



## Home Equity Line of Credit

PRIMARY RESIDENCE <sup>1,3</sup> – PURCHASE <sup>2</sup> & CASH-OUT REFINANCE				
Property Type	Maximum LTV/CLTV	Maximum Line Amount	Minimum Credit Score	Total Debt Ratio
1 to 4-Unit Warrantable Condo PUD	89.99%	\$500,000	680	45%

SECOND HOME <sup>1,3</sup> – PURCHASE <sup>2</sup> & 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	700	45%

- Properties located in the state of Texas are not eligible.
- Purchase-money loans are not eligible as standalone transactions; must close concurrently with a new Flagstar first mortgage.
- When used concurrently with a Flagstar first mortgage, if the first mortgage has a higher credit score requirement, lower LTV/CLTV requirement or 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. Monthly payments require either interest-only or principal and interest calculated on the outstanding balance and based on the product selected by the customer prior to closing. HELOCs will be table-funded and will close in the name of Flagstar Bank. Must not be used as a bridge loan.

### EXHIBITS & SUPPORTING DOCUMENTS

- Exhibit A – Standalone HELOC Valuation Decision Matrix
- Exhibit B – Allowable Fee Tables
- HELOC Amortization Schedule (requires Microsoft Excel 2013 or later) for payment scenarios
- TPO Standalone HELOC – Title Order and Fees User Guide
- TPO Standalone HELOC – Consolidated Analytics Property Valuation User Guide
- Standalone Home Equity Underwriting Guidelines

### 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
HELOC: I-O Pymt (2nd-Concurrent)			
HELOC: P&I Pymt (2nd-Standalone)	30 years	Second lien	For use behind an existing first lien; not eligible for concurrent closing behind another lender's first mortgage
HELOC: I-O Pymt (2nd-Standalone)			
HELOC: P&I Pymt (1st-Standalone)	30 years	First lien	For use on a property with no existing first lien or where the existing first lien will be refinanced into a HELOC also in first lien
HELOC: I-O Pymt (1st-Standalone)			

Use *HELOC Amortization Schedule* 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; for concurrent HELOCs, 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 4-unit properties (second homes must be 1-unit)
- Warrantable condominiums
- Planned unit developments (PUDs)
- Modular homes

### INELIGIBLE PROPERTY TYPES

- 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 used as part of a concurrent transaction to pay off 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 to be setup on the servicing system
- Cash-out refinance
  - Subject to standard rescission guidelines applicable to refinance transactions



**INELIGIBLE TRANSACTION TYPES**

- Rate/term refinance
- New York CEMA transactions

**INELIGIBLE FIRST LIEN TYPES**

CONCURRENT HELOCS

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

STANDALONE HELOCS

- Land contracts or contracts for deed
- Reverse mortgages
- Negative amortization loans
- Home equity lines of credit or other future advance liens

**MINIMUM LINE AMOUNT**

- \$50,000 is the minimum line amount; the minimum initial draw requirement is the greater of \$50,000 or 50% of the full line amount

**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.

**Customers who have fee templates setup in the TPO website that pre-populate amounts for various fees must ensure that only the fees shown on Exhibit B are assessed on HELOC transactions. Closers must also validate that only Exhibit B fees are included when preparing closing documents.**

CLOSING FEES

Refer to Exhibit B – Allowable Fee Tables for a list of permissible fees that may be assessed on HELOCs

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**

HELOC rates product are posted to the price indication sheets. Lines of credit must be locked by calling the 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). Margin is effective as of the application date.



## 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, the documents listed below will be included in the initial disclosure package for the HELOC loan obtained from the Disclosures screen on the TPO website. These disclosures must be provided to applicants 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)
- 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 – Broker & Correspondent, 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.

### INTEREST-ONLY HELOC PAYMENT CALCULATION (DURING DRAW PERIOD)

$\text{Principal Balance} \times \text{Interest Rate} \times (30 \div 365)$

### PRINCIPAL & INTEREST HELOC PAYMENT CALCULATION (APPLIES THROUGHOUT TERM)

$(\text{Principal Balance} \div \text{Remaining Term}) + (\text{Principal Balance} \times \text{Interest Rate} \times (30 \div 365))$

## TOTAL DEBT RATIO

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

## APPRAISAL / COLLATERAL EVALUATIONS

All appraisals will be reviewed by the Appraisal Review Department.

### CONCURRENT HELOCS

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.

### STANDALONE HELOCS

Refer to *Exhibit A – Standalone HELOC Valuation Decision Matrix* to determine the valuation type required for a standalone HELOC.

### **UNDERWRITING**

- Concurrent HELOCs: 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.
- Standalone HELOCs: Underwritten to the standards set out in this product description and Flagstar Bank's *Standalone Home Equity Underwriting Guidelines*.
- Refer to the *Standalone Home Equity Line of Credit Submission Review Checklist, Doc. #3234*.
- Delegated underwriting is not permitted for HELOCs nor for any first mortgage loan originated for or intended to be sold to Flagstar as part of a concurrently closing transaction. For concurrent transactions, both the first mortgage and HELOC must be underwritten together by a Flagstar underwriter.
- Credit documents must be uploaded into the Documents screen of the TPO website for all HELOCs.
- For concurrent HELOCs, both the first and second lien loans must be linked together in the TPO website using the Linked Loan functionality; 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

- Concurrent HELOCs:
  - Credit report issued for the first mortgage must be reissued through the TPO website 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.
- Standalone HELOCs:
  - Refer to Flagstar Bank's current *Standalone Home Equity Underwriting Guidelines*.
  - Customer must submit a tri-merged credit report for all standalone HELOC transactions.

## EMPLOYMENT AND INCOME

- Concurrent HELOCs:
  - 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).
  - 4506-C tax transcripts:
    - When tax returns are used to document the qualifying income, the more restrictive tax transcript requirements apply:
      - The number of years required on the concurrent first mortgage, or
      - The most recent (1) year tax transcript unless the following apply:
        - If transcripts are not required on the first mortgage, transcripts are also not required if the borrower is an existing Flagstar customer with one of the following:
          - Transcripts were previously obtained/provided to Flagstar for most recent year used for qualification; or
          - There is no significant increase (defined as 10%) to the income source based on the last available transcript for the borrower; or
          - Borrower has a satisfactory payment history of at least 12 months with Flagstar
- Standalone HELOCs:
  - Refer to Flagstar Bank’s current *Standalone Home Equity Underwriting Guidelines*.

## ASSETS

- Concurrent HELOCs:
  - 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 underwriting system (AUS) (e.g., Fannie/Freddie loans) as well as first mortgages that are manually underwritten (e.g., jumbo loans).
- Standalone HELOCs:
  - Refer to Flagstar Bank’s current *Standalone Home Equity Underwriting Guidelines*.

## **INSURANCE COVERAGE**

### MORTGAGE INSURANCE

Mortgage insurance is not required for HELOCs

### TITLE INSURANCE

- Concurrent HELOCs:
  - Not required; title commitment from the first mortgage will be used for the line of credit
- Standalone HELOCs:
  - All states except Alaska, Hawaii and South Dakota:
    - A Property Report must be obtained from title vendor; the Broker/Correspondent must order the Property Report from title vendor, and it must be uploaded to the Documents screen on the TPO website as a prior to close condition identified as “Consumer Title”
    - Refer to *TPO Standalone HELOC – Title Order and Fees User Guide*



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- Alaska, Hawaii and South Dakota:
  - Title insurance is required in these states and must be ordered from title vendor
  - Refer to *TPO Standalone HELOC – Title Order and Fees User Guide*

### 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 & Correspondent, Doc. #4603 for flood insurance requirements.

## STATE ELIGIBILITY

Available with the following 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 Price Indication Sheet
<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 the TPO website for all HELOCs. All HELOCs will be table-funded and will close in the name of Flagstar Bank. Substantial differences exist in the closing process between concurrent and standalone HELOCs. See below for a description of the process for each.

### CONCURRENT HELOCS

Customers must request closing services through the TPO website for all HELOCs. Concurrent HELOCs must close with the same settlement agent, and at the same time, as the first mortgage.

### STANDALONE HELOCS

All standalone HELOCs must close through a pre-approved Standalone Settlement Agent available in the TPO website. Standalone HELOCs must NOT close using a traditional settlement agent. Refer to Exhibit B.

### **STEP 1**

Prior to requesting closing services through the TPO website, customers will first need to request closing through the appropriate title vendor website (the same site used to order the property report). Please refer to the *TPO Standalone HELOC – Title Order and Fees User Guide*, for information about requesting closings for standalone HELOC transactions. The title vendor will engage a notary or attorney, as appropriate, based on the state where the property is located. Once scheduled, they will send a confirmation back to the customer.

### **STEP 2**

On the TPO website, request closing services from Flagstar using the confirmed information received from the title vendor. Flagstar will contact the standalone settlement agent/attorney to receive the recording charges and will prepare the closing documents. Flagstar will send the closing documents to the standalone settlement agent. The settlement agent will conduct the closing with the borrower, will disburse funds after rescission, and will record the security instrument and any riders.

## **CLOSING DOCUMENTATION**

Closing documents must be ordered through the Request Closing Docs link available on the TPO website. HELOCs will be table-funded and will close in the name of Flagstar Bank.

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 2-4 unit transactions)
- Second Home Rider – HELOC, DocMagic document USHERD2H.HLC
- Employee Rate Adjustment Amendment, DocMagic document ERAA.CST (all Flagstar Bank 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 1). 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 1).

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





## Home Equity Line of Credit

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### **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 to refinance transactions. All primary residence borrowers and title holders must execute a Notice of Right to Cancel form at closing. Purchase borrowers (concurrent transactions only) will be required to execute a Notice of Right to Cancel for the non-purchase-money portion of the line of credit.

### **ESCROWS**

#### CONCURRENT HELOCS

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.

#### STANDALONE HELOCS

An escrow account for taxes and insurance cannot be established as part of the home equity line of credit transaction. Also, 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.

Refer to the *Access to HELOC Funds FAQ* document for other methods the borrower can use to access their HELOC funds.



## Exhibit A – Standalone Home Equity Valuation Decision Matrix

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This Decision Matrix is for **Standalone** HELOCs only. Concurrent HELOCs will use the appraisal from the first mortgage.

**Use unexpired full appraisal from loan # \_\_\_\_\_**  
*Do not complete remainder of Decision Matrix.*

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**1. Is the requested HELOC line amount > \$250,000?**

- Yes      Full URAR appropriate to the property type is required. *Order through Appraisal Management screen in the TPO website. Enter "Home Equity" in Special Instructions.*
- No      Continue to #2

**2. For a HELOC line amount <= \$250,000, does the property have any of the following characteristics?**

- Recent remodel or extensive renovations?
- Properties with excess acreage? (15+ acres)
- Unique design or amenities? (Berm/dome/log home or atypical amenities such as private tennis court, multiple outbuildings, etc.)
- None of the above; Continue to #3

If any box other than "None of the above" is checked, *order a full URAR appropriate to the property type through Appraisal Management screen in the TPO website. Enter "Home Equity" in Special Instructions.*

**3. Order the following:**

- Collateral evaluation<sup>1</sup> (I-Eval) from Consolidated Analytics.

Customers must use the Consolidated Analytics website to order collateral evaluations. Please refer to the *TPO Standalone HELOC – Consolidated Analytics Property Valuation User Guide* for information about how to place Consolidated Analytics valuation orders.

<sup>1</sup> Flagstar reserves the right to require a full appraisal at its sole discretion for any property when one of the other valuation options is deemed insufficient.



## Exhibit B – Allowable Fee Tables

Only the following fees may be charge on HELOC transactions:

Fee Type	Description	Concurrent HELOCs	Standalone HELOCs
Administrative Fee or Commitment Fee	Not assessed on HELOCs	N/A	N/A
Appraisal Fee <sup>1</sup>	Not charged on concurrent HELOCs because the appraisal from the first mortgage is used, but may be required on standalone HELOCs if a collateral evaluation cannot be used. Paid for at the time the order is placed. The settlement agent will not collect or reimburse funds for this service.	N/A	Amount varies; actual cost
Appraisal - Collateral Evaluation Fee <sup>1</sup>	If a collateral evaluation is permitted to be used for a standalone HELOC in lieu of a URAR appraisal, the collateral evaluation fee must be charged. Paid for at the time the order is placed. The settlement agent will not collect or reimburse funds for this service.	N/A	\$95 or \$125; depending on the valuation product required
Credit Report Fee	Not permitted on concurrent HELOCs as the credit report from first mortgage will be used; may only be charged on standalone HELOCs	N/A	Amount varies; actual cost
Flood Certification Fee	To determine if the property is in a Special Flood Hazard Area	\$7.50	\$7.50
HELOC Origination Fee	Compensation paid by Flagstar to the Broker/Correspondent for originating the HELOC	\$250	1.00% of the full line amount (Min. \$500; Max. \$1,250)
Processing Fee (third party)	May only be charged on standalone HELOCs for processing services performed by an independent third party firm unaffiliated with the Flagstar TPO customer originating the HELOC; no portion of the fee can be payable to or retained by the Flagstar TPO customer.	N/A	Amount varies; actual cost, but must not exceed \$1,000
Recording Fee	The appropriate recording fee for the mortgage/security instrument must be charged	Amount varies; obtain quote from settlement agent	Amount varies; obtain quote from title vendor
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; obtain quote from settlement agent	Amount varies; obtain quote from title vendor
Tax Service Fee	Not assessed on HELOCs	N/A	N/A
Title Fees	Fees charged by the settlement agent	Title work not required (1 <sup>st</sup> mtg title will be used)  <b>Settlement / Closing Fee:</b> Amount varies; obtain quote from settlement agent	All standalone closings must be coordinated with title vendor; refer to <i>TPO Standalone HELOC – Title Order and Fees User Guide</i>

1. Standalone HELOCs: complete Exhibit A (Decision Matrix) prior to ordering any property valuation product or completing the Fee Summary page.

Refer to *TPO Standalone HELOC – Title Order and Fees User Guide* for eligible title vendors and the associated title fees.