



*****This announcement has been updated to reflect the requirements of a “refreshed” credit report (not an “updated” credit report) no more than 5 business days prior to drawing documents (instead of loan funding), no tolerance on Additional Debt and maintenance of PCM Employee’s LDP/GSA data*****

PCM’S LOAN QUALITY INITIATIVE POLICY

In response to Fannie Mae’s Lender Letter 2010-03, Pinnacle Capital Mortgage Corporation is implementing the following guidelines and best practices to ensure compliance with the Loan Quality Initiative policies. The following guidelines are effective with all loan applications taken on or after June 1, 2010:

CONFORMING GUIDELINE UPDATES (including High Balance):

CREDIT > Updated Section “General Guidelines”:

- **Letter of Explanation for all Credit Inquiries on the credit report**
 - Regardless of the AUS Decision or condition, a detailed explanation letter that specifically addresses both the purpose and outcome of each inquiry should be obtained from the borrower(s).
 - Generic credit inquiry explanation letters are not acceptable.
 - As a result of the credit inquiries, the loan may be subject to additional requirements. If additional credit was obtained, a verification of that debt must be provided **and** the borrower must qualify with the monthly payment.
 - Verification can be achieved through a direct verification with the creditor or use of a credit supplement.
 - Refer to “Liabilities & Qualifying Ratios > “Undisclosed Liabilities” for further information.

CREDIT > New Section “Derogatory Credit”:

- **Derogatory Credit**
 - Letter of Explanation is required for derogatory credit (at Underwriter’s discretion).
 - Generic derogatory credit explanation letters are not acceptable.
 - Judgments and/or liens on title must be satisfied prior to funding
 - Sufficient funds to satisfy judgment and/or liens must be verified

Note: The existing sections “Bankruptcy and Foreclosures” and “Collections and Charge-offs” will be relocated to the new Derogatory Credit section.

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CREDIT > Updated Section “Credit Report”:

- A refreshed or new credit report must be obtained no more than 5 business days prior to drawing loan documents (by PCM or the Broker).
 - Refer to “Liabilities & Qualifying Ratios > “Undisclosed Liabilities” for further information.

LIABILITIES & QUALIFYING RATIOS > New Section “Undisclosed Liabilities”:

- **Undisclosed Liabilities**
 - A refreshed or new credit report must be obtained no more than 5 business days prior to drawing loan documents to uncover any additional debt or credit inquiries.
 - When a New Credit Report is Obtained: If a new credit report is obtained in lieu of a refreshed credit report, the loan must be updated with the new credit report information (including the new credit score and the updated liabilities).
 - New Credit Inquiries: Any new inquiries must be verified with the creditor that no new debt has been established.
 - New Credit Score: The loan must be resubmitted to the AUS regardless of the tolerance if a new score is returned. The updated credit score may impact the qualifying interest rate and pricing as well as the borrower's ability to qualify based on current guidelines.
 - Additional Debt: If additional debt has been incurred and the inclusion of the additional debt would increase the total expense ratio, the loan must be resubmitted to the AUS and the new findings must be followed.
 - If the borrower has undisclosed liens and/or if another mortgage is being originated, the loan file must be reevaluated to ensure compliance with debt-to-income and borrower eligibility requirements.

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ELIGIBLE TRANSACTIONS > New Section “Validation of Qualified Parties”:

- **Validation of Qualified Parties**
 - Loans originated, underwritten, or serviced by individuals or companies that are on the Federal General Services Administration's (GSA) Excluded Party List or HUD's Limited Denial of Participation (LPD) list are ineligible. Such individuals and companies include an individual with management or supervisory responsibilities within the seller's organization, an individual or entity with critical influence on or substantive control over the origination or servicing of a mortgage or any function related to the origination or servicing of a mortgage.
 - PCM's Corporate office will obtain and maintain LDP/GSA information for all PCM employees involved in PCM loan transactions.
 - Mandatory use of PCM's LDP / GSA Participants form is required.

DATATRAC UPDATE:

A new default PTF condition has been added:

- “A Refreshed or New Credit report to be obtained no more than 5 business days prior to drawing loan documents.”

LDP/GSA PARTICIPANTS FORM UPDATE:

- ⇒ An updated PCM LDP/GSA Participants Form is available on SharePoint and must be used on all PCM loan transactions (please discard all previous versions and use this on all loan transactions):
 - <https://sharepoint.alpinemc.com/Underwriting/FORMS,%20POLICIES%20%20PROCEDURES/LDP-GSA%20Participants%20Form.pdf>
- ⇒ The LDP/GSA Participants Form has also been added to the pcmloan.com website:
 - <http://www.pcmloan.com/geform.aspx?id=99>
- ⇒ LDP/GSA information must also be available for all PCM employees involved in PCM loan transactions (refer to “Validation of Qualified Parties” on page 2 of this announcement). PCM's Corporate office will obtain and maintain LDP/GSA information for all PCM employees involved in PCM loan transactions.

