

Closed End Second (CES) Quick Guide

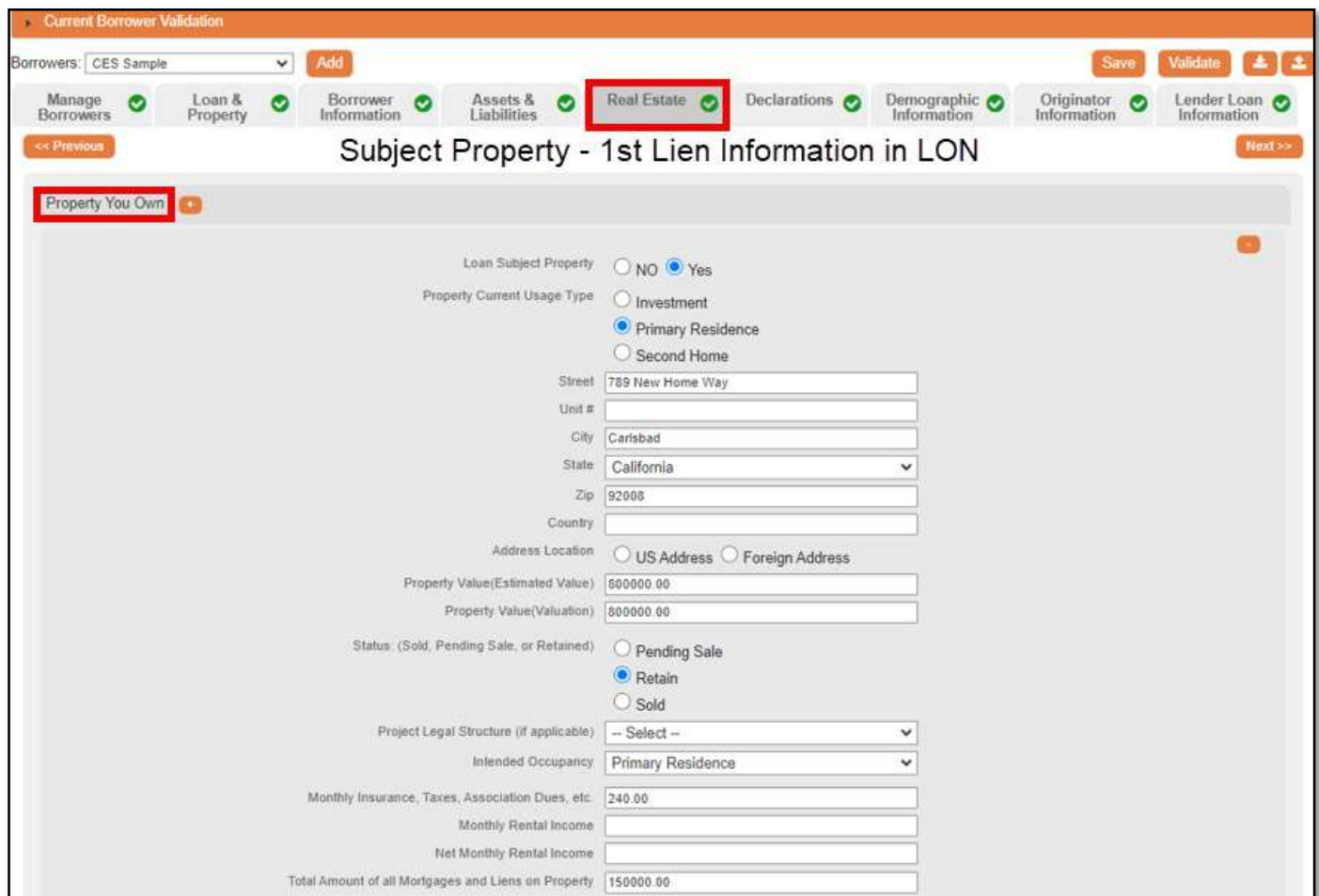
Introduction

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



Current Borrower Validation

Borrowers: CES Sample Add Save Validate Upload

Manage Borrowers ☒ Loan & Property ☒ Borrower Information ☒ Assets & Liabilities ☒ **Real Estate ☒** Declarations ☒ Demographic Information ☒ Originator Information ☒ Lender Loan Information ☒

<< Previous Subject Property - 1st Lien Information in LON Next >>

Property You Own +

Loan Subject Property ☐ NO ☒ Yes

Property Current Usage Type ☐ Investment ☒ Primary Residence ☐ Second Home

Street 789 New Home Way

Unit #

City Carlsbad

State California

Zip 92008

Country

Address Location ☐ US Address ☐ Foreign Address

Property Value(Estimated Value) 600000.00

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

Net Monthly Rental Income

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's a 'Borrowers' dropdown set to 'CES Sample' and an 'Add' button. Below this is a navigation bar with 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 navigation bar is a 'Mortgage Loan Information' section, also highlighted with a red box. This section contains several fields: 'Mortgage Type Applied For' (Conventional), 'Note Rate' (7.2500), 'Loan Term (Months)' (360), 'Mortgage Lien Type' (radio buttons for 'First Lien' and 'Second Lien', with 'Second Lien' selected and highlighted by a red box), 'Amortization Type' (Fixed), 'Balloon' (NO), 'Interest Only' (NO), 'Negative Amortization' (NO), 'Prepayment Penalty' (NO), 'Temporary Interest Rate Buydown' (NO), 'Loan Program Description' (text field), 'HMDA Rate Spread' (0.00), 'HMDA HOEPA Status' (NO), 'Community Lending Product' (Select --), 'Community Seconds Repayment Structure' (Select --), and 'LPA Program Identifier' (checkboxes for CHOICE Home, CHOICE Renovation, and 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 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.

The screenshot shows a text input field labeled '1st Lien Loan Amount'. The field is grayed out, indicating it is not editable. A dollar sign (\$) is visible in the input area.

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)

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

- Lien position:** Radio buttons for First and Second. The 'Second' button is selected and highlighted with a red box.
- Product Type:** Radio buttons for Non-QM, Jumbo, and Agency. 'Non-QM' is selected.
- Doc Type:** A dropdown menu showing '-- Select --'.
- Self-Employed Income Used to Qualify?:** Radio buttons for No and Yes. 'No' is selected.
- Self-Employed Definition:** A button labeled 'Self-Employed Definition'.
- Loan term:** A dropdown menu showing '30 Year'.
- Amortization:** Checkboxes for Fixed and ARM. 'Fixed' is checked.
- 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'. This field is greyed out and highlighted with a red box.
- 1st Lien Note Rate:** A text input field.
- CLTV:** A text input field containing '70.000'.
- Est. credit score:** A 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
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 ⓘ				

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	Exception
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	

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 1003Select ProgramSubmission PackageSubmit 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

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 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: \$1220 (except NJ or NC)
 - Application Fee (NJ): \$1220
 - Loan Origination Fee (NC): \$1220
 - Entity Review Fee (Except MO, NJ, PA, VA): \$300

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	SGCPCESDSCRSP
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)**