing.
- Index: Prime
- Cap: 18% unless otherwise limited by state or regulatory requirements.
- Margin: Subject to rate sheet
- Floor: 4%
- Qualifying Rate: Index + Margin + 2%
- Monthly reset
- Qualifying note rate must meet state usury limits in TN, HI, SC, MN, and OH

OCCUPANCY

Primary residences, second home transactions, and investment properties are permitted. Second home 2-4 units are **ineligible**.

Non-occupying co-borrowers are permitted on primary transactions.

ELIGIBLE PROPERTY TYPES

Below are the eligible property types:

- 1-4 Unit attached or detached single family residence (SFR)
- 1 unit attached or detached planned unit development (PUD)
- 1 unit attached or detached condominium
 - Attached condominium must be Fannie Mae warrantable

INELIGIBLE PROPERTY TYPES

Below are the ineligible property types:

- Properties listed for sale within the last six months as of the application date
- Condo hotels and condotels
- Unique properties (such as log homes)
- Properties with more than ten (10) acres
- Manufactured homes
- Mobile homes

- Cooperatives
- Leaseholds
- Non-Fannie Warrantable Condominiums
- Commercial, farms/working farms, churches, and mixed use commercial properties
- Rural properties (indicated as “rural” on the appraisal or has rural zoning on the appraisal)
- Properties with agricultural zoning or characteristics

INELIGIBLE TRANSACTIONS

Below are the ineligible property transactions:

- Loans in Texas, Vermont, and Iowa
- Escrow holdbacks
- Temporary buydowns (the first mortgage is permitted to have a temporary buydown)
- Community seconds
- Negative amortization
- Assumable loans
- Reverse 1st lien mortgages
- High Cost Mortgage Loans
- Power of Attorney (not permitted when first lien is a DU cash-out transaction)

INELIGIBLE BORROWERS

- Trust Estates
- LLC, Corporation, or Partnership
- Foreign Nationals
- Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction

CREDIT

Defer to first lien AUS requirements regarding credit, but at least **two** credit scores are required per borrower. The lower of the two scores will be the qualifying FICO for the borrower.

Refer to the HELOC Product Matrix for the minimum credit score requirements.

MORTGAGE PAYMENT HISTORY

No late payments are allowed for any mortgage in the most recent twelve months (**0x30x12**) unless during a COVID-19 forbearance. Missed payments during the forbearance period would not be considered late. Any mortgage loan currently in forbearance must be removed prior to loan application date.

All mortgages must be current and no more than 45 days may have elapsed since the last paid installment date to the loan application date.

DEROGATORY CREDIT

Follow AUS in the primary loan (DU or LP) for waiting period requirements. Extenuating circumstances are **not permitted**.

INCOME RESTRICTIONS

Income produced, or in relation to, cannabis, hemp, or the adult entertainment industry is **not permitted**.

TITLE REQUIREMENTS

A full title report is required. Additionally, all borrowers **must** be vested on title at the time of the loan application.

The subject property cannot be owned free and clear. There must be a mortgage payment for the subject property and the subject HELOC **must** be in second lien position. Subordinate financing (i.e. a mortgage subordinated to the subject loan) is not permitted. Additional subordinate mortgage liens must be paid off and/or closed.

HOI REPLACEMENT COST

For **Piggyback HELOC Pink loans**, a Replacement Cost Estimator (or equivalent) is required.

The dwelling coverage must cover the replacement cost if the replacement cost is less than the loan amount. If the replacement cost is more than the loan amount, the dwelling coverage must cover the **greater of** 1) 80% of the replacement cost **OR** 2) the loan amount (loan amount refers to the outstanding balance of the first lien combined with the total line amount from the HELOC).

Guaranteed replacement cost is acceptable. 100% replacement cost is **not** acceptable.

PROPERTY VALUATION REQUIREMENTS

TOTAL LINE AMOUNT LESS THAN OR EQUAL TO (≤) \$400K

A full appraisal **OR** an Automated Valuation Model (AVM) obtained by UWM may be used as the primary valuation of the subject property. An AVM may only be used as the primary valuation if the primary loan receives an eligible appraisal waiver/ACE, Freddie Mac ACE + PDR, or Fannie Mae Value Acceptance + PDC.

- AVM must be completed within **one month** of the note date.
- If the subject property already has a full appraisal provided, an AVM value cannot be used (the value from a full un-expired appraisal would supersede the AVM’s valuation).

HouseCanary AVM	<ul style="list-style-type: none"> • Total Line Amount ≤ \$250K: FSD score must be ≤ 0.20 • Total Line Amount > \$250K: FSD score must be ≤ 0.10
Clear Capital AVM	<ul style="list-style-type: none"> • Total Line Amount ≤ \$250K: FSD score must be ≤ 0.20 • Total Line Amount > \$250K: FSD score must be ≤ 0.13
Collateral Analytics AVM	<ul style="list-style-type: none"> • Total Line Amount ≤ \$250K: FSD score must be ≤ 0.18 • Total Line Amount > \$250K: FSD score must be ≤ 0.10

TOTAL LINE AMOUNT GREATER THAN (>) \$400K

A full appraisal completed within 4 months of the note date is required. Appraisal waivers or an AVM in lieu of an appraisal are **not permitted.**

Desktop appraisals may be accepted as an appraisal alternative so long as the AUS requirements are met in the primary loan.

Freddie Mac ACE + PDR, Fannie Mae Value Acceptance + PDC, or any other appraisal alternatives will **not** be permitted.