



BLUE SAPPHIRE INVESTMENTS (CA), INC

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CONVERSION OF PRIMARY RESIDENCE MATRIX

Product	Disposition of Current Primary Residence	Requirements	Effective Date
Agency and Non-Agency	Current primary residence is pending sale but the transaction will not be closed (with title transfer to a new owner) prior to the closing on the new primary residence	<p>Both the current and proposed mortgage payments must be used in qualifying the borrower for the new mortgage loan. In addition, the following minimum reserve requirements must be met:</p> <ul style="list-style-type: none"> • If < 30% equity in existing primary residence (or amount of equity is not documented), borrower must have a minimum of 6 months PITI reserves for both properties. • If ≥ 30% equity in existing primary residence (as evidenced by a current appraisal or automated property valuation), borrower must have 2 months PITI reserves for both properties. <p>Exception: The current primary residence's PITI is not required to be used in qualifying the borrower providing that the minimum reserves stated above are met and the following additional documentation is provided:</p> <ul style="list-style-type: none"> • A fully executed sales contract for the current residence, and • Confirmation that any financing contingencies have been cleared. 	Original 8/4/08 Revised 10/8/08
	Converting current primary residence to a second home	<p>Payments for both properties must be used to qualify the borrower, and 6 months PITI reserves are required for both properties.</p> <p>NOTE: Correspondents may consider reduced reserves of no less than 2 months for both properties if there is documented equity of at least 30 percent in the exiting property (derived from an appraisal or automated valuation model, minus outstanding liens).</p>	08/04/08
	Converting current primary residence to an investment property	<p>Up to 75 percent of the rental income may be used to offset the mortgage payment in qualifying if there is documented equity of at least 30 percent in the existing property (derived from an appraisal or automated valuation model, minus outstanding liens).</p> <p>The rental income must be documented with:</p> <ul style="list-style-type: none"> ◇ A copy of the fully executed lease agreement, and ◇ The receipt of the security deposit from the tenant and deposit into the borrower's account. <p>If the 30 percent equity in the property cannot be documented, rental income may not be used to offset the mortgage payment:</p> <ul style="list-style-type: none"> ◇ Payments for both properties must used to qualify the borrower, and ◇ 6 months PITI reserves are required for both properties. 	
<p>Note: For loans approved through DU, DU will determine the reserve requirements. Otherwise, the reserve policies stated in the table above apply.</p>			
FHA	Converting current primary residence to an investment property	<p>In most cases, rental income from the property being vacated may not be used to qualify for the new mortgage. The applicant must qualify using the full PITI payment of the vacated property, even if a lease is provided.</p> <p>Exception: There are two circumstances when rental income from the property being vacated (reduced by the appropriate vacancy factor as determined by the jurisdictional FHA HOC) can be considered when qualifying for the new mortgage:</p> <ul style="list-style-type: none"> • Corporate relocations The applicant is being relocated with a new or by a current employer to an area not within reasonable and locally recognized commuting distance. A minimum 12 month lease is mandatory and evidence of receipt of the security deposit and/or first month's rent should be considered as supporting documentation. • Sufficient equity exists in the vacated property The applicant has an LTV of 75% or less determined by either: <ul style="list-style-type: none"> ◇ A current (no more than 6 months old) residential appraisal (FHLMC 2055 and FHLMC 466 exterior only appraisals are acceptable as a minimum requirement), or ◇ Compare the unpaid principal balance to the original sales price of the property (documentation verifying both is required e.g. copy of current mortgage statement and copy of original HUD-1). 	09/19/08