Closed End Second (CES)
Quick Guide

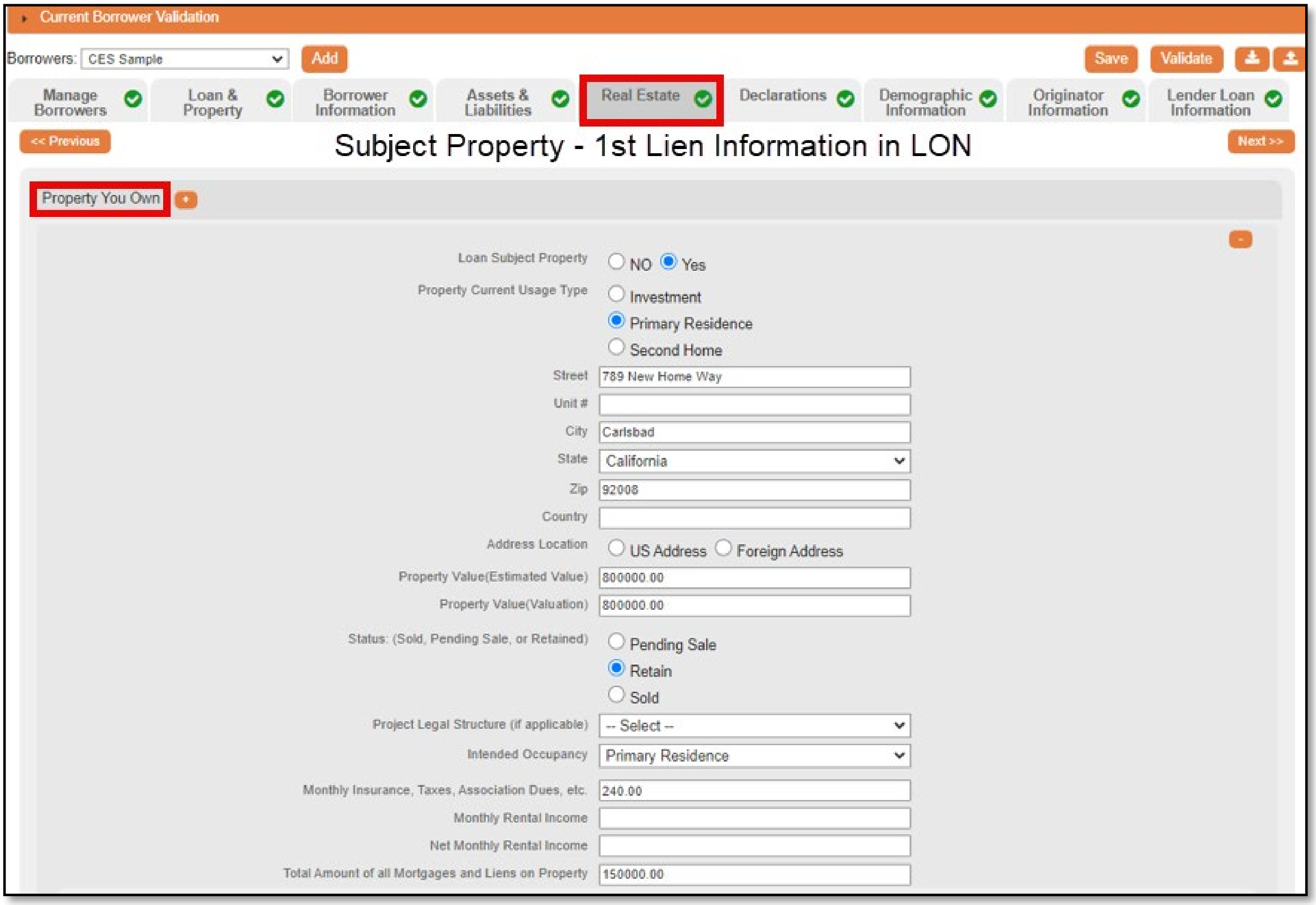
Introduction

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.

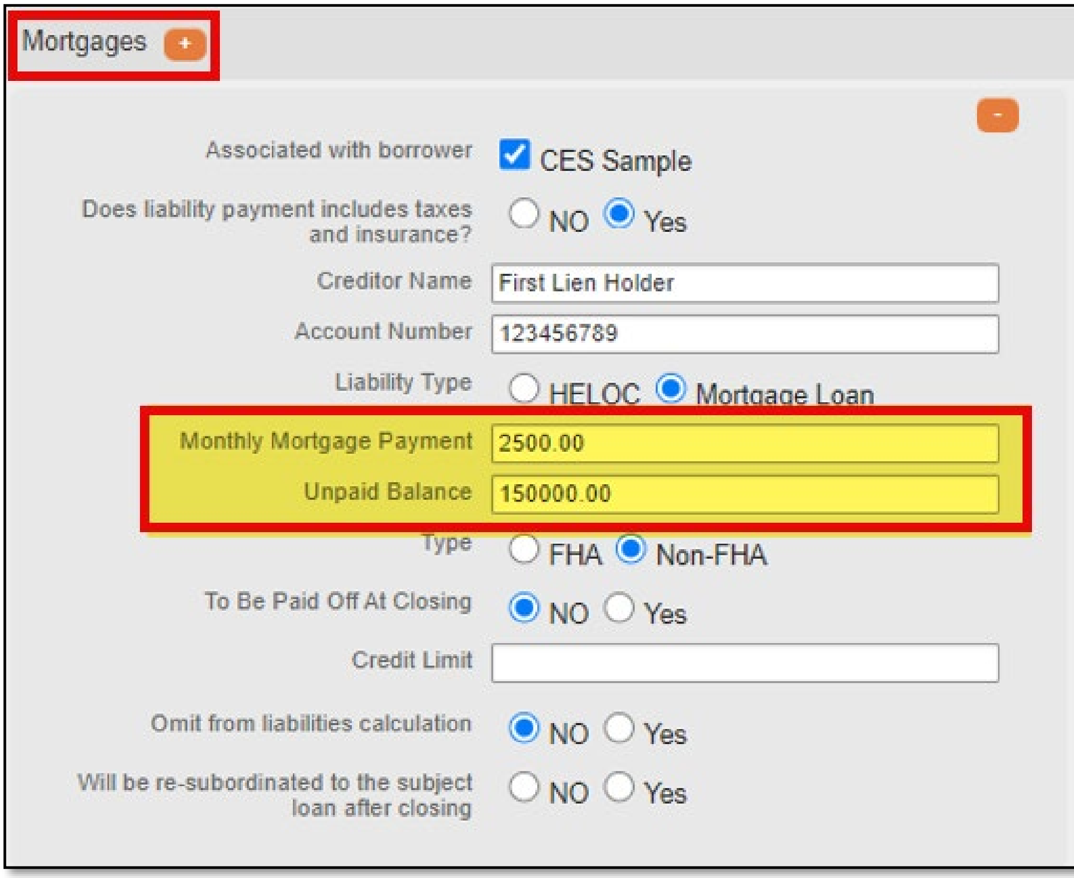
LON Requirements for Closed End Second loan submissions

LON Real Estate Tab:

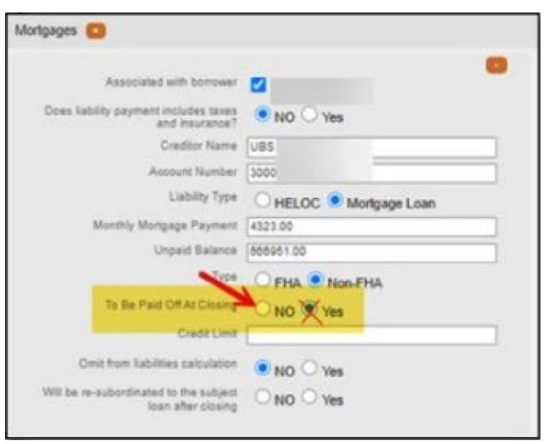
- **Property You Own** section to have all applicable fields fully complete



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

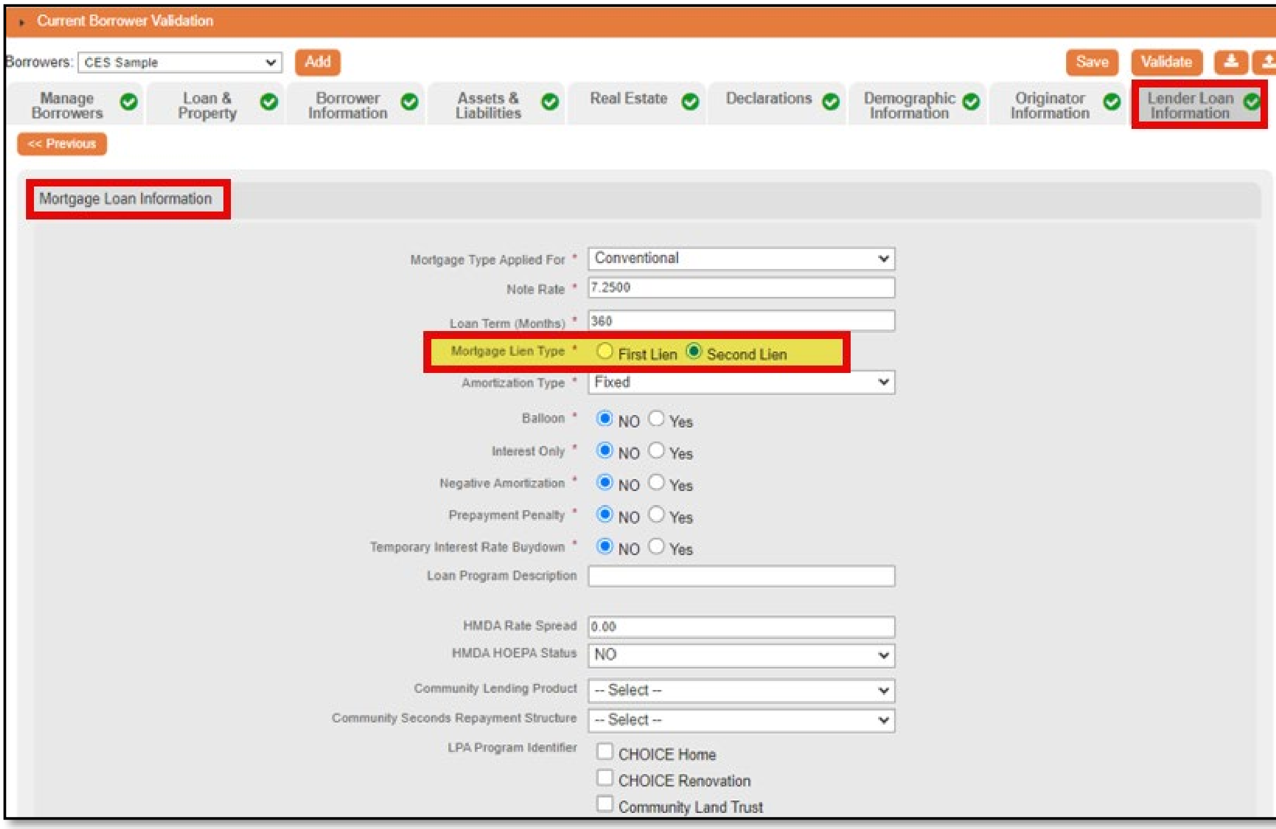


    - **To Be Paid Off At Closing** should always reflect **NO**



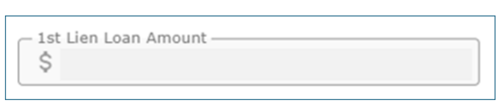
Lender Loan Information Tab:

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



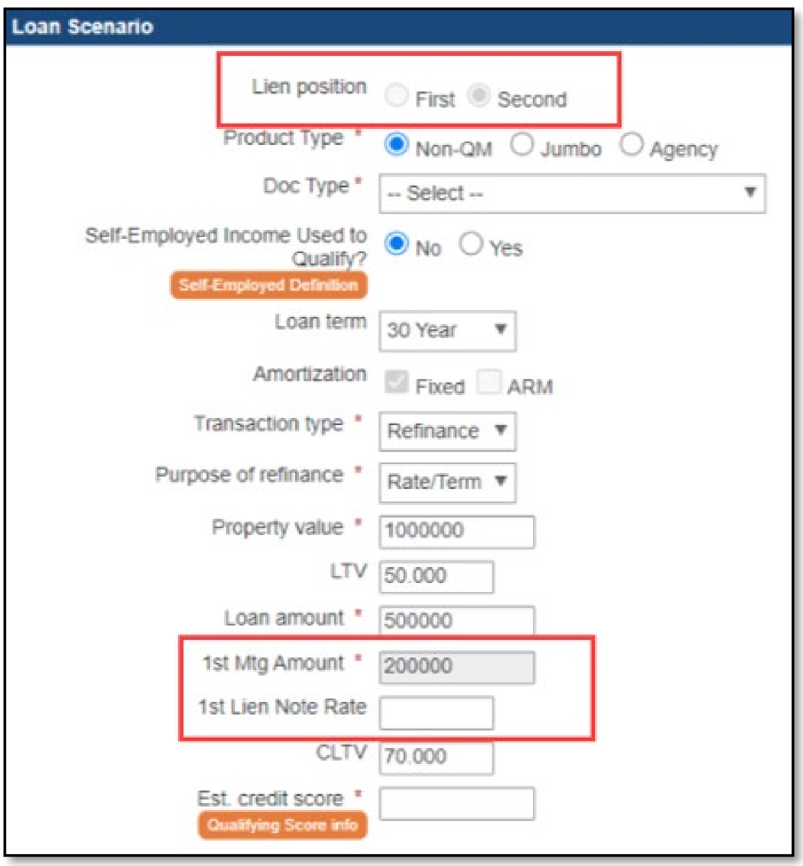
TIPS to properly set up the loan in your LOS so that it populates accurately in LON:

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



Select Program:

- **Lien Position** must reflect **Second** (carries over from **Lender Loan Information** tab)
- **Important**:
  - If a MISMO 3.4 reflects 1st Lien and it does not get changed to 2nd 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 1st 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 1st Mtg to flow to Pricing Screen as required. (See previous slides for details/screenshots)



Select Program & Clear Pricer screens:

Non DSCR Pricing Screen Example

Rate	30 Day Price	Rebate/ Discount	P&I
Closed End 2nd Prime Connect 30 Year Fixed - Wholesale			
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

Prime Connect 30 Year Fixed - Wholesale **Ineligible**

Plus Connect 30 Year Fixed - Wholesale **Ineligible**

Investor Connect 30 Year Fixed - Wholesale **Ineligible**

Investor Premier 30 Year Fixed - Wholesale **Ineligible**

Plus Connect Flex 30 Year Fixed - Wholesale **Ineligible**

Exception

Pricing Snapshot

Program Name: Closed End 2nd Prime Connect 30 Year Fixed - Wholesale
Comp Source: BorrowerPaid
Lock Term: 30 Day
Amortization: Fixed
P&I Payment: 895
Applied lender credit: $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
Closed End 2nd Investor Connect 30 Year Fixed - Wholesale			
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

Exception

Pricing Snapshot

Program Name: Closed End 2nd Investor Connect 30 Year Fixed - Wholesale
Comp Source: BorrowerPaid
Lock Term: 30 Day
Amortization: Fixed
P&I Payment: 1039
Applied lender credit: $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

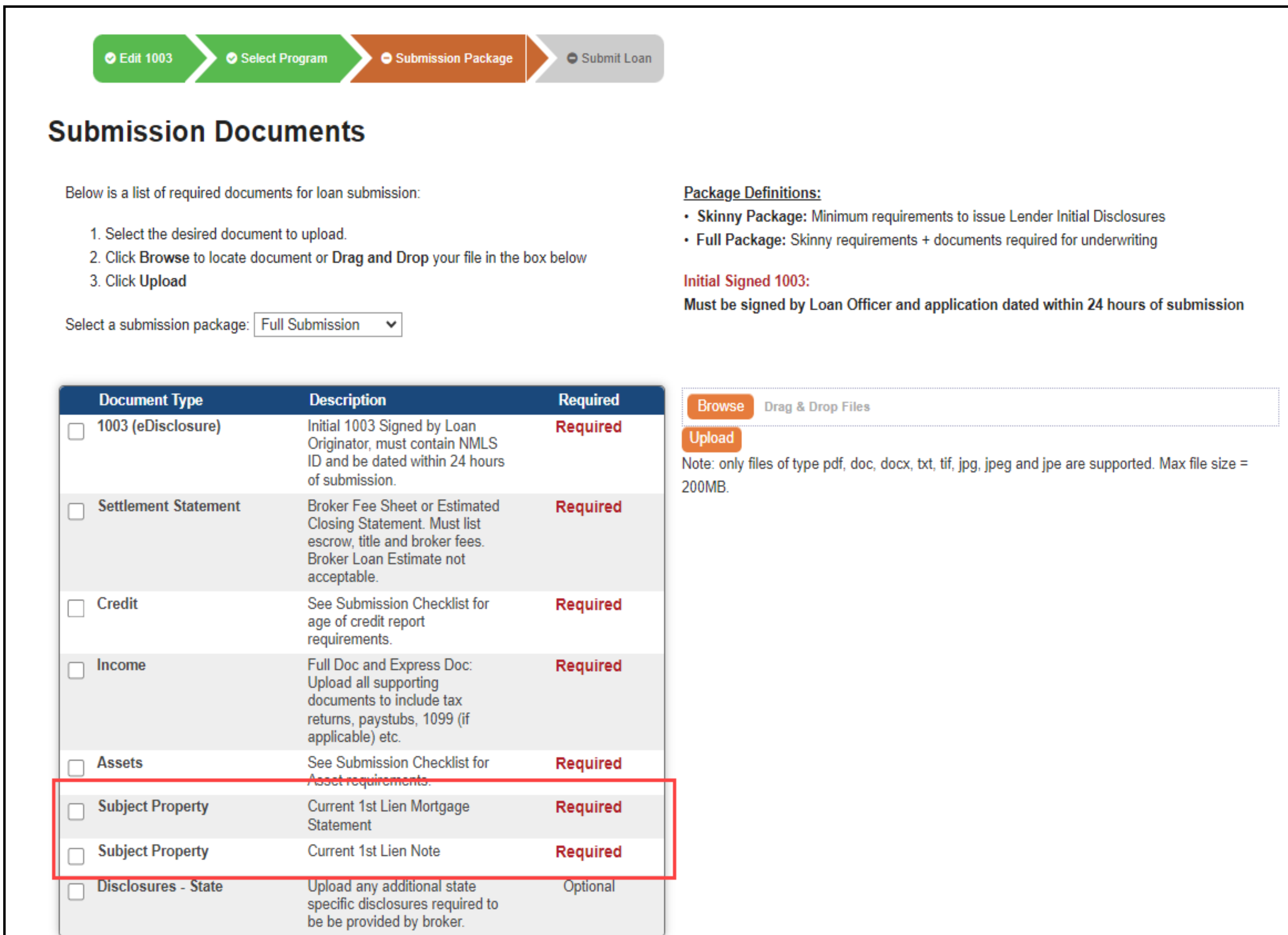
	Rate	Price
Final	9.375	100.149

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 1st Lien Mortgage Statement
    - Current 1st 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: Full Submission

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

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

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	SGCPCES
11130133	Closed End Second 10-30 Year DSCR – Standard PPP	SGCPCESDSCRSPP
11130134	Closed End Second 10-30 Year DSCR – Flat/Tiered PPP	SGCPCESDSCRFTPP

- **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)**