

# Product Snapshot

# FHA Purchase and Refinance Fixed Rate

Cardinal Financial offers Purchase and Refinance transactions, subject to eligibility requirements below. For Streamline refinances, refer to the FHA Streamline product snapshot.

Purchase - Conforming & High Balance			
Property Type	Maximum DTI	LTV/CLTV	Manual Underwrite Permitted
<b>Non-Traditional Credit</b>			
1-4 Unit Manufactured Home <sup>5</sup>	31% / 43% <sup>2</sup>	96.5% / 96.5%	Yes
<b>Minimum FICO 550</b>			
1-4 Unit, Manufactured Home <sup>5</sup>	Per AUS Approval <sup>7</sup>	90% <sup>1</sup>	No
	Manual Underwrite: 31% / 43% <sup>2</sup>		Yes
<b>Minimum FICO 580</b>			
1-4 Unit Manufactured Home <sup>5</sup>	Per AUS Approval <sup>7</sup>	96.5% <sup>1</sup>	No
	Manual Underwrite: 31% / 43% <sup>6</sup>		Yes
<b>Minimum FICO 620</b>			
\$100 Down Payment Program (1-2 Unit Only)	Per AUS Approval <sup>7</sup>	100% <sup>3</sup>	No
	Manual Underwrite: 31% / 43% <sup>6</sup>		Refer: No Approve/Ineligible: Yes <sup>4</sup>
<b>Footnotes</b>			

<sup>1</sup>Refer to the Secondary Financing section

<sup>2</sup>No exceptions to DTI restriction at 43% and cannot use compensating factors

<sup>3</sup> 110% CLTV permitted with HUD 203(b) Repair Escrow / \$100 Down with HUD 203(b) Repair Escrow

<sup>4</sup> Automated Underwriting Findings will result in Approve/Ineligible findings when the loan amount exceeds the FHA maximum loan amount calculation. The underwriter will validate that the reason for the ineligible is only as a result of the HUD REO \$100 LTV and no other ineligibility reasons are allowed

<sup>5</sup> Manufactured Homes are ineligible for high balance loan amount

<sup>6</sup> See additional Manual UW requirements in program parameters - with compensating factors maximum DTI could go to 50%

<sup>7</sup> Maximum 50% DTI for properties located in West Virginia regardless of AUS approval

**Rate and Term Refinance - Conforming & High Balance**

Property Type	Maximum DTI <sup>5</sup>	LTV/CLTV	Manual Underwrite Permitted <sup>2</sup>
<b>Non-Traditional Credit</b>			
1-4 Unit, Manufactured Home <sup>4</sup>	31% / 43% <sup>3</sup>	85% / 85%	Yes
<b>Minimum FICO 550</b>			
1-4 Unit, Manufactured Home <sup>4</sup>	Per AUS Approval <sup>5</sup>	90% <sup>1</sup>	No
	Manual Underwrite: 31% / 43% <sup>3</sup>		Yes
<b>Minimum FICO 580</b>			
1-4 Unit, Manufactured Home	Per AUS Approval <sup>5</sup>	97.75% <sup>1</sup>	No
	Manual Underwrite: 31% / 43% <sup>2,5</sup>		Yes
<b>Minimum FICO 620</b>			
HUD Approved 2nd Home	Per AUS Approval <sup>5</sup>	85% / 85%	No

**Footnotes**

<sup>1</sup>Refer to the Secondary Financing section

<sup>2</sup> See additional manual underwriting requirements in program parameters - with compensating factors maximum DTI permitted to 50%

<sup>3</sup> No exceptions to DTI restriction at 43% and cannot use compensating factors

<sup>4</sup> Manufactured Homes are ineligible for high balance loan amount

<sup>5</sup> Maximum 50% DTI for properties located in West Virginia regardless of AUS approval

Cash-Out - Conforming & High Balance Fixed			
Property Type	Maximum DTI	LTV/CLTV	Manual Underwrite Permitted
<b>Minimum FICO 550</b>			
1-4 Unit, Manufactured Home	Per AUS Approval <sup>3</sup>	80% / 80%	No
	Manual Underwriting or Manual Downgrade not permitted		
<b>Minimum FICO 580</b>			
1-4 Unit, Manufactured Home	Per AUS Approval <sup>3</sup>	80% / 80%	No
	Manual Underwrite: 31%/43% <sup>1, 4</sup>		Yes
<b>Footnotes</b>			
<p><sup>1</sup> See additional manual underwriting requirements in program parameters - with compensating factors maximum DTI permitted to 50%</p> <p><sup>2</sup> Manufactured Homes are ineligible for high balance loan amount</p> <p><sup>3</sup> Maximum 50% DTI for properties located in West Virginia regardless of AUS approval</p> <p><sup>4</sup> No exception for credit score below 580 on manually downgraded loans</p>			

Program Parameters	
<b>Acceptable Transaction Terms</b>	<p><b>Standard</b></p> <ul style="list-style-type: none"> <li>● FHA 15 Year Fixed Rate</li> <li>● FHA 15 Year Fixed Rate High Balance</li> <li>● FHA 25 Year Fixed Rate</li> <li>● FHA 25 Year Fixed Rate High Balance</li> <li>● FHA 30 Year Fixed Rate</li> <li>● FHA 30 Year Fixed Rate High Balance</li> <li>● FHA 15 Year Fixed Rate 203(b) Repair Escrow</li> <li>● FHA 15 Year Fixed Rate 203(b) Repair Escrow High Balance</li> </ul>

	<ul style="list-style-type: none"> <li>● FHA 25 Year Fixed Rate 203(b) Repair Escrow</li> <li>● FHA 25 Year Fixed Rate 203(b) Repair Escrow High Balance</li> <li>● FHA 30 Year Fixed Rate 203(b) Repair Escrow</li> <li>● FHA 30 Year Fixed Rate 203(b) Repair Escrow High Balance</li> <li>● FHA 15 Year Fixed Rate - Manual UW</li> <li>● FHA 15 Year Fixed Rate High Balance - Manual UW</li> <li>● FHA 25 Year Fixed Rate - Manual UW</li> <li>● FHA 25 Year Fixed Rate High Balance - Manual UW</li> <li>● FHA 30 Year Fixed Rate - Manual UW</li> <li>● FHA 30 Year Fixed Rate High Balance - Manual UW</li> <li>● FHA 15 Year Fixed Rate 203(b) Repair Escrow - Manual UW</li> <li>● FHA 15 Year Fixed Rate 203(b) Repair Escrow High Balance - Manual UW</li> <li>● FHA 25 Year Fixed Rate 203(b) Repair Escrow - Manual UW</li> <li>● FHA 25 Year Fixed Rate 203(b) Repair Escrow High Balance - Manual UW</li> <li>● FHA 30 Year Fixed Rate 203(b) Repair Escrow - Manual UW</li> <li>● FHA 30 Year Fixed Rate 203(b) Repair Escrow High Balance - Manual UW</li> </ul> <p><b>Adjustable Rate Products</b></p> <ul style="list-style-type: none"> <li>● FHA 3/1 ARM</li> <li>● FHA 3/1 ARM High Balance</li> <li>● FHA 3/1 ARM 203(b) Repair Escrow</li> <li>● FHA 3/1 ARM High Balance 203(b) Repair Escrow</li> <li>● FHA 5/1 ARM</li> <li>● FHA 5/1 ARM High Balance</li> <li>● FHA 5/1 ARM 203(b) Repair Escrow</li> <li>● FHA 5/1 ARM High Balance 203(b) Repair Escrow</li> </ul> <p><b>Temporary Buydown</b></p> <ul style="list-style-type: none"> <li>● FHA 30 Year Fixed Rate - Temporary 3-2-1 Buydown</li> <li>● FHA 30 Year Fixed Rate High Balance - Temporary 3-2-1 Buydown</li> <li>● FHA 30 Year Fixed Rate - Temporary 2-1 Buydown</li> <li>● FHA 30 Year Fixed Rate High Balance - Temporary 2-1 Buydown</li> <li>● FHA 30 Year Fixed Rate - Temporary 1-1 Buydown</li> <li>● FHA 30 Year Fixed Rate High Balance - Temporary 1-1 Buydown</li> <li>● FHA 30 Year Fixed Rate - Temporary 1-0 Buydown</li> <li>● FHA 30 Year Fixed Rate High Balance - Temporary 1-0 Buydown</li> <li>● FHA 30 Year Fixed Rate - Temporary 3-2-1 Buydown - Manual UW</li> <li>● FHA 30 Year Fixed Rate High Balance - Temporary 3-2-1 Buydown - Manual UW</li> <li>● FHA 30 Year Fixed Rate - Temporary 2-1 Buydown - Manual UW</li> <li>● FHA 30 Year Fixed Rate High Balance - Temporary 2-1 Buydown - Manual UW</li> <li>● FHA 30 Year Fixed Rate - Temporary 1-1 Buydown - Manual UW</li> <li>● FHA 30 Year Fixed Rate High Balance - Temporary 1-1 Buydown - Manual UW</li> <li>● FHA 30 Year Fixed Rate - Temporary 1-0 Buydown - Manual UW</li> <li>● FHA 30 Year Fixed Rate High Balance - Temporary 1-0 Buydown - Manual UW</li> </ul>
<p><b>Allowable Sections of the Housing Act</b></p>	<ul style="list-style-type: none"> <li>● 203B: Owner Occupied 1-4 Family &amp; Detached Condos <ul style="list-style-type: none"> <li>○ Detached Condo ADP Code 734</li> </ul> </li> <li>● 234C: Condo</li> <li>● 251: Adjustable Rate Mortgage (ARM)</li> </ul>
<p><b>Overlays</b></p>	<ul style="list-style-type: none"> <li>● Refer to the <a href="#">Wholesale Lending   Product Overlay Matrix</a> for any applicable Carinal overlays</li> </ul>

<b>Cash Reserves</b>	A minimum of one month's payment reserve (cash reserve) will be required for LTV of 96.0% or greater AND a Decision Credit Score of 659 or lower
<b>Down Payment</b>	<ul style="list-style-type: none"> <li>● A minimum cash investment of 3.5% of the lesser of the appraised value or sales price</li> </ul>
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>● U.S. citizens</li> <li>● Permanent resident aliens</li> <li>● Non-permanent resident aliens</li> <li>● Non-occupant co-borrowers <ul style="list-style-type: none"> <li>○ In a transaction where either the occupant borrower or non-occupant co-borrower does not have a credit score, income from the non-occupant may not be used.</li> <li>○ Maximum LTV is 75%. The LTV can be increased to a maximum of 96.5% for a 1-unit residence if the non-occupant co-borrower is a qualifying family member and the transaction does not involve a family member selling to a family member who will be a non-occupying Co-Borrower</li> </ul> </li> </ul>
<b>Eligible Transactions</b>	<ul style="list-style-type: none"> <li>● Attached/detached SFRs</li> <li>● Attached/detached PUDs</li> <li>● FHA-approved Condos</li> <li>● 2-4 Units</li> <li>● HUD-owned properties underwritten to HUD guidelines</li> <li>● Manufactured Housing that meets the following requirements <ul style="list-style-type: none"> <li>○ Designed as a one-family dwelling; have a floor area of not less than 400 square feet</li> <li>○ Have the HUD Certification Label affixed or have obtained a letter of label verification issued on behalf of HUD, evidencing the house was constructed on or after June 15, 1976, in compliance with the Federal Manufactured Home Construction and Safety Standards</li> <li>○ Be classified as real estate (but need not be treated as real estate for purposes of state taxation);</li> <li>○ Be built and remain on a permanent chassis</li> <li>○ Be designed to be used as a dwelling with a permanent foundation built in accordance with the Permanent Foundations Guide for Manufactured Housing (PFGMH);</li> <li>○ Have been directly transported from manufacturer or dealership to the site</li> <li>○ Be titled as real property prior to closing</li> <li>○ Manufactured homes are not eligible for Temporary Buydown program</li> </ul> </li> <li>● Transactions with secondary financing made or held by a private entity, bank, family member, governmental entity or non-profit that meet the parameters outlined in the lending guide.</li> <li>● FHA does not impose a limitation to the size/acreage of the site, unless the property is in Montana where the lot size may not exceed 40 acres</li> <li>● Temporary Buydowns <ul style="list-style-type: none"> <li>○ Allowed on purchase transactions only</li> </ul> </li> </ul>
<b>FHA 203(b) with Repair Escrow</b>	<ul style="list-style-type: none"> <li>● HUD-owned properties which allow for the financing of repair items to meet HUD's MPR's</li> <li>● A prepared escrow holdback agreement is required and a repair escrow account must be established in accordance with standard procedure</li> </ul>

	<ul style="list-style-type: none"> <li>• The maximum escrow amount must be based on the sum of the repairs required to meet the intent of HUD’s MPR, plus a 10 percent contingency. The total escrow amount, including the 10 percent contingency, must not exceed \$11,000</li> <li>• Eligible for purchase transactions only</li> <li>• Must be locked using the applicable Repair Escrow program code in Octane</li> <li>• Refer to FHA Lending Guide 203(b) HUD REO Repair Escrow Loan Program for full requirements</li> </ul>
<p><b>FHA \$100 Down with 203(b) Repair Escrow</b></p>	<ul style="list-style-type: none"> <li>• The \$100 Down sales incentive permits a Borrower to purchase a HUD REO Property with FHA-insured financing with a minimum downpayment of \$100</li> <li>• \$100 Down purchases may be processed as Section 203(b), or Section 203(b) with Repair Escrow</li> <li>• The borrower may not finance closing costs and prepaid expenses in their mortgage</li> <li>• The minimum investment of \$100 is required; all down payment funds and cash to close must be documented and verified</li> <li>• Section 203(b) <ul style="list-style-type: none"> <li>◦ Mortgagees must calculate the maximum mortgage amount by subtracting \$100 from the Adjusted Value</li> </ul> </li> <li>• Section 203(b) With Repair Escrow <ul style="list-style-type: none"> <li>◦ Mortgagees must calculate the maximum mortgage amount by subtracting \$100 from the sum of the Adjusted Value plus 110 percent of the estimated cost of repairs, not to exceed \$11,000. The LTV without the repair escrow can not exceed 100% off the “As Is” value</li> </ul> </li> <li>• The LTV with financed repairs utilizing the 203(b) with Repair Escrow may not exceed 110%</li> <li>• The Up Front Mortgage Insurance Premiums (UFMIP) cannot be financed unless the “As Is” appraised value is greater than the sales price by the amount of the UFMIP</li> <li>• Manufactured homes are not eligible with this product</li> </ul>
<p><b>Gift Funds</b></p>	<p>Gift funds are eligible for down payment, closing costs and reserve requirements (if required)</p> <p>A gift is acceptable if the donor is:</p> <ul style="list-style-type: none"> <li>• A relative of the borrower. Refer to the Family Member Definition topic for HUDs definition of a family member/relative, or</li> <li>• The borrower’s employer, or</li> <li>• A close friend with a clearly defined and documented interest in the borrower, or</li> <li>• A charitable organization approved by FHA, or</li> <li>• A government agency or public entity that has a program providing homeownership assistance to low and moderate income families or first-time home buyers, or</li> <li>• Non-profit (501)(c)(3) that is an instrumentality of the government. Nonprofits that are not an instrumentality of the government may not provide funds.</li> </ul> <p><b>NOTE:</b> As a reminder, while HUD does allow gift funds from an interested party to the transaction when they meet all other gift funds requirements, funds from an interested party cannot be used to meet the borrower’s minimum required investment (MRI).</p> <p>Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor’s own funds.</p>

<p><b>Ineligible Transactions</b></p>	<ul style="list-style-type: none"> <li>● Escrow waivers are not permitted</li> <li>● Life Estates</li> <li>● Blind Trusts</li> <li>● Irrevocable Trusts</li> <li>● 1031 Exchanges</li> <li>● LLC's, Corporations and Partnerships</li> <li>● Community Land Trusts</li> <li>● Loans with qualifying income earned from state-legalized marijuana businesses, as this is not considered as legally-derived income based on Federal law.</li> <li>● Texas Cash-Out 50 (a) (6) Transactions</li> <li>● Negative Equity Refinance transactions (including short pay off of subject property)</li> <li>● Hawaiian properties in Lava Zones 1 and 2</li> <li>● CEMA transactions delivered with Lost Note Affidavit in lieu of existing Note and Mortgage</li> <li>● Montana <ul style="list-style-type: none"> <li>○ Lot size of the property may not exceed 40 acres</li> </ul> </li> </ul>
<p><b>Identity of Interest Transactions</b></p>	<ul style="list-style-type: none"> <li>● Purchase transactions are limited to a maximum of 85% LTV when the seller is related to and/or has a business relationship with the buyers</li> <li>● Maximum financing is available when meeting FHA's Exception for Identity of Interest Transaction requirements</li> </ul>
<p><b>Loan Limit</b></p>	<ul style="list-style-type: none"> <li>● FHA mortgage limits for all areas: <a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a></li> </ul>
<p><b>Manual Underwriting Requirements</b></p>	<p>The following transactions may not exceed Debt-to-Income Ratios of 31/43 and may not use compensating factors as outlined below:</p> <ul style="list-style-type: none"> <li>● Borrowers with Minimum Decision Credit Scores below 580</li> <li>● Borrowers with No Score</li> </ul> <p>Compensating Factors</p> <ul style="list-style-type: none"> <li>● DTI: 31/43 No compensating factors required</li> <li>● DTI: 37/47 <b>One</b> of the following Compensating factors required: <ul style="list-style-type: none"> <li>○ Verified and documented cash Reserves</li> <li>○ Minimal Increase in housing payment</li> <li>○ Residual income</li> </ul> </li> <li>● DTI: 40/40 Compensating factor <ul style="list-style-type: none"> <li>○ No Discretionary debt</li> </ul> </li> <li>● DTI: 40/50 <b>Two</b> of the following Compensating factors required: <ul style="list-style-type: none"> <li>○ Verified and documented cash reserves</li> <li>○ Minimal Increase in housing payment</li> <li>○ Residual income</li> </ul> </li> <li>● An "Ineligible" Automated Underwriting finding is acceptable only if the reason for ineligibility is to finance a repair escrow or the loan to value exceeding 96.5% due to the eligibility for an expanded loan to value as a HUD owned REO and not for other reasons (for example: short to close). Underwriters must comment on the HUD 92900-LT form regarding the reason for ineligibility.</li> </ul> <p>Single-Unit Condo Approval</p> <ul style="list-style-type: none"> <li>● Single-Unit Condominiums must receive an Accept from TOTAL Mortgage Scorecard or the maximum Loan-to-Value (LTV) is limited to 90 percent</li> </ul>

<b>Non-Traditional Credit</b>	<ul style="list-style-type: none"> <li>● Permitted on Purchases and Rate and Term Refinances</li> <li>● Cash-Out Refinance - Borrower must meet the minimum score requirement, non-traditional credit is not allowed</li> <li>● See the Lending Guide for specific requirements</li> </ul>
<b>Positive Rental Payment History</b>	<p>Total Mortgage Scorecard allows for the utilization of a positive rental payment history in its credit risk assessment when delivering credit decisions. Positive Rental Payment History refers to the on time payment by a Borrower of all rental payments in the previous 12 months. A rental payment is considered to be on time when it is paid within the month due.</p> <p>A Mortgagee may submit the transaction to TOTAL Mortgage Scorecard indicating a Positive Rental Payment History provided:</p> <ul style="list-style-type: none"> <li>● The transaction is a purchase;</li> <li>● At least one Borrower is identified as a First Time Homebuyer;</li> <li>● The Minimum Decision Credit Score (MDCS) is 620 or greater; and</li> <li>● At least one Borrower has a documented history of a Positive Rental Payment History with monthly payments of \$300 or more for the previous 12 months</li> </ul> <p>Note: Manual underwriting is not permitted.</p> <p>Refer to the <a href="#">Lending Guide Chapter 12 Credit</a> for additional requirements.</p>
<b>Foreclosure, Deed in Lieu of Foreclosure</b>	<ul style="list-style-type: none"> <li>● <b>Minimum of 3 years from transfer of title</b></li> <li>● Exceptions may be allowed for a foreclosure date that is less than 2 years from the application date if extenuating circumstances can be documented. In no case is a foreclosure sale less than 12 months acceptable.</li> </ul>
<b>Short Sale</b>	<ul style="list-style-type: none"> <li>● <b>Minimum of 3 years from transfer of title</b></li> <li>● Exceptions may be allowed if the borrower can document an extenuating circumstance and the borrower had no delinquency in the 12 months prior to the short sale.</li> </ul>
<b>Bankruptcy Chapter 7/ Chapter 11</b>	<ul style="list-style-type: none"> <li>● <b>Minimum of 2 years from discharge date</b> with re-established good credit, or no new debt incurred after discharge date</li> <li>● An elapsed period of less than two years, but not less than 12 months, may be acceptable, if the Borrower can show that the bankruptcy was caused by extenuating circumstances beyond the Borrower's control and has since exhibited a documented ability to manage their financial affairs in a responsible manner</li> </ul>
<b>Bankruptcy Chapter 13/Chapter 12</b>	<ul style="list-style-type: none"> <li>● <b>Minimum of 1 year established payment history is required, proving all bankruptcy plan payments have been made in full and on time.</b></li> <li>● If Bankruptcy is discharged, no waiting period applies, but mortgage payment history may not have any lates Court approval is required if the bankruptcy is not discharged.</li> </ul>
<b>Seasoning Requirement for Refinances</b>	<p>The transaction must meet both FHA and Ginnie Mae requirements in order to ensure compliance.</p> <p>See the <a href="#">Government Loan Seasoning Requirements</a> for details.</p>
<b>Secondary Financing</b>	<ul style="list-style-type: none"> <li>● FHA eligible Down Payment Assistance programs are allowed if the program is</li> </ul>



- approved by Cardinal.
- Down Payment Assistance programs from government entities are permitted in accordance with FHA's guidelines.
- Rate and Term refinance transactions restricted to 85% if the borrower has not occupied as a primary residence for the 12 months prior to the case assignment, or if owned less than 12 months has not occupied the property since acquisition, See Chapter 12 of the Lending Guide for Additional Details.
- All other sources of secondary financing must meet FHA's requirements.

Subordinate Financing Restrictions

Combined LTV and Maximum Mortgage Amount with Secondary Financing		
Entity Type	CLTV	Maximum Loan Amount
Governmental Entity and HOPE Grantee	No max. CLTV for secondary financing loans	The insured first mortgage may not exceed the FHA Nationwide Mortgage Limit for the area in which the Property is located.
HUD-Approved Nonprofit	No max. CLTV for secondary financing loans	
Family Members	Base Loan Amount and secondary financing amount must not exceed 100 percent of the Adjusted Value	
Private Individuals and Other Organizations	Base Loan Amount and secondary financing amount must not exceed the applicable FHA Loan-to-Value (LTV) limit	The Base Loan Amount <u>and</u> secondary financing amount must not exceed the Nationwide Mortgage Limit for the area in which the Property is located.

**Tax Proration**

- FHA will allow tax proration to be considered as part of the borrower's minimum required investment (MRI) provided that Cardinal Financial has verified the borrower has the minimum required investment (in assets) prior to or at closing. In addition, all HOC's will continue to permit the borrower to only bring the actual dollar amount necessary to meet minimum required investment less the tax credit they will receive at closing
- Where real estate taxes are paid in arrears, the seller's real estate tax credit may be used to meet the MRI, if the Mortgagee documents that the Borrower had sufficient assets to meet the MRI and the Borrower paid closing costs at the time of underwriting
- This permits the Borrower to bring a portion of their MRI to the closing and combine that portion with the real estate tax credit for their total Minimum Required Investment

**Temporary Buydown**

A temporary buydown allows borrowers to reduce their effective monthly payment for a limited period of time through a temporary buydown of the interest rate.

- The effective interest rate that a borrower pays during the early years of the mortgage is reduced as a result of the deposit of a lump sum of money (sometimes called a “subsidy”) into a buydown account. A portion of the subsidy is released each month to reduce the borrower’s payments.
- The buydown funds may be provided by various parties, including the borrower, the lender, the property seller, or other interested parties to the transaction.

#### General Requirements for Temporary Interest Rate Buydown Plans

- Buydown program is “3-2-1”
  - Interest rate for the first year is 3% lower than the Note rate
  - Interest rate for the second year is 2% lower than the Note rate
  - Interest rate for the third year is 1% lower than the Note rate
  - Interest rate for the remaining years is the Note rate
- Buydown program is “2-1”
  - Interest rate for the first year is 2% lower than the Note rate.
  - Interest rate for the second year is 1% lower than the Note rate.
  - Interest rate for the remaining years is the Note rate.
- Buydown program is “1-1”
  - Interest rate for the first year is 1% lower than the Note rate.
  - Interest rate for the second year is 1% lower than the Note rate.
  - Interest rate for the remaining years is the Note rate.
- Buydown program is “1-0”
  - Interest rate for the first year is 1% lower than the Note rate.
  - Interest rate for the remaining years is the Note rate.
- The actual note rate and monthly payment that the borrower is obligated to pay is never actually reduced, and the full rate and payment must be reflected on the mortgage documents.
- At the end of the buydown period, the buydown funds collected at closing will have been exhausted, and the buydown period ends.
- Allowed on fixed-rate mortgages; **buydowns are not permitted with ARM transactions**
- Purchase transaction only
- Rate increase will not exceed 1% per year.
- The mortgage instruments must reflect the permanent payment terms rather than the terms of the buydown plan.
- Ineligible for Manufactured Housing

#### Buydown Funds Provided by Interested Parties to the Transaction

- When the source of the buydown funds is an interested party, the Interest Party Contribution limits of 6 percent will apply.

#### Lender-Funded Buydowns

- If the buydown is funded by the lender as part of the pricing on the loan, the buydown agreement must require that the funds in the buydown account be transferred to the new servicer if the mortgage is subsequently transferred.

#### Buydown Agreements

- The buydown agreement must provide that the borrower is not relieved of his/her obligation to make the mortgage payments required by the terms of the Note.
- The buydown agreement must not:

	<ul style="list-style-type: none"> <li>○ Permit reversion of undistributed escrow funds to the provider if the property is sold or the mortgage is prepaid in full; nor</li> <li>○ Allow unexpended escrow funds to be provided to the borrower in cash, unless the borrower funds were used to establish the escrow account.</li> </ul> <p>Qualifying the Borrower</p> <ul style="list-style-type: none"> <li>● The borrower is qualified based on the Note rate without any consideration of the bought-down rate.</li> </ul> <p>Terms of the Buydown</p> <ul style="list-style-type: none"> <li>● The buydown plan provides for increases of not more than 1% in the interest rate paid in each 12-month interval.</li> </ul> <p>Buydown Funds</p> <ul style="list-style-type: none"> <li>● Funds for buydown accounts must be deposited into custodial bank accounts.</li> <li>● The buydown funds are applied toward payments as they come due under the Note.</li> <li>● If escrow payments are not received for any reason, the borrower is responsible for making the total payment as described in the mortgage note.</li> <li>● Buydown funds cannot be used to pay past-due payments.</li> </ul>
<b>ARM Terms</b>	
<b>ARM Index</b>	<p>The interest rate governing index will be the 1-Year Constant Maturity Treasury (CMT).</p> <p>The 1-Year CMT is the weekly average yield on U.S. Treasury Securities, adjusted to a constant maturity of one year, as published by the Board of Governors of the Federal Reserve System in its statistical release on Selected Interest Rates (H.15) at <a href="https://www.federalreserve.gov/releases/h15/default.htm">https://www.federalreserve.gov/releases/h15/default.htm</a>.</p>
<b>ARM Caps</b>	<ul style="list-style-type: none"> <li>● 3-year ARMs <ul style="list-style-type: none"> <li>○ May increase by one percentage point annually after the initial fixed interest rate period, and five percentage points over the life of the Mortgage</li> </ul> </li> <li>● 5-year ARMs <ul style="list-style-type: none"> <li>○ May increase one percentage point annually, and five percentage points over the life of the Mortgage</li> </ul> </li> </ul>
<b>ARM Margin</b>	2.00%
<b>Qualifying Rate</b>	The loan must qualify based on payments calculated using the initial interest rate.
<b>Rate Adjustment</b>	<p>The interest rate must remain constant for an initial period of 3 or 5 years, depending on the ARM program chosen, and then may change annually for the remainder of the mortgage term.</p> <div style="text-align: center; background-color: #f2f2f2; padding: 5px;"><b>Initial Interest Rate Adjustments</b></div>

	If the ARM is initially at a fixed interest rate for ...	Then the first adjustment rate change may occur no sooner than ...	And no later than ...
	3 Years	36 months	42 months
	5 Years	60 months	66 months



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