



Portfolio Underwriting Guidelines

Program Description:

An adjustable rate mortgage program fixed for 3, 5 or 7 years then adjusts annually based on the 1 Year LIBOR Index

Program Codes:

HL-LA-03 3-Year Fixed
HL-LA-05 5-Year Fixed
HL-LA-07 7-Year Fixed

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Luther Burbank Savings does not make any loans, which are defined, as "high-cost" under Section 32 or any State or locally governed legislation.

Luther Burbank Savings reserves the right to amend the requirements set out in this document without providing prior notice. All loans must meet Program Guidelines and Luther Burbank Savings Portfolio Underwriting guidelines. **This matrix does not include all policy requirements.**

For approved mortgage brokers only. Not intended for use by general public.

Age of Documents	<p>Except for certain items noted throughout this matrix, generally, most credit documents must be dated no more than 60 days prior to the date of loan approval. Asset/Bank statements must be dated no more than 45 days prior to the date of loan approval. On accounts that report quarterly, the most current statement available must be obtained.</p> <p>A new appraisal is required if older than 60 days at time of approval.</p> <p>Back to Top</p>
Appraisals	<p>Full appraisals are required on all transactions.</p> <p>Purchase Transactions – Loan is underwritten subject to appraisal and review.</p> <p>Refinance Transactions – Disclosures are issued then loan is underwritten once the appraisal is received.</p> <p>All appraisals are obtained from the Bank’s approved Appraisal Management Company, (AMC). The AMC emails the appraisal directly to the Broker and to LBS upon completion.</p> <p>Single-Family Comparable Rent Schedule (Form 1007) with photos of the subject, Operating Income Statement (Form 216), and a minimum of 3 comparable rentals is required on all single-family investment properties.</p> <p>LBS require an inspection by a licensed contractor on all pre-1940 wood frame properties to verify that they are bolted to a steel reinforced brick or concrete foundation unless the land value is greater than the loan amount.</p> <p>Loan amounts >\$1,000,000 require one full appraisal and may require an additional inspection by a designated bank officer as shown below:</p> <p style="padding-left: 40px;">1-4 family residential properties (inspection required prior to funding):</p> <p style="padding-left: 80px;">(i) If the loan is between \$1.5MM and \$2.999MM and the LTV is over 65%</p> <p style="padding-left: 80px;">(ii) If the loan is \$3MM or more regardless of LTV</p> <p>Additional Inspection requirements on “For Sale By Owner” purchase transactions on underlying property liens:</p> <ul style="list-style-type: none"> • A10-year chain of title report is required. Additionally, the Bank will accept the buyer’s acceptance of the condition of the property at the buyers pre-close walk through. If this is not obtained, an officer from the Bank must complete an interior inspection of the property. <p>Additional Inspection requirements on “Existing Default by Owner” on underlying property liens:</p> <p>A10-year chain of title report is required. Additionally the Bank will review and/or accept the buyer’s acceptance of the condition of the property at the buyers pre-close walk through.</p> <p>Declining Markets</p> <p>Appraisals marked as "declining" will be reviewed more closely to ensure the value is supported by the most recent listings and sales and market data and that all the comments from the appraiser are taken into consideration. A minimum of three (3) closed sales must be used, verified on the report by reference to public records with recorder's document numbers or multiple listing number or name and phone number of individual providing the data. At least 2 of the 3 comparable sales must be dated within 90 days of the appraisal date.</p> <p>Back to Top</p>

<p>Appraiser Requirements</p>	<p>Must be state licensed. Must not be on FHLMC Exclusionary or any other Investors exclusionary list. Appraisal orders must be placed with the Bank's portfolio AMC, (Based on Location of Property) listed below. A copy of the appraisal will be mailed directly to the applicant by LBS prior to completion of the review. Upon receipt of the completed appraisal, LBS will forward a copy to the Bank's Appraisal Department for review and determination of acceptability. Other property evaluations will be sent to applicant only if the value differs from initial appraisal.</p> <p>California PACIFIC APPRAISERS 888-887-7715 (toll free) 831-465-6518 (main number) 408-516-5500 (Fax) commercial@pacificappraisers.com (email) www.pacificappraisers.com (Website)</p> <p>Washington SOLIDIFI P: 847.486.1250 (toll free) M: 847.274.6118 (main number) F: 312.268.5801 (Fax) E: mangarola@solidifi.com (email) http://www.solidifi.com/ (Website)</p> <p>.</p> <p>Back to Top</p>
<p>ARM Program Information</p>	<p>Index: 1 Year LIBOR Index: The average of interbank offered rates for one-year U.S. dollar denominated deposits in the London market, as published in The Wall Street Journal.</p> <p>Margin: Refer to Rate sheet</p> <p>Initial Adjustment Cap: Refer to Rate sheet</p> <p>Subsequent Adjustment Cap: Refer to Rate sheet</p> <p>Interest Rate Floor: Refer to Rate sheet.</p> <p>Conversion Option: Not permitted.</p> <p>Negative Amortization: None</p> <p>Loan Term: Portfolio Hybrid ARM's – 30 and 40 year term - Refer to Rate Sheet</p> <p>Late Charge: Payments are due on the first day of each month and a late charge is assessed when the payment is made after the grace period. The late charge is equal to 6.00% of the monthly principal and interest payment for owner occupied property and 10% on investment property loans.</p> <p>Recourse / Non-Recourse: The Bank is a recourse lender. Except for loans used to purchase a 1 to 4 unit owner occupied primary residence or for the purpose of a Bank owned REO, where recourse is limited by California laws, all loans financed by the Bank have recourse to all borrower(s), for joint and several liability.</p> <p>Back to Top</p>

Assets

Minimum Personal Liquid Asset Requirements:

Applicants must have verifiable personal liquid assets at time of application as follows:

- 3 months gross income for loan amounts up to \$1,500,000;
- 3-6 months gross income for loan amounts from \$1,500,001 to \$3,000,000;
- 12 months gross income for loan amounts greater than \$3,000,000.
- 6 months gross income for loan amounts for 75.01 - 80% LTV over \$750,000.

Use of Liquid Business Assets:

Business assets cannot be used to meet the minimum Personal Liquid Asset requirements. The use of business assets going towards the down payment in a purchase transaction is acceptable provided that the funds are not from a working capital/operating account. The applicant must have a 50% or greater ownership in the business. The following documentation is required:

- Copies of the most recent six months bank statements for the business.
- Fully executed letter from the chief financial officer or accountant for the business stating the applicant has the use of the stated amount of funds and that they need not be repaid to the company.
- The letter must also state that the withdrawal of the funds will not cause a financial hardship to the business and are not funds used for working capital.

Minimum Reserve Requirements:

The following liquid financial reserve requirements after close of escrow apply:

- Loan amounts up to \$750,000 -Two months PITI required.
- \$750,001 to \$1,500,000 – Four months PITI
- \$1,500,001 to \$3,000,000 – Six months PITI and
- Greater than \$3,000,000 – Twelve months PITI
- Transactions with retained departing residence – reserves based on loan amount requirements or minimum of six months PITI on the departing residence, whichever is greater.
- Investment property transactions – reserves based on loan amount requirements or minimum of six months PITI whichever is greater.
- All interest-only loans require a minimum of six months PITI cash reserves based on the fully amortized payment referenced in the Interest Only Section of this matrix.

Gift Funds:

The acceptability of gift funds is limited to owner occupied primary residence transactions. The reasonableness and appropriateness of gift funds is required.

A gift can be provided by a relative, defined as the applicant's spouse, child or other dependent or by any other individual who is related to the applicant by blood, marriage, adoption or legal guardianship; or a fiancé, fiancée or domestic partner. The donor may not be or have any affiliation with the builder, the developer, the real estate agent or any other interested party to the transaction. A minimum of five percent of the sales price should be the applicant's own funds.

Retirement:

Retirement plans – IRA, SEP-IRA, 401(k), Keogh, 403(b) and other IRS qualified retirement plans are considered eligible assets. As a guideline, no more than 70% of the applicant's vested balance should be considered as liquid.

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Assumptions	Not allowed. Back to Top
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Borrower Eligibility	Borrower Type	Requirements
	U.S. Citizens	<ul style="list-style-type: none"> • Allowed with a valid Social Security Number
	Permanent Resident Aliens	<ul style="list-style-type: none"> • Allowed under the same terms as US citizens. • Valid Social Security Number required. • Permanent resident aliens must provide proof of their residency. • The Permanent Resident Alien certification must be completed and included in the loan file.
	Non-Permanent Resident Aliens	<ul style="list-style-type: none"> • Applicants are eligible for financing under the same terms as a US citizen. • Must currently reside in the U.S. and have a social security number • Must have established credit history. If not enough trade lines are established in the U.S., credit references from foreign countries may be used to establish a minimum of five trade lines. In this situation, the loan will qualify for "A" credit. A foreign credit report is ordered through Luther Burbank Savings' credit vendor. • Applicant must be employed in the U.S. The source of the income must be verified and must be expected to continue for at least 3 years and • Have a 2-year work history including their employment in a foreign country. Standard documentation authenticity, accuracy, and completeness apply • Tax Identification Number (TIN) is not acceptable • One of the following valid Visas are required: <ul style="list-style-type: none"> -H-1A, Registered Nurse - H-1B, Specialty Occupation - L-1, Intra-Company Transferee. - E-1, Treaty Trader. - E-2, Treaty Investor. - E-3, Australian nationals allowed to work in US in specialty occupations - G series (G-1, G-2, G-3, G-4). - TN or TC NAFTA VISA – Used by Canadian or Mexican citizens. -P-1, Individual or team athletes, entertainment groups -R-1, Religious workers
	Ineligible	<ul style="list-style-type: none"> • Foreign Nationals (Non-Resident Aliens) – excludes Foreign Nationals from Canada and Mexico working under the terms of NAFTA • Applicants with temporary protected status • Applicants with diplomatic immunity • Non-permanent resident aliens as non-occupying co-borrowers • Non-U.S. citizens with no lawful residency in the U.S.
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Business Entities	<p>Loans to business entities are not reported on the Bank's HMDA report. The Business Entity is considered our applicant. The Bank requires an Individual(s) to qualify for the loan and sign a personal repayment guarantee. A Guarantor(s)' government monitoring information must not be collected on the 1003 loan application.</p> <p>A legal review fee is charged per entity of \$250.00 for California loans and \$275 for Washington loans. Additional fees may be required on a complex, multiple layered Entity.</p>	

	<p>A legal review by the Bank approves the signers for the entity.</p> <ul style="list-style-type: none"> • The Bank requires the entity's member(s), managing member(s), partner(s) or shareholder(s) to be a guarantor and submit separate individual application packages. The guarantor(s)' personal financial statement(s), credit, assets and/or liabilities for the loan transaction are used for qualifying purposes. • The organization/entity operating term must be longer than the term of the loan. • Ownership Statement – Business Entity application is required on all files. • If an entity is formed outside of California, on California loans, – see additional requirements noted under Foreign Entities requirements listed on the Required Business Entity Documentation List. If an entity is formed outside of Washington, on Washington State loans, – see additional requirements noted under Foreign Entities requirements listed on the Required Business Entity Documentation List.
<p>Business Entities cont.</p>	<p><u>Partnerships and Partnership types:</u> All partnerships are written agreements between or among two or more persons, or sometimes other non-living entities, to create and conduct business together and to share in anticipated profits.</p> <p>General Partnership:</p> <ul style="list-style-type: none"> • General Partners – Carry the burden of liability for the entity • Qualification – complete credit package of General Partner(s) or a qualified partner that will sign a personal guarantee. <p><u>Documentation Requirements:</u> Refer to Required Business Entity Documentation Checklist on the LBS, (California or Washington), website.</p> <p>Limited Partnership:</p> <ul style="list-style-type: none"> • Limited Partners are at risk for only that portion of their respective contributions to the partnership. • Qualification – complete credit package of the Limited Partner(s) or a qualified partner that will sign a personal guarantee. <p><u>Documentation Requirements:</u> Refer to Required Business Entity Documentation Checklist on the LBS, (California or Washington), website.</p> <p>Corporation: All corporations are organizations formed, authorized by law and comprised of stockholders for specific purpose of funding a business concern to be operated by representative management under the direction of a Board of Directors. A corporation issues shares of stock, which represent the percentage of investment and/or ownership. These individuals are known as stockholders.</p> <ul style="list-style-type: none"> • Qualification – complete credit package of the majority owner or owners (shareholders). • Personal Guarantee – Majority owner or owners.

<p>Business Entities Cont.</p>	<p><u>Documentation Requirements:</u> Refer to Required Business Entity Documentation Checklist on the LBS website.</p> <p>Limited Liability Companies: The Bank will lend to Limited Liability Companies ("LLC"), which combine the benefits of both corporate and partnership structure and status to the borrowing entity. The LLC's members, including those actively involved in the business of the LLC, are shielded from personal liability for debts or claims in a manner similar to Shareholders of a corporation or limited partners of a partnership. However, the LLC typically will be taxed for California and federal income tax purposes in a manner similar to that of a partnership</p> <ul style="list-style-type: none"> • Qualification – complete application package of the majority of ownership member(s) or Managing Member. • Personal Guarantee the majority of ownership member(s) or Managing Member or qualified member. <p><u>Documentation Requirements:</u> Refer to Required Business Entity Documentation Checklist on the LBS, (California or Washington), website.</p> <p>Back to Top</p>
<p>Construction to Permanent</p>	<p>Not allowed.</p> <p>Back to Top</p>
<p>Credit</p>	<p>The minimum representative credit score for A+ program is 680. The minimum representative credit score for A program is 660. On a Business Entity Application, the Guarantor(s)' FICO score will be used for qualifying purposes. Refer to the Interest Only section of the loan matrix for minimum FICO Score Requirements.</p> <p>A single representative credit score is required to be selected for each applicant. A representative score is determined for the applicant and the loan, as follows:</p> <p>For each applicant select:</p> <ul style="list-style-type: none"> • The middle score, if three scores are received • The lower score, if two scores are received • The one score received, if only one score is received <p>If there are multiple applicants, use the average of the scores selected. The credit score is only one factor considered in making a loan decision. It is not to be the sole determinant to approving or denying a loan request.</p> <p>A+ credit history must have established a minimum of five satisfactory credit trades with a minimum of a three year history.</p> <p>Non Traditional Credit: Non Traditional credit report is acceptable on owner-occupied loan amounts up to the conforming Freddie Mac and Fannie Mae limits</p> <p>Delinquent Credit: Late payments are considered accounted for in the credit score. However, the following items are subject to individual evaluation, no matter how high the credit score:</p> <ul style="list-style-type: none"> • Bankruptcy, foreclosure, deed-in-lieu, short sale, notice of default. • Liens and Judgments, collections, charge-offs, tax liens, repossessions, mortgage late payments and delinquent property taxes. • Excessive revolving debt • Mortgage late payments

<p>Credit cont.</p>	<p>Credit Explanations: The applicants must supply a satisfactory explanation for all delinquent credit items listed specifically in the following categories, along with supporting documentation.</p> <p>Bankruptcy: The mortgage application may not be approved before the following time period has elapsed from the date of the application:</p> <p>5 years from the date the bankruptcy was discharged, dismissed or satisfied. There must be evidence to indicate all debts not satisfied by bankruptcy have been or are being paid. There should be no evidence of derogatory credit that occurred after the discharge of bankruptcy.</p> <p>Pre-foreclosure, Short Sale, Foreclosure or Deed-in-Lieu of Foreclosure: The mortgage application may not be approved before the following time period has elapsed from the date of the application.</p> <p>3 years from the completion date of short sale close of escrow, recorded deed in lieu documents, foreclosure sale or reinstatement of notice of default filing. The following conditions are required:</p> <ul style="list-style-type: none"> • Minimum 660 FICO score required or as required by program • Evidence on the credit report and other credit documentation that the applicant(s) has/have reestablished an acceptable credit history • There should be no evidence of derogatory credit that occurred after the pre-foreclosure, short sale or deed in lieu occurred. <p>Satisfactory explanation and/or documentation leading to the above events are required. The Bank will take into consideration circumstances that were beyond the applicant's control, such as a loss of job, medical expenses not covered by insurance, death of the primary wage earner, and financial problems caused by natural disasters. Foreclosure, short sale, deed in lieu of foreclosure and notice of default caused by financial mismanagement is not acceptable.</p>
<p>Credit cont.</p>	<p>Liens and Judgments : An applicant who has had liens and/or judgments must provide evidence that the liens and judgments have been satisfied or released.</p> <p>Collections/Repossessions/Charge-off: At the underwriter's discretion, an applicant who has or has had collection accounts must provide a letter of explanation as to the circumstances and include any supporting documentation.</p> <p>The Bank will not automatically require that a collection account be paid off if a satisfactory explanation is received. If the amount involves a large sum, the Bank may require the account to be paid off to avoid future lawsuit affecting the applicant's ability to keep the Bank's loan current.</p> <p>Mortgage Late Payments: Excessive prior mortgage delinquency is defined as any mortgage trade line that has one or more 30-, 60-, 90-, 120-, or 150-day delinquency reported within the 12 months prior to the credit report date and one or more 60-, 90-, 120-, or 150-day delinquency reported within the 24 months prior to the credit report date.</p> <p>Delinquent Property Taxes: Evidence of delinquent property taxes on the subject property or other real estate is not acceptable.</p> <p>Back to Top</p>

Cross Collateral	<p>Various transactions due to either timing, structure, or both may require that additional real estate collateral is taken in addition to the primary property being financed. An example would include a purchase transaction is to close prior to the close of another transaction where the sales proceeds are necessary for the down payment for the property being acquired. The Bank may establish a release price in some cases.</p> <p>Requirements: The Bank must be in first lien position on both properties. Any and all existing loans of record must be paid through one transaction. Maximum number of properties secured for a cross collateralization is two 1-4 unit residential properties. Refer to rate sheet for loan-to-value requirements.</p> <p>Documentation Requirements:</p> <ul style="list-style-type: none"> • Appraisal for each property • Preliminary title report for each property • Escrow instructions to include both properties • Flood certification for each property <p>Lender's Documents:</p> <ul style="list-style-type: none"> • One Note and any applicable Riders • Rescission notice and applicable disclosures are required if the property used as additional collateral is the applicant's owner occupied residence. • Deed of Trust is required for each property, along with any applicable Riders • See Rate Sheet for add-ons <p>Back to Top</p>
Delayed Purchase	<p>Application for new loan must be received by the Bank within 90 days of close of the purchase. Purchase LTV is used instead of refinance LTV. Final HUD 1 from the purchase is required with evidence that applicant's down payment meets underwriting requirements. If the property is not encumbered/lien free, a letter of explanation of what the applicant(s) intend to do with the proceeds is required.</p> <p>Back to Top</p>

<p>Departing Residence</p>	<p>Departing Residence is defined as:</p> <p>New owner occupied purchase transactions in which the applicant(s) is/are retaining their existing residence for any period of time after the closing, regardless of their intentions (i.e.: retained as a rental, second home, pending sale or intention to sell the property at some time in the future).</p> <p>If departing residence is going to be retained as a rental:</p> <ul style="list-style-type: none"> • Letter from applicant verifying intent of departing residence. • Obtain a rent survey • 75% of rental income from the rent survey minus housing expenses, (PITIA). • If positive, give income. • If negative, include the negative rental as a liability and included in the total debt-to-income ratio. • See Rate Sheet for add-ons • Max LTV and CLTV is 75% or program maximum <p>Where a departing residence is listed for sale and/or the applicant(s) have intentions to sell and, if not sold, state property will be rented:</p> <ul style="list-style-type: none"> • Letter from applicant verifying intent of departing residence. • Obtain a rental survey • 75% of rental income from the rent survey minus housing expenses, (PITIA). • If positive, No income is given • If negative, include the negative rental as a liability and included in the total debt-to-income ratio. • See Rate Sheet for add-ons • Max LTV and CLTV is 75% or program maximum <p>Where a departing residence is listed for sale, applicant(s) have intentions to sell and has no intention to rent property, if it does not sell or if property is maintained as a Second Home:</p> <ul style="list-style-type: none"> • Letter from applicant verifying intent of departing residence. • Qualify applicant with Full Payment. <p>Back to Top</p>
<p>Down Payment</p>	<p>Primary Residence:</p> <ul style="list-style-type: none"> • Minimum of 5% of the purchase price cash down payment from the applicant's own funds is required. Documentation is required per the Lending Policy. <p>Second Home:</p> <ul style="list-style-type: none"> • Minimum of 5% of the purchase price cash down payment from applicant's own funds is required. Documentation is required per the Lending Policy <p>Investment Properties:</p> <ul style="list-style-type: none"> • 100% of the purchase price cash down payment from applicant's own funds is required. Documentation is required per the Lending Policy. <p>Back to Top</p>

Escrow	<p>Double Escrow: Double escrow transactions are not allowed</p> <p>Broker Affiliated Escrow Companies: LBS will not allow the use of an escrow company that is owned by a principal of the mortgage broker providing the Bank the loan.</p> <p>Back to Top</p>
Flood Insurance	<ul style="list-style-type: none"> • A flood hazard determination is required for all loans. • Flood insurance is required if the property is located in a special flood hazard area or flood zone. • Flood insurance is required on properties located within the following special flood hazard area zones: A, AE, AH, AO, A1-30, A-99, V, VE, V1-30 • The maximum amount of flood insurance required is the lowest of: 100% of the replacement cost of the dwelling, calculated as appraised value minus land value OR the unpaid principal balance of the mortgage OR the maximum insurance available under the National Flood insurance program. (Currently \$250,000 per dwelling.) • The deductible for 1-4 unit properties may not exceed a maximum of \$5,000 unless a higher maximum is required by state law. • If the property is located in a special flood hazard area (an A- or V-rated zone), the notice must be given to the borrower 10 days prior to consummation of the loan documents. • Evidence of Flood insurance coverage must be in place at time of closing. <ul style="list-style-type: none"> a. Flood application in place and proof of premium being paid before consummation of documents. b. Acceptable proof of existing Flood Insurance with required amount of insurance, along with an endorsement to reflect LBS as the mortgage/loss payee on a Refinance property. <p>Back to Top</p>
Geographic Areas	<p>Refer to Rate sheet.</p> <p>Back to Top</p>
Hazard Insurance	<ul style="list-style-type: none"> • Hazard insurance is required for each property. • The amount of hazard insurance coverage must be the lesser of 100% of the insurable value of the improvements as established by the property insurer OR the unpaid principal balance as long as it equals at least 100% of the replacement cost of the improvements per the appraisal. • For properties located in California, lenders may not require hazard insurance in an amount exceeding the replacement value of the improvements on the property. • The maximum deductible may be up to 5% of the amount of the policy or \$5,000., whichever is less. <p>HO-6 Policy (Condo): Walls-in hazard insurance coverage policy is required (commonly known as HO-6 policy) unless the master insurance policy of the HOA covers the interior of the unit. The HO-6 policy must provide coverage in the amount of at least 20% of the appraised value with a 5% maximum deductible.</p> <p>Law and Ordinance endorsement to insurance: A property zoned legal non-conforming with the ability to rebuild if destroyed by fire or other hazard requires a Law and Ordinance endorsement to the hazard insurance policy.</p> <p>Rent Loss Insurance: Investment property loans require six months rental loss based on the gross rents of the property provided by the appraisal rental survey. .</p>

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Hillside Properties	<p>LBS will not make loans on properties built on the slope of a hillside built with stilts, or on hillside lots noted to have fill to build pad up from hillside. Buildings built on a hillside areas are acceptable when the lot is terraced with a level pad. Additionally, when properties built on flat pads on hillsides are financed a landslide susceptibility report must be obtained reflecting low risk. In cases where slippage is noted an acceptable geological report will be required.</p> <p>Back to Top</p>
Income / Employment	<p>Income/employment must be documented per Lending Policy. The underwriter may require additional income documentation if income does not appear reasonable or income cannot be calculated.</p> <p>Acceptable Sources of Income:</p> <ul style="list-style-type: none"> • Wage Earner Income. Commission, overtime, bonus income which has a minimum 2 year history and documented it is likely to continue for the next 3 years. • Self-Employed: Sole Proprietorship, Partnership, Corporations and S Corporations. • Non-Employed Income: Alimony/maintenance/Child Support/Separate maintenance, Foster Care, Unemployment/Welfare/ADC, Disability/Worker's Compensation, Retirement/Pension, Social Security, Annuity, IRA, Military/VA Benefits, Trust, Interest & Dividend, Inheritance/Guaranteed Income, Note Receivables secured by Deed of Trust, Mortgage Differential/COLA and Rental. • Income from sources other than the ones addressed may be considered provided the applicant has received the income for at least 2 years and documentation supports that it will continue for at least 3 years. <p>Non-taxable Income:</p> <p>Fully documented tax-free income will be grossed up by no more than 33% to calculated qualifying income.</p> <p>Unacceptable Sources of Income:</p> <ul style="list-style-type: none"> • Income based on future earnings • Rent from boarders in SFR property which is the applicant's primary residence. • Signature loans • VA Education Benefits • Lines of credit on credit cards • Overdraft protection • Illegal Income/Income not listed on tax returns • Any income that cannot be documented and verified • Expense account payments • Income tax refunds as shown on tax returns • Forgiveness of debt <p>Rental Income for Investment Properties: If the subject property being financed is a 1-4 unit investment property and the rental income is being used for qualifying purposes, use 75% of the gross income from the current Fair</p>

	<p>Market Rental Income Survey provided by the appraiser for qualifying purpose.</p> <p>Rental income from property other than subject property: When the property has been owned less than 2 years and is not reflected on the borrower's most recent filed Federal Individual Tax Return the following may be used:</p> <ul style="list-style-type: none"> • Current Fair Market Rental Income Survey provided by appraisal companies identified in the Rental Survey section. <p>Employment Gap/Previous Employment: Income from applicants who re-enter the workforce or has a job gap over 30 days or entering the work force and currently has less than a two-year employment and income history may be used to qualify, if there is evidence of a previous employment history or the applicant was previously a student with acceptable documentation. Documentation per Lending Policy</p> <p>Relative or Interested Party Employer: When utilizing income received when employed by a relative, seller, or realtor for qualifying purposes, a paystub dated within 30 days of the loan application, 2 years signed and dated tax returns, and a Verification of Employment is required. In addition, the Bank will require evidence that the applicant has no ownership interest in the business.</p>
<p>Income / Employment cont.</p>	<p>Verbal Verification of Employment (VVOE) is required as follows:</p> <ul style="list-style-type: none"> • Verbal Verification of Employment is obtained for salaried individuals the day prior to funding, or on the day of funding. <p>IRS Form 4506-T – a signed and processed IRS Form 4506-T is required on all loans to obtain the applicant(s)'s tax return transcripts for the two years prior to the loan application, regardless of income or documentation type. All loan submissions must include a signed IRS Form 4506-T.</p> <p>Income Documentation: All documentation must be prepared by an appropriate person other than the borrower or other interested parties.</p> <ul style="list-style-type: none"> • A profit-and-loss statement prepared by a self-employed borrower and validated by a third-party accountant would be acceptable. • Tax returns prepared by a borrower that have been filed with the IRS and validated with the results of a processed 4506-T would be acceptable. <p>Back to Top</p>
<p>Interest Only</p>	<p>Interest only loans are qualified based on a fully amortized payment in the following manner:</p> <p>30 Years 3 year interest only – qualify at greater of start rate or fully indexed rate plus 2% for a fully amortized term of 27 years. 5 year interest only - qualify at greater of start rate or fully indexed rate plus 2% for a fully amortized term of 25 years.</p> <p>Loan may not be refinanced from an existing LBS interest-only loan to a new LBS interest-only loan.</p> <p>Cash-out refinance is not available on an interest-only program.</p> <p>Second home occupancy is not acceptable for the interest-only program.</p> <p>Minimum FICO Score is 700</p>

	<p>Maximum loan-to-value and Combined loan-to-value is 75%</p> <p>Maximum loan amount is \$3,000,000</p> <p>All interest-only loans require a minimum of six months PITI cash reserves based on the fully amortized payment as calculated above.</p> <p>Back to Top</p>
Loan Amount/LTV	<p>Minimum Loan Amount: \$20,000</p> <p>Maximum Loan Amount: A+ Credit owner Occupied is \$5,000,000. A Credit Loans and Investment Property loans is \$2,500,000.</p> <p>Refinance LTV will be calculated on properties purchased within 12 months by using the lesser of purchase price or current appraised value. If property was acquired as REO from a lender or servicer, or through a short-sale, within 24 months, the LTV will be based on the lower of acquisition cost or current appraised value.</p> <p>Purchase If the seller purchased the property within 12 months, the LTV will be calculated using the lesser of the seller's acquisition cost or current appraised value.</p> <p>Back to Top</p>
MI Coverage	<p>N/A at this time.</p> <p>Back to Top</p>
Mortgage Broker Loans	<p>The Bank will not accept a loan in either the retail or wholesale channel from an approved mortgage broker if the loan is to be originated for the mortgage broker submitting the loan or for that approved mortgage broker's employees or loan consultants.</p> <p>Back to Top</p>
Mortgages to One Borrower	<p>The policy on mortgage ownership limits is designed to protect the company from excessive risk exposure with the same borrower. Luther Burbank Savings will finance up to 2 residential properties, (1 – 4 units) for a borrower.</p> <p>Back to Top</p>
Non-Arm's Length Transaction	<p>A non-arm's length transaction is one in which there is a relationship or business affiliation between the seller and the buyer of the property including, but not limited to, family sale, property in an estate, employee and employer, renter and landlord, flip transactions, etc.</p> <p>All non-arm's length transactions are prohibited</p> <p>Back to Top</p>

Non-Occupant Co-Borrowers	<p>Non-occupant co-borrowers are allowed. The occupying borrower and non-occupying co-borrower must have sufficient combined income to qualify under Luther Burbank Savings standard debt ratio requirements. On a refinance transaction the non-occupant co-borrower must currently be on the note and deed of trust.</p> <p>A borrower signing the note must go on title and sign the deed of trust.</p> <p>Back to Top</p>									
Number of Properties	<table border="1" data-bbox="389 415 1503 546"> <thead> <tr> <th data-bbox="389 415 933 445">Occupancy Type</th> <th data-bbox="941 415 1503 445">Total Financed Properties</th> </tr> </thead> <tbody> <tr> <td data-bbox="389 447 933 476">Primary Residence</td> <td data-bbox="941 447 1503 476">No limit</td> </tr> <tr> <td data-bbox="389 478 933 508">Second Home</td> <td data-bbox="941 478 1503 508">No limit</td> </tr> <tr> <td data-bbox="389 510 933 539">Investment Property</td> <td data-bbox="941 510 1503 539">No limit</td> </tr> </tbody> </table> <p>Back to Top</p>		Occupancy Type	Total Financed Properties	Primary Residence	No limit	Second Home	No limit	Investment Property	No limit
Occupancy Type	Total Financed Properties									
Primary Residence	No limit									
Second Home	No limit									
Investment Property	No limit									
Occupancy	<p>Owner occupied, second homes & investment property loans are acceptable. If the applicant has not occupied the property for a minimum of six months prior to submitting an application for an owner-occupied refinance, then the property will be considered an investment for purposes of pricing and loan-to-value limitations, regardless of the applicant's statement that they will occupy. However, a delayed purchase may be treated as owner-occupied with possible other requirements.</p> <p>Back to Top</p>									
Prepayment Penalty	<p>Regulation Z covered loans are not subject to a Prepayment Penalty. Loans not subject to Regulation Z are subject to a Prepayment Penalty. Consult your Account Executive should you have questions related to Regulation Z applicability to a particular loan transaction or scenario.</p> <p>Back to Top</p>									
Property Types	<p>Eligible:</p> <ul style="list-style-type: none"> • Detached SFRs • Attached PUDs • Detached PUDs • All condominiums as long as they meet LBS requirements • Properties in excess of 5 acres – Contact your Account Executive. • 2-4 Units¹ <ol style="list-style-type: none"> 1. 2-4 units are not allowed for second homes. <p>Ineligible:</p> <ul style="list-style-type: none"> • Non-warrantable Condos • Dome homes or other similarly unusual types of construction • Manufactured Homes • Condotels • Working farms, ranches, orchards and/or commercial operations • Properties with Deed Restrictions • Leased Land • Properties used for business/commercial purposes. • Properties damaged by waste, fire, earthquake, flood • Properties exposed to toxic or hazardous waste. • Any property considered an over or under improved for the area. • Tenancy in Common or Cooperative • Investment properties are not eligible for financing in resort areas <p>Back to Top</p>									

<p>Properties Listed for Sale</p>	<p>If the subject property is currently listed for sale the loan is not eligible for a rate/term refinance or a cash-out refinance. Properties listed for sale within the past 12 months are not eligible for cash-out transactions. Properties that were listed for sale and taken off the market within the past 180 days are eligible for a rate/ term refinance as follows:</p> <ul style="list-style-type: none"> • Properties that were listed for sale must have been taken off the market on or before the application date. • Every effort should be made to verify the property is no longer listed for sale and the underwriter should give additional scrutiny to these transactions to ensure that refinancing the loan provides a benefit to applicant. <p>Back to Top</p>
<p>Ratios/Qualifying Rate</p>	<p>Housing and Total Debt-to-Income ratios are as follow:</p> <p>1-4 Family Owner Occupied – 45%</p> <p>1-4 Investor Owned Residential Real Estate Property - 40.</p> <p>Paying off of revolving debt to avoid including the debt in debt ratios is not permitted.</p> <ul style="list-style-type: none"> • Qualified at fully amortizing payment. Qualifying rate is the greater of start rate or fully indexed rate. • Interest-Only loans – Refer to Interest Only Section • In order to exclude installment debt from qualifying debt obligations, installment debt may be paid down to less than 10 months of payments. • In the absence of a stated payment, 5% of the outstanding balance will be considered to be the required monthly payment. Payments of less than \$10 need not be considered. • The Bank will not include a payment where the applicant co-signed for a third party on a loan if there is verification via 6 months canceled checks that the other party makes the payments. The account must be rated as agreed on the credit report, if not, the payment will be included. • Non-Occupant Co-Borrowers are allowed to use blended ratios • Business loans on the personal credit report are used unless it is shown on the business tax returns and 6 months canceled checks are provided by the business. <p>Back to Top</p>

Refinance - Rate & Term	<p>A rate and term refinance is a new mortgage loan that pays off in full the sum of the existing loan(s). It is acceptable to include:</p> <p>Closing costs, discount points, prepayment penalties, and any prepaid items, such as hazard insurance and property taxes for the current year, as part of the transaction.</p> <p>Unpaid principal balance of an existing first lien and/or subordinate liens (closed-end seconds, HELOCs, and home improvement seconds) which are more than one year old or if subordinating. If paying off a purchase 2nd HELOC, there cannot be any draws in the past 12 months.</p> <p>Buyouts of an ex-spouse or joint owner may be treated as a rate/term refinance if the following conditions are met:</p> <ul style="list-style-type: none"> • The property has been owned and occupied for the previous 12 months by the applicant and joint owner, except in the case of an inheritance. The file contains documentation of the divorce property settlement or estate disposition. • The loan proceeds must be disbursed directly to the ex-spouse or joint owner (or his/her authorized agent) and not to the applicant. The disbursement to the ex-spouse or joint owner must be reflected on the HUD I. <p>The inclusion of any delinquent property taxes or HOA dues in the loan amount is not allowed on a rate and term refinance.</p> <p>Other than payment of the first and second liens and closing costs, incidental cash back may not exceed the lesser of 1% of the principal amount of the new mortgage or \$10,000.</p> <p>Back to Top</p>
Refinance - Cash-out	<p>A cash-out refinance involves a new mortgage loan in which the cash back exceeds the lesser of 1% of the new mortgage principal balance or \$10,000 and is used to pay off the unpaid principal balance of the existing first mortgage and the amount required to satisfy any outstanding subordinate mortgage liens, no matter how old. Any additional cash back received may be used by the applicants for any purpose. A statement from the applicant(s) disclosing the purpose for the cash out is required.</p> <p>It is acceptable to include closing costs, discount points, prepayment penalties, and any prepaid items, such as hazard insurance and property taxes (current and previous year), as part of the transaction.</p> <p>Maximum cash back may not exceed \$300,000 on Investment properties. All cash out transactions are subject to RESPA, Regulation Z and mortgage compensation requirements.</p> <p>Back to Top</p>
Rent Loss Insurance	<p>If the subject property is a 1-4 unit, rent loss insurance is required. This insurance covers the applicant(s) for rental income losses incurred when the property is rendered un-rentable due to a direct physical loss, such as a fire. Coverage must be equal to a minimum of six months of gross monthly rent, and must be maintained as long as the mortgage is outstanding. The six months coverage is calculated based on the income provided by the appraiser on the rental survey.</p> <p>Back to Top</p>

Rental Survey

Rental surveys are used as an underwriting tool as defined throughout the matrix. If a rental survey is required, please follow these instructions:

- Include the fee for the rental survey in the good faith estimate and applicable disclosures
- The Rent Survey must include exterior photos of the subject property and each of the comps.
- The survey must be ordered through the following appraisal companies:

California
PACIFIC APPRAISERS
 888-887-7715 (toll free)
 831-465-6518 (main number)
 408-516-5500 (Fax)
commercial@pacificappraisers.com (email)
www.pacificappraisers.com (Website)

All other States
SOLIDIFI
P: 847.486.1250
M: 847.274.6118
F: 312.268.5801
E: mangarola@solidifi.com
<http://www.solidifi.com/>

California
APPRAISAL SOLUTIONS AND PRODUCTS (ASAP)
 1045 West Katella Ave. Suite 250
 Orange, CA 92867
 Phone (714) 532-5950
<http://www.reappraisal.com/> (Website)

Please note ASAP is not the Bank's AMC. Only rental surveys may be ordered directly from ASAP and not appraisals.

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Interested Party Contributions	Occupancy	LTV	Maximum IP Contributions
	Owner Occupied or Second Home	All LTV's	3%
	Investment	All LTV's	None
<p>Interested Party Contributions are costs paid by a party who has a financial interest in, or an influence on the terms of the sale. IPC's that exceed these limits are considered sales concessions and will adjust the sales price downward for underwriting purpose. If the applicant is receiving a real estate commission, it is included as an IPC.</p> <p>Seller/interested party contributions cannot be applied to the applicant's minimum down payment requirement</p> <p>Back to Top</p>			

Source of Funds	<p>Unacceptable source of funds include:</p> <ul style="list-style-type: none"> • Personal or unsecured loan/line of credit • Gifts that require full or partial repayment • Cash advance from a revolving credit card • Cash on hand • Unverified stated value of non-publicly traded stocks <p>Back to Top</p>
Subordinate Financing	<p>Please refer to rate sheet for maximum combined loan-to-value (CLTV). The following requirements apply to 80/10/10 transactions:</p> <ul style="list-style-type: none"> • Departing residence may not be retained by borrower • Purchase transactions only • Interest only option not available • 30 year maximum amortization <p>The following requirements apply to subordinate financing on all loans:</p> <ul style="list-style-type: none"> • Cash out refinance does not allow subordinate financing. • Qualifications based on Ability to Repay Requirements. • Refer to Account Executive for any further clarifications. <p>Back to Top</p>
Temporary Buy Downs	<p>Not Allowed.</p> <p>Back to Top</p>
Title And Escrow Documentation	<p>Short Form Policies are acceptable on refinance transactions.</p> <p>The preliminary title report must reflect a minimum 24 month title history.</p> <p>Short Sale and For Sale by Owner transactions require 10 year chain of title</p> <p>Broker must have no ownership in the settlement agent business.</p> <p>Loan documents may not be delivered by broker. Documents must be signed in the presence of escrow officer or title officer, or by a notary designated by same.</p> <p>Back to Top</p>
Trusts	<p>Revocable Trusts are allowed. Luther Burbank Savings trust certification required.</p> <p>Back to Top</p>
Underwriting	<p>Loans must meet all Luther Burbank Savings Guidelines. If policy is silent defer to Fannie Mae/Freddie Mac guidelines. DU automated underwriting is not acceptable.</p> <p>Back to Top</p>