

Revision: March 30, 2023			
PRIMARY FICO and LTV/CLTV/HCLTV ELIGIBILITY			Overlays
Min Fico Score	Purchase & R/T	Cash-Out	
700+	80%	80%	<ul style="list-style-type: none"> <li>• <b>Min Loan Amount:</b> \$125,000</li> <li>• <b>Max Loan Amount:</b> \$3M</li> <li>• Loan Amount &gt; \$2M requires Minimum Fico 680</li> </ul>
680-699	80%	75%	
660-679	70%	70%	
<ul style="list-style-type: none"> <li>• <b>Investment:</b> Max 75%</li> <li>• <b>Second Home:</b> Max 80%</li> <li>• <b>Property Type:</b> <ul style="list-style-type: none"> <li>○ Condo Warrantable: 80%</li> <li>○ Condo Non-Warrantable: 75%</li> <li>○ 2-4 Unit: 80%</li> </ul> </li> <li>• <b>Declining Market:</b> <ul style="list-style-type: none"> <li>○ Purchase or R/T: 5% LTV reduction</li> <li>○ Cash-Out: 10% reduction</li> <li>○ LTV restrictions do not stack, highest restriction applies</li> </ul> </li> <li>• <b>Max DTI:</b> 50%</li> <li>• <b>Residual Income:</b> \$1500</li> <li>• <b>Credit:</b> <ul style="list-style-type: none"> <li>○ Credit Event Seasoning: 36 Months</li> <li>○ Credit Event Max LTV: 80%</li> <li>○ Mortgage lates: 1x30x12</li> </ul> </li> </ul>			<ul style="list-style-type: none"> <li>• <b>Reserves:</b> <ul style="list-style-type: none"> <li>○ Rate/Term with LTV &lt;=65% LTV: No Minimum Reserves required</li> <li>○ Loan amount &lt; \$1M: 3 months PITIA</li> <li>○ Loan amount \$1,000,000 - \$1,499,999: 6 months PITIA</li> <li>○ Loan amount \$1,500,000 - \$1,999,999: 9 months PITIA</li> <li>○ Loan amount &gt;= \$2M: 12 months PITIA</li> </ul> </li> <li>• <b>Cash-Out</b> <ul style="list-style-type: none"> <li>○ Max Cash-Out on LTV &gt; 65%: \$500K</li> <li>○ Max Cash-out on LTV &lt; 65%: Unlimited</li> <li>○ Max LTV: 80%</li> <li>○ Min Fico: 660</li> <li>○ Loan Amount &gt; \$1.5: Requires 5% LTV reduction</li> <li>○ Interest Only allowed</li> </ul> </li> <li>• <b>Interest Only</b> <ul style="list-style-type: none"> <li>○ Min Fico: 680</li> <li>○ Max Loan Amount: \$2M</li> <li>○ Max LTV: 80%</li> </ul> </li> <li>• <b>Appraisal</b> <ul style="list-style-type: none"> <li>○ Loan amount &lt;= \$1.5M: 1 Appraisal + CDA</li> <li>○ Loan amount &gt; \$1.5M: 2 Appraisals</li> </ul> </li> </ul>
<p><b>Occupancy:</b> Primary residence, Second Home and Investment  <b>Property Types:</b> SFR, Modular, 2-4 unit, Condo, Rural up to 10 acres  <b>Subordinate Financing:</b> Max CLTV equals max LTV provided above  <b>Citizenship:</b> US citizen, permanent resident, non-permanent resident</p>			<ul style="list-style-type: none"> <li>• <b>Max DTI 50%</b></li> <li>• <b>30 Year Fixed.</b></li> <li>• <b>30 and 40 Year with 10 YR I/O options</b></li> </ul>

General Guidelines							
<b>Compliance</b>	<ul style="list-style-type: none"> <li>Loans is subject to Ability to Repay.</li> <li><b>All borrowers must sign the Borrower Ability to Repay Attestation</b></li> </ul>						
<b>Income Verification</b>	4506-C transcripts required on all loans						
<b>Loan Terms</b>	30 Year Fixed						
<b>Qualifying Ratios</b>	Maximum DTI For all transactions: 50%						
<b>AUS</b>	Not required						
<b>Interest Only</b>	Interest offered either a 30- or 40-Year Interest Only <table border="1" data-bbox="487 623 1033 727"> <thead> <tr> <th>IO Period</th> <th>Maturity / Amort Term</th> </tr> </thead> <tbody> <tr> <td>10 Year</td> <td>30 Year / 20 Year</td> </tr> <tr> <td>10 Year</td> <td>40 Year / 30 Year</td> </tr> </tbody> </table>	IO Period	Maturity / Amort Term	10 Year	30 Year / 20 Year	10 Year	40 Year / 30 Year
IO Period	Maturity / Amort Term						
10 Year	30 Year / 20 Year						
10 Year	40 Year / 30 Year						
<b>Minimum Loan Amount</b>	\$125,000						
<b>Maximum Loan Amount</b>	\$3,000,000						
<b>Eligible Property Types</b>	<ul style="list-style-type: none"> <li>1-4 units attached/detached owner-occupied and investment properties.</li> <li>1-unit Second homes.</li> <li>Condo Warrantable</li> <li>Condo un-warrantable refer to non-warrantable section of the guide</li> </ul>						
<b>Maximum Financed Properties</b>	<ul style="list-style-type: none"> <li>The max number of financed properties (including subject property) is 15 permitted to any one borrower.</li> <li>JMAC exposure may not exceed \$3M aggregate or 10 loans for each borrower.</li> </ul>						
<b>Investment Transactions</b>	<ul style="list-style-type: none"> <li>First Time Investor(s) are permitted with ownership of primary residence</li> <li><b>Requires a signed Business Purpose.</b></li> </ul>						
<b>Second Home</b>	<ul style="list-style-type: none"> <li>A second home is a property that is located in a reasonable distance from the borrower's primary residence and is occupied by the borrower for some portion of the year. The property must be suitable for year-round occupancy and cannot be used as a rental property.</li> <li>First Time Home Buyers are permitted.</li> </ul>						
<b>First Time Home Buyers</b>	<ul style="list-style-type: none"> <li>Only Owner occupied or Second Home transactions allowed.</li> </ul>						
<b>Non-Occupant Co-Borrowers</b>	<ul style="list-style-type: none"> <li>The continuity of obligation requirement on a refinance transaction is considered met if one of the current owners is on the loan application.</li> <li>A family relationship is not required provided the transaction is considered an arm's length transaction.</li> </ul>						

<p><b>Eligible Borrowers</b></p>	<p>US Citizens; Permanent Resident Aliens; Revocable Trust; Must have valid Social Security Number; Maximum of 4 borrowers per loan application are allowed.</p> <p>Permanent Resident Aliens requires:</p> <ul style="list-style-type: none"> <li>• Alien Registration Card I-151 (Green Card), OR</li> <li>• Alien Registration Card I-551 with no expiration, OR</li> <li>• Alien Registration Card I-551 with expiration and accompanied by INS Form I-751 (petition to remove conditions)</li> <li>• Need Front and Back Copies</li> </ul> <p>Non-Permanent Resident Aliens. Must be legally present in the U.S. with an acceptable visa type. Acceptable visa types are as follows:</p> <ul style="list-style-type: none"> <li>• Evidence of Employment in the U.S. including an EAD document<sup>1</sup> AND;</li> <li>• E Series, G Series, H Series, or O Series<sup>2</sup></li> </ul> <p><sup>1</sup> Employment Authorization Documentation must be issued by the U.S. Citizenship &amp; Immigrant Service (USCIS) providing authorization to work in the U.S. without restrictions.</p> <p><sup>2</sup> An unexpired (at time of closing) Non-immigrant VISA with an Entry Stamp issued by the U.S. Department of State which will evidence legal entry into the U.S. for temporary residence. VISA must not expire for 3 years following the close date. Please see FNMA guides for acceptable VISAs.</p>
<p><b>Ineligible Borrowers</b></p>	<ul style="list-style-type: none"> <li>• Foreign Nationals</li> <li>• All person with diplomatic immunity</li> <li>• Irrevocable Trust</li> <li>• ITIN Borrowers residing in the U.S.</li> <li>• DACA</li> <li>• 501(c)(3) organizations</li> <li>• Closing in LLCs, LLCs, Corporations, or Partnerships not allowed</li> </ul>
<p><b>Credit Scores and Tradelines Requirements</b></p>	<p>There may be instances where the borrower’s credit score is valid but insufficient credit exists. In addition, the credit risk of the entire borrower profile must be evaluated to determine if the credit history supports the borrower’s ability and willingness to repay the loan.</p> <p>Rapid Rescore is allowed prior to Clear to Close.</p> <p>Credit score is deemed valid or usable if it has been based on a minimum number of tradelines for each borrower:</p> <ul style="list-style-type: none"> <li>• Each borrower must have 2 fico scores.</li> <li>• If the Primary Wage Earner has 3 credit scores reporting on credit, then the minimum credit tradeline requirements are waived.</li> </ul> <p><i>Continue on next page</i></p>

	<ul style="list-style-type: none"> <li>• Only the Primary wage earner is required to meet the minimum tradeline requirements and will have open and active tradelines that meet one of the following requirements:             <ul style="list-style-type: none"> <li>○ At least 3 active tradelines &gt;= 12 months</li> <li>○ At least 2 active tradelines &gt;= 24 months</li> <li>○ At least 1 active tradelines = 12 months with Min Fico 700 and Max DTI 35%</li> </ul> </li> <li>• If the credit history does not meet the above trade line requirements if the credit history meets the following:             <ul style="list-style-type: none"> <li>○ At least 4 years of established credit history as follows:                 <ul style="list-style-type: none"> <li>▪ 8 or more tradelines reported.</li> <li>▪ At least 1 active in the last 12 months. This is defined as last activity within 12 months of the credit report date.</li> <li>▪ At least 1 of these tradelines must be a mortgage tradeline (can be counted as the active tradeline).</li> </ul> </li> </ul> </li> </ul>
<b>Other Credit and Credit Reporting Requirements</b>	<ul style="list-style-type: none"> <li>• Authorized Users of Credit. Credit report tradelines in which the applicants are “authorized users” may not be considered in the underwriting decision except in certain circumstances such as those listed here:             <ul style="list-style-type: none"> <li>○ Another borrower in the mortgage transaction is the owner of the tradeline.</li> <li>○ The borrower is an authorized user on a spouse’s credit report tradeline.</li> <li>○ The borrower can provide written documentation that he or she has been the actual and sole payer of the monthly payment on the account for at least 12 months preceding the date of the application.</li> </ul> </li> <li>• Student Loan payments and deferment will be reviewed in accordance with FNMA guides.</li> </ul>
<b>Significant Adverse Credit</b>	<ul style="list-style-type: none"> <li>• Bankruptcy, Short Sale, Deed-in-Lieu, Charge-off Mortgage and or Foreclosure must be seasoned at least 36 months from time of application.</li> </ul>
<b>Forbearance, Deferred Payments, Modifications</b>	<ul style="list-style-type: none"> <li>• Non-COVID deferred payments are unacceptable credit events and disqualifies borrower(s) from financing.</li> <li>• Mortgage Loan Modifications are acceptable with 60 months seasoning, min 720 FICO and no additional credit events after modification. Examples of mortgage loan modifications are:             <ul style="list-style-type: none"> <li>○ Forgiveness of a portion of principal and/or interest on either the first or second mortgage</li> <li>○ Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness</li> <li>○ Conversion of any portion of the original mortgage debt to a “soft” subordinate mortgage</li> <li>○ Conversion of any portion of the original mortgage debt from secured to unsecured</li> </ul> </li> </ul>
<b>Credit Counseling, Collections, Judgements, Liens</b>	<ul style="list-style-type: none"> <li>• Judgements, Garnishments and Liens: The borrower is required to pay-off all open judgements, garnishments, and liens (including mechanics liens or material men’s liens) prior to the loan closing.</li> <li>• Past Due Accounts must be brought current</li> <li>• Solar liens are to be subordinated or paid off. HERO liens must be paid</li> </ul> <p><b><i>Continue on next page</i></b></p>

	<ul style="list-style-type: none"> <li>• Credit Counseling Borrower enrollment in CCCS is permitted when a minimum of 12 months have elapsed on the plan and evidence of timely payments for the most recent 12 months is provided. The CCCS administrator must also provide a letter allowing the borrower to seek financing on a new home while enrolled in the plan. If accounts included in CCCS plan reflect as charge-off or collection accounts on the credit report, then exclude these balances from the charge-off and collection limits listed below. The monthly CCCS plan payment must be included in the DTI calculation. If a completion date is not shown on the credit report, the borrower is required to submit verification from the counseling agency establishing the date of completion.</li> <li>• Collection Accounts and Charge-offs do not have to be paid in full if the following applies:             <ul style="list-style-type: none"> <li>○ Collections and charge-offs &lt; 24 months old with a maximum cumulative balance of \$2000</li> <li>○ Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence</li> <li>○ Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required)</li> <li>○ All medical collections</li> <li>○ Exception: IRS repayment plans with 3 months history of payments may remain unpaid.</li> </ul> </li> </ul>
<b>Housing Payment History</b>	<p>Application must be supported by the most recent 12 to 24-months mortgage or rent pay history. Borrowers who own their primary residence free and clear for a minimum of 12 months are acceptable. A VOM should be obtained for all outstanding mortgages, the borrowers have or are evidenced by their credit report including private mortgages. The VOM/VOR is reviewed for delinquencies with the greatest weight focused on the last 12 to 24 months. Acceptable methods of a Verification are:</p> <ul style="list-style-type: none"> <li>• Computer Pay History printout directly from Mortgage Lender.</li> <li>• 12 to 24 months of Bank Statements showing timely payment of rent or mortgage.</li> <li>• Credit Bureau Report reflecting a pay history over the last 12 to 24 months.</li> <li>• Cancelled Checks front and back or 12 to 24 months bank statements showing payment withdrawals and a year-end mortgage statement.</li> <li>• If renting from a private party canceled checks are required.</li> <li>• If no VOR is obtained a copy of the lease and 12 to 24 months canceled checks are acceptable.</li> <li>• For private mortgages, provide a VOM together with 12 to 24 months bank statements or cancelled checks showing prompt payment of mortgage.</li> </ul> <p><i>Continue on next page</i></p>

	<p><b>No Housing history or less than 12 months verified.</b> Borrower who does not have a complete 12-month housing history are subject to the following restrictions:</p> <ul style="list-style-type: none"> <li>• Primary residence only,</li> <li>• Minimum 6 months reserves after closing,</li> <li>• 10% minimum borrower contribution,</li> <li>• Payment Shock is not considered,</li> <li>• VOR/VOM must be obtained for all months available reflecting paid as agreed, and</li> <li>• Properties owned free and clear are considered 0x30 for grading purposes.</li> </ul>
<p><b>Assets and Source of Funds</b></p>	<p>For information regarding assets and source of funds not addressed below please refer to the most recent Fannie Mae Selling Guide.</p> <p><b>Source of Funds</b></p> <ul style="list-style-type: none"> <li>• Checking and Savings</li> <li>• Certificates of Deposit</li> <li>• U.S. Savings Bonds (100% if fully matured, otherwise 80%)</li> <li>• Stock, Bonds, Mutual Funds (75% net of margin debt).</li> <li>• Vested Restricted Stock Units (RSU). Refer to FNMA Guides.</li> <li>• IRA, Keogh, and 401(K) Retirement Accounts (60% of vested balance excluding outstanding loans secured against it) including ROTH. Account statements should be updated with a transaction history dated within 30 days of note date due to market volatility.</li> <li>• Pension Plans (60%). Only amounts accessible within a 30-day window are permitted. Account statements should be updated with a transaction history dated within 30 days of Note date due to market volatility</li> <li>• Annuities (60%). Only amounts accessible within a 30-day window are permitted.</li> <li>• Trust Accounts.</li> <li>• The use of business assets for self-employed borrowers for down payment, reserves and closing costs are permitted. The borrowers on the loan must have 50% ownership of the business and must be the owners of the account. Access letters from the remaining owners of the business must be obtained as well. A letter from a CPA or borrower must be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business. If a CPA letter is not provided, a Cash Flow Analysis of the business assets and liabilities (Balance Sheet) must be completed by the client to determine if the withdrawal of funds from the business is acceptable.</li> <li>• Spousal accounts - Accounts held solely in the name of a non-borrowing spouse may be used for down payment and closing costs only. Accounts held solely in the name of a non-borrowing spouse may not be used to meet reserve requirements.</li> </ul> <p><i>Continue on next page</i></p>

- Crypto Currencies, such as Bitcoin, are an eligible source of funds for down payment and closing costs only and must be liquidated and deposited into an established US bank account. Crypto currency is not an eligible liquid asset for asset utilization/depletion or reserves.
- 1031 Exchange funds for “like-kind exchange” are eligible for EMD, down payment and closing costs. 1031 Exchange funds are not eligible for reserves.

**Verification of Assets:**

- Bank statements and investment portfolio statements.
- Complete copies of bank statements or investment portfolio statements from the most recent two months prior to the application date. The statements must cover account activity for the most recent periods. A summary statement will not be accepted.
- The statements may be computer generated forms, but must include or state the following:
  - Clearly identify the borrower as the account holder, the account numbers, the timeframe the statements cover. Include all deposits and withdrawal transactions. The statements must include the previous close balance, the current balance, and the ending account balance.
  - Retirement account statements must be from the most recent period and identify the borrower’s vested amount and terms.

**Other requirements:**

- Assets must be seasoned 30 days. Follows FNMA on sourcing of funds.
- Second Homes and Investment Properties. The borrower must demonstrate they have 10% of their own funds for the down payment.
- **Gift Funds.**
  - 100% of gift funds are permitted on owner-occupied transactions.
  - The borrower must contribute a minimum of 10% of their own funds on second home and investment property transactions.
  - Gifts must be from a family member. Gifts can be used to pay off debt.
  - Gift funds cannot be counted towards reserves.
  - **Purchase transactions only not allow on refinance transactions.**
- Unsecured loans, sweat equity, and gifts that require repayment are not eligible as sources of down payment.

<b>Reserves Requirements</b>	<p>Reserve only applies to the subject property.</p> <table border="1" data-bbox="562 310 1776 509"> <thead> <tr> <th>Loan Amount</th> <th>Months of Reserve PITIA</th> </tr> </thead> <tbody> <tr> <td>&lt;\$1,000,000</td> <td>3 months</td> </tr> <tr> <td>\$1,000,000 - \$1,499,999</td> <td>6 months</td> </tr> <tr> <td>\$1,500,000 - \$1,999,999</td> <td>9 months</td> </tr> <tr> <td>&gt;= \$2,000,000</td> <td>12 months</td> </tr> <tr> <td>R/T Refinances with &lt;= 65% LTV</td> <td>No minimum reserves required</td> </tr> </tbody> </table> <p>** Reserves are not stacked and the maximum number of reserves for any loan is 12 months.</p>	Loan Amount	Months of Reserve PITIA	<\$1,000,000	3 months	\$1,000,000 - \$1,499,999	6 months	\$1,500,000 - \$1,999,999	9 months	>= \$2,000,000	12 months	R/T Refinances with <= 65% LTV	No minimum reserves required
	Loan Amount	Months of Reserve PITIA											
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>= \$2,000,000	12 months												
R/T Refinances with <= 65% LTV	No minimum reserves required												
<b>Appraisal Requirements</b>	<ul style="list-style-type: none"> <li>• Two (2) full appraisals are required for loan amounts &gt; 1.5 million. LTV will be based on lower of the two values. All inconsistencies between the two appraisals must be addressed and reconciled.</li> <li>• Appraisal must be dated within 120 days prior to the Note date else a Re-cert of Value is required. Any additional cost needs to be paid by borrower or broker. Original appraisal valid for one year. If the value or market is declining when ordering a Recertification of Value, new appraisal is required.</li> <li>• Desk review (CDA) is required on all loans (Lender to order) when the CU Score is 2.5 or higher:             <ul style="list-style-type: none"> <li>○ If a valuation is less than 90% of the appraised value, then the LTV will be calculated using the lower of the CDA value.</li> <li>○ If CDA is not available, then another appraisal is required.</li> </ul> </li> </ul>												
<b>Appraisal Transfer</b>	<p>Allowed. Follow JMAC Appraisal Transfer Policy. The appraisal must be less than 60-days old (less than 120-days at closing) and completed by an Appraisal Management Company.</p>												
<b>Declining Markets</b>	<p>Properties that are in a declining market as designated by the appraiser are subjected to a 5% reduction in LTV/CLTV on Purchase and Rate/Term transactions and a 10% reduction in LTV/CLTV on Cash-out transactions.</p>												



<b>Flip Transactions</b>	<p>When the subject property is being resold within 365 days of its acquisition by the seller and the sales price has increased more than 10%, the transaction is considered a “flip”. To determine the 365-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) should be used.</p> <p>Flip transactions are subject to the following requirements:</p> <ul style="list-style-type: none"><li>• All transactions must be arm’s length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction</li><li>• No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan</li><li>• The property was marketed openly and fairly, through a multiple listing service, auction, for sale by owner offering (documented) or developer marketing</li><li>• No assignments of the contract to another buyer</li><li>• If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained</li><li>• Flip transactions must comply with the HPML appraisal rules in Regulation Z. The full Reg Z revisions can be found at <a href="http://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/appraisals-higher-priced-mortgage-loans/">http://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/appraisals-higher-priced-mortgage-loans/</a>.</li><li>• <b>A second appraisal is required in the following circumstances:</b><ul style="list-style-type: none"><li>○ Greater than 10% increase in sales price if seller acquired the property in the past 90 days</li><li>○ Greater than 20% increase in sales price if seller acquired the property in the past 91- 180 days</li></ul></li></ul>
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Non-Warrantable Condos	Characteristic	Exception Considerations
	Commercial space	Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be “typical to the marketplace and have no negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA
	Completion Status	The project, or the subject’s legal phase along with other phases, must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under a bona-fide contract.
	Delinquent HOA Dues	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.
	Investor Concentration	Investor concentration in project up to 60%. Higher percentages may be considered under the Investment Property Program when an established history of a high percentage of rental units in the condo project can be demonstrated.
	HOA Control	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
	HOA Reserves	HOA Budget must include a dedicated line item allocation to replacement reserves of at least 8% of the budget.
	New Projects	The project or the subject’s legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract.
	Single Entity Ownership	Single entity ownership in project up to 25%.
	Litigation	Pending litigation may be accepted on a case-by-case basis. Litigation that involves structural issues, health and safety issues or items that will impact the marketability of the project will not be accepted.

<b>Ineligible Properties</b>	<ul style="list-style-type: none"> <li>• Acreage greater than 10 acres (appraisal must include total acreage), Agricultural zoned property (unless property is intended for residential use and must have like comps) * Unwarrantable condos * Condo in litigation * Condo Gut Conversion * Condo Newly Converted Non-Gut Projects * Condo Hotel * Co-Ops * Hobby Farms * Income Producing properties * Log Homes * Manufactured Housing * Mixed Used properties * Properties subject to oil and/or gas leases * Title may not be held in a business name * Unique properties * Working farms, ranches or orchards *Timeshare units *Geothermal homes *properties held as leasehold * Log Homes * Mixed Use *Assisted Living * C5 or C6 property condition * No mortgage loans financing builder inventory is permitted</li> </ul>
<b>Purchases</b>	<ul style="list-style-type: none"> <li>• Properties in Foreclosure are ineligible for financing.</li> <li>• First-time Home Buyers. Must be Owner Occupied or Second Homes, only.</li> <li>• 1031 Exchanges are permitted for down payment and cash to close only.</li> </ul>
<b>Seasoning Rate/Term and Cash Out</b>	<ul style="list-style-type: none"> <li>• <b>Rate &amp; Term:</b> <ul style="list-style-type: none"> <li>○ Rate/Term Refinance transaction is when the new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepays, or a court ordered buyout settlement. A seasoned non-first lien mortgage is a purchase money mortgage or a closed end or HELOC mortgage that has been in place for more than 12 months (and/or not having any draws greater than \$2,000 in the past 12 months for HELOCs. Withdrawal activity must be documented with a transaction history from the HELOC). <ul style="list-style-type: none"> <li>▪ No Seasoning to use current market value</li> <li>▪ Limited Cash-out. Cash-out to the borrower limited to the lesser of 2% of the principal or \$5,000.</li> <li>▪ Recently Listed – property must be removed from listing for at least 6 months prior to application.</li> </ul> </li> </ul> </li> <li>• <b>Cash-Out:</b> <ul style="list-style-type: none"> <li>○ A Cash-out Refinance Transaction occurs when an existing mortgage lien is paid-off with the proceeds of a new first mortgage and the excess proceeds are distributed to the borrower. A Cash-out Refinance Transaction also occurs when a borrower obtains a mortgage for a property that is currently owned free and clear and the proceeds from the new loan are distributed to the borrower. All excess proceeds eligible for distribution to the borrower are net of customary fees, prepayment fees and other related closing costs. Please review the matrix for cash out limits. <ul style="list-style-type: none"> <li>▪ Cash back as it relates to the maximum limits is defined as “cash in hand” to the borrower.</li> <li>▪ Borrower on Title. At least one of the borrowers must be on title.</li> <li>▪ A Cash-out Purpose Letter is required.</li> <li>▪ Net proceeds from a cash-out transaction may be used to meet one-half of the reserve requirements. (Ex: if 6 months required, only 3 months may be covered by cash back to borrower).</li> <li>▪ Recently Listed – property must be removed from listing for at least 6 months prior to application.</li> <li>▪ Properties listed for sale or purchased within the last 12 months prior to application, require a 10% reduction in LTV.</li> </ul> </li> </ul> </li> </ul> <p><i>Continue on next page</i></p>

- **LTV/CLTV Limit.** If the subject property is owned for less than 6 months at the time of application, then the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraised value.
  - Proof of Improvements -Required.
  - Proof of Purchase Price -Required as evidenced by the prior Closing Disclosure (CD).
- No waiting period if the borrower acquired the property through an inheritance or was legally awarded the property through a divorce, separation, or dissolution of a domestic partnership.
- **Delayed Financing.** Borrowers who have purchased a subject property within the last 6 months preceding the disbursement date of the new mortgage are eligible to receive cash back with the loan being priced and treated as a Rate Term Refinance if the following requirements are met (also see FNMA Guides for additional information):
  - **Arm's Length Transaction.** The original purchase was an Arm's Length Transaction.
  - **No Existing Mortgage Financing.** The original purchase transaction is documented by the settlement statement which confirms that no mortgage financing was used to obtain the subject property.
  - **No Existing Liens.** The preliminary title report must confirm that there are no existing liens on the subject property.
  - **Loan Amount Limit.** The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing costs, prepaid fees, and points on the new mortgage loan (subject to maximum LTV and CLTV ratios for Cash-out Transactions based on the lesser of the current appraised value or the purchase price).
  - **Source of Funds Paydown.** If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), then all cash-out proceeds are to be used to pay- off or pay-down the loan used to purchase the property.
    - Settlement Statement for the refinance transaction must reflect the above.
    - Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.
    - Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.
  - **Source of Funds Documentation.** Source of funds must be documented. Examples of proper documentation include bank statements, personal loan documents, 401(k) withdrawal statements, or evidence of a HELOC on another property.

**Credit Report Data Included in DTI Ratios**

- Installment debt. All installment loans (monthly obligations with fixed payments and terms) must be included in the borrower DTI Ratio:
  - Excluded from DTI: Payments of 10 months or less (*if the payment exceeds 5% of the borrower's qualifying income, then debt cannot be excluded*).
  - Excluded from DTI: Any installment debt that is paid prior to or at closing can be excluded from the DTI. Supporting documentation is required to verify that these debts have been paid.
- Revolving Debt is an open-ended debt obligation in which the principal balance may vary each month. The minimum payment includes into DTI. If no payment is reported, the greater of \$10 or 5% of the current balance should be included into DTI.
  - Excluded from DTI: revolving accounts can be paid off prior to or at closing. Support documentation such as credit supplement or verification from creditor is required.
- Lease obligations must be included in the DTI regardless of the time remaining on lease
- Child Support, Alimony or Maintenance Obligations. Must be current at the time of application and must be included in the DTI. The loan file should contain supporting documentation (such as a final Divorce Decree, Legal Separation Agreement or Court Order) evidencing the obligation. If payments are delinquent, then they must be brought current prior to the loan closing.
- Contingent Liabilities. An individual has contingent liabilities when an outstanding debt obligation has been assigned to another party, but the creditor has not released the borrower from the obligation. Contingent Liabilities must be included in the DTI.
  - Excluded from DTI: If one borrower was obligated to buy-out the other borrower as a result of a divorce, then the loan file should include the Separation Agreement and or the Divorce Decree/Court Order that shows transfer of ownership. In addition, the current obligation on the premise must be current.
  - Excluded from DTI: Debts paid by others can be excluded from the DTI ratio if the debt is being paid in a satisfactory manner by another party for the past 12 months. Acceptable documentation would include cancelled checks or bank statements that consistently show another party making at least the past 12 payments.
- Paystub deductions will be reviewed and included in DTI (excluding 401(K) repayments).
- To excludes business debts, must provide recent 12 months of cancelled checks drawn from the business account. Tax returns must reflect debt payments as business expense deductions.

<b>Income Docs</b>	All wage earner loans require executed 4506-C and income calculation follows most recent FNMA Guides.				
	Documentation Requirements				
	Required Docs	24 Mos Wage Earner	12 Mos Wage Earner	24 Months Self-Employed	12 Mos Self-Employed
	<b>Paystubs</b>	Most recent 2 dated within 30 days of note date	Most recent 2 dated within 30 days of note date	N/A	N/A
	<b>W-2 Forms</b>	Most recent 2 years	Most recent 1 year	N/A	N/A
	<b>VVOE</b>	10 business days prior to note date	10 business days prior to note date	20 business days prior to note date	20 business days prior to note date
	<b>Third Party Verification of Business</b>	N/A	N/A	Verification business has been established Min. of 2 years	Verification business has been established Min. of 2 years
	<b>Personal Tax Returns</b>	Most recent 2 years when qualifying using only Commission income, rental income, or self-employment	Most recent 1 year when qualifying using only Commission income, rental income, or self-employment	Most recent 2 years + YTD P&L	Most recent 1 year + YTD P&L
	<b>Partnership Returns</b>	N/A	N/A	Most recent 2 years + YTD P&L	Most recent 1 year + YTD P&L
	<b>K-1s (if applicable)</b>	N/A	N/A	Most recent 2 years + YTD P&L	Most recent 1 year + YTD P&L
<b>Corporate Tax Returns (if applicable)</b>	N/A	N/A	Most recent 2 years + YTD P&L	Most recent 1 year + YTD P&L	
<p>*Note: if tax returns are on extension, then the borrower will need to supply their most recent filed tax return and a signed P&amp;L thru the most recent quarter (if applicable) and a P/L from previous year by a CPA.</p>					

<b>General Requirements for Self-Employed Income</b>	<ul style="list-style-type: none"> <li>• Minimum Ownership. Applicants must own at least 25% of a business to be considered self-employed.</li> <li>• Two-year History. Applicants must have been successfully self-employed for a minimum of two full years. If the business is stable and shows an upward trend, then the income used for the applicant is averaged over the 2 most recent years' Form1040s. Case-by- case determinations will be made if the business shows a decreasing/downward trend.</li> <li>• Borrowers should be self-employed for at least 2 years. However, a borrower may qualify with less than 2-years but more than 1-year if the borrower can document at least two years of documented previous successful employment in the same line of work in which the person is self-employed or related occupation or 1-year of employment and formal education or training in the same line of work.</li> <li>• Business Licenses- Copies of all required business licenses are required.</li> <li>• YTD P&amp;L required</li> </ul>
<b>Unscheduled Income</b>	<ul style="list-style-type: none"> <li>• Bonus Income             <ul style="list-style-type: none"> <li>○ Two-years of Bonus Income. Borrower must evidence of a two-year history of bonus income. For borrowers in same line of work with different employers, they will be considered on a case-by-case basis.</li> <li>○ Written VOE (WVOE). Must have probable continuance of bonus income. Or if not commented on, a 2-year history will suffice for probability of continuance.</li> <li>○ 24-Month History. Bonus income is calculated based on a 24-month history. A history of greater than 24-months may be required if there is a significant increase or decrease in bonus income.</li> </ul> </li> <li>• Overtime Income             <ul style="list-style-type: none"> <li>○ Verification. Overtime Income must be verified as historical and average YTD earnings.</li> <li>○ Continuance. When reviewing a 24-month history of OT it should be verified that the income is consistent over the past 2 years and will have a high likelihood of continuance.</li> </ul> </li> <li>• Seasonal Employment/Unemployment             <ul style="list-style-type: none"> <li>○ Consistency. Borrower has worked for the same employer for the past 24-months. Please note if they are in a union (construction, electrical, plumbing) and are placed on different jobs over a period that is considered acceptable.</li> <li>○ WVOE required stating a reasonable expectation of returning the next season.</li> <li>○ Unemployment Compensation for time-off has been consistent for the past 24 months and coincides with the seasonal job.</li> <li>○ Annualized Income. Income to be annualized over a 12-month period for qualifying purposes unless income is declining.</li> </ul> </li> <li>• Commission Income             <ul style="list-style-type: none"> <li>○ Two-year History. Borrower must evidence at least a two-year consecutive history of commission earnings. Borrowers with less than two years with current employer yet in the same line of work for two years will be considered on a case-by-case basis</li> <li>○ WVOE is required.</li> <li>○ Paystub Verification. Paystubs must reflect commission income on YTD earnings.</li> <li>○ Declining Commissions. A Letter of Explanation (LOE) from the borrower, expanded history and further support will be required if commission income is declining.</li> <li>○ If commissions income exceeds 25% of earnings, then past two years of signed tax returns are required.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Housing and Automobile:             <ul style="list-style-type: none"> <li>○ Refer to FNMA Guides.</li> </ul> </li> <li>• Interest and Dividend Income             <ul style="list-style-type: none"> <li>○ IRS Form 1040 Schedule B. Borrower must submit the proper tax filing schedule reflecting income amounts (tax exempt interest also eligible under the same conditions).</li> <li>○ Two-year History. Interest and dividends will only be considered stable income with at least a two-year history.</li> <li>○ Ineligible Interest and Dividends. Income from interest-bearing or dividend-producing assets being used for the down payment or closing costs are not eligible.</li> <li>○ Ineligible Interest and Dividends. Any taxable interest or dividend income that is not recurring must be deducted from the borrower’s cash flow.</li> </ul> </li> <li>• Capital Gains/Losses, Royalties, Notes Receivable, Trust, Lottery Winnings, Employee Contracts, Alimony and Child Support.             <ul style="list-style-type: none"> <li>○ 3-year Continuance of Income. Verification that these sources of income will continue for a minimum of 3-years is required.</li> <li>○ 12-month history of receipt is required.</li> <li>○ 3 years of tax returns are required (for capital gains income only)</li> </ul> </li> <li>• Non-taxable Income.             <ul style="list-style-type: none"> <li>○ Gross-up. As DTI calculations are based on gross income; non-taxable income can be grossed-up by 125% or by borrower’s income tax bracket, <b>whichever is less.</b></li> </ul> </li> </ul> <p><b>NOTE:</b> At certain levels Non-Taxable Income could be subject to taxation and some income types may contain both taxable and non-taxable income. Federal Tax Returns may be required to accurately determine the non-taxable portion. Defer to FNMA Guides.</p>
<p><b>Rental Income</b></p>	<p>Rental Income – All properties except departing residence:</p> <ul style="list-style-type: none"> <li>• Existing rental income required documentation: Recent personal tax return at least one- year <b>and</b> copy of current unexpired, executed lease (if lease is not current, evidence need to be provided showing lease converted to month to month) <b>and</b> at least 3 months proof of current rental income being received (i.e., canceled checks and/or deposits). Rental income must be derived solely from the ownership of rental properties as declared on the Schedule E.</li> <li>• Rental income from new lease required documentation: Copy of executed lease <b>and</b> verification of security deposit <b>and</b> first-month’s rent deposited to borrower’s account. May not be leased to a family member. Property must have been purchased within the last tax year.</li> <li>• Rental income from short leases, Airbnb, VRBO, Homestay or other vacation rentals (i.e., short-term rentals) will be permitted with a two-year history of receipt as reported on the borrower’s income tax returns for the subject property investment property and refinances only. Evidence that the property is currently being offered for rent in the same manner is required. Market Rents cannot be used for short-term rental income. A two-year history is required and proof of current receipt of rental income being received is required.</li> <li>• Landlord history is not required to use rental income.</li> <li>• FNMA Form 1007 is required for all non-owner-occupied transactions</li> </ul>



<b>Departing Residence</b>	<p>Rental Income - Departing Residence</p> <ul style="list-style-type: none"> <li>• Copy of executed lease <b>and</b> verification of security deposit <b>and</b> first-month's rent deposited to borrower's account.</li> <li>• May not be leased to a family member.</li> <li>• Lease agreement must be for a minimum 12-month term.</li> </ul>												
<b>RSU Income</b>	<p>Restricted stock refers to stock of a company that is not fully transferable until certain conditions have been met. Upon satisfaction of those conditions, the stock becomes transferable to the person holding the grant. Restricted stock should not be confused with stock options. Restricted stock must be vested as well as received on a regular, recurring basis.</p> <ul style="list-style-type: none"> <li>• The following documentation is required: <ul style="list-style-type: none"> <li>○ Issuance agreement or equivalent (part of the benefits package), and</li> <li>○ Schedule of distribution of units (shares), and</li> <li>○ Vesting schedule, and</li> <li>○ Evidence that stock is publicly traded, and</li> <li>○ Evidence of payout of the restricted stock (e.g., YTD pay stub and 2 years W2s)</li> </ul> </li> <li>• Calculation of income: <ul style="list-style-type: none"> <li>○ To determine the restricted stock price, use the lower of:</li> <li>○ Current stock price, or</li> <li>○ The two-year stock price average.</li> <li>○ Qualifying income will be calculated using an average of the restricted stock income for the past two years, and year to date stock earnings. The average stock price should be applied to the number of stock units vested each year.</li> <li>○ Future vesting must support qualifying income.</li> </ul> </li> </ul>												
<b>Payment Shock</b>	<ul style="list-style-type: none"> <li>• Payment shock is limited to 300% for a FTHB unless the DTI equals to or less than 36%. Payment shock will be reviewed on all other loans to ensure capacity has been met but there is no specific maximum that must be met.</li> <li>• Payment Shock Calculation = (Proposed Housing Payment / Present Housing payment) x 100</li> </ul>												
<b>Residual Income</b>	\$1500 Residual income apply to all transactions. Total income minus Total Debt.												
<b>Seller Concessions</b>	<table border="1"> <thead> <tr> <th>Occupancy</th> <th>LTV</th> <th>Max Percentage</th> </tr> </thead> <tbody> <tr> <td>Primary and Second Homes</td> <td>&lt;= 75%</td> <td>9%</td> </tr> <tr> <td>Primary and Second Homes</td> <td>75.01 – 85.00</td> <td>6%</td> </tr> <tr> <td>Investment</td> <td>All</td> <td>3%</td> </tr> </tbody> </table>	Occupancy	LTV	Max Percentage	Primary and Second Homes	<= 75%	9%	Primary and Second Homes	75.01 – 85.00	6%	Investment	All	3%
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<p align="center"><b>Non-Arm's Length Transaction</b></p>	<p>A non-ARM's length transaction is a transaction between family members, co-workers, friends, or anyone associated with the transaction such as the listing agent, mortgage lender, or broker. The following are required if the purchase of the subject property is a non-arm's length transaction:</p> <ul style="list-style-type: none"> <li>• Primary Residence: The property must be the borrower's primary residence.</li> <li>• Gift of Equity is eligible: A gift of equity occurs when equity in a property is gifted from the owner to the borrower when the borrower and owner are related.</li> <li>• Examples of Non-ARM's Length Transactions: <ul style="list-style-type: none"> <li>○ Relatives: defined by blood, marriage, adoption, or legal guardianship. The transactions between parents, siblings, grandparents, aunt, uncle, cousin, step-child or spouse is considered Non-ARM's length.</li> <li>○ Employee / Employer</li> <li>○ Landlord / Tenant</li> <li>○ Home Builders</li> <li>○ Real Estate Brokers / Agents</li> <li>○ Third-Party Service Providers</li> <li>○ Seller Employees</li> <li>○ Owner Financed</li> </ul> </li> <li>• 1031 Exchanges are permitted for down payment and cash to close only.</li> </ul>														
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<p align="center"><b>Home Equity Line of Credit (HELOC)</b></p>	<ul style="list-style-type: none"> <li>• For HELOC loans paid off at closing the line must be closed to any future draws. Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document.</li> <li>• Subordination of HELOC loans is permitted up to the maximum CLTV per matrix. The CLTV should be calculated using the full amount of any HELOCs (whether or not funds have been drawn).</li> </ul>														
<p align="center"><b>Rent Back</b></p>	<p>Max 60 days</p>														
<p align="center"><b>1031 Exchange</b></p>	<p>Are permitted for down payment and cash to close only.</p>														

<b>Subordinate Financing</b>	<p>Subordinate financing is permitted provided the following conditions are met:</p> <ul style="list-style-type: none"> <li>• The subordinate financing does not have a negative amortization or interest only feature.</li> <li>• Subordinates with pre-payment penalties are not permitted.</li> <li>• All subordinate financing must be from a financial institution.</li> <li>• Subordinate financing payment must be included in the DTI calculation.</li> <li>• Max LTV/CLTV cannot exceed Max LTV in Credit Matrix.</li> <li>• Required Documentation for subordinate financing: <ul style="list-style-type: none"> <li>○ Copy of the Note</li> <li>○ Copy of the Subordination Agreement</li> </ul> </li> </ul>
<b>Additional Restrictions</b>	<ul style="list-style-type: none"> <li>• Temporary Buydown / Leasehold: Not Allowed</li> <li>• Balloon mortgages are not eligible for purchase</li> <li>• Escrow holdbacks not allowed</li> <li>• High-Cost loans not allowed</li> <li>• Recast not allowed</li> </ul>
<b>Escrows</b>	<p>Escrows for taxes and insurance will be required for all HPMLs (High Price Mortgage Loans) that are primary residences.</p> <ul style="list-style-type: none"> <li>• <b>Escrows for taxes and insurance will be required on Cash-Out Refinances.</b></li> <li>• Flood Insurance must be escrowed.</li> </ul>
<b>State Restrictions</b>	<ul style="list-style-type: none"> <li>• Texas 50 (a)(6): Permitted based on FNMA Guides B5-4.1 must adhere to Article XVI, Section 50(a)(6) Statue. <ul style="list-style-type: none"> <li>○ Primary residence Only.</li> <li>○ Interest Only not allowed.</li> <li>○ 2-4 Unit not allowed.</li> <li>○ Loan must be fully amortized.</li> </ul> </li> <li>• Illinois Land Trusts are ineligible.</li> </ul>
<b>Credit Documents Age</b>	<p>For all transaction types, credit documents may not be older than 120 days from the Note date.</p>
<b>EPO</b>	<p>6</p>