

## Residential Subprime and Loan Type Definitions

### Subprime Definition for Collateral Reporting

The matrix below outlines all of the Subprime and Not Subprime classification scenarios. Loans to non-natural borrowers and/or for investment properties continue to be exempt from classification as Subprime. This matrix is used to define both 1-4 Family Residential and HELOCs/HELs as Subprime or Not Subprime.

<b>Subprime/Not Subprime Definitions:</b>					
		<b>DTI</b>			
		$\geq 50\%$	$\geq 40\% \ \& \ < 50\%$	$< 40\%$	<b>Missing</b>
<b>Credit Score</b>	$> 660$	Not Subprime	Not Subprime	Not Subprime	Not Subprime
	$> 620 \ \& \ \leq 660$	Subprime	Not Subprime	Not Subprime	Subprime
	$\leq 620$	Subprime	Subprime	Not Subprime	Subprime
	<b>Missing</b>	Subprime	Subprime	Not Subprime	Subprime

### 1-4 Family Residential Loan Type Definitions

#### Standard Loans

Standard loans do not exhibit any nontraditional characteristics. These loans have amortizing principal and interest payments and traditional income documentation (full documentation or alternative documentation). Use of Desktop Underwriter (DU) or Loan Prospector (LP) is also considered traditional documentation if all conditions listed on the DU/LP approval have been met. These loans may be fixed rate, adjustable rate, or balloons and may be classified as Standard – Not Subprime or Standard – Subprime.

#### Nontraditional Loans

**Nontraditional Loans** are characterized in two ways, payment structures and loan underwriting documentation. Nontraditional payment structures include loans with Interest Only<sup>(1)(4)</sup>, Negative Amortization<sup>(2)</sup>, and Payment Option ARM<sup>(3)</sup> features. Nontraditional loans can also be characterized by low levels of underwriting documentation (e.g., Reduced or No Doc Loans) and are defined as Other Nontraditional<sup>(5)</sup>.

- Interest Only ARM/Hybrid<sup>(1)</sup> – not subprime
- Interest Only ARM/Hybrid<sup>(1)</sup> – subprime
- Neg Am<sup>(2)</sup>/Pay Option ARM<sup>(3)</sup> – not subprime
- Neg Am<sup>(2)</sup>/Pay Option ARM<sup>(3)</sup> - subprime
- Interest Only Fixed<sup>(4)</sup> – not subprime
- Interest Only Fixed<sup>(4)</sup> – subprime
- Other Nontraditional<sup>(5)</sup> – not subprime
- Other Nontraditional<sup>(5)</sup> - subprime

## Nontraditional Payment Structures

- <sup>(1)</sup>**IO ARM/Hybrid:** Interest only ARMs allow borrowers to make interest payments, rather than principal and interest payments, during the interest only period. Once the interest only period is up, the borrower is required to make monthly principal and interest payments that will fully amortize the loan over the remaining loan term. Hybrid ARMS require principal and interest payments beginning with the first payment.
- <sup>(2)</sup>**Neg Am:** Negative amortization loans have a payment schedule that allows the payment to be lower than the interest due. In any month that the interest due is not paid fully, the interest is added to the principal and the loan balance increases.
- <sup>(3)</sup>**Pay option ARM:** This type of loan has an adjustable interest rate and the borrower has an option each month to pay the traditional principal and interest payment, an interest-only payment, or a minimum payment. The minimum payment may be less than the actual interest only payment, in which case the loan will have negative amortization that increases the outstanding loan balance.
- <sup>(4)</sup>**IO Fixed:** A loan in which the borrower pays only the interest on the principal balance for a set term; the principal balance does not change during that term. IO loans may have an option to convert to an amortizing payment structure after the fixed-rate IO period.

## Other Nontraditional<sup>(5)</sup> - Reduced or No Documentation Loans

These loans are characterized as “Other Nontraditional” due to their level of underwriting documentation. The loans in this category are typically standard amortizing loans that were underwritten with reduced or no income/asset verification such as:

**SISA:** Stated Income/Stated Asset – Borrowers income and assets are listed on the loan application but neither is verified. Loan must meet all DTI and asset underwriting requirements.

**SIVA:** Stated Income/Verified Asset – Borrowers income is listed on the loan application but is not verified, assets are listed on the application and are verified. Loan must meet all DTI and asset underwriting requirements.

**NIVA:** No Income/Verified Assets – Borrower income is not listed; employer is stated on the loan application, but not verified. Assets are listed on the application and are verified.

**NINA:** No income/No Asset – Neither the borrowers income or assets are listed on the loan application. Only the borrower’s employer is listed on the application and is verified.

## HOME EQUITY LINES OF CREDIT AND HOME EQUITY LOANS

### Asset Classifications

**HELOC 1<sup>st</sup>** – Home Equity Line of Credit secured by a first lien position on improved 1-4 family residential property.

- HELOC 1<sup>st</sup> – not subprime
- HELOC 1<sup>st</sup> – subprime before or on/after 7/10/2007

**HELOC 2<sup>nd</sup>** – Home Equity Line of Credit secured by a 2<sup>nd</sup> lien position on improved 1-4 family residential property.

- HELOC 2<sup>nd</sup> – not subprime
- HELOC 2<sup>nd</sup> – subprime before or on/after 7/10/2007

**HOME EQUITY LOAN 1<sup>st</sup>** – Close-ended Home Equity Loan secured by a first lien position on improved 1-4 family residential property.

- LOANS 1<sup>st</sup> – not subprime
- LOANS 1<sup>st</sup> – subprime before or on/after 7/10/2007

**HOME EQUITY LOAN 2<sup>nd</sup>** – Close-ended Home Equity Loan secured by a 2<sup>nd</sup> lien position on improved 1-4 family residential property.

- LOANS 2<sup>nd</sup> – not subprime
- LOANS 2<sup>nd</sup> – subprime before or on/after 7/10/2007