Conventional Lending Guide

Chapter 5 | Borrower Eligibility

Cardinal Overlays to agency guidelines are highlighted in our signature *Riptide* color, and are also listed in the corresponding Retail or TPO Product Overlay Matrix available on the HUB.

Cardinal originates loans made to borrowers who are natural persons and who have reached the age at which a mortgage note can be enforced in the locality and state where the property is located. The age varies by state, but in most cases, it is 18. Cardinal will require the borrower to be a minimum of 18 years old, or the specific age required by the state if greater. There is no maximum age limit for the borrower.

The borrower must be legally allowed to reside in the United States. If the borrower's income is being used to qualify for the loan they must also be authorized to work in the United States.

Borrower

A borrower is any applicant whose credit is used for qualifying purposes. "Co-borrower" is the term used to describe any borrower other than the borrower whose name appears first on the mortgage note.

Co-Borrower(s)

Co-borrowers are permitted as either co-applicants or joint applicants. Co-Borrowers may apply either jointly on the same loan application or as co-applicants on a separate application.

A joint application is when two applicants use the same application to state their income, assets, and credit. To apply jointly:

- Co-borrowers must have the same current primary residence; and
- Co-borrowers must have some form of shared assets.

Marital status is not a factor for determining whether borrowers may complete a joint application.

If borrowers do not meet the above criteria they are considered co-applicants and would each submit an application to provide income, asset, and credit information.

Establishing Borrower Ownership Interest

All borrowers and co-borrowers must establish ownership interest in the subject property and become liable for the note (individually or jointly) by:

- Signing the security instrument;
- Signing the mortgage or note; and
- Taking title to the property in the name of the individual borrower(s).

Vesting

Cardinal provides transactions in which the ownership (vesting) is one of the following:

- A natural person, or
- An eligible revocable trust when the borrower is both the individual establishing the trust and the beneficiary of the trust

Vesting in an LLC

Cardinal prohibits vesting in the name of an LLC or partnership, even when the borrower(s) has an individual or joint ownership of 100%. If vesting is currently in the name of an LLC, ownership must be transferred out of the LLC and into the name of the individual borrower(s) and specific seasoning requirements of this ownership change must be evaluated.

Refer to Chapter 4 | Eligible Transactions > Cash-Out Refinance and Delayed Financing Exception for additional guidance.

Vesting out of a Trust

Seasoning requirements may be met when a borrower is added to title:

- Through a transfer from a trust, and
- The borrower was a beneficiary/creator of the trust prior to the transfer, and
- The transferring entity and/or borrower has had consecutive ownership (on title) for the required seasoning period prior to the transfer.

Non-Occupant Co-Borrower(s)

A non-occupant co-borrower(s) applies as a co-applicant on a primary residence transaction when they will not occupy the subject property. Their income, assets, liabilities, and credit are considered for the qualification of the mortgage.

Non-occupant co-borrowers:

- Do not occupy the subject property;
- May or may not have an ownership interest in the subject property as indicated on the title;
- Sign the mortgage or deed of trust Note;
- Have a joint liability for the note with the borrower(s); and
- Do not have an interest in the property sales transaction, such as the property seller, the builder, or the real estate agent or broker.

Non-Occupant Co-Borrower Freddie Mac/LPA Transactions

Freddie Mac will not permit a non-occupant co-borrower on a cash-out refinance transaction, all borrowers must occupy the mortgaged premises.

Down Payment Requirements and Qualifying Ratios with Non-Occupant Co-Borrowers

Cardinal conventional loans are processed through an approved automated underwriting system ("AUS") to follow the underwriting recommendation for down payment and ratios for loans with non-occupant co-borrowers. The non-occupant co-borrower must be correctly identified on the transaction. The maximum LTV/CLTV/HCLTV on loans with a non-occupant co-borrower is 95%.

If the loan is manually underwritten then the maximum LTV/CLTV/HCLTV is 90%. The occupying borrower(s) must make a minimum contribution of 5% and the maximum DTI ratio for the occupying borrower(s) is 43%.

See the product guidelines for limitations and additional requirements for other products.

Cosigners and Guarantors

Guarantors and co-signers are credit applicants who:

- Do not have an ownership interest in the subject property as indicated on the title;
- Sign the mortgage or deed of trust Note;
- Have a joint liability for the note with the borrower; and
- Do not have an interest in the property sales transaction, such as the property seller, the builder, or the real estate broker.

Note: Cosigners and Guarantors are permitted on purchase, rate and term, and cash-out refinance transactions.

First Generation Homebuyer

To establish an industry standard for first-generation classification, Fannie Mae and Freddie Mac, under the guidance of FHFA, have created an aligned definition of "First-Generation Homebuyer Mortgage." Identification of a mortgage as a First-Generation Homebuyer Mortgage is currently optional. However, if the loan is delivered as a First-Generation Homebuyer Mortgage, the completion of Form 1109, First-Generation Homebuyer Certification, and applicable delivery requirements must be met.

A First-Generation Homebuyer Mortgage is one in which each Borrower meets the following requirements:

- Is purchasing the subject property,
- Will reside in the property as a primary residence, and
- Has had no ownership interest (sole or joint) in another property during the last three years preceding the Note date

One of the following must also apply:

- No parent of the borrower has had an ownership interest (sole or joint) in a property in the last three years preceding the Note date,
- The borrower has aged out of foster care, or
- The borrower has become emancipated

Note: All borrowers must meet the first-generation homebuyer requirements for the mortgage to be considered a first-generation homebuyer mortgage.

Determining Ownership Interest in a Property

Ownership interest in a property includes real property owned in or outside of the United States. It does not include heir's property, undeveloped land, a manufactured home or mobile home titled as personal property, or a contract for deed.

First-Generation Homebuyer Certification

To be considered a First-Generation Homebuyer Mortgage, each borrower on the mortgage must complete Form 1109 First-Generation Homebuyer Certification attesting to meeting the required criteria as described. This form is available in Octane and will be generated at the time of Application.

As part of completion of the certification, the Borrowers are required to provide their parents' names and current addresses, when applicable.

The completed form must be maintained in the file.

First-Time Homebuyers

An individual is to be considered a first-time home buyer who:

- Is purchasing the subject property;
- Will reside in the subject property as a principal residence; and
- Had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the subject property.
    - The following property ownership scenarios are considered ownership in residential real estate and would disqualify a borrower as a first-time homebuyer:
        - Ownership in shares of a cooperative;
        - Ownership in a property in the capacity of a cosignor or non-occupant;
        - Ownership in residential real estate that was inherited

Acceptable evidence includes review of supporting documentation confirming no evidence of property ownership:

- Corelogic Loan Safe Fraud Report
- Credit Report
- Personal Income Tax Returns

Examples of properties that do not have to be counted in these limitations include, even if the borrower is personally obligated to a mortgage on the property:

- Timeshares
- Undeveloped land
- Multifamily (5+units)
- Vacant lot (residential or commercial)
- Ownership of a manufactured home not titled as real property (chattel lien on the home)
- Commercial real estate

Exception for Displaced Homemaker or Single Parent

An individual who is a Displaced Homemaker or Single Parent may also be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

The only prior ownership permitted is in a primary residence held jointly with a spouse. Ownership in a second home or investment property would exclude the borrower from the First Time Homebuyer exception. Joint ownership in a primary residence with an individual other than a former spouse would also exclude the borrower from this exception.

The guidance below may assist in determining eligibility when considering the exception for First Time Homebuyer status.

If the borrower's declaration or information obtained during the underwriting process reveals prior home ownership within 3 years of the TRID Application Date, evidence is required to confirm prior joint homeownership with a spouse. Acceptable evidence includes review of the following supporting documentation:

- Documentation from county assessor or treasurer or equivalent type confirming joint ownership with prior spouse
- Property Profile verifying property ownership was joint with prior spouse

Displaced Homemaker

A Displaced Homemaker is an individual who either:

- Owned a home with their partner, or
- Resided in a home owned by the partner and is a “displaced homemaker”

The term “displaced homemaker” is defined as an adult who has not consistently worked full-time in the labor force for one or more years and during such years, worked primarily without remuneration to care for the home and family.

Documentation

The following documentation is required to support that the applicant is a Displaced Homemaker:

- The loan application indicating the borrower is single, and
- A divorce decree supporting the date of the divorce, and
- Evidence that any income earned was derived from the partner and that no meaningful income was earned during the marriage, prior to the date of the divorce. Any new income stream must have started after the date of the divorce and within three years from the Note date.
- This can be supported by obtaining:
  - Record of return for the three years preceding the date of divorce confirming no more than $2,500 in gross annual earnings from the recently displaced homemaker
  - Record of return for the three years preceding the date of divorce confirming No Record of Return found for the recently displaced homemaker

Single Parent

A Single Parent is an individual who has owned a home with their partner or resided in an home owned by the partner and is a “single parent”. The term “single parent” is defined as an individual who is unmarried or legally divorced or separated from a spouse and has one or more minor children for whom the individual has custody or joint custody.

Although the child, or children, are not required to be of a certain age, consideration should be based on the local age of majority; if the age of the child, or children, is over the legal age of majority, the borrower does not meet the definition of a single parent.

Documentation

The following documentation is required to support the borrower's status as a Single Parent:

- The Loan Application indicating the borrower is single with a dependent, and
  - Tax return (page 1) reflecting single marital status and at least one claimed dependent(s),
  - Claimed dependent(s) who are the children of the borrower, or
  - Divorce decree or court order shows child support received and supports the borrower is caring for their child, or children

Non-Borrowing Spouses and Community Property

Married applicants who are applying and qualify for a loan based on their own income, assets, and credit are not required to have their spouse sign the mortgage note or the deed of trust except in those states where spousal consent is required by state law to waive any and all rights to the property, commonly known as community property states.

Borrowers who are married, and live in a community property or spousal participation required states, are subject to the laws applicable to that state.

Cardinal requires non-borrowing spouses in community property states to sign the security instrument and any other documentation required to comply with the state settlement laws.

General Identity Requirements

Cardinal's requirements for confirming borrower identity are intended to align with their obligations under existing federal regulations; including the Department of Treasury's Office of Foreign Asset Control (OFAC) regulations and the U.S. Patriot Act. See the Cardinal Customer Identification Policy for additional information.

Social Security Numbers

Cardinal requires that each borrower have a valid Social Security Number (SSN), unless the loan meets specific program requirements that allow an ITIN number; Individual Taxpayer Identification Numbers (ITIN) are allowed for the Conventional ITIN program only. Please see the section below for guidelines.

The borrower's SSN must be validated; any inconsistencies related to the borrower's SSN must be addressed and resolved. Refer to Chapter 2 Documentation Standards Lending Guide for complete guidance related to Social Security Numbers and the handling of any discrepancies.

Individual Taxpayer Identification Number (ITIN)

An ITIN is a 9-digit tax processing number available only to certain resident or non-resident individuals and their spouses who are unable to obtain a Social Security Number.

ITIN numbers begin with the number "9" and are formatted similarly in structure as a 9-digit SSN. Documentation supporting the ITIN number issued to the borrower is required:

- Copy of ITIN card, or
- Letter from the IRS approving the ITIN number

ITIN borrowers are eligible for conventional conforming financing as per the product offering. Please refer to the applicable Product Snapshot.

Retail Product Snapshot | Conforming Fixed ITIN | Fannie Mae & Freddie Mac

Wholesale Product Snapshot | Conforming Fixed ITIN | Fannie Mae & Freddie Mac

- Octane > Borrower screen > Input the ITIN number in the SSN section
- Credit report > Insert the ITIN number in the SSN section
- Tax validation orders > Insert the ITIN number on the 4506-C in the SSN section
- Loan must meet any Alternative Credit guidelines, if applicable, as outlined in the AUS feedback
- Borrowers must provide proof of U.S. legal residency

U.S. Citizen Borrower Eligibility Requirements

Cardinal requires validation of each borrower's identity prior to the extension of credit. Applicant verification requirements align with existing federal obligations, which require information and document verification evidence that the borrower is legally present in the United States.

United States citizenship is determined by the following fundamental principles, but it is not required for borrower eligibility:

- Right of birthplace
- Right of blood
- Naturalization (acquisition of citizenship)

Documentation

A borrower, who is a U.S. Citizen, is required to provide a copy of at least one current government-issued form of photo identification PRIOR to loan approval.

The document must be current and not expired, and validate the borrower's name and date of birth unless the provided identification is a valid form of military identification which will not house the borrower's date of birth unless a copy of the back of the card is provided.

Smart Document Reference 105.000 - Government Issued Photo ID

Non-U.S. Citizen Borrower Eligibility Requirements

Cardinal Financial will consider legal foreign nationals to be eligible borrowers under the same terms available to United States citizens unless expressly stated in a Product guideline or Lending Guide. Refer to the appropriate product guide for additional foreign borrower requirements and maximum LTV/CLTV.

Cardinal requires validation of each borrower's identity prior to the extension of credit. Applicant verification requirements align with existing federal obligations, which require information and document verification evidence that the borrower is legally present in the United States.

Non-U.S. citizen borrowers are not eligible for the Conventional AUS Manual Underwrite as outlined in Chapter 2 | Conventional Automated Underwriting Lending Guide.

Please refer to Chapter 2 | Documentation Standards | Lending Guide Citizenship Requirements for more information.

Non-U.S. Citizen Designations

Lawful permanent residents are non-U.S. citizens. They are officially designated as LPRs by the Department of State or the U.S. Citizenship and Immigration Services and fall into the following classifications:

- Has not become a naturalized citizen of the United States
- Receives select immigration benefits, and
- May be a
    - Permanent Resident
    - Temporary Resident
    - Other Non-Immigrant, or
    - Undocumented Foreign National

Cardinal will consider the following legal non-U.S. citizens to be eligible borrowers under certain criteria:

- Permanent Resident
- Temporary Resident (as outlined in the requirements below)

Borrowers who are not US citizens must currently reside in the United States to be eligible. Non-citizens who do not reside in the US are classified as Foreign Nationals and are ineligible for financing.

Permanent Resident

A Permanent Resident is a foreign national that has been officially granted immigration benefits, which include permission to permanently reside and take employment in the United States. The holder must maintain permanent resident status and can be removed from the United States if certain conditions of this status are not met.

Non-Permanent Resident

A Non-Permanent Resident Alien is a foreign national who has been officially granted immigration benefits, which include permission to temporarily reside and may include the ability to take employment in the United States.

A borrower is legally present in the United States if:

- He/she has a Social Security Number; and
- He/she has a current, verified status, which may be documented by a valid employment authorization document (EAD) or other documentation showing immigration status is current (e.g. Work Visa).

Employment Authorization Documents Overview

Employment Authorization Documents (EAD) are issued by the U.S. Citizenship and Immigration Services to non-U.S. citizens.

This document allows the holder to work without restrictions or requiring a sponsorship, unlike a work visa. However, the holder cannot use their EAD (Form I-766) to leave or enter the United States. The EAD card typically must be renewed every 1-2 years, depending on the type of the EAD.

Visa Overview

Visas are issued by the State Department and U.S. Citizenship and Immigration Services to non-U.S. citizens/temporary residents. They allow the holder to enter and exit the U.S. at designated ports of entry (typically international airports and border crossings).

Some Visas also allow the holder to work at specific employers or in specific employment fields. These are called Work Visas.

There are two major types of visas:

- Immigration visa issued to those relocating to the United States as part of the process of becoming a Lawful Permanent Resident, or
- Non-immigration visas issued to those who come to the United States for a specific purpose and time period

DACA Status

Borrowers who are classified under Category C-33 status (Deferred Action for Childhood Arrivals - DACA) are eligible for conventional financing through Fannie Mae products utilizing Desktop Underwriter only (not permitted utilizing Freddie Mac/LPA).

- When DACA status is identified within Octane, a requirement for the Employment Authorization Document (Form USCIS I-766) will require the Transaction Tag 'DACA Borrower is Present' be added
- This Transaction Tag is associated with the applicable Ineligible Loan Characteristics which will populate if the loan program changes from FNMA, FHA, or VA to a product that does not allow a DACA borrower

Please refer to Chapter 2 | Documentation Standards | Lending Guide Citizenship Requirements for all VISA requirements and eligibility.

Inter Vivos Revocable Trust

A "Living Trust" also known as an "Inter Vivos Revocable Trust" is a legal arrangement in which an individual (the Trustor) gives fiduciary control of property to a person or institution (the Trustee) for the benefit of another (the Beneficiary). The individual(s) that creates the trust (often referred to as "creators", "settlors", "grantors", "trustors", or "donors") are usually named as trustees within the trust and have full control over the property. If the trust is revocable, the individual(s) establishing the trust has the right to revoke or alter the trust.

Cardinal will allow borrowers to obtain a mortgage with an "Inter Vivos Revocable Trust" in the title to the subject property under certain circumstances. ***Any proposed mortgage in the name of a trust must be approved by the Credit Escalation Committee.***

Eligibility

An inter vivos trust must meet the following requirements in order to be eligible:

- The trust must be a revocable living trust;
- The trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect - or - obtain a certification of same from the borrower(s);
- At least one of the individuals establishing the trust has the authority to sign all loan documents as trustee or co-trustee and give the names of those individuals;
- The trust is established by one or more natural persons, solely or jointly;
- The primary beneficiary of the trust is/are the individual(s) establishing the trust;

- If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage;
- The trust stipulates that the trustee(s) is/are authorized to borrow money, purchase, construct or encumber real estate;
- The settlor has the power to revoke or alter the trust;
- The beneficiary need not grant written consent for the trust to borrow money or if consent is required, it has been granted in writing for purposes of the mortgage;
- With respect to the trust agreement, there is no unusual risk or impairment of the lender's rights including the right to have full title to the property conveyed to the lender should foreclosure proceedings have to be initiated to cure a default or a deed in lieu under the terms of the mortgage.

Ineligible Transaction Types for Trust Vesting/Settlement

- Irrevocable Trust
- Blind Trust
- Life Estates
- Texas 50(a)(6)
- POA being utilized in the transaction
- Land Trusts
- Community Land Trusts

Eligible Property and Occupancy Types

- 1-4 unit owner-occupied where at least one individual establishing the trust must occupy the property as a primary residence and sign the loan documents
- 1-unit second homes
- 1-4 unit investment properties

Underwriting Considerations

The loan must be underwritten as if the individual establishing the trust is the borrower (or a co-borrower).

Reviewing the Trust

Definitions

- Beneficiary - The party that benefits from the property held by the living trust. The primary beneficiary must be a grantor/trustor/settlor.
- Grantor/Trustor/Settlor - The person(s) who established or created the living trust and contributed the property directly to the trust.
- Trustee - The person who according to the living trust agreement has been granted the power to mortgage the subject property and administer the living trust. The trustee(s) must be or must include a grantor/trustor/settlor, or an institutional trustee (i.e., bank, trust company, attorney) that customarily performs trust functions under the laws of the state.
- Inter Vivos Revocable Trust - Inter vivos is the Latin term for "between the living." Therefore, it is a trust that an individual creates and which becomes effective during the creator's lifetime, but which can be changed or canceled at any time for any reason during his/her lifetime.
- Revocable - A living trust is referred to as "revocable" when the grantor/trustor/settlor can change or cancel it at any time, for any reason, while she/he is living. This ability to revoke the living trust is important because it allows the grantor/trustor/settlor, who would otherwise own the property directly, to retain control of the property
- Irrevocable Trust - An Irrevocable Trust is a permanent trust that cannot be altered, amended, or revoked by the trustor, once it is created. Irrevocable Trusts are not eligible for financing.
- Blind Trusts - A blind trust is an arrangement where the financial holdings of a person are placed in the control of a fiduciary, typically to avoid a conflict of interest. Therefore, someone other than the borrower has control over the trust assets. Blind trusts are not eligible for financing.

- Life Estates - A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, upon whose death the right reverts to the grantor of his heirs. Life estates are not eligible for financing.
    - A Quit Claim Deed will be accepted to revert the title back to the original owner from the life estate. In these cases, the deed should be prepared in advance of the underwriting submission and the title commitment updated to reflect this.
    - On a case-by-case basis, the Quit Claim Deed may be recorded concurrently at closing with Credit Committee approval. A letter from the title company will be required acknowledging their approval of the Quit Claim Deed.

Required Documents

- Cardinal Trust Approval Checklist completed by a member of the Credit Committee.
- Complete Trust Organization Document / Agreement required in the following states:
    - Connecticut, Hawaii, Louisiana, New York, Oklahoma, and Rhode Island
- For all other states, provide a Trust Certification.
- An attorney's opinion letter, OR certification from the Title Company Attorney (dated within the last 30 days), as identified by the Trust Approval Checklist is required when the Trust Organization document is provided. When the Trust Certification is provided, the Evidence of Attorney Opinion can be waived in the system of record.
- Inter Vivos Revocable Trust Rider to the Deed of Trust/Mortgage

Reviewing the Trust Certification

Credit Committee will review the Trust Certification for all states except CT, HI, LA, NY, OK, RI to assure the following requirements are met:

- Confirms at least one of the individuals establishing the trust has the authority to sign all loan documents as trustee or co-trustee and give the names of those individuals;
- Identifies that the trust exists and the date the trust instrument was executed;
- Identifies the settlor;

- Identifies the address of the currently acting trustee;
- Confirms the trustee has the authority to borrow money and purchase, construct, or encumber real property;
- Identifies the revocability or irrevocability of the trust and the identity of any person holding a power to revoke the trust;
- Identifies the authority of co-trustees to sign or otherwise authenticate and whether all or less than all are required in order to exercise the powers of the trustee;
- Identifies the trust's taxpayer identification number;
- Identifies the manner of taking title to trust property;
- Includes a signature or other authentication by any trustee;
- States that the trust has not been revoked, modified, or amended in any manner that would cause the representations contained in the certification of trust to be incorrect;
- Is signed by all trustees (CA, DE, IA, KS, MS, MN, OR, SD only)
- Is notarized (CA, MN, SD only)
- Is recorded (MS, MN, SD only)

Reviewing the Trust Organizational Documents

Credit Committee will review the full Trust Organizational documents in the state of Connecticut, Hawaii, Louisiana, New York, Oklahoma, Rhode Island to assure the following requirements are met:

- Confirms at least one of the individuals establishing the trust has the authority to sign all loan documents as trustee or co-trustee and give the names of those individuals;
- Confirms the settlor has the power to revoke or alter the trust;
- Confirm if the trust is established jointly, there is only more than one primary beneficiary if the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage;
- Confirms the primary beneficiary of the trust is/are the individual(s) establishing the trust;

- Confirms the trustee has the authority to borrow money and purchase, construct or encumber real property;
- Confirm trust agreement does not pose any unusual risk or impairment of the lender's rights including the right to have full title to the property conveyed to the lender should foreclosure proceedings have to be initiated to cure a default or a deed in lieu under the terms of the mortgage;
- Ensure written evidence confirming that the settlement agent has reviewed and approved the Trust Agreement and there are no exceptions to the property vested in the trust's name or in the trustee's names on behalf of the trust;
- Identifies that the trust was established during the settlor's lifetime (if any settlors have died, the trust automatically becomes irrevocable and is not eligible);
- Identifies that trust instrument was executed;
- Identifies the settlor;
- Identifies the address of the currently acting trustee;
- Identifies that the trustee has the authority to borrow money and purchase, construct, and encumber real property;
- Identifies the revocability or irrevocability of the trust and the identity of any person holding a power to revoke the trust;
- Identifies the authority of co-trustees to sign or otherwise authenticate and whether all or less than all are required in order to exercise the powers of the trustee;
- Identifies the trust's taxpayer identification number;
- Identifies the manner of taking title to trust property;
- Includes a signature or other authentication by any trustee.

Reviewing the Attorney Opinion Letter

Any licensed attorney may review the trust and issue a signed opinion on their letterhead. Cardinal may not retain, engage or otherwise facilitate an attorney review, and fees for this attorney review may not be charged in conjunction with our transaction. Credit Committee will review the Attorney Opinion Letter to assure the following requirements are met:

- Name of the trust;
- Date trust executed;
- Settler(s) of the trust;
- Primary beneficiary(ies);
- That the trust is revocable;
- Whether or not the trust has multiple trustees;
- Name of the trustees;
- The trust was created using the laws of the State of ________;
- All amendment dates if applicable; if not amended, please state "no amendments".

Legal Title Requirements

Title may be held in the following manners:

- One or more borrowers with one living trust;
- Two or more borrowers with separate living trusts; or
- As an individual (not a party to the trust) and in the name of the trust or the trustee.

Title Insurance

The title policy cannot list any exceptions arising from the trust ownership of the property.

Executing Loan Documentation

Due to the multiple capacities of the parties involved in an inter vivos trust, the execution of loan documents must be handled in the following prescribed manner. Power of attorney may not be used to execute the loan documents.

The following details are who must sign the trust documents. Only the documents noted below need to be signed by the trust. All other loan documents may be signed as individual borrowers.

Note

- Each Trustee as Trustee of the trust, whether individual or corporate;
- Each Settlor whose income or assets were used to qualify for the loan, as an individual;
- Each individual, not a trustee whose income or assets were used to qualify for the loan;
- The date of the trust must be reflected on the note as part of the description below the Trustee's signature e.g. Jane Doe, Trustee of the Jane Doe Trust dated April 1, 2000; and
- All borrowers must sign as both the Trustee and as an individual.

The Deed of Trust/Mortgage and all Riders

- Each Trustee as Trustee of the trust, whether individual or corporate; and
- Each individual that has an interest in the property

The Inter Vivos Revocable Trust Rider

- Each Trustee as Trustee of the trust, whether individual or corporate;
- Each Settlor whose income or assets were used to qualify for the loan, as an individual;
- Each individual that has an interest in the property; and
- The inter vivos trust as borrower acknowledgement.

Signature Requirements

If the note is secured by a mortgaged premises held in a living trust (inter vivos or revocable), the note must be signed by the borrower(s) as individuals(s) and as Trustee(s) on behalf of the trust. The note must clearly indicate the name of the trust on the signature page.

Documentation Retention Requirements

All documentation related to the trust review must be maintained in the loan file. This includes the trust agreement, attorney opinion letter, evidence that the title company has agreed to close in the name of the trust and insure the mortgage underwriter review documents, Credit Escalation Committee approval, and any trust documents sent to the title company for their review.

Multiple Financed Properties for the Same Borrower

Fannie Mae and Freddie Mac Programs allow up to 10 financed properties.

Examples of financed properties that do not have to be counted in these limitations include:

- Timeshares
- Undeveloped land
- Multifamily (5+units)
- Vacant lot (residential or commercial)
- Ownership of a manufactured home not titled as real property (chattel lien on the home).

Freddie Mac has aligned with Fannie Mae's Maximum Number of Financed Properties requirements and now permits transactions involving second homes or investment properties with expanded property ownership.

- For primary residence transactions, there are no limitations on the number of other properties that the borrower will have financed.
- For second homes and investment property transactions:
    - Borrower owns 1-6 financed properties, no additional restrictions apply
    - Borrower owns 7-10 financed properties
        - Minimum credit score of 720
        - Ineligible for manual underwriting even if manual underwriting reason is due to an international address
- Must meet reserve requirements as outlined in automated underwriting findings

Reserve Requirements

Reserve requirements apply based on the number of financed properties the borrower will have and the underwriting method. The borrower must have sufficient assets to close after meeting the minimum reserve requirements.

Reserve Requirements AUS Underwritten Loans

The AUS will determine the reserve requirements based on the overall risk assessment of the loan, the minimum reserve requirement that may be required for the transaction, and whether the borrower has multiple financed properties.

If a borrower has multiple financed properties and is financing a second home or investment property, the AUS will base the reserve calculations for the other financed properties on the number of financed properties determined by AUS. Refer to the Calculation of Reserves for Multiple Financed Properties below for additional details.

Reserve Requirements Manually Underwritten Loans

If the borrower owns other financed properties, additional reserves must be calculated and documented for financed properties other than the subject property and the borrower's principal residence. The other financed properties' reserve amounts must be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance ("UPB") for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties:

- 2% of the aggregate UPB if the borrower has one to four financed properties;
- 4% of the aggregate UPB if the borrower has five to six financed properties; or
- 6% of the aggregate UPB if the borrower has seven to ten financed properties (AUS only).

The aggregate UPB calculation does not include mortgages and HELOCs that are on

- the subject property;
- the borrower's principal residence;
- properties that are sold or pending sale; or
- accounts that will be paid by closing (or omitted in the AUS on the online loan application).

Cardinal Maximum Exposure to the Same Borrower

Cardinal Financial limits its credit and risk exposure by defining the maximum number of originated transactions each borrower can possess. Cardinal will not approve and close loans for borrowers having excessive risk defined as follows:

- No more than six (6) loans with Cardinal Financial

No more than an aggregate loan amount greater than $4,000,000 without an approved loan exception. The maximum number of loans and aggregate loan amount calculations include all of the following:

- Loans with Cardinal Financial that are pending applications or are closed and pending a loan sale
- Loans that are closed and currently serviced by Cardinal Financial

The maximum number of loans and aggregate loan amount calculations do **not** include all of the following:

- Loans closed with Cardinal Financial, with servicing rights sold to another lender within the most recent 24 months. (e.g loan was sold to Lakeview and the liability on the credit report shows the lender is Lakeview)

Power Of Attorney (POA)

Cardinal will allow the use of a limited power of attorney ("POA") or a military durable POA for the execution of final closing documents on certain loan products including the security instrument and/or note, however, the initial loan application and initial loan disclosures must always be executed by the borrower.

All POA's require Advanced Approval from underwriting; underwriting will complete the POA checklist.

Cardinal will, under no circumstances, allow the use of a POA to be used for changes to ownership or vesting on a refinance transaction.

The loan file must retain a complete copy of all documents reviewed during the approval process.

General Requirements

- For conventional loans, the transaction must be a purchase or rate and term refinance on a primary residence or second home
- The borrower must sign the completed loan application, disclosures, and credit verification documents and the POA may only be used for the execution of the security instrument, note, and other closing documents
- A letter explaining why a POA is being used must be provided by the borrower(s); an email is acceptable if the electronic communication requirements are met
- In the State of Mississippi, POA's may be used on primary residences only if the attorney-in-fact or designee is NOT the spouse of the borrower

Reviewing the POA

- Except in the case of a durable military POA, the POA must be specific to Cardinal's loan by referencing the subject property's physical address or legal description
- The borrower(s) name on the POA must match the borrower's legal name on the loan application and closing documents exactly
- The borrower(s) signature on the POA must be notarized
- Signatures on the POA match signatures on other documents in the loan file
- The notary acknowledgment must be complete, legible, and signed within 90 days of the closing date
- The POA must be signed and dated prior to the date of the loan closing
- The POA must be notarized in the United States or at a U.S. Embassy
- The person executing the POA, for the borrower not attending closing, must be either the attorney or relative of the borrower who is not able to attend the closing
- There must be more than one borrower on the loan and at least one of the borrower(s) must be physically present at closing unless the attorney-in-fact is the borrower's relative or attorney

Allowable Attorneys-in-Fact or Agents for POA

Except as otherwise required by applicable law, or unless they are the borrower's relative*, none of the following persons connected to the transaction shall sign the security instrument or note as the attorney-in-fact or agent under a power of attorney:

- The broker/lender
- Any affiliate of the broker/lender
- Any employee of the broker/lender or any other affiliate of the broker/lender
- The loan originator
- The employer of the loan originator
- Any employee of the employer of the loan originator
- The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate
- Any real estate agent with a financial interest in the transaction or any person affiliated with such real estate agent

*Relative is defined as any of the following:

- The Borrower's spouse, child or dependent
- An individual related to the Borrower by blood, marriage or adoption
- A guardian of the Borrower
- A person for whom the Borrower is a guardian
- The Borrower's fiancée or fiancé
- The Borrower's domestic partner

Title Requirements

- No changes to the property vesting may be made on a refinance transaction

- The title company must review the POA and issue the title policy with no exceptions pertaining to the POA
- The title company must record the original POA at the time of closing

References

Reference List
Trust Approval Checklist

Revision History

Revision History is to be used as a reference only and will only provide a summary of document changes. For complete versioning, refer to the Google Docs versioning functionality, which is the system of record. Versioning has been captured as of 10.1.20.

Date	Version	Description	Approver	Octane Alignment
4.1.25	V13	Added guidance related to First Generation Homebuyer, specifying Fannie Mae and Freddie Mac have created an aligned definition of "First-Generation Homebuyer Mortgage" with direction provided related to determination of a First Generation Homebuyer. Identification of a mortgage as a First-Generation Homebuyer Mortgage is currently optional	Kristen Bellon	Complete
3.25.24	V12	Indicated Cardinal Overlays to agency guidelines by highlighting text in our signature *Riptide* color. Overlays correspond to Cardinal Retail Overlay or TPO Overlay Matrix	Kristen Bellon	-
2.5.2024	V11	Updated the Non-Occupant Co-Borrower section to specify Freddie Mac will not permit a non-occupant co-borrower on a cash-out refinance transaction, all borrowers must occupy the mortgaged premises	Kristen Bellon	-
8.24.23	V10	Defined Relative in the Power of Attorney section	Ellen Clayson	
5.22.23	V9	Added additional guidance and clarification under the Exception for Displaced Homemaker or Single Parent section	Kristen Bellon	
4.20.23	V8	Aligned Freddie Mac and Fannie Mae guidance related to non-occupant co-borrowers clarifying they may not be an interested party to the transaction	Kristen Bellon	

3.31.23	V7	Added Land Trust under Ineligible Transaction Type for Trust Vesting/Settlement	Kristen Bellon	
3.7.23	V6	Expanded First-Time Homebuyers section to include guidance for a Displaced Homemaker and Single Parent	Kristen Bellon	
10.14.22	V5	Added guidance for SSN Discrepancies and directed readers to Chapter 2 Documentation Standards for details	Kristen Bellon	
5.27.22	V4	Added guidance for ITIN borrowers	Ellen Clayson	
4.18.22	V3	Added guidance for input of DACA borrower into Octane	Kristen Bellon	
12.10.21	V2	Immaterial changes. Corrected grammar and formatting to align with company standards	N/A	
11.12.20	V1	Added Vesting section and provided clarification surrounding acceptable vesting	Kristen Bellon	
2.20.20	-	Revised Borrower Eligibility as per Underwriting Policy | Citizenship Requirements	Ellen Clayson	
2.18.20	-	Clarified Ineligible Vesting Types	Ellen Clayson	
1.15.19	-	Removed language for SSN validation specific to DU and expanded section to clarify that a discrepancy on the AUS, Fraud Report, or Credit report must be addressed	Erica Price	
9.18.19	-	Formatted to Remove any Government Product Entries	Ellen Clayson	
8.28.19	-	Added Guidance for Military ID	Ellen Clayson	
7.15.19	-	• Clarified Non-U.S. Citizen Borrowers are Not Eligible for Conventional AUS Manual Underwriting outlined in Chapter 2 Lending Guide • Clarified Acceptance of a Quit Claim Deed to Revert Title from a Life Estate back to the Original Owner.	Ellen Clayson Ellen Clayson	
7.12.19	-	Revised Social Security Number Verification Requirements	Erica Price	
6.1.19	-	• Revised Citizenship Requirements to match Underwriting Policy | Citizenship Requirements • Clarified Minimum Age of Borrower • Revised Requirement for Attorney Opinion Letter when Closing in a Trust	Ellen Clayson Ellen Clayson Ellen Clayson	

5.1.19	-	Revised States where a Trust Certification may be used in lieu of a full Trust Agreement	Ellen Clayson	
4.1.19	-	Clarified the Definition of Co-Signers and Non-Occupant Borrowers	Ellen Clayson	
3.1.19	-	Ineligible Transaction Types for Trust Vesting/Settlement		
1.24.18	-	Updated Citizenship Requirements	Ellen Clayson	
11.14.18	-	Clarified DACA borrowers are ineligible	Erica Price	
10.31.18	-	• First-time Homebuyer Requirements • Updated maximum number of financed properties	Erica Price Erica Price	
5.18.18	-	Clarification of documentation required for Non-U.S. Citizens.	Stephanie Camara-Ray	
10.30.17	-	Clarification on EAD and proof of residency, revised G series Visa requirements.	Erica Price	
9.1.17	-	Initial Approval	Erica Price	