

May 25, 2011

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Internal Policy Announcement – Underwriting

IMPORTANT UNDERWRITING GUIDELINE CLARIFICATIONS

This announcement provides important information on the following topics

1. Tax Transcript requirements and deadlines
2. Gift fund documentation requirements
3. Source of deposit policy for Conforming loans
4. Paying off debt to qualify for conforming loans when using DU

TAX TRANSCRIPT REQUIREMENTS (ALL LOANS)

Bay Equity will require validation of 2009 returns with a transcript. If the 2009 taxes were recently filed we must wait until we can validate them. Effective with all loans that fund June 1st all loans will require one of the following:

1. 2010 transcripts,
2. Proof that 2010 taxes are filed,
3. Or a copy of the 2010 tax extension.

REQUIRED DOCUMENTATION FOR GIFT FUNDS (ALL LOANS)

GIFT LETTER

- A gift letter is required and must include ALL of the following items:
 - Specify the dollar amount of the gift and the subject property address
 - Include the donor's statement that no repayment is expected
 - Include the Donor's name, address, **telephone number** and relationship
 - The amount of the gift must match **EXACTLY** on the: gift letter, 1003 and AUS findings

PROOF OF TRANSFER OF FUNDS

- Proof of transfer of gift funds into the borrower's account is required if the funds are not deposited directly to escrow

SOURCING OF FUNDS AND LARGE DEPOSITS (CONFORMING):

- The definition of a "large deposit" will vary based on the borrower's overall financial profile and is determined by the Underwriter.
- General requirements: Any deposit(s) that are either individual or cumulative on a statement that would exceed 50% of the total monthly income.
- The Underwriter must document this analysis in the 1008 comments.

PAYING OFF REVOLVING DEBTS (CONFORMING LOANS)

In accordance with Fannie Mae's release of DU Version 8.2 the following is required for any revolving debts.

- If a revolving debt account on a conforming loan will be paid off but not closed, the credit report payment (or the greater of \$10 or 5% of the outstanding balance if there is no payment) must be included in the automated underwriting system (AUS) DTI ratio. Underwriters must ensure that all AUS input data and payments comply with this policy.