

Gap Financing: ARM Loans

Filling the gap between conforming and portfolio loans

Our Gap Adjustable Rate Mortgage (ARM) Loan programs are designed for borrowers with good credit scores who just miss qualifying for a conforming loan due to income, collateral or other issues. If your client has a FICO score above 700 but cannot qualify for a conforming loan, this loan can "fill the gap" between a conforming loan and our traditional portfolio loan.

Our Gap ARM Loans feature competitively priced rates with fixed terms from 1-, 3-, 5-, and 7-years (after which the rate is subject to change annually for the remaining term of the loan, which totals 30 years). With these programs, your client benefits from our flexible underwriting at pricing that is very close to conforming rates.

Flexible Underwriting

- ◆ **Insufficient down payment?** Cross-collateralize another property and use the Combined Loan-to-Value (CLTV) to finance 100% or more of a purchase.
- ◆ **Investor loan?** We have no minimum owner-occupancy ratio or maximum financed properties. We also allow for an entity to be on the Title or the Note: LLCs, Corporations, Partnerships, and Trusts accepted with a personal guarantor.
- ◆ **Need more money?** We lend up to \$5M. No cash out limits. Call for larger requests and more information.
- ◆ **Problems with the qualifying income?** Tell us the story behind the borrower's income or employment situation.
- ◆ **Non-conforming property?** We lend on legal non-conforming properties and properties with unusual zoning.
- ◆ **Property needs repairs?** We allow up to \$20,000 in repairs as long as the borrower can demonstrate that they have the resources for the repairs.

General Guidelines

- ◆ Choose your ARM term: 1-, 3-, 5-, or 7-year initial fixed rate period. Adjusts annually thereafter with maximum adjustment caps of 2.00% per year and 6.00% over the life of the loan.
- ◆ Adjustment index is the 1-year Treasury Bill rate.
- ◆ Fully amortized 30-year term with no prepayment penalty.

Program	740 FICO Score	700 FICO Score	Below 700 FICO Score
Maximum LTV for primary residence	80%	75%	Program not available
Maximum LTV for investors or second home	75%	70%	Program not available

- ◆ Maximum CLTV of 90% allowed.
- ◆ Not eligible: resort properties, condotels, lava zone 1 and 2 properties, properties in poor condition with repairs in excess of \$20,000, properties with unpermitted improvements, and agriculture-zoned properties 5 acres or more
- ◆ Property must be fee simple 1-4 units, located in Hawaii or Guam.
- ◆ Agricultural-zoned properties of 5 acres or more considered under standard ARM programs.



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