

Aapex Mortgage Subprime Underwriting Guidelines

DOCUMENT DESCRIPTION

This document is intended to provide a brief overview of Aapex's Programs and Underwriting Guidelines. The Underwriting Section of Apex's Policy Manual should be consulted for a more detailed description of the Underwriting Guidelines. In all cases, the Guidelines are to be interpreted in a "make-sense" manner and final Underwriting decisions and interpretations are made by Apex's Underwriting Department.

CREDIT REPORTS

An original three bureau merged credit report is required for each borrower. The credit report may be no more than 60 days old at time of loan funding. Aapex reserves the right to obtain an additional report upon submission. Credit reports must include credit scores (i.e. FICO, Beacon, Emperica) for each borrower. The maximum credit score is 850. Invalid, or "reject" credit scores generally begin with a "9" and should not be considered. A borrower with only one credit score is considered a C- grade. The primary borrower must have at least one credit score. Mortgage ratings on the credit report used to determine a credit grade must have a full 12-month history. This must include a 12 month reported string. If the string does not report in each month a number or only "x's" the underwriter must condition for a VOM or a printout from the lender to support the credit grade.

QUALIFYING CREDIT SCORE

If three credit scores are shown for a borrower, the middle score is to be considered the qualifying score. If two scores are shown, the lower score is used as the qualifying score. If more than one borrower is applying for the loan, the primary borrower's qualifying credit score will be used. The primary borrower is defined as any titled borrower with more than 50% of the qualifying income. Rental income or income not readily allocated to an individual borrower is not to be considered for the purpose of determining the primary borrower (but may be included when calculating the final debt ratio). If no titled borrower has more than 50% of the qualifying income, the lowest qualifying credit score of all borrowers is used.

CREDIT GRADE – A+

12 Month Mortgage History - 0x30

BK / FC Seasoning – 24 months

Doc Type - Full Doc Plus / Full Doc

Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

620-100%

550-95%

525-85%

N/O/O

600-90%

550-85%

525-75%

3-4 Units

O/O

550-90%

525-85%

500-80%

N/O/O

550-80%

525-75%

500-70%

CREDIT GRADE - A

12 Month Mortgage History - 1x30

BK / FC Seasoning - 24 months

Doc Type - Full Doc Plus / Full Doc

Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

550-95%

525-85%

500-80%

N/O/O

620-90%

550-85%

525-75%

500-70%

3-4 Units

O/O

550-90%

525-85%

500-80%

N/O/O

550-80%

525-75%

500-70%

CREDIT GRADE - A-

12 Month Mortgage History - 3x30

BK / FC Seasoning - 24 months

Doc Type - Full Doc Plus / Full Doc

Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

550-95%

525-85%

500-80%

N/O/O

550-85%

525-75%

500-70%

3-4 Units

O/O

525-85%

500-80%

N/O/O

525-75%

500-70%

CREDIT GRADE - B

12 Month Mortgage History – 1x60

BK / FC Seasoning - 18 months

Doc Type - Full Doc Plus / Full Doc

Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

550-90%

525-85%

500-80%
N/O/O
550-80%
525-75%
500-70%

3-4 Units
O/O
500-75%
N/O/O
500-70%

CREDIT GRADE - C
12 Month Mortgage History – 1x90 (No Rolling)
BK / FC Seasoning - 12 months
Doc Type - Full Doc Plus / Full Doc
Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo
O/O
550-85%
500-75%
N/O/O
550-75%
500-70%

3-4 Units
O/O
500-70%
N/O/O
500-65%

CREDIT GRADE – C-
12 Month Mortgage History – 1x120 (No Rolling)
BK / FC Seasoning – Not Currently
Doc Type - Full Doc Plus / Full Doc
Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo
O/O
500-70%
N/O/O
500-65%

3-4 Units
O/O
500-70%
N/O/O
500-65%

CREDIT GRADE – A+
12 Month Mortgage History - 0x30
BK / FC Seasoning – 24 months
Doc Type – Lite Doc
Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo
O/O
550-90%
525-85%
500-80%

N/O/O

550-80%

525-75%

500-70%

3-4 Units

O/O

525-85%

500-80%

N/O/O

525-75%

500-70%

CREDIT GRADE - A

12 Month Mortgage History - 1x30

BK / FC Seasoning - 24 months

Doc Type – Lite Doc

Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

550-90%

525-85%

500-80%

N/O/O

550-80%

525-75%

500-70%

3-4 Units

O/O

500-80%

N/O/O

500-70%

CREDIT GRADE - A-

12 Month Mortgage History - 3x30

BK / FC Seasoning - 24 months

Doc Type – Lite Doc

Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

550-85%

500-80%

N/O/O

550-75%

500-70%

3-4 Units

O/O

500-75%

N/O/O

500-70%

CREDIT GRADE - B

12 Month Mortgage History – 1x60

BK / FC Seasoning - 18 months

Doc Type – Lite Doc

Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

550-85%

500-80%

N/O/O

550-75%

500-70%

3-4 Units

O/O

500-75%

N/O/O

500-70%

CREDIT GRADE - C

12 Month Mortgage History – 1x90 (No Rolling)

BK / FC Seasoning - 12 months

Doc Type – Lite Doc

Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

550-80%

500-75%

N/O/O

550-70%

500-70%

3-4 Units

O/O

500-65%

N/O/O

500-65%

CREDIT GRADE – C-

12 Month Mortgage History – 1x120 (No Rolling)

BK / FC Seasoning – Not Currently

Doc Type – Lite Doc

Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

500-70%

N/O/O

500-65%

3-4 Units

O/O

500-65%

N/O/O

500-65%

CREDIT GRADE – A+
12 Month Mortgage History - 0x30
BK / FC Seasoning – 24 months
Doc Type – Stated
Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

580-90%

525-85%

500-80%

N/O/O

580-80%

525-75%

500-70%

3-4 Units

O/O

500-80%

N/O/O

500-70%

CREDIT GRADE - A
12 Month Mortgage History - 1x30
BK / FC Seasoning - 24 months
Doc Type – Stated
Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

620-90%

550-85%

500-80%

N/O/O

620-80%

550-75%

500-70%

3-4 Units

O/O

500-75%

N/O/O

500-70%

CREDIT GRADE - A-
12 Month Mortgage History - 3x30
BK / FC Seasoning - 24 months
Doc Type – Stated
Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo

O/O

525-80%

500-75%

N/O/O

525-70%

500-70%

3-4 Units

O/O

500-70%

N/O/O
500-65%

CREDIT GRADE - B
12 Month Mortgage History – 1x60
BK / FC Seasoning - 18 months
Doc Type – Stated
Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo
O/O

550-80%
500-75%

N/O/O
550-70%
500-70%

3-4 Units
O/O
500-70%
N/O/O
500-65%

CREDIT GRADE - C
12 Month Mortgage History – 1x90 (No Rolling)
BK / FC Seasoning - 12 months
Doc Type – Stated
Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo
O/O

550-75%
500-70%

N/O/O
550-70%
500-65%

3-4 Units
O/O
500-65%
N/O/O
500-65%

CREDIT GRADE – C-
12 Month Mortgage History – 1x120 (No Rolling)
BK / FC Seasoning – Not Currently
Doc Type – Stated
Property – SFR/Dup/Condo, 3-4 Units

SFR/Dup/Condo
O/O

N/A
N/O/O
N/A

3-4 Units
O/O
N/A
N/O/O
N/A

Notes

Special requirements for Full doc and Full Doc Plus loans >90% LTV and Stated income loans >80% LTV:

Minimum loan amount \$100,000. Maximum loan amount: \$500,000 in AZ, CA, CO, CT, DE, FL, HI, IL, MA, MD, MN, NH, NJ, NV, NY, OR, PA, RI, TX, UT, VA & WA; \$400,000 in all other states.

Eligible properties: O/O SFR's, Condos, PUD's, Townhomes, Duplexes. No Stated 2nd homes > 80% LTV.

Minimum credit requirements for Full Doc Loans and Stated Income Refinances: 24 months credit depth, with 2 trades; trades must be active and rated for 6 months or paid and rated for 24 months; 1 trade with minimum \$2,000 high credit. Minimum credit requirements for Stated Income Purchase Loans: 24 months credit depth, with 4 trades; 2 trades active, or paid & rated for 24 months; 1 trade with minimum \$3,000 high credit. Max "rolling" lates: 6 on full doc. No "rolling" lates allowed on stated income loans >85% LTV. Max debt ratio: 50%. Max cash out: \$50,000.

Stated income program available for wage earners or self-employed borrowers.

LTV's >95% are for Full Doc Plus only. 2 months verified PITI reserves are required. Minimum loan amount \$80,000.

N/O/O LTV's >85% are for Full Doc Plus only.

CONCURRENT 2ND TD'S

(TO \$600,000 COMBINED IN: AZ, CA, CO, CT, DE, FL, HI, IL, MA, MD, MN, NH, NJ, NV, NY, OR, PA, RI, TX, UT, VA & WA)

(TO \$500,000 COMBINED IN OTHER STATES)

These guidelines are used in addition to Apex Mortgage credit guidelines to determine the credit worthiness of customer.

Full Doc 2nd's

On purchase transactions and refinance loans, Apex Mortgage will fund a concurrent 2nd mortgage with the following restrictions: Available on owner-occupied SFR's, Condos, PUD's, Townhomes and Duplexes. No 2nd homes. 3-4 family allowed on Full Doc, 640 Score, A+ only.

Minimum qualifying credit score of 580

Minimum Tradeline Requirement – 24 months credit depth, with 2 trades; trades must be active and rated for 6 months or paid and rated for 24 months; 1 trade with minimum \$2,000 high credit.

Minimum Tradelines Not Required – where the current residence mortgage is 0x30 for the prior 12 months and a 24-month credit depth, or if Full Doc Plus, 640 Score, A+.

Mortgage or rental history – max 1x30 in last 12 months. Borrowers with no prior housing expense history are not eligible, unless they can document savings of a minimum 6 months PITI.

No foreclosure – any property last 24 months. Chapter 7 – 2 years since discharge, see BK guidelines.

Chapter 13 – 2 years since filing, discharge prior to application, see BK

guidelines. Maximum loan amount of \$120,000 on 2nd mortgage in AZ, CA, CO, CT, DE, FL, HI, IL, MA, MD, MN, NH, NJ, NV, NY, OR, PA, RI, TX, UT, VA & WA. Maximum 1st mortgage \$480,000.

Maximum loan amount of \$100,000 on 2nd mortgage in other states. Maximum 1st mortgage \$400,000.

Minimum property value \$100,000.

Seller contributions limited to 6% of purchase price, not to exceed actual closing costs.

Max ratio of 1st to 2nd lien 8:1. No other subordinate liens allowed. Maximum debt ratio is 50%. Cash out is limited to \$50,000 for the combined 1st and 2nd liens.

Additional Requirements for Stated 2nds

Minimum qualifying credit score of 620.

Minimum credit requirements for Stated Income Refinances: 24 months credit depth, with 2 trades; trades must be active and rated for 6 months or paid and rated for 24 months; 1 trade

with minimum \$2,000 high credit. Minimum tradelines not required on refinances where the current mortgage is 0x30 for the prior 12 months with a 24-month credit history with a 620 score.

Minimum credit requirements for Stated Income Purchase Loans: 24 months credit depth, with 4 trades; 2 trades active, or paid & rated for 24 months; 1 trade with minimum \$3,000 high credit. Minimum tradelines not required on purchases where the current residence **mortgage** is 0x30 for the prior 12 months with a 24-month credit history with a 620 score.

Purchase transactions require 2 months verified PITI reserves when the CLTV exceeds 95%.
Mortgage or rental credit history – no “rolling” lates allowed.
Self-employed borrowers require proof of 2-years self-employment on the concurrent 2nds program.

JUMBO CONCURRENT 2ND TD'S (FROM \$600,001 TO \$1,000,000 COMBINED)

Jumbo Concurrent 2nds are available in AZ, CA, CO, CT, DE, FL, HI, IL, MA, MD, MN, NH, NJ, NV, NY, OR, PA, RI, TX, UT, VA & WA only. Max 1st TD's are \$800,000 and 80% LTV.
Max 2nd TD's are \$200,000. 8:1 max ratio of 1st to 2nd TD. No additional subordinate financing is allowed.
Cash out is limited to \$100,000 for combined 1st and 2nd liens.

Combined Loan Balance
Full Doc 600 **\$750,000** / 600 **\$1,000,000**
Stated Wage Earner 640 **\$750,000** / 660 **\$1,000,000**
Minimum Credit Scores Stated Self Employed 640 **\$750,000** / 640 **\$1,000,000**

Full doc loans to \$1,000,000 are available for purchase or refinance. Available on owner-occupied SFR's, Condos, PUD's, Townhomes and Duplexes only.
All Concurrent 2nd TD guidelines from above apply to the Jumbo Concurrent 2nd TD program except for the credit score and loan amount guidelines specifically superceded here.

40/30 1STS

40/30 available on 2/28, 3/27, 5/25 ARMs and Fixed. Not available on Interest-Only or 2nd mortgages.

Credit Grade: A+ (0x30), A (1x30) and A- (3x30)

Minimum Credit Score: 580; Stated A- (3x30) minimum 600.

Doc Types: Full Doc, Lite Doc and Stated. No fixed income borrowers.

Property Type: SFR, Condo, PUD, Townhouse and 2 Unit – No rural, remote, unique properties.

Occupancy: Owner-occupied and 2nd Home. 2nd Homes limited to 90% on Full Doc, 80% on Lite Doc and Stated.

States: All states where Apex currently lends subject to any State requirements of 1st mortgage balloon payments – Purchases only in Maryland. 2/28 not available in New York if loan amount is \$250,000 or less. Not available in Idaho, Kentucky, West Virginia, Wyoming or on Texas Home Equity program.

LTV / CLTV Restrictions: To 95% LTV and 100% CLTV.

LOAN AMOUNTS

1st Liens:

Minimum Loan Amount: \$100,000. Specialty Products may vary. Maximum Loan Amount in AZ, CA, CO, CT, DE, FL, HI, IL, MA, MD, MN, NH, NJ, NV, NY, OR, PA, RI, TX, UT, VA & WA: A+, A and A- loans to \$600,000; B loans to \$500,000; C loans to \$500,000 at 75% LTV, O/O, 550 Score; other C loans & C- loans to \$350,000.

Maximum Loan Amount all other states: A+, A, A- & B: \$500,000; C & C-: \$350,000.

Full Doc Jumbo Program:

Loan amounts from \$500,001 to \$750,000 (or \$600,001 to \$1,000,000 in above states). A+, A and A- grades only with a minimum credit score of 580. O/O SFR's, Condos, PUD's,

Townhomes, Duplexes only. Max debt ratio 50%. No “rolling” lates. *Sr. Management approval and Interior photos are required on all Full Doc Jumbo loans. Two appraisals required for*

a single loan of \$650,000 and above. One appraisal required and mandatory Internal Review for Combo of \$650,000 and above. Two appraisals required for Combo of \$800,000 and above.

Maximum Loan Amount most states: 85% to \$550,000. 80% to \$750,000

Maximum Loan Amount in AZ, CA, CO, CT, DE, FL, HI, IL, MA, MD, MN, NH, NJ, NV, NY, OR, PA, RI, TX, UT, VA & WA: 80% to \$1,000,000 and 85% to \$750,000.

Stated Jumbo Program:

Maximum Loan Amount in AZ, CA, CO, CT, DE, FL, HI, IL, MA, MD, MN, NH, NJ, NV, NY, OR, PA, RI, TX, UT, VA & WA:

Stated Wage Earner 80% to \$750,000, 640 score; 80% to \$1,000,000, 660 score

Stated Self Employed 80% to \$1,000,000, 640 score

Subordinate Non-Apex Financing:

Minimum Loan amounts vary in accordance with state regulations in states where 2nds are offered. See State Minimum Loan Amounts for 2nd Trust Deeds.

Maximum subordinate financing 20%.

For Jumbos, subordinate financing must meet the tradeline, high credit and reserve requirements currently required on our jumbo 80/20 program.

LOAN TERMS

1st Liens: Fixed Rates - 10, 15, 20, 25 or 30 year fully amortized; 40/30. Adjustable Rates - 30 year fully amortized or 40/30.

2nd Liens: Fixed only: 15/15, 20/20 or 30/15. In TN 15/15 term only. 30/15 not available in KY, MD, NJ, PA, TN, WV or WY. 30/30 2nds okay in the following states ONLY: KY, MD, NJ, PA, WV & WY.

1ST MORTGAGE CLTV CAPS**Refinance Transactions O/O**

Subordinate financing / liens up to 95% CLTV require no reduction in LTV on the Apex first mortgage.

Subordinate financing / liens up to 100% CLTV on C and C- Credit Grades only require a 10% reduction in LTV on the Apex first mortgage.

Purchase Transactions O/O

Private party secondary financing for CLTV's >95% up to 100% CLTV on C and C- Credit Grades only requires a 10% reduction in LTV on the Apex first mortgage. A private party is any individual (i.e.: seller, real estate broker, agent, appraiser etc.). Private party secondary financing not allowed within 12 months of a discharged bankruptcy, when using the expanded bankruptcy guidelines.

Institutional secondary financing up to 100% CLTV requires no reduction in LTV on the Apex first mortgage. An institutional lender is a bank, savings and loan, finance company or other business, which make loans to the public in the ordinary course of business. N/O/O Subordinate financing / liens up to 95% CLTV require no reduction in LTV on the Apex first mortgage. Subordinate financing / liens up to 100% CLTV require a 10% reduction in LTV on the Apex first mortgage.

MORTGAGE VERIFICATION

The mortgage rating is based on the mortgage(s) on the subject property or Primary residence. The mortgage (on the subject property or Primary residence) with the worst payment history is used in the rating. Mortgages on other properties owned by the borrower are considered consumer credit and assumed to be reflected in the credit score. However, if an applicant owns multiple properties and we are lending on a non-owner property and another non-owner property is seriously delinquent (90 days or greater), use the worst mortgage rating. If the subject property or Primary residence was paid off anytime during the last twelve months then a full twelve-month history is required. A partial rent and mortgage history may be combined for a 12-month mortgage history. If the borrower has no primary mortgage (i.e. rents) but has a current serious delinquency on any other mortgage, the highest grade allowed is "B". If the subject property or the borrower's primary housing has no current lien, and no rating could have been obtained, the maximum LTV is 70% unless Sr. Management approval is obtained. If the borrower has not owned mortgaged property, a 12-month rental rating is required. On a purchase where the borrower has no prior rental history (i.e. lived with family), the maximum LTV is 90% unless the borrower can document a savings history of a minimum 6 months PITI. If a mortgage or rental rating could have been obtained and was not, the Overall Loan Grade is "C-". Requirements for Mortgage or Rental Rating: Written Verification of Mortgage (VOM), Verification of Rent (VOR) or letter from mortgage holder or servicer stating current balance, paid to date and 12 month payment history, or 12 mo. payment history taken from credit report if reported month-by-month, or 12 month canceled checks (copies of both sides). Canceled checks are required on private mortgage ratings when the servicer is the beneficiary. VOR's are not acceptable if completed by the seller in a purchase transaction or if from a family member.

DEMANDS

For refinance loans, a demand is required on the subject lien(s). If the demand shows the loan is delinquent, all intervening mortgage payments between the demand and the last date rated on the mortgage rating must be verified, and these intervening delinquencies must be added into the mortgage rating. There may be no more than 1 unverified payment between the last paid date on the mortgage rating and the last payment credited on the demand (as stated on the demand or determined by the amount of interest owing) at the time of funding.

CHARGE-OFF, COLLECTIONS, JUDGMENTS, TAX LIENS

Payoff Requirements: Payoff is required on A+ and A Credit Grades on balances over \$1,000 individually or \$2,500 in aggregate and under 12 months old. Payoff is not required on A and lower Grade purchases or rate & term refinances. Payoff is required on A- and lower Grade cash out refinances where the aggregate balance of collections and charge-offs under 12 months old exceeds \$5,000. At the Underwriter's discretion, medical accounts or disputed accounts may remain unpaid. Proof of the credit dispute must be supplied.

Judgments, child support or tax liens that are reflected on title (refinance loans) must be paid through closing. Underwriter's discretion is required regarding the pay-off of recent or large non-title judgments over \$1000. If the applicant is not paying off a non-title judgment, the Underwriter is to use 1% of the balance as a monthly payment in the event the judgment or lien is enforced through a wage garnishment.

FC SEASONING

Foreclosure seasoning is required when a delinquent mortgage results in a Foreclosure Sale, Trustee's Sale, Sheriff's Sale, Deed in Lieu, Charge-Off, etc. and is counted from the date the property is sold or transferred back to the lienholder. NOD's, Lis Pendens', etc. that do not result in the sale of the property or are otherwise resolved through refinancing or 3rd party sale of the property are not considered foreclosure events. Only the actual mortgage delinquency is considered (see Mortgage Verification). For owner-occupied loan requests, only foreclosure events on the borrower's former residence (within the seasoning period) is considered in grading the loan. For non owner-occupied loan requests, *all* foreclosure events within the seasoning period are considered in grading the loan.

BK SEASONING

1. BK Guidelines: Chapter 7 BK seasoning is counted from discharge date. On A+, A and A- grades, a Chapter 13 or 11 may be counted from the filing date if discharged prior to application and with a rating from the Trustee showing maximum lates not to exceed maximum mortgage lates for the Credit Grade. On B, C and C- grades, a Chapter 13 or 11 may be counted from the filing date if discharged prior to or concurrent with closing and with a rating from the Trustee showing maximum lates not to exceed maximum mortgage lates for the Credit Grade. For all grades re-established or re-affirmed credit is required after a discharged Chapter 7. Three tradelines rated for 6 months with no account worse than a 90 day within the last 12 months. Re-established or re-affirmed credit is not required on a Chapter 13.

2. Expanded BK Guidelines: The expanded BK guidelines can be used when an applicant does not have the required BK seasoning for discharged BK's or re-established/re-affirmed tradelines.

(A) Less than or equal to 80% LTV - BK discharged prior to application.

Purchase/Refinance - The mortgage or rating for the prior 12 months will be the final risk grade not to exceed A-. When using a VOR, the down payment must be sourced, no gift funds or seller financing allowed.

(B) 80.01 - 90% LTV

Refinance - BK discharged prior to application. The mortgage rating for the prior 12 months 0x30. The minimum credit score on full doc loans is 580 for Lite and Stated Doc the minimum credit score is 620.

Purchase - [1] BK discharged prior to application. A VOR rating or current residence mortgage for the prior 12 months 0x30. The minimum credit score for Full Doc when using a VOR is 600 with a prior mortgage 580. For Lite and Stated the minimum credit score is 620. [2] No account can be rated worse than a 60 on all tradelines in the last 12 months since a discharged BK.

(C) LTV's greater than 90% or CLTV's greater than or equal to 90% - 24 months since discharged BK.

Refinance - The mortgage rating for the prior 12 months 0x30. Minimum credit score for Full Doc is 580 for Lite Doc and Stated minimum credit score is 620. For Stated loans 2 months reserves are required.

Purchase - 24 months since discharged BK. The VOR rating or current residence mortgage for the prior 12 months 0x30. The minimum credit score for Full Doc when using a VOR is 600 with a prior mortgage 580, and requires 2 months reserves. The minimum credit score for Lite Doc and Stated is 620 and requires 3 months reserves.

(D) Chapter 13/11 - 24 months minimum since filing date and discharged prior to application, the tradelines involved in the BK would be considered re-established credit. A copy of the plan and pay history must be provided. The pay history to the BK trustee must be as agreed. The mortgage history, whether included in the BK or not must be 0x30. The high credit tradeline required on the combo loans (80/20, 8/15, 80/10) of \$2,000 or \$3,000 may be met with a tradeline prior to the BK that was not charged off in the BK as long as it was never worse than 90 days delinquent.

3. Default Grade: If neither the BK guidelines nor the expanded BK guidelines can be achieved the maximum final risk grade is a C. 36 months since a discharged BK, underwrite to normal guidelines.

CALCULATING THE LTV, MINIMUM VESTING AND "CHAIN OF TITLE" REQUIREMENTS

Refinance transactions:

The subject property must have been owned for a minimum of 6 months to use the appraised value to calculate the loan to value ratio. Property that is owned for less than 6 months will dictate using the lesser of the purchase price or the appraised value to calculate the loan to value ratio. An exception may be granted if extensive improvements have been made with receipts and proof of payment, or a market increase in value has occurred. Any increase in value > 5% within the last 6 months with or without hard cost improvements represents a high level of risk. In these cases an internal review by an Apex review appraiser is required. The review appraiser must document the market value of the property and give a hard value, no variance to the value. These reviews must be further reviewed and signed off by a level 4 underwriter and above. At the period of 6 to 12 months of ownership, the appraised value may be used with the following restriction: (A) 10% value increase maximum without hard cost documented improvements. (B) Greater than 10% requires an internal Apex Appraisal department review with a 0% variance. If a variance, the appraisal reviewer will give a firm value. (C) Greater than 25% requires same as "B" above and a review and approval by chief Appraiser or designee. In all cases, the underwriter must determine if the value increase is reasonable and whether or not the property may be being prepared for resale. Apex does not offer financing on properties intended for resale.

Purchase Transactions:

On a purchase transaction the Loan-to-Value (LTV) Ratio is calculated by dividing the loan amount by the lower of the property's sale price or appraised value. On all purchase transactions, a 24-month "chain of title" must be obtained from the Title Co. to identify all title transfers in the last 24 months. The underwriter must review this information to determine that the property has not been involved in any "flipping" schemes or other suspicious transfers with the intent of artificially inflating the property's value. A minimum 6-month ownership by the seller is required. If the subject property has transferred title in the 6 months preceding the current purchase transaction resulting in an increase in value of more than 10%, the appraiser must adequately identify and support improvements and reasons for the increase in value. Exceptions to the 6-month seasoning requirement must be approved by a Sr. Underwriter.

Construction Take-Out

This loan assumes the entire balance of the construction costs for a new home as a first mortgage loan. This loan will be treated as a refinance transaction. The loan to value will be calculated using the lower of the land value, plus verified cost of construction, plus 10%, or the appraised value, whichever is less.

Lease Option

A lease option transaction (leasing a residence with the option to purchase, with the amount of lease payment in excess of fair market rents going towards the purchase price) is treated as a purchase transaction. If the option agreement is 12 months old or greater at the time of application, the loan to value is calculated from the appraised value. A minimum of 12 months canceled checks are required as proof that the option agreement has been in existence for a minimum of 12 months. If the option agreement is less than 12 months old at the time of application, the loan to value is calculated using the lesser of the appraised value or the purchase price contained in the option agreement. The total down payment must equal any cash down payment plus the portion of rent paid above market rent for the subject's area. The maximum loan amount is the balance due the seller plus closing costs OR the original contract amount, whichever is less. Apex does not allow cash out.

Land Contracts (Recorded)

Recorded land contracts are treated as refinance transactions, and normal refinance seasoning requirements apply. If individual person holds recorded land contract, borrower must provide copies of last twelve (12) months land contract canceled payment checks.

Land Contracts (Unrecorded)

If the land contract has not been recorded, the borrower must prove twelve (12) months seasoning with: a copy of the land contract dated more than twelve (12) months prior to submission, proof of the initial down payment (if any) and twelve (12) months canceled payment checks. If the seasoning requirements are met the transaction may be completed under standard refinance guidelines. If the borrower cannot provide the seasoning requirements, the loan will be treated as a land contract with less than 12 months seasoning (see below).

Less Than 12 Months Seasoning:

If the property was purchased within the last 12 months and not recorded, the Underwriter must condition for: a copy of the land contract, proof of the initial down payment (if any) and all canceled checks to date.

The loan is considered a purchase transaction and the loan to value is calculated using the lesser of the appraised value or the purchase price contained in the land contract with no cash out allowed.

Apex will consider a transaction in which the above vesting requirements are not met if the borrower has incurred "HARD COSTS" for rehabilitation, renovation, or energy improvements. In this case, the Loan-to-Value (LTV) Ratio may be calculated by dividing the loan amount by the purchase price plus documented improvements. The appraiser must comment on the hard costs and establish the value of the improvements.

Documenting Improvements: In any of the above cases where receipts for work or materials are provided to support an increase in value, the receipts must be identifiable to the subject property. Apex will not accept receipts for general supplies and materials (i.e. Hardware Store receipts).

CASH OUT RESTRICTIONS

- \$150,000 maximum cash-out for A+, A, A-, B, and C (Owner, 2nd home, and Non Owner) not including items paid through escrow.
- Cash out is limited to 5% of the loan amount for C- borrowers.
- Cash back is defined as more than 2% of the loan amount or \$2,000, whichever is lower, excluding items such as consumer debt paid through closing. Repayment of loans not of record or not reported to credit bureaus is considered cash out.

TOTAL DEBT RATIO

For LTV's up to and including 85% on full and lite doc loans, the maximum DTI ratio is 55%, subject to the residual income requirements below.

For LTV's greater than 85% up to and including 95%, and on all Stated Income loans, the maximum DTI ratio is 50%.

For all LTV's greater than 95% the maximum DTI ratio is 45%.

DEBT RATIO CALCULATION

Fixed rate loans and ARM loans with a first rate adjustment longer than 23 months, are underwritten at the note rate. ARM loans with 6 month or annual rate adjustments are underwritten at the first change rate or the fully indexed rate, whichever is lower (never lower than the start rate). Revolving accounts with balances of \$99 or less may be excluded from the debt ratio. Revolving accounts with outstanding balances of \$100 to \$1500 should be calculated at three percent (3%) of the outstanding balance with a minimum payment of \$10.00. Revolving accounts in excess of \$1500 should be calculated at two percent (2%) of the outstanding balance. Installment debts with less than 10 payments remaining are not counted. Monthly auto lease payments (regardless of the purchase or return options) must be included in the applicant's debt-to-income ratio regardless of the amount of payments remaining. A business debt or account paid by another may be deducted from the borrower's total debts if copies of canceled checks are provided for the last three months showing that the business or other person pays the debt in question. If the applicant is not paying off a non-title judgment, child support or tax lien, and no payment plan exists, the Underwriter is to use 1% of the balance as a monthly payment in the event the judgment or lien is enforced through a wage garnishment.

RESIDUAL INCOME

All loans require a minimum residual income of \$750 per month per household. Residual income is calculated by subtracting the borrower's total monthly debt from the qualifying income (per the loan analysis worksheet). If all or part of the qualifying income was "grossed-up", the actual amount received should be used for the residual income calculation instead. Income from non-occupying co-borrowers may not be included in residual income calculations.

BORROWERS CO-BORROWERS

All borrowers must be individuals. Corporations, partnerships, trusts, estates, guardianships, conservatorships, etc. are not allowed. All borrowers must have legal residency in the United States. Foreign Nationals and Non-permanent Resident Aliens are not allowed. Co-borrowers (excluding a spouse) will be allowed provided that all borrowers are on title and vested for a minimum of six months and occupy the property. A spouse who is a co-borrower is not required to be on title or occupy the subject property. The spouse who is not on title must sign all loan documents with the exception of the security instrument. In community property states, the spouse must sign the security instrument or other document releasing their interest in the subject property as required by the title insurance company.

MULTIPLE LOANS TO ONE BORROWER

The maximum number of loans to one borrower is four. The maximum aggregate loan limit is \$1,000,000. Cash out limitations apply to the borrower, not the individual property. Borrowers requesting multiple loans or borrowers who have recently acquired multiple properties should demonstrate a satisfactory history of prior property management experience, either through tax returns or two years of established mortgage histories from rental properties reflected on the credit report. Investors who own more than 10 properties are allowed with A+ and A mortgage histories only, a minimum 620 Credit Score and are limited to Stated LTV's. Apex will not finance more than one owner occupied loan to any borrower or coborrower within 6 months of the close of the first loan. Apex will not finance a combo loan to any borrower or co-borrower within 6 months of the closing of a combo loan with another lender. Exceptions to this policy may be granted at Center Manager level or above.

BENEFIT TO BORROWER

In all cases, the loan must provide some tangible benefit to the borrower. A satisfactory explanation for the purpose of the loan may be requested if the benefit to the loan is not evident.

SECTION 32 LOANS

Section 32 loans not allowed.

PROGRAM INCOME VERIFICATION

Salaried

FULL DOC PLUS

- Last 2 year's W-2s and 1 recent YTD paycheck stub,
- or**
- Last 2 year's 1040s & 1 recent YTD paycheck stub,
- Phone verification of employment (and income if possible) with employer.

FULLDOC

- Last year's W-2 and 1 recent YTD paycheck stub,
- or**
- Last year's 1040 & 1 recent YTD paycheck stub,
- or**
- Twelve (12) months Personal bank statements (use avg. deposits)
- or**
- Twelve (12) months Multiple Account Holder Personal bank statements (use avg. deposits x ownership %)
- or**
- Phone verification of employment (and income if possible) with employer.

Note: Bank statements should be current & consecutive and be averaged over the full 12 months

LITE DOC

- Last year's 1099(s) (use 70%) plus year to date bank statements
- Phone verification of employment with employer.

Note: Bank statements should be current & consecutive and be averaged over the time period.
See detailed Apex Underwriting Guidelines for definitions on Bank Statements.

STATED DOC

1003 stated income only and phone verification of employment with employer.

Self Employed

- Two years 1040's all schedules, and current P&L if loan application is dated more than 120 days after the end of the business's fiscal year.
- Phone verification of employment and income with borrower.

FULL DOC

- Two years 1040's all schedules, and current P&L if loan application is dated more than 120 days after the end of the business's fiscal year

or

- Twelve (12) months Personal bank statements (use avg. deposits)

or

- Twenty-four (24) months Co-mingled bank statements (use 75% of avg. deposits)

or

- Twelve months business bank statements (use 75% of avg. ending balance)
- Phone verification of employment and income with borrower.

Note: Bank statements should be current & consecutive and be averaged over the full 12 months

LITE DOC

- Twelve (12) months Co-mingled bank statements (use 75% of avg. deposits)
- Twelve (12) months Business bank statements (use 50% of avg. deposits)
- Twelve (12) months Corporate or Partnership bank statements (use 50% avg. deposits x ownership %)
- Twelve (12) months Multiple Account Holder Business bank statements (use 50% avg. deposits x ownership %)
- Last year's 1099(s) (use 70%) plus year to date bank statements
- Phone verification of employment and income with borrower.

See detailed Apex's Underwriting Guidelines for definitions on Bank Statements.

Note: Bank statements should be current & consecutive and be averaged over the full 12 months.

STATED DOC

1003 stated income only and attempted phone verification of employment and income with borrower.

Retired

Award Letter and copy of check or bank statement showing direct deposit if income is from Pension, SSI, etc. Any borrower who has reached retirement age (65) must document any Social Security, Pension or other form of fixed income being received or provide a satisfactory explanation for the lack of such income.

Length of Employment

Full Doc Plus and Full Doc requires 2 years employment in same profession and 2 years in same business if self-employed.

Lite Doc requires 2 years employment in same profession.

Stated income requires 2 years self-employment or 2 years same line of work and must be reasonable for the profession and experience.

INVESTMENT PROPERTY / RENTAL INCOME

Net rental income from investment properties is: 75% of gross rents minus Principle, Interest, Taxes and Insurance (PITI) for all loan grades and LTV's (90% of gross rents may be used on owner-occupied duplexes). Rental agreements are required on Full Doc loans to verify rental income. If income does not pass the "reasonableness test" as determined by the underwriter, 2 years 1040's or 3 months bank statements may be required to verify rental income (refer to complete Aapex Underwriting Guidelines). Basement rents are acceptable in markets with demonstrated acceptance if they are in areas where the practice is common and customary, such as New York and other surrounding Eastern states. Additional restrictions for use:

- 1) A+ through C grades - Owner-Occupied and Full Doc Only (documentation exceptions must be approved by Senior Management)
- 2) Additional Basement/Unit GROSS rent alone cannot represent more than 50% of the qualifying income and must be reasonable.
- 3) Mother in law apts., Garage conversions, Illegal additions and Guest units are NOT eligible.
- 4) Sr. Underwriter sign off required.

EVIDENCE OF SELF-EMPLOYMENT

Full Documentation Loans require documentation verifying a two-year history of self-employment.

"Lite Documentation" or "Stated Documentation" loans require a 2-year history in the same line of work. All full doc self-employed borrowers must have one of the following from the list of acceptable items for proof of self-employment: Business License dating back two years; Two years proof of advertisement in Yellow Pages directory -or current directory stating "in Business..." or "Serving You Since..."; Signed Document from CPA (on letterhead with a listed phone number); dated copy of Insurance for Self-Employed; copy of Fictitious Business Filing; DBA Publication; or Articles of Incorporation. The full 2-year history of self-employment is not required for Lite Doc and Stated Doc borrowers but all self-employed borrowers must prove existence of the business and show a history of 2 years employment in the same profession on the loan application.

ASSET VERIFICATION

A copy of the Cashiers Check, Money Order, Wire Transfer Confirmation or similar instrument from a financial institution must be provided for all funds brought to closing and shown on the HUD-1 Settlement Statement. Asset verification is not required for cash out refinances. Asset verification and proof of transfer is required on all funds paid outside of escrow or closing agent. Assets and the source of the assets must be disclosed on the loan application. Cash-on-Hand is not an acceptable source of funds. Source and proof of transfer of all Gift Funds is required. Donor must be an immediate family member. 100% gift funds OK to 80% CLTV. A "gift of equity" may be acceptable to a maximum LTV of 80%. Refer to complete Underwriting Guidelines.

APPRAISAL/ COLLATERAL

Each property must contain minimum bathroom facilities (sink, toilet, and bathtub or shower) completed kitchen, permanent heating, and a separate bedroom. Property consisting of a combined living room and bedroom (i.e. studio) will be considered in areas with demonstrated market acceptance (similar comps in and out of the project) if they have a minimum of 400 square feet of living area. Additional square footage requirements as follows: 700 square feet for SFR; 600 square feet for Condo; 600 square feet per unit for 2-4 Units. Properties that are below 600 square feet generally are not acceptable. Such properties must be typical for the area as evidenced by comparable properties in the immediate area, and the loan-to-value should be adjusted 5% lower than the Maximum Loan-to-value for program. (Note: Permanent heating is not required in warm weather areas. The lack of permanent heating must be customary for the area and not negatively effect the marketability of the subject property. Examples of warm weather areas are Hawaii and Florida).

MANUFACTURED HOUSING

Aapex Does not lend on Manufactured Homes. If an appraiser indicates in "Description of Improvements" section on Fannie Mae form 1004 the subject is a Manufactured Home it will be declined. Aapex continues to lend on Modular or Prefabricated Homes. These homes should be coded and treated as Single Family Residences.

REBUILD LETTERS

A rebuild letter is not generally required on a legal non-conforming property.

ACCEPTABLE PROPERTY TYPES

Attached and Detached, single family residences.
Condominiums, Townhouses, Planned Unit Developments.
Two - four family residences.
Up to four detached single family residences on one lot.
Owner Occupied, Second (Vacation) homes, and Non-Owner Occupied.

CASE-BY-CASE PROPERTIES

The following properties will be considered on a case-by-case basis if supported with complete documentation (i.e. comparable sales, rebuild letter, no negative influence on marketability).

- Agricultural Zoning
- Condo projects <10 units
- High-rise Condominiums - more than 4 floors
- Properties outside reasonable commuting distance of employment centers
- Properties zoned industrial or manufacturing
- Rural properties (Must reduce LTV 5% to a maximum of 80% - all programs. See Rural properties section for specific information).
- Unique property types (A frames, log homes, etc.)
- Properties rated in "Average-" condition acceptable if condition due to minor cosmetic issues only

UNACCEPTABLE PROPERTY TYPES

- Alcohol or drug recovery homes
- "Bed and Breakfasts"
- Boarding or rooming houses
- Care or Group homes
- Churches
- Commercial or industrial properties
- Condotels
- Co-ops
- Declining value
- Earth homes
- Excessive economic or functional obsolescence
- Five or more residential units
- Geodesic domes/Pyramids
- Properties in "Fair" or "Poor" condition
- Lava zone 1 or 2 (Hawaii only)
- Leasehold estates that do not meet Aapex's guidelines (including all leaseholds on Indian land).
- Mudsill foundation
- Mixed use (residential / commercial / business) that is not predominantly residential

- No public utilities available to site
- Non-Owner Occupied Row houses in Maryland (except in condominium or townhome projects).
- Non-permitted improvements, where permits are required.
- Over 12 month marketing time
- Improvements constructed of unconventional building materials or unique architecture (e.g. berm homes)
- Manufactured Homes
- Properties located on or near hazardous waste sites
- Rest Homes
- Row homes valued less than \$150,000
- Timeshares
- Unimproved (raw) land
- Uninsurable Properties
- Vacant properties (unless a purchase)
- Working farms

VACATION AND SECOND HOMES

Second Homes and Vacation Homes are considered owner occupied. For Full Doc LTVs > 90% up to 95% LTV max.: 640 minimum credit score, 0x30 mortgage or rental history. Vacation and Second Homes must be a SFR, PUD or CONDO. No 2-4 units allowed as second home.

PROPERTY ZONED COMMERCIAL

Property zoned commercial is acceptable provided: 1. The improvements are a 1-4 family residence, 2. The improvements are Legal or Legal non-conforming, 3. The current use is residential, 4. The highest and best use is residential, and 5. The surrounding properties are predominantly residential.

LEASEHOLD ESTATE

Aapex will fund mortgages that are secured by leasehold estates in areas in which leaseholds have received market acceptance. The mortgage must cover the property improvements and the mortgagor's leasehold interest in the land. The leasehold estate and the Improvement must constitute real property, be subject to the mortgage lien and be insured by the lender's title policy.

- The term of the leasehold should extend five years beyond the maturity date of the mortgage. (does not apply to conversion to fee simple).
- The leasehold must be assignable or transferable.
- The lease can not contain any default provisions allowing for forfeiture or termination, except for nonpayment of lease rents.
- The lease must guarantee the right of the mortgagee to receive notice of any default by the borrower and to cure the default.
- The lease must also include provisions to protect the mortgagee's interests in the event of property condemnation.
- The lease and any sublease must be recorded in the appropriate public land records.
- For sublease hold mortgages, the sublease payments are at least equal to the amount of the lease payments. The sublease payments are not due less frequently than the lease payments.
- An increase in lease or sublease payments during the term of the mortgage and within five years after the maturity date of the mortgage is permitted only if the increase is an identified amount at a specified time period. Increases must be subject to maximum limitations and must be reasonable.

The underwriter must establish:

- The lease is valid, in good standing and conforms to all of Aapex's requirements for leasehold estates.
- All rents and other payments that have become due are current.

SELLER RESTRICTIONS

No purchase transactions where the seller is a private corporation. Exceptions may be made for nationally known Financial Institutions or Government Agencies (HUD, VA etc.) who acquired the property through foreclosure or similar proceedings.

INCOME GUIDELINES

ALL LOAN APPLICATIONS UNDERWRITTEN BY Aapex MUST BE UNDERWRITTEN WITH REGARD FOR THE BORROWER'S ABILITY TO REPAY, AND CANNOT BE BASED SOLELY ON THE VALUE OF THE COLLATERAL PROPERTY OR THE AMOUNT OF EQUITY THEREIN, WITHOUT REGARD FOR REPAYMENT ABILITY.

Aapex will not originate loans characterized as High Cost Mortgage loans under either Federal or State and most local laws. This includes but is not limited to HOEPA/Section 32, and High Cost Loans in AR, CA, CT, CO, FL, GA, IL, IN, KY, MA, MD, MN, NJ, NM, NY, NC, OH, PA, SC and WI.

Aapex requires all loan applicants to permanently reside in the United States. They can be temporarily overseas but must have a permanent residency in the United States. If the loan applicants are not United States citizens they must have a green card (permanent resident aliens). If they are not United States citizens and do not have a green card they must have a visa that does not expire for 3yrs from the closing date and must appoint an attorney as a servicing agent.

Debt To Income ratios for all programs:

For borrowers who gross above \$2083 per month in provable income, the maximum debt ratio is 55%, up to 80% LTV.

For borrowers who gross less than \$2083 per month (\$25,000 per year) in provable income, the maximum debt ratio is 50%. However, exceptions up to 55% will be considered if all the following conditions are in place:

The loan will be lowering the borrower's monthly obligations by at least \$100 per month, The borrower's credit is rated "A" or "B", The LTV is 80% or less, and The middle credit score of the primary borrower/income earner is 620 or higher.

For LTV's >80%, up to 90%, DTI exceptions up to 55% will be considered if both the following conditions are in place: The loan will be lowering the borrower's monthly obligations by at least \$100 per month, and The credit score of the primary borrower/income earner is 620 or higher.

Please also note that the maximum DTI for all loans with LTV's greater than 90% is also 50%. No exceptions allowed.

On any Purchase Money Mortgage where the LTV is greater than 95% and the borrower is a first time homebuyer, the maximum DTI is 45%. No exceptions allowed.

Any further exceptions to the above criteria must come from an Assistant Vice President of underwriting or higher. Exceptions above 55% DTI are not considered.

Income Documentation Programs:

Aapex has four basic programs with regard to income.

These are:

FULL-INCOME-CHECK (FIC)

LIMITED-INCOME-CHECK (LIC)

SELF-EMPLOYED NO-INCOME-CHECK (SE NIC)

“AS STATED” PROGRAM (STD)

Please refer to the charts on the following pages for verification requirements applicable to each program.

FULL INCOME CHECK (FIC)

SOURCE	HISTORY OF RECEIPT	VERIFICATION	COMMENTS
Wage Earner	Required Duration: Likely to continue	1 recent pay stub, dated within 45 days of closing and most recent year W2 or VOE form for borrower's whose income is straight salary with no commission, bonus or overtime.	If overtime, bonus or commission income is needed to qualify, or the amount of income on the pay stub is significantly inconsistent with the W2 or VOE, or if the payroll frequency cannot be determined, then we reserve the right to require a 2nd pay stub in these cases.
	LTV < = 80%: 12 months required. LTV > 80%: 24 months - standard FIC pricing. 12 months - add 25 bp to standard FIC pricing.	Personal Bank Statements. Average of deposits will be used to calculate income.	Note that joint statements require both account holders to sign note. In addition, when joint statements are provided, the borrower with the lowest score will be used for grading purposes. Account transfers, Overdraft and Line of Credit advances are excluded from income calculation. Large, out-of-character deposits are subject to Underwriting review. NOTE: Aapex will allow statements to have an individual, not on our loan, on the bank

			statements as long as it's labeled ITF or POD for the individual in question.
Self-Employed	<p>LTV < = 80%: most recent year proof of income.</p> <p>LTV > 80%: 2 years proof of income.</p> <p>Duration: Likely to continue</p>	<p>Tax Returns. Net business income will be used to calculate income.</p> <p>*NOTE: Any borrower providing full tax returns to qualify under Delta's FIC program will be required to complete and sign an IRS 4506T form prior to closing.</p>	<p>Sole Proprietors: Complete signed 1040's with schedule C</p> <p>Independent Contractors: 1099's and complete signed 1040's with schedule C.</p> <p>Incorp Businesses: Complete signed 1040s with schedule E ,Corp returns (1120's) & Sch. K1</p> <p>Partnerships: Complete signed 1040's, partnership returns (1065's) & Sch. K1</p> <p>Landlords: Completed signed 1040's with schedule E.</p>
	<p>LTV < = 80%: 12 months</p> <p>LTV > 80%: 24 months - standard FIC pricing.</p> <p>12 months - add 25 bp to standard FIC pricing.</p>	<p>Personal Bank Statements:</p> <p>Average of deposits will be used to calculate income.</p>	<p>Note that joint statements require both account holders to sign note. In addition, when joint statements are provided, the borrower with the lowest credit score will be used for grading purposes. Account transfers and Line of Credit advances are excluded from income. Large, out-of- character deposits are subject to underwriting review.</p>
	<p>LTV < = 80%: 12 months.</p> <p>LTV > 80%: 24 months - standard FIC pricing.</p>	<p>Business Bank Statements:</p> <p>DFC will accept 50% of average deposits (1 bank account only – no combo of bus/personal).</p>	<p>Sole Proprietors only. Need proof of sole ownership of business (i.e. DBA, business license, etc). NO ORP's, PARTNERSHIPS, LLC's, etc.</p> <p>Same rules apply as to</p>

	12 months - add 25 bp to standard FIC pricing.		personal bank statements regarding out of character deposits, transfers, advances, etc.
Fixed Income	Presently receiving Required Duration: At least 3 yrs	Award letters, 1099's or bank statements verifying direct deposit or check copies/stubs. *Note: Only 1 form of proof for SS income is required (not pension). A 2nd form of proof may still be required in cases where some doubt arises as to the permanency of benefits.	Non-taxable income (i.e. social security, VA benefits, etc) may be grossed up 125%. Borrower must be the direct payee of all forms of income. Benefits paid to a designated third party on behalf of borrower are not acceptable. Benefits paid to borrower on behalf of another (i.e. parent for child) are acceptable with proof they will continue at least 3 yrs. *Note: A 2nd form of SS income proof is not required for borrower's age 70 and above.
Borrower's working for Temp Agencies	LTV <= 80%: 12 months LTV > 80%: 24 months	LTV <= 80%: 1 most recent p/s and W2 form LTV > 80%: 1 most recent p/s and last 2 years W2 forms	Apex will consider income from borrower's employed through a temp agency so long as it is clearly demonstrated that the borrower has worked for the same agency for a min of 12 mths. Ext LTV's up to 100% acceptable with 24mth history, 1st mtg's only and up to 90% on 2nd mtg's with same verification. LTV's 80% or less require 12 mth verification.
Child Support, Alimony	Presently receiving Required Duration: AT least 3 years	Divorce decree or recorded separation agreement	Child support may be grossed up 125%. Alimony may not be grossed up, due to its taxable nature.
	Presently	Recent check	Proof that borrower will

Temporary Disability	receiving Required Duration: Likely to continue	accompanied by letter from employer verifying borrower's position is still open, as well as letter from physician indicating nature of illness and anticipated return to work date.	be returning to work is essential in order for temporary disability income to be used in debt ratio calculations.
Permanent Disability	Presently receiving	Award letter and copy of recent check or bank statement verifying direct deposit.	Required Duration: At least 3 yrs
Workman's Compensation	Presently receiving Required Duration: Likely to continue	Same as above, but must also include court documents indicating date of next hearing and status of case	Proof that borrower will be returning to work is essential in order for workman's compensation income to be used in debt ratio calculations.
Foster Care	At least 2 yrs Required Duration: Likely to continue	Award letter and last 3 months vouchers	DTI will be calculated based on 50% of the average last 3 months vouchers.
Welfare, Gov't Assistance	Presently receiving Required Duration: Likely to continue	Last 3 months checks or voucher	100% of benefits are acceptable provided issuing municipality does not place lien on title (i.e. NY)
IRA or 401K Distributions	Presently receiving Required Duration: Likely to continue	Last 6 months most recent bank statements showing withdrawals	Income is calculated by averaging the last 6 months IRA or 401K distributions. NOTE: The balance in the IRA or 401K accounts must be sufficient to sustain the borrower withdrawing the average deposits for the term of our loan.

<p>Landlord</p>	<p>Presently receiving</p> <p>Required Duration: Likely to continue</p>	<p>LTV < = 80%: Most recent year signed 1040's with Schedule E.</p> <p>LTV > 80%: Last 2 years signed 1040's with Schedule E.</p>	<p>See "Other Income Notes" provided in further detail later in the FIC section.</p> <p>*NOTE: Any borrower providing full tax returns to qualify under Delta's FIC program will be required to complete and sign an IRS 4506T form prior to closing.</p>
<p>Rental Income</p>	<p>Presently receiving</p> <p>Required Duration: Likely to continue</p>	<p>Signed Leases (by landlord and tenant) or 1040's complete with schedule E or Rental Affidavit on subject property</p>	<p>See "Other Income Notes" provided in further detail later in the FIC section.</p> <p>*NOTE: Any borrower providing full tax returns to qualify under Delta's FIC program will be required to complete and sign an IRS 4506T form prior to closing.</p>
<p>Mortgage Broker's and their Employees</p>	<p>Presently receiving</p>	<p>LTV < = 80: 1 p/s & most recent W2 or most recent 1040 with all schedules or 12 months original personal bank statements</p> <p>LTV > 80%: 1 p/s & last 2 yrs W2's or last 2 years 1040's with all schedules or 24 months original personal bank statements</p>	<p>A signed 4506T form will be required, prior to closing, on any income documents provided.</p> <p>If using bank statements, Aapex will order a VOD. The 3 month average on the VOD must closely match the 3 month average on the bank statements to qualify.</p> <p>Owner Occupied only!</p>

Verifications of Employment:

All VOE's must contain the name, title and phone number of the person who completed the form and must detail the most year earnings history. Any large discrepancies between year-to-date earnings and the regular salary being

claimed must be fully explained. The phone number provided must be able to be linked to the business. Cellular phone numbers are not accepted for Employment Verifications.

In all of Aapex's income programs, the applicant(s) employment will be verified prior to closing by Underwriting.

Overtime, Bonus or Commission Income:

Will be considered so long as it can be demonstrated to be a regular and recurring part of the job. An average of the past two years and the current YTD will be required for calculating the debt ratio, regardless of whether the LTV of the loan is extended or non-extended.

Co-borrowers on Title Not Living in the Subject Property:

On refinances, Aapex will consider the property owner occupied so long as at least one of the title holders signing the note is residing in the subject property as their primary residence. The living expenses (mortgage, rent, etc.) for any co-borrower not living in the subject property must be included in the debt ratio. The main income earner (whose credit score the loan is based on) must be vested in title for a minimum of 12 months.

On purchases, at extended LTV's, the borrower(s) who will be residing in the property, as the primary residence must be able to qualify on his/her own, with regard to both credit (including score), income and down payment. At non-extended LTV's, the loan can qualify using the higher score of the primary wage earner.

Co-signors Not on Title:

At times, a co-signor who is not on title to the subject property is needed in order to achieve a qualifying DTI. If the co-signor lives in the subject property and is a spouse, parent, adult child, or relative, up to 80% LTV is possible in programs A and B. Higher than 80% LTV is not possible if a co-signor who is not on title is needed to make the debt ratio work. Loans in programs C or D will be considered case-by-case only, at reduced LTV's.

If the co-signor does not live in the subject property, the co-signor may still be acceptable, but only at reduced LTV's. The co-signers relationship to the main borrower must be clearly established, and must be an immediate family member or close relation. Once again, the co-signers living expenses must be considered in the debt ratio. Note that co-signors with poor credit or income that is not provable are generally not acceptable.

Cosigned obligations:

At times a borrower will claim that an account on his or her credit report should not be included in the DTI, because it was "cosigned" for another, and is being paid entirely by that other person. At the outset, it is helpful if the account itself is

actually coded on the credit report to indicate the borrower was merely a co-signor. But regardless of whether it is coded as such or not, in order to exclude the obligation from the DTI, the following are required:

1. The account must be current and paid as agreed.
2. Most recent 3 months cancelled checks (minimum) must be provided demonstrating that the person for whom the borrower cosigned is making all the payments.

Please note that Aapex will not agree to exclude a mortgage obligation from the DTI unless the individual making the payments was actually a mortgagor or obligor on that note.

Pay stub Deductions:

Any pay stub's submitted as income proof that show evidence of regular payroll deductions must be accompanied by an explanation for same (if not clearly noted on the pay stub itself). Any deductions that are for the repayment of a loan (e.g., a credit union loan) must have the monthly payment included as a debt in the DTI, and proof of it may be requested. Aapex will not consider a 401K loan as a liability when calculating a borrower's debt ratio.

Rental Income:

The preferred forms of proving rental income are:

1. Current leases (all pages, with signatures), or
2. Tax returns showing Schedule E

Signatures on all leases submitted must be checked by the underwriter against the borrower's signature on the closing documents to ensure authenticity.

Whenever accepting rental income, the appraisal must clearly indicate the existence of a rental unit. The appraiser must verify with the borrower that the unit(s) is in fact rented out. Rental income from "non-conforming" rental units is acceptable so long as the appraiser clearly indicates the existence of a separate kitchen and bath. On any 2 – 4 family property (1025 appraisal), the appraiser must also indicate market rents for the rented unit(s).

In recognition of the fact that some of our borrowers who collect rental income do not have signed lease agreements with their tenants, Aapex will allow the use of a Rental Affidavit signed by the borrower, but only in the following circumstances:

1. The property from which the rental income is collected is a 1 – 4 family owner-occupied residence or non-owner occupied subject property (appraisal must show that the units are rented and the rents collected are at or below market rents)
2. The owner is claiming rental income, and
3. The owner is making the representation that there is no signed lease agreement with the tenant.

Please keep in mind that leases are still the preferred method of providing rental income and that the rental affidavit is only appropriate in those instances where leases are not available. The Rental Affidavit must be signed by the borrower and notarized by the closing agent.

The underwriter must determine before closing whether the Rental Affidavit is required, so that the closing area will know to include the Rental Affidavit form with the closing package.

Please be aware that in all programs, in cases where the amount of rental income being claimed appears inflated or unreasonable upon underwriting review, Aapex reserves the right to use market rents that are reasonable for a comparable rental unit in the subject property's neighborhood for use in calculating the debt ratio, regardless of the type of rental proof provided. Under no circumstances will Aapex accept rental income that is more than 10% higher than market rents, as reflected on the appraisal.

In order to prove rental income for any 1 –4 family investment properties, or for properties in the mixed use or 5 – 8 unit multi-family programs, Aapex will continue to ask for rental income to be documented through leases or Schedule E's, as applicable, and the rental affidavit will not be accepted as proof of rental income. Aapex's 5-8-unit program for Multifamily and Mixed Use has some additional requirements with regard to proof of rental income. These are explained more fully in the sections on Mixed Use and Multifamily 5-8 Unit Properties.

“Washing” Rental Income:

Aapex permits a “washing” of rental income against the P.I.T.I. of the subject property in all programs. Eligible properties are owner occupied 2+ unit and non-owner occupied 1+ unit properties. (Aapex will not wash rental from “non-conforming” rental units).

In either scenario, the first step is to calculate net rental by taking 75% of the gross rental income, and then to compare the resulting figure against the total P.I.T.I. on that property. (If there is more than one mortgage on the property, all must be taken into account). If the amount of net rental is greater than the P.I.T.I., then the surplus is added to the monthly income. If the rental figure is less than the P.I.T.I., then the difference is added to monthly debts.

Note: For any loan request for a borrower owning more than one property, the application must be accompanied by a Schedule of Real Estate Owned. The schedule should include address, number of units, estimated market value, and size of any mortgages (including monthly payment) and tax and insurance

payment for each property owned, as well as any rental income collected from each property.

LIMITED INCOME CHECK (LIC)

HISTORY OF EARNINGS	VERIFICATION	COMMENTS
<p>Generally 2 yrs. LTV's > 80% require yrs same employer. Required Duration: Likely to continue</p>	<p>Job Letter</p>	<p>Letters must be written on company letterhead, providing borrower's length of employment, salary and nature of position. Must be signed by employer, giving name, address & phone #.</p> <p>Company must be listed; underwriter will perform telephone verification prior to closing. For privately employed borrowers (i.e. "private duty nurse", "child care", etc), job letters must contain same info as above and provide daytime telephone # (no cell phones) for underwriting verification.</p> <p>*NOTE: Borrowers must sign all job letters at closing as acknowledgment and confirmation. In addition, all job letters must be counter-signed and notarized by the closing agent at closing.</p>
	<p>6 Months Personal Bank Statements</p>	<p>Average deposits will be used to calculate the DTI. Note that joint bank statements will only be acceptable if all parties on the account are signing the note. Account Transfers, Credit Advances and other out of character deposits will be excluded from DTI calculation.</p>
	<p>Family Contribution, Boarder Income</p>	<p>Acceptable for borrowers with "A" or "B" credit only. Must be written and signed by provider, stating name, address & phone # for underwriting verification. NOTE: MAX CCEPTABLE \$300 PER LOAN FILE</p>
	<p>1099's; Independent Contractor</p>	<p>For LTV's of 80% or less, most recent year 1099 will be required. For LTV's over 80%, most recent 2 years 1099's</p>

		will be averaged and used in the DTI calculation. Borrowers wishing to supplement 1099's with 1040's can qualify for FIC program.
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Occasionally a borrower will claim rental income from an adult child living at home, or rental income from a "boarder", even in circumstances where a separate rental unit (i.e., separate kitchen and bath) does not exist. The maximum amount of this type of income Apex will consider on a given loan is \$300, provided that the borrower's credit is "A" or "B". Please note that the use of this particular type of income will result in the loan being considered a Limited-Income-Check loan, for rating and LTV purposes.

Job letters will not be acceptable for those borrower's who work for traditional companies who are known to issue W2 forms (i.e. IBM, Government jobs, Fed-Ex, etc.).

Apex will not accept job letters from family members.

SELF EMPLOYED NO-INCOME-CHECK (NIC)

HISTORY OF EARNINGS	VERIFICATION	COMMENTS
<p>LTV's < or = 80% Require 1-year proof of self-employment, same business.</p> <p>LTV's > 80% require 2 yrs' self-employment same business. Required Duration: Likely to continue</p>	<p>Business License or Certificate of Incorporation or DBA certificate or Letter from CPA (if business does not require license)</p>	<p>DTI will be calculated based on borrowers' income as claimed on signed 1003 (must be reasonable for nature of business or profession).</p> <p>CPA Letters are acceptable ONLY when the nature of borrowers' business does not require a license. Lack of state licensing requirement will be verified by underwriting, and CPA must be recognized by the state of borrower's residence.</p> <p>*NOTE: If the CPA letter or DBA is not available, Apex will accept alternative documentation on a case-by-case basis as long as the document can conclusively verify ownership of the business (i.e. Commercial Driver's License for SE Trucker; Liquor License for bar/restaurant owners, State or</p>

		Federal business registry, Nurse's LPN license, etc.)
	Landlords: signed 1003 with completed Schedule of REO	Borrowers must prove the lesser of 6 investment properties owned, or 12 investment units owned. If borrowers' credit report reveals at least 6 open mortgages, then 1003 is sufficient documentation. Apex reserves the right to require proof of ownership of investment properties/units.

“STATED” INCOME

Apex offers a “Stated” income program, 1st mortgages only, for both salaried and self-employed borrowers, in programs A+, A1, A2, B1 and B2. (Note: B1 and B2 “Stated” applies to owner-occupied properties only). Borrowers in programs C and D are not eligible for this program. The minimum credit score for primary borrower/income earner for the “Stated” program is 550 (600 score for non-owner occupied). A debt ratio will be calculated based on the amount listed on the borrower's signed 1003, and must qualify at the maximum debt ratio allowed in the corresponding program (i.e., 50% or 55%). Earnings amounts claimed in this program must be reasonable amounts that “make sense”.

The “Stated” income program is available as a 1st mortgage only on 1-4 family properties, condos and PUD's. If there is more than one borrower on the loan, Apex will use the lower of the middle scores, regardless of who the primary wage earner is.

- • Wage Earners: Telephone verification will be performed to confirm borrower's length of employment and present employment status (i.e. still employed, part-time, full-time, etc). Earnings amounts will not be verified with the employer.
- • Self-Employed: Telephone verification will be performed directly with the borrower confirming length of self-employment in present business, nature of business/position and to confirm earnings as claimed on 1003. Note that if income figure provided on 1003 does not conform to telephone verification, loan will not qualify for the “Stated” income program.

The following property types are not eligible in the As Stated program: Mixed-Use, 5-8 family and Doublewide manufactured properties.

RESIDUAL / DISPOSABLE INCOME REQUIREMENTS:

In addition to the existing debt-to-income ratios already in place for all programs, the following residual and disposable income requirements will be in place for all programs.

Please note that these income requirements necessitate that the borrower(s) disclose the number of family members in the household.

The disposable income will be calculated by taking the total combined monthly income and subtracting it from the total proposed monthly obligations (Total Combined Income – Proposed Liabilities). The result of this calculation must conform to following chart, depending LTV and number of family members:

Family Members	LTV's 90% or less	LTV's > 90%
1	\$500	\$1000
2	\$600	\$1000
3	\$700	\$1000
4	\$800	\$1000
5	\$900	\$1000
6 or more	\$1000	\$1000

In addition to the disposable income requirement, Apex also requires the loan conform the following residual income guidelines. The residual income will be calculated by taking the total monthly income of the borrower(s) signing the note and subtracting the total mortgage payments (P.I.T.I.) of the subject property. Based on loan size, number of family members in the household, and region, the following residual income thresholds are in place:

Loan amounts less than or equal to \$79,999*

Family Members	Northeast	Midwest	South	West
1	\$410	\$401	\$401	\$446
2	\$687	\$673	\$673	\$749
3	\$828	\$811	\$811	\$902
4	\$933	\$911	\$911	\$1,015
5	\$968	\$947	\$947	\$1,054

*For loans < or = to \$79,999, add \$75 for each add'l family member above 5, up to a family of 7.

Loan amounts greater than or equal to \$80,000**

Family Members	Northeast	Midwest	South	West
1	\$473	\$464	\$464	\$516
2	\$793	\$775	\$775	\$865
3	\$955	\$934	\$934	\$1,040
4	\$1,077	\$1,054	\$1,054	\$1,173

5	\$1,116	\$1,091	\$1,091	\$1,216
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**For loans > or = to \$80,000, add \$80 for each add'l family member above 5, up to a family of 7.

- **Northeast:**

Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont.

- **Midwest:**

Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin

- **South:**

Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas and Virginia

- **West:**

Arizona, California, Colorado, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming.

Please note that if the Apex loan being given is a 2nd mortgage, the thresholds of <\$79,999 or > \$80,000 detailed in the above tables apply to the combined total of the existing 1st mortgage and the new 2nd.

A loan which fails to meet the residual income thresholds outlined above must be turned over to an Assistant Vice President or a Vice President of Underwriting to see if the loan can qualify under the Compelling Justifications category.