



OAKTREE FUNDING

CORP.

FHA Secure Loan

The FHA Secure initiative was originally designed to permit homeowners, who previous to the reset of their conventional ARM demonstrated an ability to meet their mortgage obligations, an opportunity to refinance into an FHA insured mortgage. It has since been expanded to include delinquencies as a result of extenuating circumstances. An extenuating circumstance is an event that occurred out of the borrowers control that significantly reduced income and/or increased expenses and rendered the borrower unable to repay obligations as agreed, but will not further hinder the borrowers ability to make the payment on the new FHA mortgage. Examples of extenuating circumstances include but are limited to: death of principle wage earner, extended illness that caused a loss of wages or increased expenses as a result of medical bills from a long term illness, etc.

This initiative is effective with loan applications dated through 12/31/08 and can be used for delinquent mortgages as well as non-delinquent mortgage loans and loans with subordinate financing. If utilizing the non-delinquent option the first mortgage loan being refinanced must be a conventional fixed rate or adjustable rate mortgage. If utilizing the delinquent option the mortgage being refinanced must be a conventional ARM.

LOAN PRODUCT AND TERM

- 30 Year Fixed Rate FHA Loan
- FHA Secure is only available with a 30-year amortization

LOAN PURPOSE

- Rate/Term Refinance

OCCUPANCY

- Primary residence

DU AND LP

All loans must be submitted to FHA's TOTAL Mortgage Scorecard.

FICO REQUIREMENTS

All loans must be submitted to FHA's TOTAL Mortgage Scorecard.

The following credit score overlays apply* to all FHA transactions except loans utilizing non-traditional credit sources:

- All AUS Loans with an Approve/Accept Recommendation: Minimum credit score is 550.
 - All Manually Underwritten Loans or having other than Approve/Accept: Minimum credit score is 580.

ELIGIBILITY CRITERIA

- The "Conventional-Delinquent" mortgage being refinanced must be a non-FHA ARM that has reset and that has become delinquent due to the reset or extenuating circumstance. For Interest only and/or Payment Option Arms must be current for 6 months prior to the rate reset
- The "Conventional-Non-Delinquent" mortgage being refinanced can be a Conventional Fixed Rate or ARM.
- First mortgage being paid off must meet the following criteria:



OAKTREE FUNDING

CORP.

- Subject property must be a Single Family (1-4 unit), owner occupied Primary Residence.
- First mortgage may include existing first lien, purchase money second, closing costs, prepaid expenses, discount points, late charges, mortgage payment arrearages, prepayment penalties and other costs, up to the FHA maximum LTV's and geographic limits. Mortgage may not be used to payoff non-property related obligations such as credit card debt and auto loans. These transactions are being treated as a rate-term refinance and the customer may not receive more than \$500 back at closing.
- Oaktree Funding requires there be a tangible benefit to the borrower such as a reduction in monthly housing expense, etc. and the underwriter should note this on the MCAW.

SUBORDINATE FINANCING

- New subordinate financing is allowed. A monthly payment must be included in the ratios unless payments are deferred more than 36 months after closing. Qualifying ratios must not exceed 31/43. Exceptions are not permitted. The FHASecure Initiative guidelines do not have a maximum CLTV as long as all other FHA guidelines are followed.
- Existing subordinate financing may be re-subordinated at closing. A monthly payment must be included in the ratios unless payments are deferred more than 36 months after closing. Qualifying ratios must not exceed 31/43. The FHASecure Initiative guidelines do not have a maximum CLTV as long as all other FHA guidelines are followed.

- **Subordinate financing must meet the following guidelines:**

The terms of the subordinate liens must not provide for a balloon payment before 10 years, unless the property is sold or refinanced;

The terms must permit prepayment by the borrower, without penalty, after giving 30 days advance notice;

The required monthly payment for the new FHA-insured mortgage and the subordinate lien(s)-regardless of when payments begin—plus other housing expenses and all recurring charges, cannot exceed the borrowers reasonable ability to pay; and

Any periodic payments due on the subordinate lien(s) are due monthly and are essentially the same in dollar amount.