

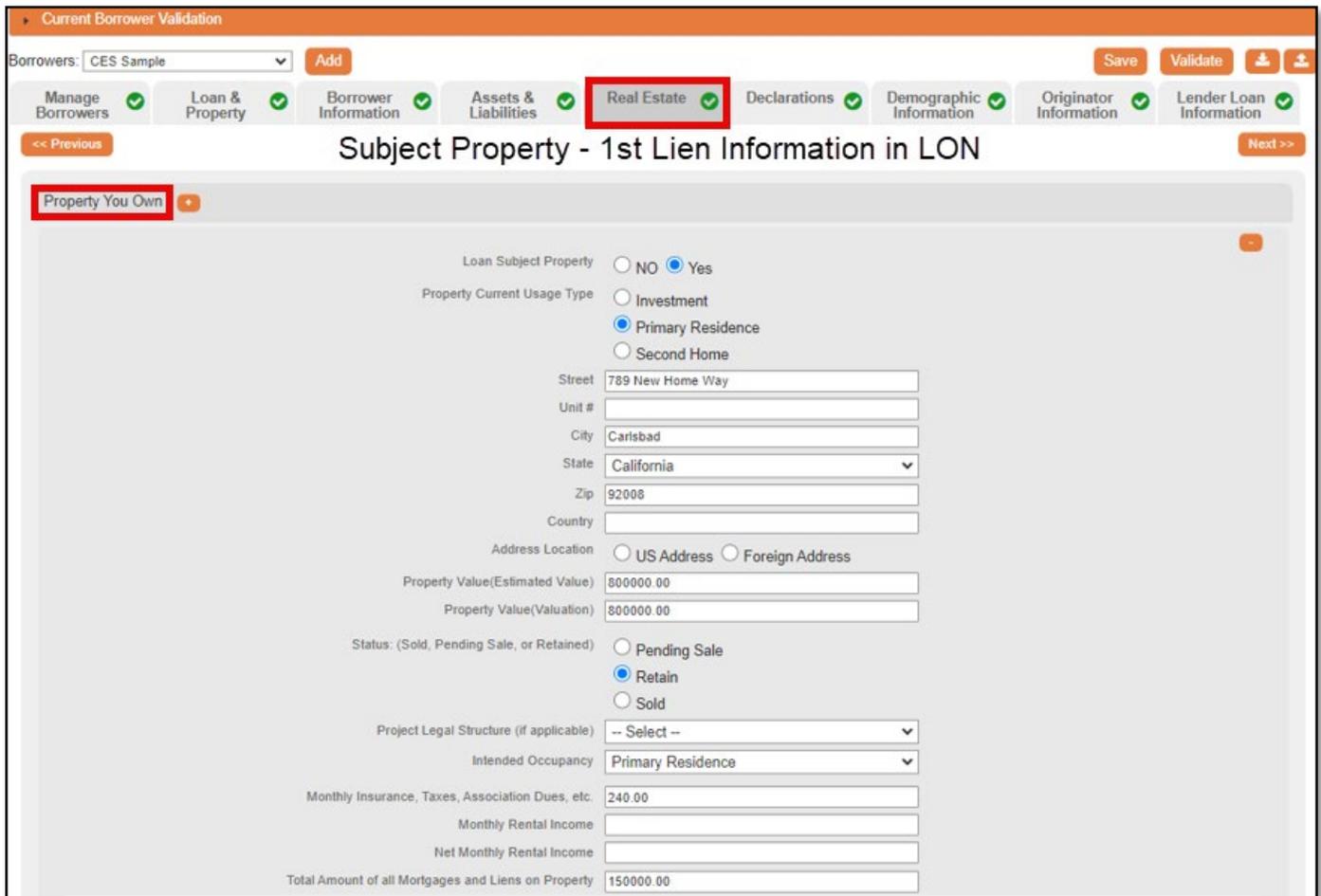
## Introduction

This Closed End Second (CES) - Quick Guide is meant to provide details to assist in the accurate submission of CES loans in the ClearEdge Lending LON system.

### LON Requirements for Closed End Second loan submissions

#### LON Real Estate Tab:

- **Property You Own** section to have all applicable fields fully complete



The screenshot displays the 'Current Borrower Validation' interface. At the top, there is a navigation bar with tabs for 'Manage Borrowers', 'Loan & Property', 'Borrower Information', 'Assets & Liabilities', 'Real Estate', 'Declarations', 'Demographic Information', 'Originator Information', and 'Lender Loan Information'. The 'Real Estate' tab is highlighted with a red box. Below the navigation bar, the title 'Subject Property - 1st Lien Information in LON' is centered. Underneath, the 'Property You Own' section is expanded and highlighted with a red box. This section contains the following fields and options:

- Loan Subject Property:  NO  Yes
- Property Current Usage Type:  Investment  Primary Residence  Second Home
- Street: 789 New Home Way
- Unit #: [Empty]
- City: Carlsbad
- State: California
- Zip: 92008
- Country: [Empty]
- Address Location:  US Address  Foreign Address
- Property Value(Estimated Value): 800000.00
- Property Value(Valuation): 800000.00
- Status: (Sold, Pending Sale, or Retained)  Pending Sale  Retain  Sold
- Project Legal Structure (if applicable): -- Select --
- Intended Occupancy: Primary Residence
- Monthly Insurance, Taxes, Association Dues, etc.: 240.00
- Monthly Rental Income: [Empty]
- Net Monthly Rental Income: [Empty]
- Total Amount of all Mortgages and Liens on Property: 150000.00

- **Mortgages** section to have all applicable fields fully complete and must reflect the following:
  - **Monthly Mortgage Payment**
  - **Unpaid Balance**

Mortgages +

Associated with borrower  CES Sample

Does liability payment includes taxes and insurance?  NO  Yes

Creditor Name

Account Number

Liability Type  HELOC  Mortgage Loan

Monthly Mortgage Payment

Unpaid Balance

Type  FHA  Non-FHA

To Be Paid Off At Closing  NO  Yes

Credit Limit

Omit from liabilities calculation  NO  Yes

Will be re-subordinated to the subject loan after closing  NO  Yes

- **To Be Paid Off At Closing** should always reflect **NO**

Mortgages +

Associated with borrower

Does liability payment includes taxes and insurance?  NO  Yes

Creditor Name

Account Number

Liability Type  HELOC  Mortgage Loan

Monthly Mortgage Payment

Unpaid Balance

Type  FHA  Non-FHA

To Be Paid Off At Closing  NO  Yes

Credit Limit

Omit from liabilities calculation  NO  Yes

Will be re-subordinated to the subject loan after closing  NO  Yes

## Lender Loan Information Tab:

- Mortgage Loan Information section –
  - Mortgage Lien Type must reflect **Second Lien**

The screenshot shows the 'Current Borrower Validation' interface. At the top, there are navigation tabs: Manage Borrowers, Loan & Property, Borrower Information, Assets & Liabilities, Real Estate, Declarations, Demographic Information, Originator Information, and Lender Loan Information. The 'Lender Loan Information' tab is selected and highlighted with a red box. Below the tabs, there is a 'Mortgage Loan Information' section. The 'Mortgage Lien Type' field is highlighted with a red box and shows 'Second Lien' selected with a radio button. Other fields include Mortgage Type Applied For (Conventional), Note Rate (7.2500), Loan Term (Months) (360), Amortization Type (Fixed), Balloon (NO), Interest Only (NO), Negative Amortization (NO), Prepayment Penalty (NO), Temporary Interest Rate Buydown (NO), Loan Program Description, HMDA Rate Spread (0.00), HMDA HOEPA Status (NO), Community Lending Product (-- Select --), Community Seconds Repayment Structure (-- Select --), and LPA Program Identifier (CHOICE Home, CHOICE Renovation, Community Land Trust).

### TIPS to properly set up the loan in your LOS so that it populates accurately in LON:

- 1) Add the Mortgage Liability for the 1<sup>st</sup> Lien Loan
- 2) Make sure the Mortgage Liability includes the Unpaid Balance for the 1<sup>st</sup> Lien Loan
- 3) Add the REO for the 1<sup>st</sup> Lien Loan
- 4) Make sure the Mortgage Liability for the 1<sup>st</sup> Lien Loan is linked to the REO for the 1<sup>st</sup> Lien Loan
- 5) These things can all be updated in LON **Validate 1003** screen, **PRIOR** to creating the Loan
- 6) If **1<sup>st</sup> Lien Loan Amount** field on the **Select Program** screen is grayed out stop and reach out for assistance, this will require a resubmission.

The screenshot shows a text input field labeled '1st Lien Loan Amount'. The field is grayed out and contains a dollar sign (\$) followed by a blank space.

## Select Program:

- **Lien Position** must reflect **Second** (carries over from **Lender Loan Information** tab)
- **Important:**
  - If a MISMO 3.4 reflects 1<sup>st</sup> Lien and it does not get changed to 2<sup>nd</sup> Lien on the **Lender Loan Information** tab, loan cannot be fixed and must be cancelled and started over.
- **Reasoning:**
  - The incorrect data will be fired into our back end system and all the Closed End Second programming will not apply properly, causing issues within the file.
- **Update:**
  - The 1<sup>st</sup> Mtg Amount is greyed out in Select Program screen. The user must enter mortgage properly in LON 1003 Real Estate tab in the Mortgages section, in order for 1<sup>st</sup> Mtg to flow to Pricing Screen as required. (See previous slides for details/screenshots)

The screenshot displays the 'Loan Scenario' form with the following fields and values:

- Lien position:** Radio buttons for 'First' and 'Second', with 'Second' selected.
- Product Type:** Radio buttons for 'Non-QM', 'Jumbo', and 'Agency', with 'Non-QM' selected.
- Doc Type:** A dropdown menu showing '-- Select --'.
- Self-Employed Income Used to Qualify?:** Radio buttons for 'No' and 'Yes', with 'No' selected.
- Self-Employed Definition:** A button labeled 'Self-Employed Definition'.
- Loan term:** A dropdown menu showing '30 Year'.
- Amortization:** Checkboxes for 'Fixed' (checked) and 'ARM'.
- Transaction type:** A dropdown menu showing 'Refinance'.
- Purpose of refinance:** A dropdown menu showing 'Rate/Term'.
- Property value:** A text input field containing '1000000'.
- LTV:** A text input field containing '50.000'.
- Loan amount:** A text input field containing '500000'.
- 1st Mtg Amount:** A text input field containing '200000', which is greyed out.
- 1st Lien Note Rate:** An empty text input field.
- CLTV:** A text input field containing '70.000'.
- Est. credit score:** An empty text input field.
- Qualifying Score info:** A button labeled 'Qualifying Score info'.

## Select Program & Clear Pricer screens:

### Non DSCR Pricing Screen Example

Rate	30 Day Price	Rebate/Discount	P&I	Exception
<b>Closed End 2nd Prime Connect 30 Year Fixed - Wholesale ⓘ</b>				
7.250	98.518 ✓	\$1,852	\$852	
7.375	98.917 ✓	\$1,353	\$863	
7.500	99.320 ✓	\$850	\$874	
7.625	99.822 ✓	\$222	\$884	
7.750	100.218 ✓	(\$272)	\$895	
7.875	100.614 ✓	(\$767)	\$906	
8.000	101.010 ✓	(\$1,262)	\$917	
8.125	101.405 ✓	(\$1,756)	\$928	
8.250	101.778 ✓	(\$2,222)	\$939	
<b>Prime Connect 30 Year Fixed - Wholesale Ineligible ⓘ</b>				
<b>Plus Connect 30 Year Fixed - Wholesale Ineligible ⓘ</b>				
<b>Investor Connect 30 Year Fixed - Wholesale Ineligible ⓘ</b>				
<b>Investor Premier 30 Year Fixed - Wholesale Ineligible ⓘ</b>				
<b>Plus Connect Flex 30 Year Fixed - Wholesale Ineligible ⓘ</b>				

Pricing Snapshot		
<b>Program Name:</b>	Closed End 2nd Prime Connect 30 Year Fixed - Wholesale	
<b>Comp Source:</b>	BorrowerPaid	
<b>Lock Term:</b>	30 Day	
<b>Amortization:</b>	Fixed	
<b>P&amp;I Payment:</b>	895	
<b>Applied lender credit:</b>	\$272	

	Rate	Price
Base	7.750	99.468

Adjustments	Rate	Price
CES Connect   FICO/LTV LLPA (Full Doc)		2.375
CES Connect   Investment Property LLPA		-1.750
CES Connect   1st Lien Note Rate LLPA		0.125

	Rate	Price
Final	7.750	100.218

[Continue](#)

### DSCR Pricing Screen Example

Rate	30 Day Price	Rebate/Discount	P&I	Exception
<b>Closed End 2nd Investor Connect 30 Year Fixed - Wholesale ⓘ</b>				
8.125	96.343 ✓	\$4,571	\$928	
8.250	96.739 ✓	\$4,076	\$939	
8.375	97.135 ✓	\$3,581	\$950	
8.500	97.530 ✓	\$3,087	\$961	
8.625	97.903 ✓	\$2,621	\$972	
8.750	98.276 ✓	\$2,155	\$983	
8.875	98.651 ✓	\$1,686	\$994	
9.000	99.026 ✓	\$1,217	\$1,005	
9.125	99.401 ✓	\$748	\$1,017	
9.250	99.775 ✓	\$281	\$1,028	
9.375	100.149 ✓	(\$186)	\$1,039	
9.500	100.522 ✓	(\$652)	\$1,051	
9.625	100.887 ✓	(\$1,108)	\$1,062	
9.750	101.251 ✓	(\$1,563)	\$1,073	

Pricing Snapshot		
<b>Program Name:</b>	Closed End 2nd Investor Connect 30 Year Fixed - Wholesale	
<b>Comp Source:</b>	BorrowerPaid	
<b>Lock Term:</b>	30 Day	
<b>Amortization:</b>	Fixed	
<b>P&amp;I Payment:</b>	1039	
<b>Applied lender credit:</b>	\$186	

	Rate	Price
Base	9.375	103.274

Adjustments	Rate	Price
CES Connect   1st Lien Note Rate LLPA		0.125
CES Connect   FICO/LTV LLPA (Alt Doc/DSCR)		1.000
CES Connect   DSCR >= 1.25 LLPA		-4.250

	Rate	Price
Final	9.375	100.149

[Continue](#)

## LON Submission Documents:

2 additional conditions will be needed at time of Full Submission. Those conditions are as follows:

- **Document Type -**
  - **Subject Property -**
    - Current 1<sup>st</sup> Lien Mortgage Statement
    - Current 1<sup>st</sup> Lien Note

◀ Edit 1003   ▶ Select Program   ▶ Submission Package   ▶ Submit Loan

### Submission Documents

Below is a list of required documents for loan submission:

1. Select the desired document to upload.
2. Click **Browse** to locate document or **Drag and Drop** your file in the box below
3. Click **Upload**

Select a submission package:

Document Type	Description	Required
<input type="checkbox"/> 1003 (eDisclosure)	Initial 1003 Signed by Loan Originator, must contain NMLS ID and be dated within 24 hours of submission.	<b>Required</b>
<input type="checkbox"/> Settlement Statement	Broker Fee Sheet or Estimated Closing Statement. Must list escrow, title and broker fees. Broker Loan Estimate not acceptable.	<b>Required</b>
<input type="checkbox"/> Credit	See Submission Checklist for age of credit report requirements.	<b>Required</b>
<input type="checkbox"/> Income	Full Doc and Express Doc: Upload all supporting documents to include tax returns, paystubs, 1099 (if applicable) etc.	<b>Required</b>
<input type="checkbox"/> Assets	See Submission Checklist for Asset requirements.	<b>Required</b>
<input type="checkbox"/> Subject Property	Current 1st Lien Mortgage Statement	<b>Required</b>
<input type="checkbox"/> Subject Property	Current 1st Lien Note	<b>Required</b>
<input type="checkbox"/> Disclosures - State	Upload any additional state specific disclosures required to be provided by broker.	Optional

**Browse** Drag & Drop Files

**Upload**

Note: only files of type pdf, doc, docx, txt, tif, jpg, jpeg and jpe are supported. Max file size = 200MB.

**Package Definitions:**

- **Skinny Package:** Minimum requirements to issue Lender Initial Disclosures
- **Full Package:** Skinny requirements + documents required for underwriting

**Initial Signed 1003:**  
Must be signed by Loan Officer and application dated within 24 hours of submission

## Valuation:

### HPML – Full appraisal

#### Non-HPML – Loan amount <=\$400k

- AVM w/90% confidence factor and Property Condition Inspection (borrower responsible for the PCR fee)
- Full Appraisal required when AVM has less than 90% Confidence Factor.

#### Non-HPML – Loan amount >\$400k

- Full appraisal

Transfer appraisals are allowed

### Ordering Process:

- LAM to order AVM after disclosures and add correct appraisal condition (AVM fee covered by CEL)
- When applicable, LAM to order Property Condition Inspection (PCI) to obtain the Property Condition Report (PCR) Via ClearCapital website (quick guide available with ordering instructions)

### Intent to Proceed:

- ITP required: Primary/Secondary Residence prior to ordering AVM
- ITP not required: on any Investment Properties

**Note:** Desk Review not required on CES

## Important Notes:

- Lender Paid Compensation is not allowed.
- IN, KS, MI, SC, WA: Interest will be calculated based off a 365 Day calendar (versus 360)
- All Investment Properties will be considered Business Purpose
  - RESPA docs will not be issued for Investor Connect or Prime Connect **Investment** properties

## Disclosures Miscellaneous:

- Fees will be different in 2015 Itemization screen:
  - Tax and Flood Fees have been included in the CEL Lender Fee
- **Wholesale & Non-Delegated Fees:**
  - UW Fee: \$1095 (except NJ or NC)
  - Application Fee (NJ): \$1095
  - Loan Origination Fee (NC): \$1095

## Wholesale Product Names:

### Investor Connect:

- Closed End 2nd Investor Connect 10 Year Fixed – Wholesale
- Closed End 2nd Investor Connect 15 Year Fixed – Wholesale
- Closed End 2nd Investor Connect 20 Year Fixed – Wholesale
- Closed End 2nd Investor Connect 30 Year Fixed – Wholesale

### Prime Connect:

- Closed End 2nd Prime Connect 10 Year Fixed – Wholesale
- Closed End 2nd Prime Connect 15 Year Fixed – Wholesale
- Closed End 2nd Prime Connect 20 Year Fixed – Wholesale
- Closed End 2nd Prime Connect 30 Year Fixed – Wholesale

## Non-Del Product Names:

### Investor Connect:

- Closed End 2nd Investor Connect 10 Year Fixed - Non Del
- Closed End 2nd Investor Connect 15 Year Fixed - Non Del
- Closed End 2nd Investor Connect 20 Year Fixed - Non Del
- Closed End 2nd Investor Connect 30 Year Fixed - Non Del

## Prime Connect:

- Closed End 2nd Prime Connect 10 Year Fixed - Non Del
- Closed End 2nd Prime Connect 15 Year Fixed - Non Del
- Closed End 2nd Prime Connect 20 Year Fixed - Non Del
- Closed End 2nd Prime Connect 30 Year Fixed - Non Del

## Non-Del Requirements:

For Non-Del the following Closing Doc Plan Codes will be utilized:

ICE Plan Code ID	Description	Investor Plan Code ID
11130132	Closed End Second 10-30 Year	SGPCES
11130133	Closed End Second 10-30 Year DSCR – Standard PPP	SGPCESDSCRSP
11130134	Closed End Second 10-30 Year DSCR – Flat/Tiered PPP	SGPCESDSCRFTPP

- **Prime Connect Closed End Seconds:** Primary and Secondary Properties
  - Will use Closed End Second 10-30 Year Plan Code
- **Prime Connect Investment and Investor Connect Closed End Seconds:**
  - Will use Closed End Second 10-30 DSCR Year Plan Codes with all PPP options
  - **Note: Loan Agreement will not populate for Closed End Seconds (intentional)**