



## Home Equity Line of Credit

PRIMARY RESIDENCE <sup>1</sup> – PURCHASE & CASH-OUT REFINANCE				
Property Type	Maximum LTV/CLTV	Maximum Line Amount	Minimum Credit Score	Total Debt Ratio
1 to 2-Unit Warrantable Condo PUD	89.99%	\$500,000	720 <sup>2</sup>	45% <sup>2</sup>

SECOND HOME <sup>1</sup> – PURCHASE & CASH-OUT REFINANCE				
Property Type	Maximum LTV/CLTV	Maximum Line Amount	Minimum Credit Score	Total Debt Ratio
1-Unit Warrantable Condo PUD	80%	\$500,000	720 <sup>2</sup>	45% <sup>2</sup>

1. Properties located in the state of Texas are not eligible.
2. If the first mortgage has a higher credit score requirement or a lower DTI limit the more restrictive guideline(s) must be met.

### PROGRAM SUMMARY

Revolving line of credit with a 10-year draw period followed by a 20-year repayment period; full term is 30 years. Loan must close concurrently with a new Flagstar Bank first mortgage. This is not an interest-only HELOC; payments will include both principal and interest based on the outstanding balance. HELOCs will be table-funded and will close in the name of Flagstar Bank, FSB.

### PRODUCTS OFFERED

Product Name	Term	Lien Position	Description
HELOC: P&I Pymt (2nd-Concurrent)	30 years	Second lien	Must close concurrently with a new Flagstar first mortgage; principal and interest payments during the draw period

Use *HELOC Amortization Schedule* (requires Microsoft Excel 2013 or later) for payment scenarios.

### ELIGIBLE BORROWERS

- Borrowers must be the same for the first mortgage loan and HELOC (concurrent HELOCs only)
- U.S. citizens
- Permanent resident aliens
- Non-permanent resident aliens
- Non-occupant co-borrowers
- Revocable/"living" trusts are acceptable provided it is established by, and the primary beneficiary is, an individual; loans closing in a trust must follow the same trust requirement as the first mortgage

### INELIGIBLE BORROWERS

- Land trusts are not eligible, including Illinois land trusts

### ELIGIBLE PROPERTY TYPES

- 1 and 2-unit properties (second homes must be 1-unit)
- Warrantable condominiums
- Planned unit developments (PUDs)
- Modular homes

### INELIGIBLE PROPERTY TYPES

- 3 and 4-unit properties
- Manufactured/mobile homes (single- or double-wide)
- Cooperative properties
- Vacant land
- Properties currently listed for sale
- Properties under construction or renovation at time of loan closing
- Properties titled as Life Estates are not eligible

### ELIGIBLE TRANSACTION TYPES

- Purchase
  - When a HELOC is used as part of a concurrent transaction to payoff an interim construction lien for a new property that has never been occupied, the transaction will be treated as a purchase
    - No rescission period is required; however, the borrower must execute a Right to Cancel form specific to HELOC purchase transactions (the right to cancel applies only to any undrawn portion of the line of credit; the initial disbursement used to payoff the interim construction financing is not subject to rescission)
    - No additional funds can be disbursed to the borrower with the initial draw; access to any remaining undrawn HELOC funds will be available only after closing and after the loan has been setup on the MSP servicing system; it may take up to three to four business days for the loan be setup on the servicing system
    - Like all purchase transactions, any promotional interest rate available to refinance transactions is not available to HELOCs used to payoff an interim construction lien
- Cash-out refinance

### INELIGIBLE TRANSACTION TYPES

- Rate/term refinance

### INELIGIBLE FIRST LIEN TYPES

- FHA, VA, or USDA mortgages
- Construction or renovation loans

### MINIMUM LINE AMOUNT

- \$10,000 is the minimum line amount that can be requested; there is no minimum initial draw requirement



**SCENARIO COMPARISON SPREADSHEET**

We have created a *One Loan vs. Two Loans Scenario Comparison* spreadsheet to help in determining whether a single loan or two loans would result in a lower overall payment for the borrower.

**FEES**

Customers may not charge any origination or third-party fees other than bona fide third-party fees listed below. Charges for credit report and third-party processing should be applied consistently on all loans made by the originator. Originators cannot retain any portion of bona fide third-party charges.

CLOSING FEES

Fee Type	Description	Fee Amount
Administrative Fee or Commitment Fee	Not assessed on HELOCs	\$0
Appraisal Fee	Appraisal from the first mortgage is used	\$0
Credit Report Fee	Credit report from first mortgage will be used	\$0
Flood Certification Fee	To determine whether the property is in a Special Flood Hazard Area	\$5.75
HELOC Origination Fee	Compensation paid by Flagstar to the Broker/Correspondent for originating the HELOC	\$250
Processing Fee (third party)	Not permitted on concurrent HELOCs	\$0
Recording Fee	The appropriate recording fee for the mortgage/security instrument must be charged	Amount varies; actual cost
State-specific or Government-imposed Fees and Taxes	Any fees or taxes charged by state or local governments must be charged on the HELOC, as applicable	Amount varies; actual cost
Tax Service Fee	Not assessed on HELOCs	\$0
Title - Settlement/Closing Fee	Settlement agent closing fee	Amount varies; actual cost
Title Insurance and/or Endorsement Fees	No title work is required for the HELOC and title fees, other than the settlement/closing fee, may not be charged	\$0



**OTHER HELOC FEES**

**ANNUAL FEE**

\$75 charged to the line each year of the draw period; waived the first year

**EARLY CLOSURE FEE**

None

**INTEREST RATES/PRICING**

Rates for the HELOC product will be posted to the daily price indication sheets on the same page as the Second Mortgage rates. Lines of credit can be locked by calling the Marketing Dept./Lock Desk at (866) 945-9872, option 1 and follow the prompts. The lock period will be 15 days, and the HELOC must be in Final Approval Clear to Close status. All HELOC loans will be priced at par (100.00).

**INITIAL DISCLOSURES**

HELOCs are exempt from the TILA-RESPA Integrated Disclosures (TRID) rule. Thus, Loan Estimates and Closing Disclosures are not provided for HELOC loans. A TILA disclosure is required, but it is not the same as the TIL disclosure provided for pre-TRID loans. Instead, both documents mentioned below must be individually downloaded and provided to applicants within three days of application.

Applicants must be provided the following disclosures within three days of the Broker/Correspondent customer's application date:

- *Important Terms of Your Home Equity Line of Credit*, Doc. #3263 (the TILA disclosure for HELOCs); this disclosure must be signed by the applicant(s) and included with the submission to Underwriting
- Federally-mandated CFPB booklet, *What you should know about home equity lines of credit*
- Other federal disclosures required:
  - List of Homeownership Counseling Organizations
  - Credit Score Disclosure

Refer to *Flood Insurance*, Doc. #4603 for flood requirements.

**QUALIFYING RATE/PAYMENT**

The Qualifying Rate for all HELOCs is the fully indexed rate (index + margin) plus 1.00%.

The Qualifying Payment for all HELOCs is a 20-year fully amortizing payment calculated at the Qualifying Rate.

Use the *HELOC Amortization Schedule* tool to determine the qualifying rate/payment for the line of credit and to run payment scenarios using various initial draw amounts as well as subsequent draw and repayment amounts. Important Note: Users must have Microsoft Excel 2013 or later installed in order for the tool to calculate properly.

**TOTAL DEBT RATIO**

The maximum debt-to-income (DTI) ratio is 45% (this is true even for transactions where DU or LP approved a higher ratio amount for the first mortgage). However, it should be noted that some first mortgage products (e.g., jumbo) may have a lower DTI requirement that must be met.

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**APPRAISAL / COLLATERAL EVALUATIONS**

A full appraisal appropriate to the property type must be obtained. The appraisal from the first mortgage can be used. However, any reduced appraisal options offered by the first mortgage AUS findings, including a property inspection waiver (PIW), are not eligible. A full traditional first mortgage appraisal fee must be disclosed as part of the first mortgage disclosures.

**UNDERWRITING**

- Underwritten to the standards of the first mortgage product, except that the credit score, DTI ratio and appraisal requirements must meet the guidelines set out in this product description.
- Delegated underwriting is not permitted for HELOCs or any mortgage loan originated for or intended to be sold to Flagstar as part of a concurrently closing transaction. Both the first mortgage and HELOC must be underwritten together by a Flagstar underwriter.
- Credit documents must be uploaded into Paperless File Manager for all HELOCs.
- both the first and second lien loans must be linked together in Loantrac using the Linked Loan functionality in the left-hand navigation menu; both loans should be submitted to Underwriting at the same time.
- Lines of credit are underwritten using the line amount requested, not the potential amount for which an applicant may qualify.
- Lines of credit may not be used to pay off a land contract unless it is recorded.

**CREDIT**

- Credit report issued for the first mortgage must be reissued through Loantrac for the HELOC.
- The credit standards of the first mortgage product will be used for the HELOC as long as the minimum credit score requirement is met (credit score requirement of either the first mortgage product or the HELOC, whichever is higher).
- An AUS response of *Approve* (from Desktop Underwriter) or *Accept* (from Loan Product Advisor) for the first mortgage will be deemed as evidence of acceptable credit and no further manual review of the applicants' credit profile will need to occur other than to confirm that the decision credit scores of each borrower are at or above the minimum credit score requirement of either the first mortgage product or the HELOC, whichever is higher.
- When a first mortgage must be manually underwritten – as is the case with many jumbo loans, for example – then the credit standards of the first mortgage product will apply also to the HELOC with the exception of the minimum credit score requirement. As long as the underwriter has confirmed the borrower meets the credit requirements of the first mortgage, that will be deemed as evidence of acceptable credit and no further manual review of the applicants' credit profile will need to occur other than to confirm that the decision credit scores of each borrower are at or above the minimum credit score requirement of either the first mortgage product or the HELOC, whichever is higher.

**EMPLOYMENT AND INCOME**

- The employment and income requirements and documentation standards of the first mortgage product will be used for the HELOC; this applies to transactions where the first mortgage is underwritten using an automated underwriting system (AUS) (e.g., Fannie/Freddie loans) as well as first mortgages that are manually underwritten (e.g., jumbo loans).

**ASSETS**

- The asset requirements and documentation standards of the first mortgage product will be used for the HELOC; this applies to transactions where the first mortgage is underwritten using an automated



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underwriting system (AUS) (e.g., Fannie/Freddie loans) as well as first mortgages that are manually underwritten (e.g., jumbo loans).

### INSURANCE COVERAGE

#### MORTGAGE INSURANCE

Mortgage insurance is not required for HELOCs

#### TITLE INSURANCE

Not required; title commitment from the first mortgage will be used for the line of credit

#### HAZARD INSURANCE

The amount of hazard insurance coverage must include the full amount of the line of credit and any other mortgage liens secured by the property.

Refer to *Hazard Insurance Requirements, Doc. #4602* for hazard insurance guidelines

#### FLOOD CERTIFICATE/FLOOD INSURANCE

Refer to *Flood Insurance – Broker & Non-Delegated Correspondent, Doc. #4603* and *Flood Insurance – Delegated, Doc. #4603-A* for flood insurance requirements.

### STATE ELIGIBILITY

Available in the following states with geographic restrictions. States not listed are available without restrictions.

State	Restriction
Puerto Rico	Not eligible
Texas	Not eligible
US Virgin Islands	Not eligible

### VARIABLE RATE DETAILS

<b>Interest Rate Adjustment Caps</b>	None other than Interest Rate Floor & Ceiling Rate; no periodic rate caps
<b>Margin</b>	See <i>Price Indication Sheet</i>
<b>Index</b>	<i>The Wall Street Journal Prime Rate</i>
<b>Interest Rate Floor</b>	1.99%
<b>Ceiling Rate</b>	21.00%
<b>Change Dates</b>	The rate will adjust on the first calendar day following any event impacting the Margin or following the publication of any change to the Index
<b>Conversion Option</b>	None
<b>Assumption</b>	Not assumable
<b>Negative Amortization</b>	None

### REQUESTING CLOSING SERVICES

Customers must request closing services through Loantrac for all HELOCs. All HELOCs will be table-funded and will close in the name of Flagstar Bank, FSB. HELOCs must close with the same settlement agent, and at the same time, as the first mortgage.



### **CLOSING DOCUMENTATION**

Closing documents must be ordered through Flagstar's Web Based Closing Docs (WBCD) service available in Loantrac. HELOCs will be table-funded and will close in the name of Flagstar Bank, FSB.

All title holders must sign the mortgage even if they are not on the loan.

#### ALL HELOCS

- Flagstar HELOC Line Agreement, DocMagic document HELCASD22.CST
- State-specific future advance mortgage, open-end deed of trust, etc., as applicable

#### ADDITIONAL DOCUMENT THAT MAY BE NEEDED IN CERTAIN CIRCUMSTANCES

- Condominium Rider – HELOC, DocMagic document USHERDCN.HLC
- Planned Unit Development Rider – HELOC, DocMagic document USHERDPU.HLC
- 1-4 Family Rider – HELOC, DocMagic document USHERD14.HLC (for 2-unit transactions)
- Second Home Rider – HELOC, DocMagic document USHERD2H.HLC
- Employee Rate Adjustment Amendment, DocMagic document ERAA.CST (all FSB employee loans)

#### FIRST PAYMENT DATE FOR HELOCS

Payment for all HELOC loans will be due on the first of the month. HELOCs with disbursement dates on or before the 9th of the month (e.g., October 7th) will have a first payment date of the next month (November 1st). HELOCs with disbursement dates on or after the 10th of the month (e.g., October 11th) will have a first payment date of the first of the following month (December 1st).

The method for determining the first payment date for HELOC loans described above is different than the method used for first mortgage loans. Therefore, it is possible that the first payment date of the HELOC could be earlier than the first payment date of the first mortgage if the disbursement date is on or before the 9th of the month.

### **MORTGAGE ELECTRONIC REGISTRATION SYSTEM (MERS)**

HELOC loans do not require MERS registration or MIN numbers

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

Flagstar Bank will not fund or purchase any High Cost (Section 32) mortgage loans under this program, or loans for which the points and/or fees exceed specific federal, state or local regulations.

Higher Priced (Section 35/HPML) mortgage loan regulations do not apply to open-ended credit transactions.

### **RIGHT OF RESCISSION**

Standard rescission guideline apply. All primary residence borrowers and title holders must execute a Notice of Right to Cancel form at closing. Purchase borrowers will be required to execute a Notice of Right to Cancel for the non-purchase-money portion of the line of credit.

### **ESCROWS**

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

### **ACCESSING HELOC FUNDS AFTER CLOSING**

Borrowers will receive a checkbook with which to access their line of credit approximately three weeks after closing. If they anticipate needing funds prior to that time, they should be encouraged to take those funds as a draw at closing.

Borrowers can also access available line of credit funds using the following methods:

- In person at a Flagstar Bank branch
- Flagstar's 24 Voice automated telephone system (888-248-6423)
- Online banking available at [www.flagstar.com](http://www.flagstar.com)
- Flagstar Bank mobile application for iOS or Android devices
- Wire transfer

### **EARLY LOAN PAYOFF OR PAYDOWN (ELP) / ORIGATION CHARGE RECAPTURE**

If the initial amount drawn is paid off or paid down by more than fifty percent (50%) or if the line of credit is closed within 180 days from the disbursement date, Flagstar Bank will require a prorated recapture of the HELOC Origination Fee paid to the Broker/Correspondent by Flagstar. The required recapture amount will equal the percentage of the initial draw repaid, or will be equal to the entire HELOC Origination Fee if the line of credit is closed.

#### EXAMPLE

If the initial draw is \$75,000 and the line is paid down in the third month to \$30,000, we will assess the Broker/Correspondent an ELP fee of 60% of the HELOC Origination Fee paid to the Broker/Correspondent by Flagstar at closing (\$75,000 initial draw - \$30,000 remaining balance = \$45,000 amount repaid;  $\$45,000/\$75,000 = 0.6$ , or 60%).