



## NEWPORT NON-CONFORMING

Last Updated November 15, 2022

### PRIMARY RESIDENCE: Purchase and Rate & Term Refinance

PROPERTY TYPE	MAX LOAN AMOUNT <sup>1</sup>	MAXIMUM LTV <sup>2</sup>	MAXIMUM CLTV/HCLTV <sup>2</sup>	FICO	MAX DTI
1-Unit PUD	\$1,500,000	80%	80%	700	45%
	\$2,000,000	75%	75%	700	
	\$2,500,000	70%	70%	720	
	\$3,000,000	70%	70%	740	
	\$3,500,000	60%	60%	740	
	\$4,000,000	55%	55%	740	
2-Unit	\$1,000,000	65%	65%	700	45%
	\$1,500,000	60%	60%	720	

### PRIMARY RESIDENCE: Cash-Out Transaction<sup>3</sup>

PROPERTY TYPE	MAX LOAN AMOUNT <sup>1</sup>	MAXIMUM LTV	MAXIMUM CLTV/HCLTV	FICO	MAX DTI
1-Unit PUD Condo	\$1,000,000	80%	80%	700	45%
	\$1,500,000	75%	75%	720	
	\$2,000,000	70%	70%	720	
	\$2,500,000	60%	60%	720	

<sup>1</sup> Minimum loan amount is \$1 higher than Conforming loan amounts (High balance is eligible)

<sup>2</sup> When Asset Depletion is used for income qualification, the max LTV is at 70%. Only allow on Purchase and R/T transactions only.

<sup>3</sup> Cash-Out Maximum: LTV > 55% is \$500K and LTV <= 55% is \$750K

### SECOND Home: Purchase and Rate & Term Refinance

PROPERTY TYPE	MAX LOAN AMOUNT <sup>1</sup>	MAXIMUM LTV <sup>2</sup>	MAXIMUM CLTV/HCLTV <sup>2</sup>	FICO	MAX DTI
1-Unit PUD Condo	\$1,000,000	75%	75%	720	45%
	\$1,500,000	70%	70%		
	\$2,000,000	65%	65%		
	\$2,500,000	50%	50%		

<sup>1</sup> Minimum loan amount is \$1 higher than Conforming loan amounts (High balance is eligible)

<sup>2</sup> When Asset Depletion is used for income qualification, the max LTV is at 70%. Only allow on Purchase and R/T transactions only.

**Additional Restrictions:** JMAC Lending to pull new credit which will be used for pricing and underwriting. Applies to all loans and business channels.

Topic	General Guidelines
<p><b>Regulatory Compliance</b></p>	<ul style="list-style-type: none"> <li>• <b>High-Cost Limits:</b> Loans exceeding any applicable federal, state, or municipal High-Cost limits are <u>not eligible</u> for purchase (e.g., HOEPA).</li> <li>• <b>HPML/HPCT:</b> Higher-Priced Mortgage Loans (HPML) are <u>ineligible</u> for purchase in this program.</li> <li>• The maximum points and fees are limited to 3%.</li> </ul> <p>Example of why a loan would fail HPML/HPCT:</p> <ul style="list-style-type: none"> <li>• High balance loan amounts: If the APR is 1.5% points or more higher than the APOR</li> <li>• Jumbo loan amounts: if the APR is 2.5% or more higher than the APOR</li> </ul>
<p><b>Products</b></p>	<ul style="list-style-type: none"> <li>• 30 Day SOFR ARM (Secured Overnight Financing Rate) <ul style="list-style-type: none"> <li>○ 5/6: 30-year term (Initial 2%, Sub 1%, Life 5%, Max Margin 3%); Qualify on the higher of the note rate + 2% or the fully indexed rate</li> <li>○ 7/6: 30-year term (Initial 5%, Sub 1%, Life 5%, Max Margin 3%); Qualify on the higher of the note rate or fully indexed rate</li> <li>○ 10/6: 30-year term (Initial 5%, Sub 1%, Life 5%, Max Margin 3%); Qualify on the higher of the note rate or fully indexed rate</li> <li>○ The floor rate is the margin</li> </ul> </li> </ul>
<p><b>Minimum Loan amount</b></p>	<p>Must be at least \$1 over the <b>Conforming limits</b> based on property types</p>
<p><b>Tax Returns / 4506C</b></p>	<p>2 full year's tax returns, W2s and 4506-C</p>
<p><b>AUS</b></p>	<ul style="list-style-type: none"> <li>• Desktop Underwriter (DU) submission applies to all transactions <ul style="list-style-type: none"> <li>○ DU Approve/Eligible response for loan amounts between the applicable conforming and high balance loan limits based on county and property type.</li> <li>○ DU Approve/Ineligible response for loan amounts above the applicable conforming or high balance loan limit for the county and property type; ineligible due to loan amount only.</li> </ul> </li> <li>• Loan must meet all Ability to Repay requirements <ul style="list-style-type: none"> <li>○ Requirements per the Non-Agency guidelines for income and liabilities must be met, regardless of DU findings.</li> </ul> </li> </ul>

- US Citizens; Permanent Resident Aliens; Non-Permanent Resident Aliens, Revocable Trust; Must have valid Social Security Number; Maximum of 4 borrowers per loan application are allowed
- If green card will expire within 90 days of application, provide evidence of petition for permanent residence.
- Eligible Non-permanent Resident Aliens:
  - VISA
    - If expiration is within six months of the loan application and the borrower has not changed employers, a copy of the employer’s letter of sponsorship for visa renewal must be provided.
    - If Visa has expired, a valid USCIS Form I-797 confirming submitted application to renew.
  - EAD Card
    - If expiration is within six months of the application the borrower must show evidence, they have applied for an extension or provide letter from the employer indicating they will continue to sponsor their employment
    - For residents of Canada or Mexico, H1-B status stamped on an unexpired passport
    - For borrowers with income being used for qualification, see below for eligible VISA classifications.
  - Acceptable VISA Types:
    - Borrowers with any source of income being used for qualification must have one of the following VISA classifications and submit the appropriate documentation to support they are legally able to work within the United States.
      - Some VISAs automatically grant work authorization, and an EAD will not be issued.
      - For certain VISA classes, spouses and dependents must be issued an EAD to work within the U.S.
      - When an EAD is provided it must be associated with one of the acceptable VISA classes notes below.
      - Refer to [uscis.gov](http://uscis.gov) for the further guidance on associated VISA and EAD categories.

**Borrower Eligibility**

VISA	Acceptable VISA Class	Description
A Series	A-1, A-2, A3  Must document that the borrower does not have diplomatic immunity.	Diplomat and foreign government official such as an ambassador, consular officer or other top government official, spouse, dependents and employees of a diplomat or official. A-2 can also classify as lower ranked foreign government employees. EAD class C01 issued to dependents.
E Series	E-1, E-2, E-3, E3D	Trade Treaty. International trader or investor, spouse and dependents. Employer Sponsored EAD class A17 issued to spouse. EAD class C02 may also be issued to dependents.
G Series	G-1, G-2, G-3, G-4, and G-5 Must document that the borrower does not have diplomatic immunity.	Employees of International Organizations and NATO. Internationally recognized staff, spouse and dependents EAD class C04 issued to spouse and dependents
H Series	H-1B, H-1B1, H-1B2, H-1B3, H-1C, and H-4	Temporary Work VISA. An individual who is in the U.S. performing services of a professional nature in a specific position for a sponsoring employer EAD class C26 issued to spouse
I Series	I	Foreign media representatives
K Series	K-1 and K3	Finance or spouse of U.S. Citizen EAD class A06 issued to fiancé(e) or dependent of K-1. EAD class A09 issued to spouse or dependent of K-3
L Series	L-1A, L-1B, L-2	Temporary Work VISA. Intracompany transfer of an executive or an employee with specialized knowledge, spouse and dependents EAD Class A18 issued to spouses

		NATO	NATO statuses 1 through 7 Must document that the borrower does not have diplomatic immunity.	Employees of International Organizations and NATO. Representative of member state to NATO, officials of NATO, support staff, spouse and dependents EAD class C07 issued to dependents
		O Series	O-1 and O-2	An individual who possesses extraordinary ability in the sciences, arts, education, business, or athletics, or who has a demonstrated record of extraordinary achievement in the motion picture or television industry and has been recognized nationally or internationally for those achievements. Employer Sponsored.
		R Series	R-1	Religious Workers. Employer Sponsored
		TN	TN	Nonimmigrant NAFTA Professional visa (only issued to citizens of Canada and Mexico) Employer sponsored
<b>Non-Occupant Co-Borrower</b>	<p>Non-occupant co-borrower will be eligible to qualify with blended ratios subject to the following conditions:</p> <ul style="list-style-type: none"> <li>• Primary residence – 1 unit only</li> <li>• Purchase &amp; Rate/Term only</li> <li>• Non-occupant co-borrower is a relative of the occupant borrower. A relative is defined as the borrower’s parent, spouse, child or other dependent or by any other individual who is related to the borrower by blood, marriage, adoption or legal guardianship, or a fiancé, fiancée or domestic partner</li> <li>• Occupying borrower(s) must have a DTI ratio of 60% or less. Excluding income/debts of non-occupant borrower.</li> <li>• A minimum of 5% of the down payment must come from the primary (occupant) borrower’s own funds.</li> <li>• Minimum 700 Credit Score</li> <li>• Arm’s length transactions only (no relationship to seller or builder)</li> </ul>			
<b>Number of Financed Properties, Concentration, and Number of borrowers</b>	<ul style="list-style-type: none"> <li>• Up to 4 financed residential properties, including the subject property.</li> <li>• Maximum exposure to a single borrower with an aggregate loan amount total of \$4,000,000 or 10 loans.</li> <li>• Maximum 10 properties owned regardless of if it’s financed or not.</li> <li>• Maximum 4 borrowers on a loan</li> </ul>			
<b>Standard Trade lines</b>	<p><b>Third party originator credit report is not eligible. JMAC Lending to pull credit which will be used for pricing and underwriting.</b></p> <p><b>All reports used to qualify must meet the tradeline requirement:</b></p> <ul style="list-style-type: none"> <li>• 2 tradelines with a minimum 12-month history, OR</li> <li>• 1 tradeline with a minimum 12-month history and a 12-month housing reference</li> </ul> <p><b>Additional requirements:</b></p> <ul style="list-style-type: none"> <li>• Authorized user accounts, non-traditional credit, collections, charge-offs deferred loans with no payment, and transferred accounts are not an acceptable tradelines.</li> <li>• Each borrower must have at least 2 fico scores</li> <li>• Frozen credit is required to be unfrozen before submission.</li> </ul>			

<p style="text-align: center;"><b>Credit</b></p>	<ul style="list-style-type: none"> <li>• On <b>authorized credit</b>, the borrower must qualify with the payment unless the authorized user tradeline belongs to another borrower on the mortgage or it can be documented someone else other than the borrower is making the payment. (Provide 12 months proof)</li> <li>• <b>Collections</b> over \$250 individually or \$1000 aggregate, must be paid</li> <li>• All <b>derogatory credit</b> events (bankruptcy, foreclosure, short sale, deed-in-lieu, loan modification) must be seasoned for 7 years from the date of the loan application.</li> <li>• Reduced seasoning due to extenuating circumstances is not permitted.</li> <li>• <b>Disputed tradelines</b> with a balance must be included into the DTI if the account belongs to the borrower. A disputed account with a zero balance and no late payments, can be disregarded.</li> </ul>
<p style="text-align: center;"><b>Tax Liens, Judgments and Charge-Offs</b></p>	<ul style="list-style-type: none"> <li>• Tax liens, judgments, <b>non-mortgage related</b> charge-offs and past-due accounts must be satisfied or brought current prior to or at closing. Cash-Out proceeds from the subject property transaction may <u>not</u> be used to satisfy judgments, tax liens, charge-offs or past-due accounts.</li> <li>• Payment plans on prior year tax liens / liabilities are not allowed and must be paid in full.</li> </ul>
<p style="text-align: center;"><b>Mortgage and Rental History</b></p>	<p>If the borrower(s) has a mortgage or rental history in the most recent 24 months, a VOM or VOR must be obtained reflecting 0x30 in the last 24 months from the date of application. Applies to all borrowers on the loan.</p> <ul style="list-style-type: none"> <li>• If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required; otherwise, if not related or a party to the transaction a satisfactory VOR can be provided.</li> <li>• A verification of mortgage is not required if the credit report reflects the payment history is reporting current as of the date of the application.</li> </ul> <p><b>Rent free is allowed.</b></p> <p><b>TEMPORARY VERIFICATION OF MORTGAGE REQUIREMENTS</b>  For all transactions with applications on or after October 1, 2020, in addition to reviewing the credit report, a verification of mortgage from the Lender/Servicer is required to document a history of 0x30 day late or missed payments <i>in the last 12 months of the Note date for all financed residential one-to-four-unit properties.</i></p> <p>Examples of acceptable additional due diligence methods to document the latest 12-month history includes:</p> <ul style="list-style-type: none"> <li>• a loan payment history ledger from the servicer</li> <li>• the last 12-months mortgage account statements and/or cancelled checks from the borrower</li> <li>• a verification of mortgage from the servicer</li> <li>• A credit supplement is now acceptable when direct contact is made with the servicer, with the contact information provided, the supplement verifies 0x30 payment history over the last 12 months and the due date of the next payment owed. <ul style="list-style-type: none"> <li>o A supplement that indicates automated verification is not acceptable</li> <li>o A supplement that only provides a current status of the mortgage such as “current” or “paid as agreed” would not be considered as meeting the due diligence requirement</li> <li>o When evidence is present in file to indicate a mortgage may have had missed payments as a result of a COVID-related forbearance, a credit supplement is not acceptable</li> </ul> </li> </ul>
<p style="text-align: center;"><b>Gift funds</b></p>	<ul style="list-style-type: none"> <li>• 100% gift funds allowed.</li> <li>• Gift funds requires donor’s ability. Provide one (1) month.</li> </ul>

<p><b>Debt Payoff/Consolidation</b></p>	<ul style="list-style-type: none"> <li>• <u>Payoff or paydown of debt for Qualification</u> <ul style="list-style-type: none"> <li>○ Paying down revolving and/or installment debt to qualify is not acceptable.</li> <li>○ Lease payments may not be paid down or paid off for qualifying purposes</li> </ul> </li> <li>• <u>Paying off revolving and/or installment debt to qualify is allowed with the following requirements:</u> <ul style="list-style-type: none"> <li>○ On purchase transactions, debt must be paid prior to closing and source of funds must be documented.</li> <li>○ On refinance transactions, the debt payoff must be reflected on the Closing Disclosure.</li> <li>○ Gift funds are not allowed to pay off debt(s) to qualify; however, paying off student loan obligations is allowed.</li> </ul> </li> <li>• <b>Installment:</b> All applicable monthly liabilities must be included in the qualifying ratio. Closed-end debts do not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5% of the Borrower's gross monthly income. The borrower may not pay down the balance in order to meet the 10month requirements.</li> <li>• Monthly payments on revolving, open-ended and/or lease, regardless of the balance, are counted as a liability for qualifying purposes even if the account appears likely to be paid off within 10 months or less.</li> <li>• Revolving account: <ul style="list-style-type: none"> <li>○ If credit report shows any revolving accounts with an outstanding balance but no specific minimum monthly payment, the payment must be calculated as the greater of: <ul style="list-style-type: none"> <li>▪ 5% of the balance</li> <li>▪ \$10</li> </ul> </li> <li>○ If the actual monthly payment is documented from the creditor or the creditor obtains a copy of the current statement reflecting the monthly payment, that amount may be used for qualifying purpose.</li> </ul> </li> </ul>
<p><b>Timeshares</b></p>	<p>Timeshares to be considered installment debt and not classified as real estate owned, regardless if reported on credit as a mortgage loan.</p>
<p><b>Open-Ended Accounts</b></p>	<p>For open 30-day charge accounts (for example, Amex), the borrower must have sufficient verified liquid assets to pay off the balance and meet the reserve requirements for the loan program to exclude the payment from the qualifying DTI.</p> <ul style="list-style-type: none"> <li>• If sufficient liquid assets are verified exclude the reported monthly payment from the DTI.</li> <li>• If sufficient liquid assets are not verified obtain evidence that the account has been paid in full and exclude the reported monthly payment from the DTI, or include the monthly payment (equal to the outstanding account balance) in the calculation of the qualifying DTI.</li> <li>• If the account provides for a monthly payment option other than the total outstanding balance, the account is not considered a 30-day charge account and these requirements do not apply.</li> </ul>
<p><b>Payments on Real Estate Co-Owned</b></p>	<p>When the borrower is on title to a property as an owner but is not a signor on the note or mortgage they must qualify with the taxes and insurance for the said property.</p>
<p><b>Payment Calculation for subordinate financing</b></p>	<p>HELOCS with a current outstanding balance with no payment reflected on credit report may have the payment document with a current billing statement. HELOCS with a \$0 balance do not need a payment included in the DTI unless using for down payment or closing costs.</p>

<p style="text-align: center;"><b>Ineligible Income</b></p>	<p>Unacceptable income sources include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Any unverified source</li> <li>• Deferred compensation</li> <li>• Income that is temporary or a one-time occurrence</li> <li>• Rental income received from the borrower’s single-family primary residence or second home.</li> <li>• Retained earnings</li> <li>• Education benefits</li> <li>• Income from trailing co-borrowers</li> <li>• Stock Options &amp; Restricted Stock Grants</li> <li>• Income based on future wage increases</li> <li>• <b>Income derived from virtual currency, such as cryptocurrency, including but not limited to:</b> <ul style="list-style-type: none"> <li>○ Income paid to or earned by the borrower in the form of cryptocurrency</li> <li>○ Assets to establish income continuance such as retirement distributions, trust or dividend/interest income</li> <li>○ Use in assets as a basis for repayment of obligations</li> <li>○ Rental payments. When a lease is necessary the payment method on the lease must be reflected in U.S. dollars.</li> </ul> </li> <li>• Income derived from an activity that is prohibited by federal, state or local law, rules and regulations cannot be considered This applies to both W2 and self-employment, regardless if reporting income or loss. Income sources may include, but not limited to: <ul style="list-style-type: none"> <li>○ Foreign shell banks</li> <li>○ Medical marijuana dispensaries</li> <li>○ Any business or activity related to marijuana or CBD (e.g. growing, processing, distribution, etc.) even if legally permitted under state or local law.</li> <li>○ Businesses engaged in any type of internet gambling.</li> </ul> </li> </ul>
<p style="text-align: center;"><b>Re-entering workforce</b></p>	<p>A borrower’s income may be considered effective and stable for use in qualification when recently returning to work after an extended absence (defined as six months) if the borrower:</p> <ul style="list-style-type: none"> <li>• Is employed in the current job for six months or longer; and</li> <li>• Can document a two-year work history prior to an absence of employment using: <ul style="list-style-type: none"> <li>○ Traditional employment verifications; and/or</li> <li>○ W2 forms, for prior 2 years</li> </ul> </li> </ul> <p>Employment <u>with less than six (6) months return to the workforce</u> may be considered when the following can be documented:</p> <ul style="list-style-type: none"> <li>• At least 30-day employment with new employer</li> <li>• Primary residence transactions only</li> <li>• Purchase and rate-and-term refinance only. Cash-out transactions not eligible</li> <li>• Document a two-year work history prior to an absence of employment</li> <li>• Base income only</li> <li>• Borrower to provide letter of explanation for gap in employment and financial management during the gap.</li> </ul>

<b>Self-Employed</b>	<b>Self-Employment</b>	<b>Required Documentation</b>
	<b>Self-Employed Income All</b>	<p>Self-employment must be documented with two-years personal tax returns with all schedules</p> <ul style="list-style-type: none"> <li>• Personal returns must be signed in the event third-party tax transcripts are not provided. See Tax Transcript section for further details.</li> </ul> <p>Signed Business returns, when applicable, along with K-1s showing ownership interest for the most recent two years</p> <ul style="list-style-type: none"> <li>• A signed 4506-C for each business will be required for all business' in which the business income/loss is being used to qualify the borrower(s)</li> <li>• When a consumer's percentage of ownership does not appear on the tax returns, the creditor must obtain the information from the corporation's accountant, along with evidence that the consumer has the right to any compensation.</li> </ul>
	<b>Sole Proprietorship (Schedule C)</b>	YTD Profit and Loss (P&L) dated within 120 days of the Note date is required when the borrower has filed an extension for the most recent tax years filing (e.g. typically between April 15th and October 15th)
	<b>Partnership (1065) Limited Liability or S Corporations (1120S), or Corporations (1120)</b>	<ul style="list-style-type: none"> <li>• YTD Profit and Loss (P&amp;L) dated within 120 days of the Note date is required</li> <li>• YTD balance sheet dated within 120 days of the Note date is required.</li> </ul>



Assets	Acceptable Asset Types				
	Asset Type	Percentage of value	Documentation Requirements	Funds to Close	Reserves
	Checking/Savings/Money Market/ CDs	100%	2 recent statements or VOD	Y	Y
	Stocks/Bonds/Mutual Funds	100%	2 recent statements. non-vested stock is ineligible	Y	Y
	Retirement Accounts (401k, IRAs, etc)	<ul style="list-style-type: none"> <li>If borrower is &gt;59 ½, then 70% of the vested value after the reduction of any outstanding loans.</li> <li>If borrower is &lt;59 ½, then 60% of the vested value after the reduction of any outstanding loans.</li> </ul>	<p>Most recent statement(s) covering a two (2) month period.</p> <p>Evidence of liquidation if using for down payment or closing costs.</p> <p>Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves.</p>	Y	Y
	Cash Value of Life Insurance/ Annuities (Net Proceeds)	100% of value minus any penalties	2 recent statements	Y	Y
	Foreign Assets	100% when exchanged into U.S. dollars and held in a U.S or state regulated financial institution	<p>2 recent statements</p> <p>Documented evidence of the foreign assets exchanged into U.S. dollars and held in a U.S. or state regulated financial institution prior to closing.</p>	Y	Y
	Business Funds	100%	<p>Cash flow analysis required using most recent <i>three (3) months business bank statements</i> to determine no negative impact to business.</p> <p>Business bank statements must not reflect any NSF's (non-sufficient funds) or overdrafts.</p> <p>Borrower must be 100% owner of the business.</p> <p>Any documented PPP loan or other COVID related loan(s) are not considered an eligible source of business funds for down payment, closing costs or reserves.</p>	Y	Y
	Gift Funds	<p>Allowable for Primary and Second Homes as follows (unless product indicates otherwise):</p> <ul style="list-style-type: none"> <li>LTV ≤ 80%, Minimum borrower contribution from the borrower's own funds is not required.</li> </ul>	<p><b>Donor's ability required</b></p> <p>Acceptable documentation includes the following:</p> <ul style="list-style-type: none"> <li>Copy of donor's check and borrower's deposit slip. If the gift was provided in the form of a cashier's check the donors most</li> </ul>	Y	N

	Gift funds not allowed for reserves.	recent statement documenting available funds must be provided <ul style="list-style-type: none"> <li>• Copy of donor's withdrawal slip and borrower's deposit slip.</li> <li>• Copy of donor's check to the closing agent.</li> <li>• A settlement statement/CD showing receipt of the donor's gift check.</li> </ul>		
<b>Anticipated Net Proceeds from concurrent sale of property</b>	100% of the net proceeds based on a Preliminary Closing Disclosure may be used for cash to close  No more than 50% of the net proceeds may comprise the borrower's reserve requirement	Preliminary Closing Disclosure provided prior to close.  Final Closing Disclosure or equivalent closing statement must be provided at time of closing.  Underwriter to breakdown the amount of both funds to close and reserves which must be verified in the at close condition.	Y	Y
<b>Proceeds from Sale of Personal Assets Including but not limited to vehicles, art, and cryptocurrency such as Bitcoin</b>	100% of proceeds  No more than 50% of the proceeds may comprise the borrower's reserve requirement	Proof of the borrower's original ownership interest in the asset (e.g. vehicle title) Value of the asset as determined by an independent and reputable source (e.g. blue book)  Transfer of ownership of asset with bill of sale  Receipt of proceeds from the sale from purchaser and deposit into borrower's account  Note: Cryptocurrency ownership may be difficult to document; before using as an asset, sufficient paper trail must be provided to document the borrower's ownership of the digital account, sale of the digital currency and deposit into a depository account. Cryptocurrency must be sold and loans against digital currency are not considered eligible.	Y	Y
<b>Secured borrowed funds from Real Estate</b>	100%	Documentation of new qualifying payment to be included in the debt-to-income analysis  Evidence of withdrawal of funds from an existing HELOC and deposit into financial account prior to closing  Documentation of new Bridge loan and either receipt of proceeds prior to close or Final	Y	N

			Approval Commitment to demonstrate funds will be received simultaneously with subject loan closing		
	<b>Borrowed Funds Against a Financial Asset</b>	100%	<p>A loan (in lieu of liquidation) secured by stocks, bonds, or any other investment accounts, life insurance policies, 401(k) accounts, CDs, or other financial assets.</p> <ul style="list-style-type: none"> <li>• Documentation from a financial institution for the amount of the loan must be provided</li> <li>• Loans against digital currency (e.g. cryptocurrency) are not considered eligible for down-payment or closing costs.</li> <li>• The value of the asset must be reduced by the proceeds from the secured loan, and any related fees, to determine remaining funds which may be applied toward asset reserves.</li> </ul>	Y	N
<p><b>Large Deposits:</b> When bank statements, typically covering the most recent two months are used, large deposits needs to be evaluated, which are defined as a single deposit that exceeds 50% of the total monthly qualifying income (includes income derived from the asset depletion calculation for establishing the debt payment-to-income ratio) for the loan.</p>					

<b>Reserves</b>			
	<b>Occupancy</b>	<b>Loan Amount</b>	<b>Required Reserves (PITIA)<sup>1</sup></b>
	<b>Primary Residence</b>	Up to \$850,000	3 months
		\$850,001 - \$1,000,000	6 months
		\$1,000,001 - \$1,500,000	9 months
		\$1,500,001 - \$2,000,000	12 months
		\$2,000,001 - \$4,000,000	24 months
	<b>Second Home</b>	Up to \$850,000	6 months
		\$850,001 - \$1,000,000	12 months
		\$1,000,001 - \$1,500,000	18 months
\$1,500,001 - \$2,500,000		24 months	
<b><sup>1</sup> Additional 6 months of reserve is required for each financed property</b>			

<p><b>Eligible Property Types</b></p>	<ul style="list-style-type: none"> <li>• 1-2 Units</li> <li>• Low, mid and high-rise condos (Must be FNMA warrantable) <ul style="list-style-type: none"> <li>○ FNMA Types R&amp;S</li> <li>○ 2 to 4-unit projects are subject to FNMA requirements</li> <li>○ Site-Condos (must be detached)</li> <li>○ Limited review is not eligible</li> </ul> </li> <li>• PUD</li> <li>• Leaseholds</li> <li>• Properties with up to 10 acres</li> </ul>
<p><b>Unacceptable Properties</b></p>	<p>A mortgage may not be made on the following properties:</p> <ul style="list-style-type: none"> <li>• Property over 10 acres</li> <li>• Manufactured housing (i.e., a structure such as a mobile or coach home that is built on a permanent chassis)</li> <li>• Condotels</li> <li>• Unique properties, including but not limited to non-traditional property type such as: <ul style="list-style-type: none"> <li>○ Barndominiums,</li> <li>○ Berm earth houses,</li> <li>○ Geodesic domes,</li> <li>○ Containers home</li> </ul> </li> <li>• Properties without utilities and/or utilities not meeting community standards (e.g. off-grid homes)</li> <li>• Log Homes</li> <li>• Co-ops</li> <li>• Mix-use Properties</li> <li>• Income producing properties with acreage, including but not limited to: <ul style="list-style-type: none"> <li>○ Working farms,</li> <li>○ Ranches,</li> <li>○ Orchards</li> </ul> </li> <li>• Model home leaseback to builder</li> <li>• Properties located on Native America Tribal land</li> <li>• Properties with evidence of activities that are federally, state, or locally prohibited (e.g. marijuana growth, processing, etc). Property altercations cannot be made to achieve collateral eligibility.</li> <li>• Any properties that have environmental hazard concerns</li> </ul>

<b>Appraisal Requirements</b>	<b>Loan amount</b>	<b>Appraisal Requirements</b>
	Less than or equal to \$2M	1 full appraisal
	Greater than \$2M	2 full appraisals
	All properties in which the seller purchased property within 90 days of the fully executed purchase contract	2 full appraisals <ul style="list-style-type: none"> <li>• Seller on purchase contract must be the owner of record</li> <li>• Increases in value must be documented with commentary from the appraiser and recent paired sales</li> </ul>
	<ul style="list-style-type: none"> <li>• A recertification is required if the appraisal will be more than 120 days of the Note date. In addition, the original effective date of the appraisal may not be more than 180 days from the Note date. <ul style="list-style-type: none"> <li>○ For loan with multiple appraisals, the update must be ordered against the lower appraisal used for loan qualification.</li> <li>○ Updates should be provided from the original appraiser and must indicate the value has not declined since the original date or a new appraisal is required.</li> </ul> </li> <li>• Interior photos must be included for all rooms.</li> <li>• A minimum of 3 comparable sales (must be actual closed sales)</li> <li>• UAD condition rating acceptable (C1, C2, C3, C4, or C5)</li> <li>• Ordering both reports from the same AMC and appraiser is not allowed. <u>For Correspondent Channel:</u> If a correspondent lender only works with one AMC than the second appraisal can be order with the same AMC however, the appraiser must be different.</li> <li>• If two (2) appraisals are required, the lesser of the two values should be used to underwrite the transaction and determine LTV/CLTV/HCLTV.</li> <li>• Desk review (CDA) is required on all loans <ul style="list-style-type: none"> <li>○ CDA &gt; 10% will require field review regardless of LTV.</li> <li>○ Field review cost needs to be paid by borrower or broker.</li> </ul> </li> <li>• PIW/ACE or Exterior (2055) not allowed</li> <li>• <b>Appraisal transfer allowed</b></li> </ul>	
<b>Departing Residence</b>	<p><b><u>Departure residence pending sale</u></b></p> <ul style="list-style-type: none"> <li>• In order to exclude the payment for a borrower’s primary residence that is pending sale but will close after the subject transaction, the following requirements must be met: <ul style="list-style-type: none"> <li>○ A copy of the executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied.</li> <li>○ The pending sale must be an arms-length transaction.</li> <li>○ The closing date for the departure residence must be within 30 days of the subject transaction Note Date.</li> <li>○ An additional 6-month reserves must be verified for the PITIA of the departure residence.</li> </ul> </li> </ul> <p><b><u>Departing residence</u></b></p> <ul style="list-style-type: none"> <li>• The rental income can be used to offset the payment by 75% with a new lease under the circumstances: <ul style="list-style-type: none"> <li>○ A year lease agreement signed by the borrower and the lessee.</li> <li>○ Rental income can only be used to offset the PITIA of the primary property and no positive rental income maybe used for qualification <u>unless</u> the borrower has a minimum of one (1) year investment property management experience.</li> </ul> </li> </ul>	

Rental Income	Required Documentation	
<b>Eligible Properties</b>	Rental Income is allowable on the following subject and non-subject properties when guidelines are met: <ul style="list-style-type: none"> <li>• 2-4-unit primary residences</li> <li>• Investment Properties, including conversion of primary residence to a rental property</li> <li>• 1-unit primary residence with allowable boarder income when allowable</li> </ul>	
<b>Documentation</b>	<ul style="list-style-type: none"> <li>• The most recent one-year tax returns with all schedules including schedule E is required for all properties acquired prior to the most recent tax filing year               <ul style="list-style-type: none"> <li>• In the event two years tax returns are required for other income purposes, the underwriter should analyze the rental history based on two years in lieu of the most recent one-year</li> </ul> </li> <li>• For business returns, the 8825 is required to calculate expense offset for personally held mortgage liability</li> <li>• When lease agreement is permitted per the guidelines,               <ul style="list-style-type: none"> <li>• The lease must be fully executed for the term of at least 12 months.</li> <li>• Lease must be arms-length (no family members)</li> <li>• Income payments must be received in the form of U.S. dollars. Cryptocurrency or other methods of payment are not acceptable</li> <li>• Leases are not eligible for use when rental income is reporting on the tax returns</li> <li>• Short term-rental (e.g. AirBNB) agreements are not eligible for newly acquired properties, Due to the fluctuating nature of the income, short-term rental property income must be annualized from the tax returns</li> </ul> </li> <li>• All Subject property transactions require 1007 or 1025, as applicable, to support rental income</li> </ul>	
<b>Calculation Methods</b>	Schedule E- net rental income should be calculated as the total of (Income + depreciation + interest + taxes + insurance+ HOA (if applicable) divided by the applicable months minus the current PITIA. <ul style="list-style-type: none"> <li>• Lease agreement or 1007/1025- net rental income should be calculated as the gross monthly rent multiplied by 75% minus the current PITIA</li> <li>• Schedule 8825, for personally obligated real estate reporting through a business, calculate rental income in same method as Schedule E. The personal liability may be offset in the real estate section of the application. Any resulting loss from the calculation must be added to the borrower's total monthly obligations. No positive income may be given in the real estate section of the application. Follow self-employment requirements for determining business income/loss from business.</li> <li>• Net rental income must be added to the borrower's total monthly income.</li> <li>• Net rental losses must be added to the borrower's total monthly obligations.</li> </ul>	
<b>Subject Property Lease Agreement 2-4-unit Primary and Investments</b>	<b>Purchase</b>	Lease agreement(s) or a 1007/1025 are allowable to use as rental income when the following conditions can be met: <ul style="list-style-type: none"> <li>• For investment purchases, the borrower must have a current housing payment (i.e. cannot live rent-free).</li> <li>• Rental management history of at least 1 year is required in order to use positive rental income, otherwise only the PITIA may be offset.</li> <li>• Existing lease(s) transferring from the seller to borrower are acceptable when addressed in the purchase contract.</li> <li>• The lower monthly rental amount of the lease agreement or 1007/1025 will be used.</li> </ul>
	<b>Refinance</b>	Acceptable Lease agreements are allowable for use on the subject property for refinance transactions when the following conditions are met: <ul style="list-style-type: none"> <li>• For investment properties, the borrower must have a current housing expense (i.e. cannot live rent-free).</li> <li>• Documentation is provided to demonstrate the property was acquired subsequent to the last tax filing year.</li> <li>• Rental management history of at least 1 year is required in order to use positive rental income, otherwise only the PITIA may be offset.</li> </ul>
<b>Other Real Estate Owned Lease Agreement</b>	Lease agreements are allowable for use on other real estate owned when the following conditions are met <ul style="list-style-type: none"> <li>• The borrower must have a current housing expense (i.e. cannot live rent-free).</li> <li>• Documentation is provided to demonstrate the property was acquired subsequent to the last tax filing year               <ul style="list-style-type: none"> <li>• See departing primary residence with lease for additional tolerance</li> </ul> </li> <li>• Rental management history of at least 1 year is required</li> </ul>	

	<b>Boarder Income</b>	Not allowed
	<b>Departing Primary Residence with a lease</b>	<p>When a consumer vacates a principal residence in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor (25%), may be considered in the underwriting analysis with a new lease under the circumstances</p> <ul style="list-style-type: none"> <li>• An acceptable lease agreement must be provided, see documentation requirements.</li> <li>• Rental income from a new lease may only be used to offset the PITIA of the primary property and no positive rental income may be used to qualify unless the borrower has a minimum of one-year investment property management experience.</li> </ul>
<b>Retirement Income from Pension or Annuity</b>	<p>Fixed income payments such as pension income can be used at full value/distribution.</p> <p>Retirement Income may be verified with one of the following:</p> <ul style="list-style-type: none"> <li>• Statement,</li> <li>• Award/benefit letter,</li> <li>• Tax return,</li> <li>• W2,</li> <li>• 1099, <b>or</b></li> <li>• Proof of current receipt (e.g. bank statement)</li> </ul>	
<b>Retirement Income from Established Employment Related Asset Distributions</b>	<ul style="list-style-type: none"> <li>• Provide 2 months of statement and at least two (2) months of receipt of distribution prior to doc.</li> <li>• Asset account(s) balance must support 3 years continuance.</li> </ul> <p>Refer to <i>Employment-Related Assets as Qualifying Income</i> when the distribution requirements above cannot be met for additional options.</p>	
<b>Employment-Related Assets as Qualifying Income</b>	<p>All of the following loan parameters must be met in order for employment-related assets to be used as qualifying income:</p> <ul style="list-style-type: none"> <li>• Maximum LTV/CLTV/HCLTV: 70%</li> <li>• Purchase and R/T refinance only</li> <li>• Primary residence and second home only</li> <li>• Divide "Net Documented Assets" by amortization term of the mortgage loan (in months).</li> </ul> <p><b>Asset Requirements</b></p> <p>Assets used for the monthly income must be owned individually by the borrower, or the co-owner of the asset must be a co-borrower of the subject property. Assets must be liquid and available to the borrower.</p> <ul style="list-style-type: none"> <li>• Non-self-employed severance package or non-self-employed lump sum retirement package, i.e. a lump sum distribution, must be documented with a distribution letter from the employer (1099R) and deposited to a verified asset account.</li> <li>• 401(k) or IRA, SEP, KEOGH retirement accounts, the borrower must have unrestricted access to the funds in the accounts and can only use the account if distribution is not already set up or the distribution amount is not enough to qualify. The account and it's composition must be documented with the most recent monthly, quarterly, or annual statement.</li> <li>• If a penalty would apply to a distribution of funds from the account made at the time of calculation, then the amount of such penalty applicable to a complete distribution from the account (after costs of the transaction) must be subtracted to determine the income stream from these assets.</li> <li>• A borrower shall only be considered to have unrestricted access to a 401(k) or IRA, SEP, KEOGH retirement account if the borrower has, as of the time of calculation, the unqualified and unlimited right to request a distribution of all funds in the account (regardless of any possible tax withholding or applicable penalty applied to such distribution).</li> <li>• Stocks, bonds, and mutual funds: 70% of the value (remaining after costs for the transaction) may be used to determine the income stream. NOTE: The 10% penalty for early withdrawal is not applicable as the borrower must be eligible to withdraw the funds with no penalty.</li> </ul> <p><b>Ineligible Assets</b></p> <ul style="list-style-type: none"> <li>• Non-employment related assets (e.g. stock options, non-vested restricted stock, lawsuits, lottery winnings, sale of real estate, inheritance, divorce proceeds, etc)</li> </ul>	

<p><b>Commission</b></p>	<p>Commission income must be averaged over the previous two years.</p> <p>Consumers whose commission income was received for more than one year, but less than two years may be considered favorably if the underwriter can:</p> <ul style="list-style-type: none"> <li>• Document the likelihood that the income will continue, and</li> <li>• Borrower has a minimum 2-year employment history prior to receipt of commission</li> <li>• Commission income must be common for the industry in which the borrower is currently employed</li> </ul> <p>Commission income earned for less than one year is not considered effective income.</p> <ul style="list-style-type: none"> <li>• Exceptions may be made for situations in which the consumer's compensation was changed from salary to commission within a similar position with the same employer. Commission income must be common for the industry in which the borrower is currently employed.</li> </ul>
<p><b>Foreign Income</b></p>	<p>Foreign income may be used only if its stability and continuance can be verified.</p> <ul style="list-style-type: none"> <li>• Personal tax returns, including all schedules, for prior two years.</li> <li>• Year-to-date pay stub up through and including the most current period at the time of application.</li> <li>• All income must be converted to U.S. currency.</li> <li>• Foreign Earned Self Employment Income is not acceptable</li> </ul>
<p><b>Social Security Income</b></p>	<ul style="list-style-type: none"> <li>• A copy of the Social Security Administration's award letter OR current bank statement confirming deposit is required when the borrower is receiving social security benefits on their own account/work records.</li> <li>• A copy of the Social Security Administration's award letter AND current bank statement confirming deposit is required when the borrower is receiving security benefits from another person's account/work record <ul style="list-style-type: none"> <li>○ Benefits from another person (e.g. child or spouse) with a defined expiration date must have a remaining term of at least 3 years documented.</li> </ul> </li> <li>• See <b><i>Non-Taxable Income</i></b> for social security income treatment</li> </ul>
<p><b>VA Benefits</b></p>	<p>Document current receipt of VA benefits with a letter or distribution form from the VA.</p> <p>Verify that the income can be expected to continue for 3 years (Verification is not required for VA retirement or long-term disability benefits)</p>
<p><b>Trust Income</b></p>	<p>Income from a trust may be used provided it is properly documented. The trust must have sufficient assets to maintain the same level of payments for the next 3 years. A copy of the trust agreement is generally required.</p> <p>Acceptable forms of verification include a copy of the trust agreement or the trustee's statement confirming the amount, frequency, duration of payments, and what portion if any is tax-free. Income must continue for at least 3 years.</p> <p>Lump-sum distributions made before the loan closing may be used for the down payment or closing costs if they are verified by a copy of the check or the trustee's letter showing the distribution amount.</p> <p><b>Estates &amp; Trusts:</b> Income from estates and trusts can be very complex in nature; therefore, there must be documented evidence of the amount, frequency of receipt, and continuance for the next 3 years. Losses from estates and trusts must be analyzed for disallowed losses.</p> <p><b><u>Documentation Requirements:</u></b></p> <ul style="list-style-type: none"> <li>• Copy of Trust Agreement or trustee's statement that verifies the amount, frequency, and 3 years continuance; and</li> <li>• 2 years most recent tax returns with all Schedules (if Agreement/statement does not include information about historical level of distributions from the trust)</li> </ul>



<p style="text-align: center;"><b>Disability</b></p>	<p>Disability benefit should be acceptable unless the terms of the disability policy specifically limit the stability or continuity of the benefit payments. Benefits that have defined expiration date must have a remaining term of at least 3 years from the date of the loan application on varies and must be verified by obtaining a copy of the borrowers' disability policy or benefits statement.</p> <p>Generally, long-term disability will not have defined expiration date and must be expected to continue. The requirement for re-evaluation of benefits is not considered a defined expiration date. Verification of long-term disability must be documented with one of the following:</p> <ul style="list-style-type: none"> <li>• Obtain a copy of the borrower's disability policy or benefits statement from the benefits payer (insurance company, employer, or other qualified disinterested party) to determine: <ul style="list-style-type: none"> <li>○ The borrower's current eligibility for the disability benefits, and</li> <li>○ The amount and frequency of the disability payments, and</li> <li>○ If there is contractually established termination or modification date</li> <li>○ Document current receipt with a bank statement, pay statement, benefit verification letter, notice of award letter, or other equivalent documentation</li> </ul> </li> </ul>
<p style="text-align: center;"><b>Future Income from Employment Contract</b></p>	<p>Future income is acceptable for qualifying purposes for a borrower on Primary Purchase Transaction Only:</p> <ul style="list-style-type: none"> <li>• Scheduled to start a new job within 60 days of loan closing</li> <li>• Salary pays only may be used for qualification</li> <li>• Contract must be fully executed by borrower and employer, or borrower acceptance letter provided.</li> <li>• All contingencies contained within the contract or offer letter must be met.</li> <li>• Creditor must verify that the consumer will have sufficient income or cash reserves to support the mortgage payment and any other obligations between loan closing and the start of employment.</li> </ul>

<p><b>Vested Restricted Stock (RSU)</b></p>	<p>Income derived from restricted stocks may be granted as a component of employee compensation and are subject to a restriction period during which recipients are not allowed access to granted shares until either performance-base or time-based vesting requirements are met.</p> <p>Vesting may be based on the following:</p> <ul style="list-style-type: none"> <li>• Performance-based-percentage of total granted shares vest based on individual or corporate performances; or</li> <li>• Time-based percentage of total granted shares vest after a pre-determined period of employment.</li> </ul> <p><b>Restrictions of use:</b></p> <ul style="list-style-type: none"> <li>• May only be used for income if the income has been consistently received for 2 years and is likely to continue at a similar level for the next 3 years. No exceptions.</li> <li>• Owner occupied and Second Homes Only. Ineligible for use on investment transactions.</li> </ul> <p><b>Documentation Requirement:</b></p> <ul style="list-style-type: none"> <li>• Current paystub, 2 years W2s and tax returns evidencing 2-year history of receipt of restricted stocks. If not clearly identifiable on the W2s, year-end paystubs may also be required to identify receipt.</li> <li>• If the borrower has less than 2 years with current employer, must document the borrower’s prior employment compensation included restricted stocks and the borrower has received at least one award with the current employer that is vested. The previous employment must have been a similar position and industry and issuance of restricted stock must be common for the industry.</li> <li>• Vesting schedule to provide schedule of distribution of units and show no indications the borrower will cease to receive future restricted stocks at the same historical level.</li> </ul> <p><b>Restricted Stock Requirements:</b></p> <ul style="list-style-type: none"> <li>• Stocks must be vested. Non-vested stocks are not eligible</li> <li>• Stocks must be publicly traded</li> <li>• May not be used for reserves if using for income to qualify</li> </ul> <p><b>Calculation of Income:</b></p> <ul style="list-style-type: none"> <li>• A 24-month average of the prior shares received should be used to calculate income using the lower of the current stock price or average 2-year stock price.</li> <li>• If distributed as a cash equivalent, average the last 2 years total amount distributed from the cash equivalent of the vested shares over 24 months</li> </ul> <p>Declining restricted stocks may result in an ineligible income source for qualification.</p>
<p><b>Forbearance/Deferment</b></p>	<ul style="list-style-type: none"> <li>• <b>Does not</b> follow agency forbearance guidelines</li> <li>• Any loan (subject or non-subject property) in Forbearance with full or partially missed payments within the last 12 months will be considered ineligible.</li> <li>• Any loan (subject or non-subject property) in a Forbearance without any missed payments over 30 days in the last 12 months may proceed and will not be required to exit Forbearance prior to the Note date.</li> <li>• For mortgages identified with missed payments over 12 months old which resulted from a COVID-related forbearance, the borrower must have formally exited the forbearance by either <ul style="list-style-type: none"> <li>○ Reinstating the loan by repayment of the missed payments in full, or</li> <li>○ Documenting a servicer approved resolution (e.g. payment deferral, repayment plan, or other modification) and verification of three subsequent full payments made after the date of the approved servicer resolution <ul style="list-style-type: none"> <li>▪ For COVID-related forbearance servicer resolutions only, standard modification timing requirements for derogatory events do not apply.</li> </ul> </li> </ul> </li> </ul>

<p><b>Disputed Credit</b></p>	<p><u>Disputed Tradelines</u></p> <ul style="list-style-type: none"> <li>• All disputed tradelines with a balance must be included in the DTI if the account belongs to the borrower.</li> <li>• A disputed account with a zero balance and no late payments, can be disregarded.</li> </ul> <p><u>Disputed Credit Information</u></p> <ul style="list-style-type: none"> <li>• If a borrower indicates that any significant information in the credit file is inaccurate, such as reported accounts that do not belong to the borrower or derogatory information that is reported in error, the borrower should request the credit reporting company that provided the information to confirm its accuracy. If the credit reporting company confirms that the disputed information is incorrect, the information should be corrected, and a new report obtained if the erroneous information significantly effects the underwriting of the new file.</li> </ul>
<p><b>Student Loans</b></p>	<p>If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.</p> <p>If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the options below:</p> <ul style="list-style-type: none"> <li>• A payment equal to 1% of the outstanding loan(s) balance;</li> <li>• A fully amortizing payment using the documented loan repayment terms;</li> <li>• If the borrower is on an income-driven payment plan, obtain student loan documentation to verify the actual monthly payment. If the payment is \$0 the borrower must qualify using <u>one of the following</u>: <ul style="list-style-type: none"> <li>○ a payment equal to 1% of the outstanding student loan balance, <b>or</b></li> <li>○ a fully amortizing payment using the documented loan repayment terms</li> </ul> </li> <li>• <b>For student loans in deferment or forbearance, an estimated income-based repayment may be used. Letter(s) must be obtained directly from the loan servicer stating the payment and include the income used to calculate, which must match the income submitted to the loan file. An estimated payment using an IBR calculator is not acceptable. Letter(s) must be obtained directly from the loan servicer stating the payment and include the income used to calculate, which must match the income submitted to the loan file. An estimated payment using an IBR calculator is not acceptable.</b></li> </ul>
<p><b>Contingent Liabilities: Co-Signed Loans</b></p>	<p><b>Contingent liability on co-signed obligations</b></p> <ul style="list-style-type: none"> <li>• The monthly payment on a cosigned loan with 10 or more monthly payments remaining may be excluded from long term debt if there is documentation that the primary obligor has been making regular payments during the previous 12 months and does not have a history of delinquent payments on the loan during that time.</li> <li>• If the payments have not been paid on time or if there is no evidence that someone other than the borrower is making payments, the cosigned loan is treated as borrower’s own obligation.</li> <li>• Copies of canceled checks for the most recent 12 months or a statement from the creditor are acceptable documentation.</li> <li>• The above applies to payment such as a car loan, student loan, mortgage, and other obligation</li> </ul> <p>If the creditor obtains documented proof that the primary obligor has been making regular payments during the previous 12 months and does not have a history of delinquent payments on the loan during that time, the payment does not have to be included in the consumer's monthly obligations.</p> <p><b>Court Order</b></p> <p>If the obligation to make payments on a debt has been assigned to another person by court order, such as a divorce decree, the payment may be excluded from long term debt. The following documents are required:</p> <ul style="list-style-type: none"> <li>• Copy of the court order or divorce decree.</li> <li>• For mortgage debt, a copy of the documents transferring ownership of the property; or</li> <li>• If a transfer of ownership has not taken place, late payments associated with the loan repayment of the debt owing on the mortgaged property should be taken into account when reviewing the borrower’s credit profile.</li> </ul>
<p><b>Unpaid Charge-Offs &amp; Collections</b></p>	<p>Collections over \$250 individually or \$1000 aggregate, must be paid</p>

<p><b>Judgment &amp; Tax Liens / Public Records</b></p>	<ul style="list-style-type: none"> <li>• Borrower must pay off all delinquent credit—including delinquent taxes, judgments, charged-off accounts, tax liens and mechanics or materialmen’s liens—that have the potential to affect lien position or diminish the borrower’s equity.</li> <li>• Borrowers with previous judgments must provide evidence of payment in full or evidence the judgment no longer represents a claim against the borrower.</li> <li>• Borrower must pay off all IRS tax liens even if borrower is on repayment plan.</li> </ul> <p>The borrower must provide satisfactory written explanation along with any supporting documentation, as needed. All letters of explanation must be signed by the Borrower prior to close.</p> <p>Loan proceeds may be used to pay off judgments or tax liens at closing by the title company; pay off must be documented on the Closing Disclosure.</p>														
<p><b>Derogatory Credit Events</b></p>	<ul style="list-style-type: none"> <li>• A Bankruptcy, foreclosure, short sale, deed-in-lieu and loan modification must be seasoned for 7 years from the date of the loan application.</li> <li>• Multiple derogatory events, regardless of age, are not eligible.</li> </ul> <p><b>Timing requirements with DU Response (Apply to High Balance Loan Only)</b> Significant derogatory credit events will follow DU findings, when the product allows, with the exception of Chapter 13 bankruptcies and loan modifications:</p> <ul style="list-style-type: none"> <li>• Reduced seasoning due to extenuating circumstances is not permitted (e.g. DU response message codes that allow DU to disregard a valid derogatory event or reduce timing due extenuating circumstances are not eligible for use)</li> </ul> <table border="1" data-bbox="457 695 2001 1222"> <thead> <tr> <th colspan="2" data-bbox="457 695 2001 743">Fannie Mae DU Eligibility Standards</th> </tr> <tr> <th data-bbox="457 743 823 797">Derogatory Event</th> <th data-bbox="823 743 2001 797">Seasoning</th> </tr> </thead> <tbody> <tr> <td data-bbox="457 797 823 846">Bankruptcy Chapter 7, 11 and 13</td> <td data-bbox="823 797 2001 846">4 years from the discharge or dismissal date</td> </tr> <tr> <td data-bbox="457 846 823 906">Multiple Bankruptcy Filings</td> <td data-bbox="823 846 2001 906">5 year waiting period is required from the most recent dismissal/discharge date if multiple bankruptcies within the last 7 years.</td> </tr> <tr> <td data-bbox="457 906 823 995">Foreclosure</td> <td data-bbox="823 906 2001 995">7 years from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by the borrower</td> </tr> <tr> <td data-bbox="457 995 823 1101">Deed-In-Lieu of Foreclosure, Short sale, or Charge-off of mortgage account</td> <td data-bbox="823 995 2001 1101">4 years date of completion or sale</td> </tr> <tr> <td data-bbox="457 1101 823 1222">Loan Modifications</td> <td data-bbox="823 1101 2001 1222">7 years from the modification date. See <a href="#">Temporary Verification of Mortgage Requirements</a> for specific details on COVID-related forbearance servicer resolutions where standard timing requirements listed above may not apply.</td> </tr> </tbody> </table>	Fannie Mae DU Eligibility Standards		Derogatory Event	Seasoning	Bankruptcy Chapter 7, 11 and 13	4 years from the discharge or dismissal date	Multiple Bankruptcy Filings	5 year waiting period is required from the most recent dismissal/discharge date if multiple bankruptcies within the last 7 years.	Foreclosure	7 years from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by the borrower	Deed-In-Lieu of Foreclosure, Short sale, or Charge-off of mortgage account	4 years date of completion or sale	Loan Modifications	7 years from the modification date. See <a href="#">Temporary Verification of Mortgage Requirements</a> for specific details on COVID-related forbearance servicer resolutions where standard timing requirements listed above may not apply.
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<p><b>Rent back the Current Residence</b></p>	<p>Within 60 days from closing</p>														

<p><b>Continuity of Obligation for Refinance Transaction</b></p>	<p>When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements has been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:</p> <ul style="list-style-type: none"> <li>• The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and must be the following: <ul style="list-style-type: none"> <li>○ Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) month.</li> <li>○ Is related to the borrower on the mortgage being financed.</li> </ul> </li> <li>• The borrower on the new refinance transaction was added to title twenty-four (24) months or more prior to the disbursement date of the new refinance transaction.</li> <li>• The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership.</li> <li>• The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply: <ul style="list-style-type: none"> <li>○ Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer.</li> <li>○ The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan.</li> </ul> </li> </ul> <p>Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.</p>
<p><b>Delayed Financing</b></p>	<p>Defined as the refinance of a property purchased by the borrower for cash within 6 months of loan application. Transaction is eligible if it meets the following criteria:</p> <ul style="list-style-type: none"> <li>• Property was purchased by borrower for cash within six (6) months of the loan application.</li> <li>• HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property.</li> <li>• Preliminary title reflects the borrower as the owner and no liens.</li> <li>• Funds used to purchase the property are fully documented and sourced and must be the borrower's own funds (no gift funds or business funds).</li> <li>• Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account or funds from a 401(k) loan are acceptable if the following requirements are met: <ul style="list-style-type: none"> <li>○ The borrowed funds are fully documented</li> <li>○ The borrowed funds are reflected on the Closing Disclosure (CD) as a payoff on the new refinance transaction</li> </ul> </li> <li>• LTV/CLTV/HCLTV for Rate-and-Term refinances must be met. The loan is treated as a Rate-and-Term refinance except for primary residence transactions in Texas.</li> <li>• Investment properties are allowed if borrower is not a builder or in the construction industry and prior transaction was arm's length.</li> </ul>
<p><b>Buy Out an Owner's Interest</b></p>	<p>A transaction that requires one owner to buy out the interest of another owner (for example, as a result of a divorce settlement or dissolution of a domestic partnership) is considered a rate-and term refinance if the secured property was jointly owned for at least 12 months preceding the disbursement date of the new mortgage loan.</p>

<p><b>Rate and Term Refinance Transactions</b></p>	<ul style="list-style-type: none"> <li>• Refer to <b><i>Continuity of Obligation</i></b> section for additional requirements</li> <li>• The new loan amount is limited to payoff the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaids: <ul style="list-style-type: none"> <li>○ If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months. In addition, the total draws cannot exceed \$2000 in the most recent twelve (12) months.</li> <li>○ A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months. <ul style="list-style-type: none"> <li>▪ A seasoned equity line is defined as not having draws totaling over \$2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history.</li> </ul> </li> <li>○ Cash to borrower is limited to the lesser of 2% of the principal amount of the new mortgage or \$2,000.</li> </ul> </li> <li>• Properties currently listed for sale (at the time of application) are not eligible for refinance transactions.</li> <li>• <b>Properties listed for sale within six (6) months</b> of the application date are acceptable if the following requirements are met. <ul style="list-style-type: none"> <li>○ Rate-and-Term refinance only</li> <li>○ Primary and second homes only</li> <li>○ Documentation provided to show cancellation of listing</li> <li>○ Acceptable letter of explanation from the borrower detailing the rationale for cancelling the listing.</li> </ul> </li> <li>• Construction loans are not eligible</li> <li>• If borrower has less than 6 months ownership in the property (defined as prior Note date to subject Note date), LTV/CLTV/HCLTV is calculated from the lesser of the purchase price or appraised value, with the exception of the below circumstances: <ul style="list-style-type: none"> <li>○ Properties where capital improvements have been made after purchase, the LTV/CLTV/HCLTV can be based on the lesser of the current appraised value or the purchase price plus documented improvements (file must contain receipts).</li> <li>○ In the case of an inherited property, the appraised value may be used to determine the LTV/CLTV/HCLTV.</li> </ul> </li> <li>• If the borrower has owned the property for more than 6 months (defined as prior Note date to subject Note date), the LTV/CLTV/HCLTV is based on the appraised value.</li> </ul>
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<p style="text-align: center;"><b>Cash-Out Transactions</b></p>	<p>Borrower must have owned property for at least six months prior to the application date unless requirements for Delayed Financing are met.</p> <ul style="list-style-type: none"> <li>• Refer to <b><i>Continuity of Obligation</i></b> section for additional requirements</li> <li>• Maximum cash-out limitations include the payoff of the following: <ul style="list-style-type: none"> <li>○ unsecured debt,</li> <li>○ unseasoned liens,</li> <li>○ any cash in hand, and</li> <li>○ an unseasoned non-purchase money second(s)</li> </ul> </li> <li>• Properties that have been listed for sale within 12 months of loan application are not eligible for a cash-out refinance transaction.</li> <li>• Construction loans are not eligible</li> <li>• If the borrower has owned the property for more than 12 months (defined as prior Note date to subject Note date), the LTV/CLTV/HCLTV is based on the appraised value.</li> <li>• If borrower has less than 12 months ownership in the property (defined as prior Note date to subject Note date), LTV/CLTV/HCLTV is calculated from the lesser of the purchase price or appraised value, with the exception of the below circumstances: <ul style="list-style-type: none"> <li>○ Properties where capital improvements have been made after purchase, the LTV/CLTV/HCLTV can be based on the lesser of the current appraised value or the purchase price plus documented improvements (file must contain receipts).</li> <li>○ In the case of an inherited property, the appraised value may be used to determine the LTV/CLTV/HCLTV</li> </ul> </li> <li>• Cash-out refinances where the borrower is paying off a loan from a pledged asset/retirement account loan, secured loan, unsecured family loan or replenishing business funds used to purchase the property, the following guidelines apply: <ul style="list-style-type: none"> <li>○ Cash-out limitation is waived if previous transaction was a purchase</li> <li>○ Seasoning requirement for cash-out is waived (borrower does not have to have owned for six (6) months prior to subject transaction).</li> <li>○ Funds used to purchase the subject property must be documented and sourced.</li> <li>○ HUD-1/CD for subject transaction must reflect payoff or pay down of pledged asset/retirement account loan, secured loan, unsecured family loan or business asset account. If cash-out proceeds exceed payoff of loans, excess cash must meet cash-out limitations.</li> <li>○ The purchase must have been arm's length.</li> <li>○ Investment properties are ineligible.</li> </ul> </li> </ul>
<p style="text-align: center;"><b>Construction to Permanent</b></p>	<p>Paying off interim construction financing used to construct the subject property</p> <ul style="list-style-type: none"> <li>• The borrower must hold title to the lot which may have been previously acquired or purchased as part of the transaction.</li> <li>• A certificate of occupancy is required when the property is deemed a new construction property.</li> <li>• The loan is treated as a rate-and-term refinance.</li> <li>• LTV/CLTV/HCLTV is determined based on the length of time the borrower has owned the lot. The time frame is defined as the date the lot was purchased to the Note date of the subject transaction. <ul style="list-style-type: none"> <li>○ For lots owned twelve (12) months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV.</li> <li>○ For lots owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (documented construction costs plus documented purchase price of lot).</li> </ul> </li> </ul>

<b>Owner Occupied</b>	<p>Properties occupied by a party other than the borrower will be considered an investment property.</p> <p><b>Applications for an owner-occupied transaction after closing on a previous owner-occupied transaction on a different property within the last 12 months are not eligible.</b> This guideline will not apply if the previous subject property has been or will be sold or has been refinanced as a non-owner-occupied residence. For owner occupied transactions, the borrower warrants they will occupy the property for at least 12 months.</p>
<b>Second Home</b>	<p>Second homes must meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Must be located a reasonable distance away from the borrower’s principal residence</li> <li>• Restricted to 1 Unit Property type Only.</li> <li>• Must be suitable for year-round occupancy</li> <li>• Must not be subject to any timeshare arrangement or other shared ownership agreement</li> <li>• Property may not be rented out on a short-term basis provided the following requirements are met: <ul style="list-style-type: none"> <li>○ The borrower must keep the subject property available for personal use for more than half of the calendar year.</li> <li>○ The property is not subject to rental pools or agreement that require the borrower to rent</li> <li>○ Rental income from the subject cannot be use.</li> </ul> </li> </ul>
<b>1031 Tax Exchange</b>	Not allow
<b>Net Tangible Benefit Requirements</b>	Refer to JMAC Net Tangible Benefit Policy
<b>Fraud or Active-Duty Alert on Borrower’s Credit report</b>	Lender must follow the instructions provided by the consumer located in the consumer’s credit report before an application can receive further processing, or the borrower may contact the consumer reporting agency and provide the appropriate instructions and identifying information on the credit reporting agency allowing the lender to re-pull a consumer report clear of fraud or active-duty alerts. In some instances, the consumer will need to be contacted by phone to verify identity.
<b>Lease-to-Own / Rent w/Options to Buy</b>	Not allowed
<b>Principal Curtailment</b>	Not allowed
<b>Escrow Holdbacks</b>	Not allowed
<b>Escrow/Impounds</b>	<p><u>Escrow can be waived if it meets the following:</u></p> <ul style="list-style-type: none"> <li>• Escrow waiver request should be noted on the Transmittal Summary 1008 Form</li> </ul> <p><u>Escrow Waiver Limitations</u></p> <ul style="list-style-type: none"> <li>• The standard escrow provision must remain in the mortgage documents. JMAC may, at its discretion, enforce the requirement if the borrower fails to act responsibly.</li> <li>• It is the responsibility of the originator to understand and be in compliance with individual state regulation regarding escrow waivers and fees.</li> </ul> <p>Flood insurance must be included in the borrowers’ escrow account even if no other escrows are collected or escrows have been waived.</p>



<p><b>Non-Arms' Length Transactions</b></p>	<p>Any purchase transaction where there is a relationship or business affiliation between the buyer, seller, real estate agent, or originator in the transaction is considered non-arms-length. Non-arms-length transactions also include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Applicants related by blood or marriage to the seller</li> <li>• Owners, employees or family members of originating broker.</li> <li>• Fiancé, fiancée, or domestic partner</li> <li>• Employer or business partner</li> <li>• Renters buying from landlord, unless 12 months of satisfactory payment history from borrower to landlord can be documented with one of the following: <ul style="list-style-type: none"> <li>○ 12 months cancelled checks</li> <li>○ ACH withdraw from borrower's account</li> <li>○ VOR (not acceptable if private party)</li> </ul> </li> <li>• Trading properties with seller</li> <li>• Builder/developer</li> <li>• Seller purchased subject property on behalf of the buyer (e.g. cash-offer programs)</li> </ul> <p>Eligible Non-arms-length transaction types:</p> <ul style="list-style-type: none"> <li>• Property sellers are representing themselves as agent in real estate transaction</li> <li>• Relative of the borrower acting as the buyer's real estate agent</li> <li>• Relative of the property seller acting as the seller's real estate agent</li> <li>• Borrower acting as their own real estate agent</li> <li>• Originating lender may submit employee loans, if it can be documented the originating lender has an established employee program.</li> <li>• Renters buying from landlord when a 12 months of satisfactory payment history from borrower to landlord can be documented with one of the following: <ul style="list-style-type: none"> <li>○ 12 months cancelled checks</li> <li>○ ACH withdraw from borrower's account</li> <li>○ VOR (not acceptable if private party)</li> </ul> </li> </ul>
<p><b>Subordination</b></p>	<ul style="list-style-type: none"> <li>• Only allow with institutional financing up to maximum LTV/CLTV/HCLTV eligible</li> <li>• Seller carry back not allowed</li> <li>• Employer subordinate financing is allowed with the following requirements: <ul style="list-style-type: none"> <li>○ Employer must have an Employee Financing Assistance program in place</li> <li>○ Employer may require full payment of the debt if the borrower's employment ceases before the maturity date</li> <li>○ Financing may be structured in any of the following ways. <ul style="list-style-type: none"> <li>▪ Fully amortizing level monthly payments</li> <li>▪ Deferred payments for some period before changing to fully amortizing payments</li> <li>▪ Deferred payments over the entire term</li> <li>▪ Forgiveness of debt over time</li> <li>▪ Balloon payment of no less than 5 years, or the borrower must have sufficient liquidity to pay off the subordinate lien</li> </ul> </li> </ul> </li> </ul>

<b>Power of Attorney</b>	Power of Attorney (POA) is a legal document giving one-person (described as the agent or attorney-in-fact) power to legally bind the borrower enacting the POA to the mortgage transaction. The eligibility requirements apply to any use of a POA for the closing documents, regardless if the person enacting the POA is a borrower to the transaction (e.g. party to title only).	
	<b>Eligible Occupancy Types</b>	Owner occupied and Second Homes only.
	<b>Eligible Loan Purpose</b>	Purchase and R/T refinance only. Cash-Out transactions are not eligible. <b>NOTE:</b> POAs are not eligible for loans classified as TX 50(a)(6) liens.
	<b>Borrower Eligibility</b>	When multiple borrowers are on the transaction, at least one borrower must be present at closing.
	<b>Power of Attorney</b>	<ul style="list-style-type: none"> <li>• Must be specific to the transaction referencing the property address, unless the POA is a Military Durable POA.</li> <li>• Signatures on the POA must match signatures in the file to JMAC satisfaction (may not be eSigned)</li> <li>• POA must be notarized</li> <li>• The POA must executed by the borrower prior to its use by the agent</li> </ul>
	<b>Application</b>	The application and Purchase Agreement (if applicable) must be signed by all parties of the loan.  A POA may sign the initial application only when the borrower is on military service servicing outside of the U.S. or deployed on a U.S. vessel, as long as the POA expressly states the intent to secure a loan on the subject property.
	<b>Eligible Agent / Attorney in Fact</b>	Family member of the borrower
	<b>Title</b>	The title policy must not make any exceptions to the use of a POA.
The borrower's present address must be within the U.S. territories, or APO military addresses located within the U.S.		
<b>Sales and Financing Concessions</b>	<p>Seller Contributions: Basis for the limit is now based on HCLTV</p> <ul style="list-style-type: none"> <li>• Primary Residence / Second Home <ul style="list-style-type: none"> <li>○ 3%: CLTV/HCLTV 75.01 -80%</li> <li>○ 6%: CLTV/HCLTV &lt;= 75%</li> </ul> </li> </ul> <p>The total dollar amount of the Financing Concessions may Not Exceed the actual total dollar amount of the allowable closing costs.</p>	
<b>Payment Shock</b>	Not applicable	
<b>Title Vesting &amp; Ownership</b>	Closing in company name or TIC not allowed	
<b>Title Held in a Trust or LLC on Behalf of the Borrower</b>	<ul style="list-style-type: none"> <li>• Allowed; Follows JMAC Trust Policy</li> <li>• Texas 50(a)(6) and 50(f)(2) loans may not close in trust and must close in an individual's name</li> </ul>	

<p><b>States Restriction</b></p>	<p><b>Texas 50(a)(6)</b></p> <ul style="list-style-type: none"> <li>• Primary and 1 unit property type only</li> <li>• 12 months Seasoning required on existing mortgage</li> <li>• Not allowed on student loan cash-out refinance feature code (SFC) 841.</li> <li>• Subordinate financing is not allowed on a Texas(a)6) loan</li> <li>• Maximum LTV is 80%</li> <li>• Full Appraisal is required</li> <li>• Maximum acreage capped at 10.</li> <li>• Initial Disclosure: Notice Concerning Extensions of Credit Defined by Section 50(a)(6), Article XVI, Texas Constitution Disclosure (12-Day Letter) has been provided within 3 business days* of the application date</li> <li>• Notice Concerning Extensions of Credit Defined by Section 50(a)(6), Article XVI, Texas Constitution Disclosure (12-Day Letter) is executed 12 business days* prior to note date (Spouse must sign)</li> <li>• Loans cannot close in trust and must close in an individual's name</li> </ul> <p><b>Texas 50(f)(2)</b></p> <ul style="list-style-type: none"> <li>• Primary and 1 unit property type only</li> <li>• 12 months Seasoning required on existing mortgage</li> <li>• No Cash in Hand</li> <li>• Maximum LTV is 80%</li> <li>• Full Appraisal is required</li> <li>• Maximum acreage capped at 10</li> <li>• Initial Disclosure: Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan Under Section 50(f)(2), Article XVI, Texas Constitution Disclosure has been provided within 3 business days* of application date</li> <li>• Affidavit executed by owner and/or spouse, when applicable</li> <li>• Loans cannot close in trust and must close in an individual's name</li> </ul> <p><b>NOTE:</b> Texas law counts all days as business days, excluding Saturdays and Holidays</p>
<p><b>Early Paid Off Policy (EPO)</b></p>	<p>EPO timeline is 8 months (240 days) from closing date of the loan.</p>