



MONTEREY NON-CONFORMING

Last Updated February 8, 2023

PRIMARY RESIDENCE: 1-2 Unit, including PUDs² and Condos

TRANSACTION TYPE	MAX LOAN AMOUNT	MARKET ¹	LTV/CLTV/HCLTV	FICO	MAX CASH-OUT	MAX DTI	RESERVES ³
Purchase & Rate Term	\$1,000,000	Stable	80%/80%/80%	720	N/A	43%	12
	\$2,000,000		75%/75%/75%	720	N/A	41%	18
	\$3,000,000		70%/70%/70%	760	N/A	41%	24
	\$3,000,000		75%/75%/75%	760	N/A	41%	36
Cash-Out Refinance	\$1,000,000	Stable	70%/70%/70%	740	\$350,000	43% ^d	18
	\$1,500,000		65%/65%/65%	740		43%	18

PRIMARY RESIDENCE: 3-4 Unit

TRANSACTION TYPE	MAX LOAN AMOUNT	MARKET ¹	LTV/CLTV/HCLTV	FICO	MAX CASH-OUT	MAX DTI	RESERVES ³
Purchase & Rate Term	\$2,000,000	Stable	70%/70%/70%	720	N/A	43%	18
	\$3,000,000		65%/65%/65%	760		41%	36

¹ Depreciating markets policy applies to any MSA depreciating 5.01% or more. The above maximum LTV/CLTV/HCLTV should be reduced by 5% if the subject property is located in a depreciating market. Refer to Exhibit Depreciating Market

² PUDs are only allowed on 1-unit properties (1) the minimum loan amount is \$1 over the agency conforming loan size unless noted otherwise. Loan must meet Continuity of Obligation policy refer to Eligibility / Transaction Types

³ For Reserve, additional 2 months PITI(A) is required on each REOs.

SECOND Home: 1 Unit, including PUDs and Condos

TRANSACTION TYPE	MAX LOAN AMOUNT	MARKET ¹	LTV/CLTV/HCLTV	FICO	MAX CASH-OUT	MAX DTI	RESERVES ²
Purchase & Rate Term	\$1,500,000	Stable	70%/70%/70%	740	N/A	43%	18

¹ Depreciating markets policy applies to any MSA depreciating 5.01% or more. The above maximum LTV/CLTV/HCLTV should be reduced by 5% if the subject property is located in a depreciating market. Refer to Exhibit Depreciating Market

² For Reserve, additional 2 months PITI(A) is required on each REOs.

INVESTMENT PROEPRTY: 1-Unit, including Condos² and PUDs

TRANSACTION TYPE	MAX LOAN AMOUNT	MARKET ¹	LTV/CLTV/HCLTV	FICO	MAX CASH-OUT	MAX DTI	RESERVES ³
Purchase & Rate Term	\$1,500,000	Stable	65%/65%/65%	760	N/A	40%	36

¹ Depreciating markets policy applies to any MSA depreciating 5.01% or more. The above maximum LTV/CLTV/HCLTV should be reduced by 5% if the subject property is located in a depreciating market. Refer to Exhibit Depreciating Market

² Florida and Georgia Condominiums secured as investment property **are not permitted**. (1) the minimum loan amount is \$1 over the agency conforming loan size unless noted otherwise. Loan must meet Continuity of Obligation policy refer to Eligibility / Transaction Types

³ For Reserve, additional 2 months PITI(A) is required for each REOs.

NOTE: 2-4 Units property not eligible

Topic	General Guidelines
Early Paid Off Policy (EPO)	EPO timeline is 8 months (240 days) from closing date of the loan.
Products	<ul style="list-style-type: none"> • Fixed Rate 30 and 15 Year • SOFR ARM <ul style="list-style-type: none"> ○ 5/6: 30-year term (Initial 2%, Sub 1%, Life 5%, Max Margin 2.75%); Qualify on the higher of the note rate + 2% or the fully indexed rate ○ 7/6: 30-year term (Initial 5%, Sub 1%, Life 5%, Max Margin 2.75%); Qualify on the higher of the note rate or fully indexed rate ○ 10/6: 30-year term (Initial 5%, Sub 1%, Life 5%, Max Margin 2.75%); Qualify on the higher of the note rate or fully indexed rate ○ The floor rate is the margin
Higher Priced Mortgage Loan	Not allowed
Qualified mortgage	All loans must be General QM with Safe Harbor
Minimum Loan amount	Must be at least \$1 over the conforming limits based on property types. High balance loan amounts are allowed.
States Restriction	Not allowed: <ul style="list-style-type: none"> • Texas Cash-Out • Texas Section 50(a)(6) • Texas Section 50(f)(2)
Tax Returns / 4506C	2 full year's tax returns, W2s and 4506-C
AUS	DU Finding is required; must come back as Approve/Eligible for high balance or Approve/Ineligible for loan amount only.
Borrower Eligibility	US Citizens; 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 5 months of funding may be considered as long as the borrower provides evidence of renewal or extension.
Non-Occupant Co-Borrower	Not allowed

Topic	General Guidelines												
<p>Standard Trade lines</p>	<p>The borrower must have an established credit history.</p> <p>Rapid Rescoring and Credit Repair: Not allowed</p> <p>Traditional Credit</p> <p>The <i>cumulative established credit history of all borrowers</i> on the transaction needs to consist of a minimum of 4 tradelines (installment, revolving accounts, mortgages, etc.), one of which is open and has a minimum of 24 months history, the other 3 may be open or closed but must be rated for at least 12 months.</p> <p>Note: If there are less than 4 tradelines, or the tradelines do not meet the required payment history requirements as outlined or if there is no credit, there is insufficient data to determine credit behavior—even if the report includes a credit score.</p> <p>Authorized Users of Credit – All Loan Transactions</p> <p>Credit report trade lines that list a borrower as an “Authorized User” may only be considered as part of the borrower’s credit history to meet minimum credit requirements if:</p> <ul style="list-style-type: none"> • Another borrower in the current loan transaction is the owner of the trade line; <u>or</u> • The borrower can provide written documentation (i.e., cancelled checks) that s/he has been the actual and sole payer on the account for at least twelve months preceding the date of the loan application. <p>If an authorized user’s account is used to meet the minimum credit requirements, then both the payment history, including any late payments and the monthly obligation must be considered in the credit analysis and included in the DTI ratios</p> <p>Non-Traditional Credit</p> <p>Non-traditional credit history is not permitted</p>												
<p>Borrower Minimum Contribution</p>	<p>A minimum down payment from borrower’s own funds is required indicated below:</p> <table border="1" data-bbox="455 1063 1995 1198"> <thead> <tr> <th data-bbox="455 1063 821 1096">LTV, CLTV or HCLTV Ratio</th> <th colspan="2" data-bbox="821 1063 1995 1096">Minimum Borrower Contribution Requirement from Borrower’s Own Funds</th> </tr> </thead> <tbody> <tr> <td data-bbox="455 1096 821 1128">70% or less</td> <td data-bbox="821 1096 1192 1128">Primary Residence</td> <td data-bbox="1192 1096 1995 1128">5% Minimum Contribution</td> </tr> <tr> <td data-bbox="455 1128 821 1161">Greater than 70%</td> <td data-bbox="821 1128 1192 1161">Primary Residence</td> <td data-bbox="1192 1128 1995 1161">10% minimum Contribution</td> </tr> <tr> <td data-bbox="455 1161 821 1193">All LTVs</td> <td data-bbox="821 1161 1192 1193">Investment</td> <td data-bbox="1192 1161 1995 1193">Borrower must make full down payment. Gift funds are not allowed.</td> </tr> </tbody> </table> <p>Note: If the borrower has the 10% minimum contribution in a non-liquid asset account (stocks, bonds, etc.), but is also receiving a gift for the transaction, the borrower may use the gift funds for their 10% minimum contribution in lieu of liquidating the assets. The non-liquid asset account must be verified per policy as evidence that the borrower has the 10% minimum contribution available.</p>	LTV, CLTV or HCLTV Ratio	Minimum Borrower Contribution Requirement from Borrower’s Own Funds		70% or less	Primary Residence	5% Minimum Contribution	Greater than 70%	Primary Residence	10% minimum Contribution	All LTVs	Investment	Borrower must make full down payment. Gift funds are not allowed.
LTV, CLTV or HCLTV Ratio	Minimum Borrower Contribution Requirement from Borrower’s Own Funds												
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All LTVs	Investment	Borrower must make full down payment. Gift funds are not allowed.											

Topic	General Guidelines
Gift funds	<p>Gift funds requires donor's ability. Provide one (1) month.</p> <p>Gift funds cannot satisfy the minimum down payment from the borrower's own funds.</p> <p>Gifts are permitted in connection with a purchase or refinance of a primary residence.</p> <p>Gift funds are not permitted on a second home or investment property transactions.</p> <p><u>Down Payment</u></p> <p>Refer to the Borrower Contribution Requirements/ Minimum Down Payment topic above for requirements unless specified otherwise in the program parameters.</p> <p>The gift can be provided by the following:</p> <ul style="list-style-type: none"> • Relative, which is defined as a borrower's spouse, child, or other dependent, or an individual who is related by blood, legal proceedings, marriage or adoption; or • Fiancé, fiancée, civil union, or domestic partner <p>If gift funds are coming from outside of the U.S., refer to the Foreign Assets topic above for additional information.</p> <p><u>Acceptable Sources of Gift Funds</u></p> <p>Large financial gifts from close family members can be considered if properly documented. Substantial cash gifts (\$1000 or more) from one individual must comply with standard gift documentation.</p> <p>Gift funds may come from the following sources.</p> <ul style="list-style-type: none"> • Wedding Gifts: The following documentation must be obtained to verify funds: <ul style="list-style-type: none"> • A copy of a marriage license or certificate, and • Verification that gift funds were deposited within 90 days of the date of the marriage license or certificate. • Graduation Gifts: The following documentation must be obtained to verify funds: <ul style="list-style-type: none"> • Evidence of graduation from an educational institution, such as diploma or transcripts that supports the date of graduation, and • Verification that gift funds were deposited within 90 days of the date of the graduation. • Funds Pooled From a Relative or Domestic Partner residing with the Borrower: Can not be used to meet the borrower's minimum required down payment. However, funds from a relative or domestic partner may be used as outlined in the above gift policy. • Gift of Equity: Not permitted. • Gift or Grant from a Non-Profit Organization: Not permitted.

Topic	General Guidelines
Debt Payoff/Consolidation	<ul style="list-style-type: none"> • Payoff of revolving debt to qualify is not permitted. The debt listed on the credit report must be used to calculate DTI • Installment loans can be paid off to qualify but must be from borrower own funds. Installment debts with 10 or less payments, can be excluded from ratio. Cannot pay down to 10 payments to exclude payment.
Payment Calculation for subordinate financing	<ul style="list-style-type: none"> • HELOC - Qualifying payment should be calculated using the fully amortizing principal and interest payment based on Prime + Margin (or 2% if margin is unavailable) + 2%, for the remaining term after the Interest Only period on the maximum line amount. • FRHEL (Fixed Rate Home Equity Loan) - Qualifying payment is calculated using the principal and interest payment.
Ineligible Income	<p>Income derived from any of the following may not be used in calculating qualifying income.</p> <ul style="list-style-type: none"> • Any income derived from transactions in or related to the sale or production of marijuana, hemp or any cannabis products or derivatives, such as CBD products. • Any income derived from owning or controlling a VASP (Virtual Asset Service Provider), as defined in the VASP standard. • Income that is paid in cryptocurrency • Any income that cannot be documented and verified • Capital withdrawals • Draw Income • Gifts, including Gift of Equity • Illegal Income/Income not listed on Tax Returns • Income from Foreign / Non-U.S. Sources • Retirement assets used as qualifying income • Room/boarder rent • Trade Equity • Trailing Co-Borrower

Topic	General Guidelines
<p>Re-entering workforce</p>	<p>A borrower's income may be considered effective and stable when recently returning to work after an extended absence if s/he:</p> <ul style="list-style-type: none"> • Is employed in their current job for six months or longer; and • Can document a two-year work history prior to an absence from employment using: <ul style="list-style-type: none"> ○ Traditional employment verifications; and/or ○ W-2s or paystubs. <p>Note: An acceptable employment situation includes individuals who took several years off from employment to raise children, then returned to the workforce.</p> <p>Situations not meeting the criteria listed above may not be used in qualifying. Extended absence is defined as six months.</p> <p><u>Newly Employed</u></p> <p>Borrowers who are newly employed and have an employment and income history that covers less than the 2 most recent years may be eligible for a mortgage loan as long as the borrower was attending school, in a training program related to the new position, or in the military immediately prior to their current employment. Supporting evidence such as College transcripts or discharge papers are required to verify.</p> <p>Note: When the borrower has less than a two-year history of receiving income, the underwriter must also provide a written analysis to justify the determination that the income used to qualify the borrower is stable.</p>

Topic	General Guidelines
Self-Employed	<p>Self-Employed Income must be documented <i>along with the following for all types of self-employed income, including Schedule C:</i></p> <ul style="list-style-type: none"> • The YTD Profit & Loss statement and bank statements must be dated no more than 120 calendar days prior to note date. For Corporations, S-Corps and Partnerships that have already provided a P&L statement, but it will be older than 120 days on the date of the Note, an updated P&L Statement must be obtained to be within the timeframes of this memo and may be unaudited and signed by the borrower. <ul style="list-style-type: none"> ○ Provide a YTD unaudited P&L and balance sheet for a Corporation, S-Corp, or Partnership if the application is dated more than 90 days after the end of the business' fiscal or calendar year end and it must be either: <ul style="list-style-type: none"> ▪ Completed by the business's tax preparer; or ▪ Completed by the borrower in addition to the following: <ul style="list-style-type: none"> ▪ Evidence provided that the documented has been reviewed by the business's tax preparer, or ▪ Evidence provided that the document has been reviewed by an appropriate third party who is not affiliated with the loan transaction, or ▪ Two (2) months business bank statements to support the income on the P&L statement and balance sheet. <p>Evidence to Confirm that the Borrower's Business is Open & Operating must be obtained.</p> <p>When a borrower is using self-employment income to qualify, it must be confirmed that the borrower's business is open and operating, within 20 calendar days of the note date by obtaining evidence such as:</p> <ul style="list-style-type: none"> • Evidence of current work (e.g. signed invoices that indicate the business is operating and invoices must be dated within 20 days of the note date); or • Evidence of current business receipts that indicate the business is operating. The receipts must be dated within 20 days of the note date; or • Lender certification the business is open and operating (confirmed through a phone call or other means); or • Business website demonstrating activity supporting current business operations (timely appointments for estimates or a service can be scheduled); or • Other documentation that verifies receipt of income must be dated within the 10-day period.

Topic	General Guidelines			
Eligible Source of Funds	Asset Type	Funds to Close	Payoff Debtloa	Reserves
	Annuities	Yes	Yes	Yes
	Borrower Funds – Secured	Yes	Yes	Yes
	Bridge Loan Proceeds	Yes	Yes	Yes
	Business Funds	Yes	Yes	Yes
	Cash-Out Proceeds from a Refinance	Yes	Yes	Yes
	Checking/Savings/CD Accounts	Yes	Yes	Yes
	Corporate Relocation Buyout	Yes	No	No
	Cryptocurrency ¹	No	No	Yes
	Foreign Assets	Yes	Yes	Yes
	Inheritance	Yes	Yes	Yes
	Margin Loan	Yes	No	No
	Proceeds from Home Sales	Yes	Yes	Yes
	Trust Account	Yes	Yes	Yes
	1031 (Like property exchange)	Yes	No	No
<p>¹ In order to use funds, asset must be liquidated, be held in a U.S. or state regulated financial institution. A large deposit may be from cryptocurrency that was exchanged into U.S. dollars. The lender must obtain sufficient documentation to verify the funds originated from the borrower’s cryptocurrency account.</p>				

Topic	General Guidelines
<p>Ineligible Funds/Assets</p>	<p><u>Ineligible funds:</u></p> <ul style="list-style-type: none"> • Borrowed Funds from the following sources: <ul style="list-style-type: none"> ○ Signature Loans ○ Lines of Credit-on-Credit Cards ○ Overdraft Protection on Checking Accounts • Cash-on-Hand • Cash advances from a credit card or other revolving account. • Community Assistance or Down Payment Assistance Programs • Corporate Sponsored Loans • Disaster Relief Grant or Loan • Employer Assisted Housing (Secured & Unsecured) • Funds from Individual Development Accounts (IDA) • Gift of equity & wedding gifts. • Gifts which must be repaid in full or partially. • Gift/Grant from Non-Profit • Individual Development Account (IDA) (Including funds from an IDA) • Lender Paid Assistance • Non-Traditional Savings Plan • Pledged Assets • Pooled Funds • Proceeds from unsecured loans or personal loans (except as permitted with an approved Employer-Assisted Housing program.) • Salary / bonus advances received against future earnings • Seller Carrybacks • Seller Derived Assistance Programs • Subordinate Financing which contains any of the following: <ul style="list-style-type: none"> ○ Negative Amortization ○ Contains special Servicing requirements ○ Terms that restrict prepayments or provide for a prepayment penalty, except as indicated in Subordinate Financing ○ Does not fully amortize under a level monthly payment plan when the maturity or balloon payment date is less than five years after the note date of the new first mortgage. • Sweat Equity (includes donated goods and/or materials): Contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash is considered sweat equity. Sweat equity may not be deducted from the construction costs, nor may it be used to offset the borrower’s minimum down payment. • Trade Equity

Topic	General Guidelines
<p style="text-align: center;">Asset Verification</p>	<p>The two most recent consecutive months' bank statements and/or other documents are required to verify assets to close. Verifications must be no more than 45 days old at the time of application AND no more than 120 days old at closing for existing or new construction.</p> <p>The most recent statement date should be used to determine the documentation expiration date. (E.g., May and April statements required. The May statement would be used to determine the document expiration date.) Quarterly asset statements must be dated within 90 days of the initial loan application. The underwriter should also make certain that qualifying assets used from the quarterly statement are not counted twice (e.g., funds from the quarterly asset account transferred to a more recent/current verified account).</p> <p><u>Large Deposits/New Accounts</u></p> <p>For both refinance and purchase transactions deposits into accounts may be an indication of recently opened liabilities resulting from borrowed funds or an indication that funds used to cover closing costs, pre-pays, the down payment for purchase transactions, or reserves may be from an unacceptable source. Any liabilities resulting from borrowed funds must be considered when qualifying the borrower.</p> <p>Purchase / Refinance Transactions: The Source of funds must be explained and documented if the deposit is needed to meet requirements for Borrower's cash to close and or reserves for the following:</p> <ul style="list-style-type: none"> • A single deposit on the account statements that exceeds 50% of the total monthly qualifying income. If the source of a large deposit is readily identifiable on the account statement where the source of the deposit is printed on the statement, the underwriter does not need to obtain further explanation or documentation. If the source of the deposit is printed on the statement, but the Underwriter still has questions as to whether the funds may have been borrowed, the underwriter should obtain additional documentation. <p>Note: When a single deposit includes both verified and unverified funds as defined above, only the unverified funds are used to determine the 50% requirement. (Example: The borrower has a monthly income of \$4,000 and an account at ABC Bank with a balance of \$20,000. A deposit of \$3,000 is identified, but only \$2,500 is documented as coming from the borrower's federal income tax refund, leaving \$500 unverified [the deposit of \$3,000 minus \$2,500], which is 12.5% of the borrower's \$4,000 monthly income, falling short of the 50% definition of a large deposit. Therefore, in this example the full \$20,000 can be used to qualify.)</p>

Topic	General Guidelines
<p style="text-align: center;">Assets – Reserves</p>	<p><u>Acceptable Sources of Reserves</u></p> <p>Examples of liquid financial assets that can be used for reserves include:</p> <ul style="list-style-type: none"> • Checking or savings accounts 100% of value, • Bonds, and mutual funds, 70% of value, • Certificates of deposit: 100% of value less any early withdrawal penalties that should be deducted, • Money market funds and trust accounts 100% of value, • Vested retirement accounts – 70% for borrowers that is at least 59 ½ or older; otherwise, 60% of value. • The cash value of a vested life insurance policy 100% of value, • Stocks – 70% of value <p><u>Unacceptable Sources of Reserves</u></p> <p>The following cannot be counted as part of the borrower’s reserves:</p> <ul style="list-style-type: none"> • Funds that have not been vested, • Funds that cannot be withdrawn under circumstances other than the account owner’s retirement, employment termination, or death i.e., annuities. • Stock held in an unlisted corporation, • Non-vested stock options • Notes or loans receivable from a privately held company • Unsecured borrowed funds, including unsecured Employer-Assisted Housing benefits • Interested party contributions (IPCs) • Cash out proceeds <p><u>Minimum Reserve Requirements</u></p> <p>Refer to the matrix</p> <p><u>Multiple Properties</u></p> <p>If a borrower has multiple properties, the following reserve requirement must be satisfied for all of the borrower’s Mortgage Loans:</p> <ul style="list-style-type: none"> • In addition to the reserve requirements specified in the LTV Matrices and Program fact sheets for the subject property, 2 months PITIA is required on each additional residential property with a lien (i.e., primary residence, second home, and investment property). • Cash-out amount to be received at closing may not be used to satisfy reserve requirements. • Reserves must be cash or marketable securities. • Retirement assets can be used if it meets Fannie Mae guidelines. Reserve requirement can be all from retirement accounts. • Business assets can be used for reserves only if the business is one hundred percent (100%) owned by the borrower.

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Multiple Properties	<p>Subject is Primary residence: Individual are all borrowers collectively may not own or be obligated on a combined total of 5 residential properties (including the subject property) at the time of application whether it's financed or not.</p> <p>Subject is Second Home or Investment: Individual are all borrowers collectively may not own or be obligated on a combined total of 4 residential properties (including the subject property) at the time of application whether it's financed or not.</p>																																																																																															
Appraisal Requirements	<ul style="list-style-type: none"> • A full appraisal is required. A recertification is required if the appraisal will be more than 120 days old as of the date of the Note/Mortgage. In addition, the recertification of value cannot be more than 90 days old at the time of closing. Note: No more than two recertifications of value may be obtained on a transaction when the appraisal is more than 120 days old as of the Note/Mortgage. • Loan amount > \$2.0M requires two (2) appraisals. • UAD condition rating acceptable (C1, C2, C3, C4, or C5) • Ordering both reports from the same AMC and appraiser is not allowed. For <u>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. • If two (2) appraisals are required, the lesser of the two values should be used to underwrite the transaction and determine LTV/CLTV/HCLTV. • Desk review (CDA) is required on all loans <ul style="list-style-type: none"> ○ CDA > 10% will require field review regardless of LTV. ○ Field review cost needs to be paid by borrower or broker. • PIW/ACE or Exterior (2055) not allowed • Appraisal transfer not allowed 																																																																																															
Depreciating Markets	<p>The following MSAs are depreciating more than 5% (displayed in alphabetical order by state) or if the appraisal indicates the property value is "declining". A reduction of 5% is required LTV/CLTV/HCLTV.</p> <table border="1" data-bbox="455 873 2001 1516"> <thead> <tr> <th>State</th> <th>MSA</th> <th>MSA/Micropolitan Area Name</th> <th>County Name</th> <th>State & County Code</th> </tr> </thead> <tbody> <tr><td>CA</td><td>36084</td><td>Oakland-Berkeley-Livermore</td><td>Alameda</td><td>06601</td></tr> <tr><td>CA</td><td>36084</td><td>Oakland-Berkeley-Livermore</td><td>Contra Costa</td><td>06013</td></tr> <tr><td>CA</td><td>42034</td><td>San Rafael</td><td>Marin</td><td>06041</td></tr> <tr><td>CA</td><td>41940</td><td>San Jose-Sunnyvale-Santa Clara</td><td>Santa Clara</td><td>06069</td></tr> <tr><td>CA</td><td>41884</td><td>San Francisco-San Mateo-Redwood City</td><td>San Francisco</td><td>06075</td></tr> <tr><td>CA</td><td>41884</td><td>San Francisco-San Mateo-Redwood City</td><td>San Mateo</td><td>06081</td></tr> <tr><td>CA</td><td>41940</td><td>San Jose-Sunnyvale-Santa Clara</td><td>Santa Clara</td><td>06085</td></tr> <tr><td>ID</td><td>14260</td><td>Boise City</td><td>Ada</td><td>16001</td></tr> <tr><td>ID</td><td>14260</td><td>Boise City</td><td>Boise</td><td>16015</td></tr> <tr><td>ID</td><td>41760</td><td>Sandpoint</td><td>Bonner</td><td>16017</td></tr> <tr><td>ID</td><td>14260</td><td>Boise City</td><td>Canyon</td><td>16027</td></tr> <tr><td>ID</td><td>14260</td><td>Boise City</td><td>Gem</td><td>16045</td></tr> <tr><td>ID</td><td>17660</td><td>Coeur D'Alene</td><td>Kootenai</td><td>16055</td></tr> <tr><td>ID</td><td>14260</td><td>Boise City</td><td>Owyhee</td><td>16073</td></tr> <tr><td>IA</td><td>16140</td><td>Carroll</td><td>Carroll</td><td>19027</td></tr> <tr><td>OR</td><td>26220</td><td>Hood River</td><td>Hood River</td><td>41027</td></tr> <tr><td>WA</td><td>42644</td><td>Seattle-Bellevue-Kent</td><td>King</td><td>53033</td></tr> <tr><td>WA</td><td>42644</td><td>Seattle-Bellevue-Kent</td><td>Snohomish</td><td>53061</td></tr> </tbody> </table>	State	MSA	MSA/Micropolitan Area Name	County Name	State & County Code	CA	36084	Oakland-Berkeley-Livermore	Alameda	06601	CA	36084	Oakland-Berkeley-Livermore	Contra Costa	06013	CA	42034	San Rafael	Marin	06041	CA	41940	San Jose-Sunnyvale-Santa Clara	Santa Clara	06069	CA	41884	San Francisco-San Mateo-Redwood City	San Francisco	06075	CA	41884	San Francisco-San Mateo-Redwood City	San Mateo	06081	CA	41940	San Jose-Sunnyvale-Santa Clara	Santa Clara	06085	ID	14260	Boise City	Ada	16001	ID	14260	Boise City	Boise	16015	ID	41760	Sandpoint	Bonner	16017	ID	14260	Boise City	Canyon	16027	ID	14260	Boise City	Gem	16045	ID	17660	Coeur D'Alene	Kootenai	16055	ID	14260	Boise City	Owyhee	16073	IA	16140	Carroll	Carroll	19027	OR	26220	Hood River	Hood River	41027	WA	42644	Seattle-Bellevue-Kent	King	53033	WA	42644	Seattle-Bellevue-Kent	Snohomish	53061
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ID	14260	Boise City	Ada	16001																																																																																												
ID	14260	Boise City	Boise	16015																																																																																												
ID	41760	Sandpoint	Bonner	16017																																																																																												
ID	14260	Boise City	Canyon	16027																																																																																												
ID	14260	Boise City	Gem	16045																																																																																												
ID	17660	Coeur D'Alene	Kootenai	16055																																																																																												
ID	14260	Boise City	Owyhee	16073																																																																																												
IA	16140	Carroll	Carroll	19027																																																																																												
OR	26220	Hood River	Hood River	41027																																																																																												
WA	42644	Seattle-Bellevue-Kent	King	53033																																																																																												
WA	42644	Seattle-Bellevue-Kent	Snohomish	53061																																																																																												

Unacceptable Properties

A mortgage may not be made on the following properties:

- Property over 10 acres;
- Property that is not suitable for year-round occupancy regardless of the location;
- Unapproved non-conforming use property (does not include grand fathered use);
- Property with health, safety, and/or livability issues (e.g., non-functioning bathrooms or kitchens, no utilities, mud slide areas, etc.);
- Property with incomplete items or conditions that affect the safety, soundness or structural integrity of the property that are not completed or corrected prior to closing.
- Property with Chinese drywall, as noted by the appraiser. Chinese drywall is known to produce foul odors; causes metal to corrode more quickly than normal; leaves black corrosion on wiring or copper; and causes appliances and electronics with copper wiring to fail due to corroded copper wiring;
- Properties with unexpired redemption periods after a foreclosure or tax sale has occurred;
- Properties subject to private transfer fee covenants prohibited by 12 C.F.R. Part 1228 are ineligible if those covenants were created on or after February 8, 2011.
- Illegal use of the property;
- Manufactured housing (i.e., a structure such as a mobile or coach home that is built on a permanent chassis);
- 3-4 unit property that has an illegal additional unit or accessory apartment;
- Property is located in a high risk flood area (or volcano area) and does not have the proper flood/volcano insurance coverage as federally mandated;
- Property located in an area that is deemed an environmental risk;
- Unique property in which the marketability cannot be established (e.g., dome, geothermal, log, or stilt home);
- Business, commercial, or agricultural use of the property that does not meet residential requirements (e.g., income producing property such as hotel, B&B, farming, etc.) except to limited extent defined under Mixed;
- Timeshare, houseboat, segmented ownership project.
- Mobile home (including those that meet **all** the requirements of manufactured housing) or “Tiny” (portable) Homes;
- Residential dwelling consisting of five or more units;
- Condotels
- Agricultural/Rural property that does not conform to Fannie Mae guidelines.
- Community Land Trusts which are created to preserve long term affordable housing by purchasing homes in communities, then leasing the land using a long-term ground lease to low-income and moderate-income families at affordable monthly ground rents. Community Land Trust are managed by nonprofit entities, such as state, or local governments, counties, school districts, universities, or colleges. The ground lease includes provisions that require the continued use of the property for low-income and moderate income families in the future.
- Boarding Houses and Bed & Breakfast properties.
- Properties with Survey Exceptions
- Properties located on land that does not allow for access for mortgage servicing purposes (e.g., foreclosure, etc.) except as modified by specific program fact sheets.
- Properties subject to PACE loans.
- Properties with unacceptable UAD Property Condition or Quality Ratings.
- Property where there is marijuana being grown in the interior of the subject property (grow house), as identified by the appraiser (including locations where it is permitted by state law).
- Unimproved Land, Land Contracts, Lot Loans

<p>Departing Residence</p>	<p>The reserve requirements for the subject property must be applied <u>in addition</u> to the Departure Property policies defined below:</p> <p>Current principal residence is pending sale or up for sale but the transaction will not be closed (with title transfer to a new owner) prior to the new transaction (evidence that property is up for sale or pending sale is required):</p> <p>The following reserve requirements must be met for all loans:</p> <ul style="list-style-type: none"> • If the borrower can qualify with both properties in DTI, count both payments plus two (2) months PITIA reserves for the departure property. • If the borrower cannot qualify with both properties in DTI. • If there is an accepted contract, a minimum of 6 months PITIA reserves on the departure property is required and payment on the departure property <u>does not</u> have to be included in the DTI. • If there is no contract on the departure property, a minimum of 24 months PITIA reserves for the departure property is required and the payment on the departure property <u>does not</u> have to be included in the DTI. <p>The current principal residence is being converted to a second home:</p> <ul style="list-style-type: none"> • The PITIA for the current and proposed mortgage payments must be used to qualify the borrower for the new mortgage loan; and • Minimum of 6 months of PITIA reserves are required for the departure property. <p>The current principal residence is being converted to an Investment Property:</p> <ul style="list-style-type: none"> • Equity must be documented with one of the following: <ul style="list-style-type: none"> ○ Provide 2055 (Exterior or higher) and 1007 rental survey. • <u>If 25% or more equity is in the departure property:</u> <ul style="list-style-type: none"> ○ If the borrower has a documented two-year history of managing rental properties, 75% of the rental income can be used to offset the payment. <ul style="list-style-type: none"> ▪ Two (2) full years of rental income is required to use departing income. ▪ A copy of the fully executed lease agreement; ▪ Twelve (12) months of PITIA for the departure property is required to be in reserves <p style="text-align: center;">OR</p> ○ If the Borrower does not have a documented two-year history of managing investment property via the Borrowers federal tax returns, then signed leases may not be used for rental income or to offset the mortgage for the newly converted investment property <u>unless the following criteria are met:</u> <ul style="list-style-type: none"> ▪ Fico is > 760; and ▪ \$100,000 in post-close reserves or the reserves required for the transaction, whichever is greater <ul style="list-style-type: none"> • <u>If less than 25% equity of the departure property:</u> <ul style="list-style-type: none"> ○ Both of the current and the proposed mortgage payments must be used to qualify the borrower for the new transaction; and ○ Minimum reserves of 6 months of PITIA are required for the departure property.
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Topic	General Guidelines
<p>Alimony / Separate Maintenance</p>	<p>Alimony income must be received for at least 12 months, and it must continue for at least 3 years as specified by the court order or an attorney’s letter specifying the individuals and issues.</p> <p>If full or partial payments are made on an inconsistent basis, the income should not be used for qualifying or as a compensating factor. If a borrower does not have a court order that specifies support payments, the proposed or voluntary payments should not be used as income to qualify.</p> <p><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> • 12 -months deposit slips and/or bank statements/cancelled checks, court records or tax returns evidencing regular deposit of the funds; and • Court order/agreement evidencing amount, frequency, and 3 years continuance.
<p>Future Income</p>	<p>Not eligible</p>
<p>Child Support</p>	<p>The borrower must have received the income for at least 12 months, and it must continue for at least 3 years as specified by the signed court document. Proof of the ages of the children for which the child support is received in order to prove a 3-year continuance must also be documented. Child support is non-taxable and can be grossed up.</p> <p>Note: When the income is verified to be non-taxable, and its tax-exempt status is determined likely to continue, the underwriter must develop an “adjusted gross income” for the borrower <i>if the additional income is needed to qualify</i> for the product, program or loan amount applied for. The previous year’s tax rate must be used to calculate the grossed-up percentage. If the borrower was not required to file a tax return or they didn’t have any tax liability on their tax return, a 25% tax rate must be used in the calculation.</p> <p><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> • 12 -months court records, deposit slips and/or bank statements/cancelled checks evidencing regular deposit of the funds; and • Proof of ages of the children for which child support is received; and • Court order/agreement evidencing amount, frequency, and 3 years continuance.
<p>Foster Care</p>	<p>This income may be considered provided the borrower has a 2-year history of providing foster-care services under a recognized program and is likely to continue for the next 3 years at a level that supports the amount of income needed for qualifying for the mortgage.</p> <p><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> • Letters from the organization providing the income showing a 2-year payment history; and • 2 years most recent personal tax returns; or <p>24-months deposit slips or bank statements/cancelled checks confirming regular deposit of the payments.</p>

Topic	General Guidelines
<p>Disability – Workers Compensation</p>	<p>Disability and workers compensation varies and must be verified by obtaining a copy of the borrowers’ disability policy or benefits statement. A statement from the insurance company or employer must confirm the borrowers’ current eligibility for the disability benefit must also be obtained. If the benefits have an expiration date, the remaining term must continue at least 3 years from the date of the mortgage application. Generally, long term disability will not have a defined expiration date and it must be expected to continue. The requirement for re-evaluation is not considered an expiration date.</p> <p>If the borrower is currently receiving short-term disability payments that will convert to long-term benefits within the next three years, the borrower must be qualified on the lesser amount of either the long-term or short-term disability payments.</p> <p>Disability and/or workers compensation benefits must be stable and expected to continue for at least 3 years. Non-taxable benefits can be grossed up provided it is verified as non-taxable.</p> <p>Note: When the income is verified to be non-taxable, and its tax-exempt status is determined likely to continue, the underwriter must develop an “adjusted gross income” for the borrower <i>if the additional income is needed to qualify</i> for the product, program or loan amount applied for. The previous year’s tax rate must be used to calculate grossed up percentage. If the borrower was not required to file a tax return or they didn’t have any tax liability on their tax return, a 25% tax rate must be used in the calculation. Refer to the Tax-Exempt Income/ Non-Taxable Income topic in this section for documentation requirements that must be obtained to determine if a particular source of income is non-taxable.</p> <p><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> • Copy of Disability policy or Benefits Statement • A statement from the benefits’ payer (insurance company, employer, or other qualified and disinterested third party) confirming the borrower’s current eligibility • 2-months deposit slips and/or bank statements/cancelled checks evidencing regular deposit.
<p>Inheritance & Other Guaranteed Income</p>	<p>Ongoing income received from inheritance or other guaranteed sources—such as prize earnings, or lottery winnings—may be used to qualify provided it can be verified that the income is regular and recurring. Typically, the borrower should have a documented history of receiving it for at least 2-years and verify that it will continue for at least 3 more years.</p> <p>A copy of the award letter confirming the amount, frequency, duration of payments, and evidence of receipt for the previous 2 years is required. Borrowers who do not have a 2-year history of receiving the income may still be considered contingent upon the terms of the payout. Example: The income is guaranteed to continue for the next 20 years but the borrower has only received one payment/installment.</p> <p><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> • Copy of Award letter confirming amount, frequency, and duration of payments; and • 2 years most recent tax returns with all Schedules.

Topic	General Guidelines
Interest & Dividends	<p>Interest and dividend income are reported on personal tax returns, Schedule B.</p> <p>In order for interest or dividend income to be used as qualifying income the borrower must have a 2-year history of receiving the interest or dividend income and the income must be expected to continue for the next 3 years. The assets from which the interest and dividend income was earned must also be verified via most recent bank statements. Any taxable interest or dividend income that is not recurring must not be used to qualify.</p> <p>Average interest and dividend income received for the last 2 years to calculate the qualifying income. If funds are used for the down payment and closing costs, the value of the assets should be reduced accordingly, and the interest and dividends recalculated based on the reduced value.</p> <p><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> • 2 years most recent tax returns with Schedule B; and • Two month’s asset account statements showing sufficient assets available to continue generating dividends and interest after closing; and • Determine that the income is likely to continue based on an established earnings trend. <ul style="list-style-type: none"> ○ If the trend is stable or increasing, income can be averaged over the two-year period. ○ If the trend was declining but has since stabilized and there is no reason to believe that the borrower will not continue to receive the income at the current level, the current, but lower stabilized amount must be used. ○ If the trend is declining, the income may not be stable and additional analysis must be performed to determine if the income should be used. Income should not be averaged over the period of decline.

Topic	General Guidelines
<p>Vested Restricted Stock (RSU)</p>	<p>Restricted stock plans award an employee shares of stock as a form of additional compensation. However, the employee cannot take possession of the shares until vesting restrictions are met. Most commonly, the vesting restriction is met if the employee continues to work for the company for a certain number of years. Time-based restrictions may lapse all at once or gradually. If the recipient does not meet the conditions the company set forth prior to the end of the vesting period, the shares are typically forfeited.</p> <p>Note: To avoid counting the income/asset twice, if restricted stock is used as income, any unvested shares of restricted stock cannot be used as an asset, nor can dividend interest or capital gains income from the same restricted stock be used.</p> <p>Restricted stock may be considered as qualifying income if the loan documentation supports. The borrower must have a verified history of receiving income from restricted stock for at least 24 months and the likelihood of its continuance must be verified.</p> <p><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> • Documentation of receipt of restricted stock income for the most recent 2 years. E.g., 2 most recent year-end paystubs, W-2's that provide a breakdown of base pay and restricted stock, etc. and • Documentation of the most recent 2 years of restricted stock awards. E.g., compensation awards letters, vesting schedule etc. • Printout/screenshot verifying company is publicly traded and verifying the stock price on the date of application. <p>Note: Restricted stock received from a sign-on type award can be used towards establishing the history of receipt of RSU income, but those shares cannot be considered in the income calculation.</p> <ul style="list-style-type: none"> • Determine that the income is likely to continue based on an established earnings trend. <ul style="list-style-type: none"> • If the trend is stable or increasing, follow income calculation below. • If the trend is declining, the income may not be stable and additional analysis must be performed to determine if the income should be used. <p>Income Calculation</p> <p>Typically, restricted stock income is calculated using the lower of:</p> <ul style="list-style-type: none"> • An average of the prior 2 years RSU earnings or • The number of performance-based shares/units awarded over the last 2 years at the current employer multiplied by the current stock price on the application date at 70% and averaged over 24 months. See below for example. <p>Example:</p> <ul style="list-style-type: none"> - 2020 performance/refresh award of 100 shares - 2021 performance/refresh award of 90 shares - Stock price of publicly traded company on date of application \$200/share <p>100 shares + 90 shares = 190 shares x \$140 (share price at 70%) = \$26,600 / 24 months = \$1,108/month qualifying income.</p>

Topic	General Guidelines
Retirement Assets used as qualifying Income	Not allowed
Retirement Pension	<p>Retirement/pension income may be considered as long as the amount makes sense based on the information provided and time limits of its receipt seem reasonable. Pension income is reported via a 1099. This income can be either taxable or non-taxable and must be expected to continue for the next 3 years. Non-taxable benefits can be grossed up provided it is verified as non-taxable.</p> <p>Note: When the income is verified to be non-taxable, and its tax-exempt status is determined likely to continue, the underwriter must develop an “adjusted gross income” for the borrower <i>if the additional income is needed to qualify</i> for the product, program or loan amount applied for. The previous year’s tax rate must be used to calculate grossed up percentage. If the borrower was not required to file a tax return or they didn’t have any tax liability on their tax return, a 25% tax rate must be used in the calculation. Refer to the documentation requirements under theta-Exempt Income/ Non-Taxable Income topic below for additional information.</p> <p>Lump Sum Distributions</p> <p>Borrowers who have recently retired and opted to take a lump sum distribution are eligible to use the income as qualifying provided the borrower has transferred funds to an annuity or similar account that allows for regular withdrawals and the account is set up for regular withdrawals. A letter from the borrower’s financial advisor is required to verify the terms of the withdrawal.</p> <p>If funds are not set up in an account allowing for regular withdrawals, income may not be used to qualify.</p> <p>Documentation Requirements</p> <ul style="list-style-type: none"> • Copies of most recent 1 years’ 1099 or IRS W-2; or • 2-months financial statements or bank statements evidencing regular deposit of the fund; or • Statement from the organization providing the income; or • Most recent 1 years’ Signed Federal Tax Return <p>If retirement income is paid as a monthly distribution from a 401(k), IRA or Keogh retirement account, the income must continue for the next 3 years. The retirement accounts (IRAs, 401k or Keogh) may be combined to determine the 3 years continuance. In addition, the following apply:</p> <ul style="list-style-type: none"> • Need 2 months receipt prior application • Borrower must have unrestricted access without penalty to the accounts; and • If the assets are in the form of stocks, bonds, or mutual funds, 70% of the value must be used to determine the number of distributions remaining to account for the nature of the assets. <p>Note: Unrestricted access is obtained by borrower arranging under Internal Revenue Code Section 72(t) for distributions and if the distributions are in a series of substantially equal periodic payments (not less frequently than annually) there shall be no associated income tax increase</p>

Topic	General Guidelines													
Social Security	<p>Social Security income, a type of public assistance, may not be discounted or treated differently than wage income. Social Security benefits or award statements are normally issued each year by the Social Security Administration to reflect cost of living adjustments. This income can be either taxable or non-taxable. The portion that is non-taxable can be grossed up provided it is verified as non-taxable income.</p> <p>Note: When the income is verified to be non-taxable, and its tax-exempt status is determined likely to continue, the underwriter must develop an “adjusted gross income” for the borrower <i>if the additional income is needed to qualify</i> for the product, program or loan amount applied for. The previous year’s tax rate must be used to calculate grossed up percentage. If the borrower was not required to file a tax return or they didn’t have any tax liability on their tax return, a 25% tax rate must be used in the calculation. Refer to the documentation requirements under Tax-Exempt Income/ Non-Taxable topic for additional information.</p> <p>Social Security income for retirement or long-term disability that the borrower is receiving from his/her own account/work record will not have a defined expiration date and must be treated as though income is “expected to continue”.</p> <p>If Social Security benefits are being paid as a benefit for a family member of the benefit owner and the income has a defined expiration date due to recipient’s age, the income may be used in qualifying; however, you must obtain evidence that the income will continue for at least three years from the date of the mortgage application.</p> <p><u>Documentation Requirements</u></p> <p>Document regular receipt of payments, as verified by the following, depending on the type of benefit and the relationship of the beneficiary (self or other) as shown in the table below.</p> <table border="1" data-bbox="487 813 1919 1268"> <thead> <tr> <th data-bbox="487 813 894 951">Type of Social Security Benefit</th> <th data-bbox="894 813 1346 951">Borrower is drawing Social Security benefits from own account/work record</th> <th data-bbox="1346 813 1919 951">Borrower is drawing Social Security benefits from another person’s account/work record</th> </tr> </thead> <tbody> <tr> <td data-bbox="487 951 894 1024">Retirement</td> <td data-bbox="894 951 1346 1024" rowspan="2">Most recent Social Security Administrator’s (SSA) Award letter</td> <td data-bbox="1346 951 1919 1024" rowspan="2"> <ul style="list-style-type: none"> • Most recent SSA Award letter; • Proof of current receipt; AND • If SS Income has a defined exp date due to recipient’s age, provide evidence that income will continue for at least 3 years. </td> </tr> <tr> <td data-bbox="487 1024 894 1118">Disability</td> </tr> <tr> <td data-bbox="487 1118 894 1192">Survivor Benefits</td> <td data-bbox="894 1118 1346 1192">N/A</td> <td data-bbox="1346 1118 1919 1192">N/A</td> </tr> <tr> <td data-bbox="487 1192 894 1268">Supplement Security Income (SSI)</td> <td data-bbox="894 1192 1346 1268"> <ul style="list-style-type: none"> • Most recent SSA Award letter, and • Proof of current receipt </td> <td data-bbox="1346 1192 1919 1268">N/A</td> </tr> </tbody> </table> <p>Note: If the borrower is presently employed but is anticipating retirement within the next 12 months, anticipated retirement income should also be taken into consideration. For newly established SSI benefits, a recently issued Social Security award letter reflecting the finalized terms may be used to document the income if the borrower will begin receiving payments on or before the first payment date of the subject mortgage as confirmed by the award letter. Verification of receipt is not required.</p>	Type of Social Security Benefit	Borrower is drawing Social Security benefits from own account/work record	Borrower is drawing Social Security benefits from another person’s account/work record	Retirement	Most recent Social Security Administrator’s (SSA) Award letter	<ul style="list-style-type: none"> • Most recent SSA Award letter; • Proof of current receipt; AND • If SS Income has a defined exp date due to recipient’s age, provide evidence that income will continue for at least 3 years. 	Disability	Survivor Benefits	N/A	N/A	Supplement Security Income (SSI)	<ul style="list-style-type: none"> • Most recent SSA Award letter, and • Proof of current receipt 	N/A
Type of Social Security Benefit	Borrower is drawing Social Security benefits from own account/work record	Borrower is drawing Social Security benefits from another person’s account/work record												
Retirement	Most recent Social Security Administrator’s (SSA) Award letter	<ul style="list-style-type: none"> • Most recent SSA Award letter; • Proof of current receipt; AND • If SS Income has a defined exp date due to recipient’s age, provide evidence that income will continue for at least 3 years. 												
Disability														
Survivor Benefits	N/A	N/A												
Supplement Security Income (SSI)	<ul style="list-style-type: none"> • Most recent SSA Award letter, and • Proof of current receipt 	N/A												

Topic	General Guidelines
<p style="text-align: center;">Tax Exempt / Non-Taxable Income</p>	<p>A borrower with tax-exempt/non-taxable income should be evaluated in the same manner as a borrower who has a higher gross taxable income. Tax-exempt sources may include</p> <ul style="list-style-type: none"> ○ Child support payments, ○ Social Security benefits, ○ Disability retirement payments, ○ Workers’ compensation benefits, ○ Supplemental Nutrition Assistance Program (SNAP) ○ Public Assistance Payments ○ Section 8 Housing Payments ○ Tax Free Municipal Bonds <ul style="list-style-type: none"> ● Section 8 Income may be considered. The payments may not be used to offset the monthly housing payment. The public agency that provides the payment must provide documentation that shows the amount and terms of the monthly payment received and if the income is nontaxable. The documentation must show that the payments are made directly to the borrower. If the Section 8 income is determined to be nontaxable it may be grossed up as described below. ● Tax-exempt trust and inheritance income may be considered provided there is sufficient documentation to support the tax-exempt status. ● Verify that the particular source of income is tax-exempt and that both the income and its tax-exempt status are likely to continue. Acceptable forms of documentation include award letter, policy agreements, and account statements. ● If the income is verified to be non-taxable, and its tax-exempt status is determined likely to continue, the underwriter must develop an “adjusted gross income” for the borrower <i>if the additional income is needed to qualify</i> for the product, program or loan amount applied for. The previous year’s tax rate must be used to calculate grossed up percentage. If the borrower was not required to file a tax return or they didn’t have any tax liability on their tax return, a 25% tax rate must be used in the calculation. <p>Refer to the specific income types in this section to determine if the income may be grossed up.</p> <p><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> ● 1 year’s most recent tax returns with all Schedules; or ● Other documents showing that the income, or a portion is nontaxable <p>Note: If the borrower indicates in any way that s/he did not file a tax return and the 4506-C transcript confirms there is no filing, no additional documentation is required.</p>

<p>Temporary Leave</p>	<p>Temporary leave from work is generally short in duration and may be for family, medical, maternity, short-term disability, or other temporary leave that is acceptable by law or the borrower’s employer. During a temporary leave the borrower’s income may or may not be reduced or the borrower may not be paid during their absence from work. Leave is no longer considered temporary when the borrower does not intend to return to their current employer, or they do not have a commitment from their current employer to return to work.</p> <p>Income used to qualify is determined by when the borrower will be returning to work:</p> <ul style="list-style-type: none"> • If the borrower <u>will</u> return to work prior to the first mortgage payment being due, the borrower’s regular employment income that will be received upon their return to employment can be used to qualify. • If the borrower <u>will not</u> return to work prior to the first mortgage payment being due, the lesser of the borrower’s temporary leave income (if any) or their regular employment income may be used to qualify. <p><u>Supplemental Income</u></p> <p>If the borrower <u>will not</u> return to work prior to the first mortgage payment being due and the borrower’s temporary income is less than their regular pay, liquid assets may be used to supplement the temporary leave income. However, the total qualifying income (temporary leave income plus supplemental income) may not exceed the borrower’s gross monthly income that will be received upon their return to their current employer.</p> <ul style="list-style-type: none"> • Supplemental Income=Available liquid reserves* ÷ the number of months of supplemental income** <p>*Available liquid reserves: Total liquid assets reduced by the amount of funds needed to complete the transaction (down payment, closing costs, prepaids, other debt payoff, required reserves, etc.).</p> <p>**Number of months of supplemental income: The number of months from the first mortgage payment date to the date the borrower will begin receiving his/her regular employment income, rounded up to the next whole number.</p> <p><u>Qualifying Income</u></p> <ul style="list-style-type: none"> • Total Qualifying Income = Temporary Leave Income + Supplemental Income <p>Note: Total qualifying income may not exceed the borrower’s regular employment income.</p> <p><u>Example:</u></p> <ul style="list-style-type: none"> • Regular income amount: \$6,000 per month • Temporary leave income: \$2,000 per month • Total verified liquid assets: \$30,000 • Funds needed to complete the transaction: \$18,000 • Available liquid reserves: \$12,000 • First payment date: July 1 • Date borrower will begin receiving regular employment income: November 1 Supplemental income $\\$12,000 \div 4 = \\$3,000$ Total qualifying income: $\\$3,000 + \\$2,000 = \\$5,000$ <p><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> • Borrower must provide written confirmation of his/her intent to return to work and the agreed upon date of their return as evidenced by documentation provided either from the borrower, directly from the employer, or a third party as designated by
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Topic	General Guidelines
	<p>the employer. Refer to Borrower Explanations There must not be any evidence or information from the employer indicating that the borrower does not have the right to return to work after the leave period; and</p> <ul style="list-style-type: none"> • Documentation from the current employer confirming the borrower’s statutory right to return to work (or the employer’s commitment to permit the borrower to return to work), containing the date of return, and the borrowers post-leave employment and income; and • Documentation of the amount and duration of the borrower’s temporary leave income, which may require multiple documents or sources depending on the type and duration of the leave period; and • Documentation of the amount of the regular employment income that the borrower received prior to the temporary leave. This should include all eligible sources of income that could be used to qualify under normal circumstances (i.e., base pay, commissions, bonus, overtime, etc.); and • Verbal verification of employment. If the employer confirms the borrower is currently on temporary leave, the borrower must be considered employed; and • If supplemental income is being used to qualify, the liquid assets must be verified according to the documentation process type selected; and • Underwriter’s rationale must include how qualifying income was calculated
<p>Trust Income</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>Estates & Trusts: 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><u>Documentation Requirements:</u></p> <ul style="list-style-type: none"> • Copy of Trust Agreement or trustee’s statement that verifies the amount, frequency, and 3 years continuance; and • 2 years most recent tax returns with all Schedules (if Agreement/statement does not include information about historical level of distributions from the trust)

Topic	General Guidelines
<p>Annuities</p>	<p>An annuity is an investment vehicle that is typically managed by a life insurance company. Regular or lump sum deposits are put into an annuity and the asset grows tax-deferred until the owner starts taking withdrawals.</p> <p>The amount available for liquidation depends on the owner's age at distribution and whether or not the annuity is in the accumulation phase or distribution phase. The company managing the annuity may also charge various penalties, fees, etc. for withdrawals as well as tax implications.</p> <p>If the annuity is being used as income, it cannot be used for reserves, down payment, etc.</p> <p>The annuity asset may be used for closing costs, down payment and reserves as follows:</p> <ul style="list-style-type: none"> • 70% of the current cash value, less any outstanding loans, should be used to calculate the amount of funds available; or • 100% of the current cash value can be used if it can be verified that the borrower is not subject to penalties, surrender charges, or taxes. <p>If the asset is used for closing and/or down payment, proof of liquidation is required. Surrender Charges, penalties and fees imposed by the managing company as well as any outstanding loans should be deducted from the cash value prior to calculating the amount available for closing. If the asset is being used for reserves only, <u>proof of liquidation</u> does not need to be obtained; however, verification of the asset is still required.</p> <p>A computer-generated statement must always be obtained to verify the following:</p> <ul style="list-style-type: none"> • The name of the company managing the annuity; • The name of the annuity owner; • The period covered and the current cash value; • Outstanding loans; and • Penalties, surrender charges and or fees.

Mortgage/Housing History

How the borrower has handled present and prior mortgage/ rent payments provides useful insight as to how the new mortgage will be managed. In addition to the new mortgage payment, the underwriter should also examine the payment history and the amount/ percentage the monthly payment will increase.

Existing Mortgage Payment Requirements

A verification of mortgage history is required on all transactions and must contain current balance, current status and payment amount verified via:

- A third party or credit bureau; or
- Verification of mortgage completed by the holder of the mortgage is acceptable
- The credit report must contain the entire mortgage payment history. If the report covers activity for the previous 12 months or longer, we may rely on the credit report for the verification. If it does not, we must obtain the history directly from the mortgage servicer or get 12 months cancelled checks (front and back).
- The Mortgage loan must be current at the time of closing.
- On the date of the loan application, the mortgage history must reflect 0 x 30 in the previous twelve (12) months. "Rolling" Mortgage late pays are not permitted.
- In case of a recent refinance or account transfer, a combination of payment performance from multiple lenders for the same collateral may be used to complete the twelve-month (12) history requirement.
- For a recent purchase, a combination of payment performance from a prior property or rental payments may be used to complete the twelve-month (12) history. A gap in mortgage/rental payment history of up to six (6) months is allowed by obtaining the most recent eighteen-month (18) history and providing written documentation explaining the reason for the gap.
- For each mortgage liability where the borrower is currently an obligor on the note secured by real estate debt, a verification of mortgage must be obtained if the mortgage is not verified on the credit report.

Note: If there is a new debt being incurred from a pending purchase transaction, the TIL, GFE, Loan Estimate or other alternative documentation from the lender should be obtained to verify the new monthly payment amount.

Rental History:

A verification of rental history is required on all transactions via:

- Copies (front & back) of twelve (12) months consecutive (one (1) payment per month) rental payment cancelled checks; or
- Bank statements or direct payment records showing one (1) payment per month; or.
- Verification of rent; or
- Residential mortgage credit report ("RMCR") or merged in-file report.

Borrowers unable to provide a complete twelve-month (12) mortgage/rental history are limited to owner occupied primary residences only.

If the landlord is related to the borrower, twelve months of cancelled checks must be provided.

- The rental history must reflect 0 x 30 in the previous twelve (12) months.

If the landlord is a management company, the management company must be listed in the local telephone directory and the file must contain a copy of the list. If the listing is not available, 12 months canceled checks must be provided.

Topic	General Guidelines
Forbearance/Deferment	<ul style="list-style-type: none"> • Does not follow agency forbearance guidelines • All loans must be current (deferred balance or silent second not allowed). The loan must be brought current from borrower(s) own funds and must have made 3 consecutive payments after the loan is brought and all missed payments are made. This needs to be done prior to the note date. This applies to all subject and non-subject REOs the borrowers own.
Disputed Credit	<p>Disputed trade lines or public records adverse to the credit profile require a written explanation from the borrower including evidence to support the dispute. If the account in question adds risk, such as stolen/fraudulent use of the account, the evidence must include documentation and verification of the account status (i.e. current balance, delinquency, etc.) from the creditor or credit bureau. All written letters of explanation must be signed by the borrower prior to close.</p> <p>Note: If the account or public record is medical, a letter of explanation and evidence is not required, as dictated in FCRA - Regulation V: Medical Information Privacy Act.</p> <p><u>Past Due Accounts</u></p> <p>An explanation by itself is generally not sufficient to allow a past due account to go unpaid. These are evaluated on a case-by-case basis.</p> <p><u>Incorrect Information</u></p> <p>If a borrower states the information on the credit report is incorrect or does not belong to the borrower and the information reflected is deemed to be of material significance (e.g., delinquent credit obligation, public records or trade lines that do not belong to the borrower), the borrower must provide documentation from the creditor or the credit bureau evidencing that a dispute has been initiated for the identified account(s). All written letters of explanation must be signed by the Borrower prior to close. A subjective review must be performed as part of the underwriter's risk analysis.</p>
Student Loans	If credit does not reflect payment, then 1% of the outstanding balance as reported on credit report.
Contingent Liabilities: Co-Signed Loans	<p>Contingent liabilities generally exist when a borrower co-signs another person's loan. As a co-signer, the individual has equal responsibility in repaying the loan should the loan go into default. If a borrower is the primary obligor on a debt, the individual has responsibility for repaying the debt regardless if there is an additional signer and the debt must be included in the qualifying ratios. Acceptable document to exclude the debt is to provide copy of Note and one of the following items:</p> <ul style="list-style-type: none"> • Twelve (12) months cancelled checks; or • Twelve (12) Other party's bank statements showing monthly amounts disbursed; or • Twelve (12) Cancelled cashier's checks; or • Divorce decree indicating the debt is the responsibility of another party. <p>NOTE:</p> <ul style="list-style-type: none"> • For second home and investment transactions, the borrower's primary residence must be included in the borrower's ratios if they are on title and/or note, regardless of the co-signer providing the above acceptable documentation. • The above may not be followed if the contingent liability is a mortgage. The debt must be included in the ratios regardless of whether there is evidence that someone else is paying the debt.

Topic	General Guidelines
<p>Unpaid Charge-Offs & Collections</p>	<p>The unpaid charge-off and/or collection is required to be satisfied as defined below. An explanation from the borrower is required. Refer to Borrower Explanations topic in this section for more information. Proceeds from a cash-out refinance transaction may be used to satisfy the unpaid charge-off and/or collection at closing.</p> <p>An account may be paid at closing, for a purchase or rate/term refinance transaction, if all of the following requirements are met:</p> <ul style="list-style-type: none"> • The payoff should be documented on the Closing Disclosure and match documentation in the loan file; and • The loan must contain documentation as to why the account(s) could not be satisfied prior to the loan closing; and • Under no circumstances may the proceeds of the loan be used to pay the unpaid charge-off or collection account unless the transaction is a cash-out refinance. <p>The total balance of all outstanding collections is \leq\$2,000; or</p> <ul style="list-style-type: none"> • If the total outstanding balance of all collections is $>$\$2,000, then 5% of the balance of each outstanding collection account for all borrowers must be included in the calculation of the total debt ratio. • The charge off has not reached a judgment or lien status; and • The borrower has documented evidence of the dispute if it is a disputed account. <p>If none of the above criteria are met, then the collection/charge-off must be paid prior to or at loan closing.</p>
<p>Judgment & Tax Liens / Public Records</p>	<ul style="list-style-type: none"> • 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. • Borrowers with previous judgments must provide evidence of payment in full or evidence the judgment no longer represents a claim against the borrower. • Borrower must pay off all IRS tax liens even if borrower is on repayment plan. <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>

Topic	General Guidelines
<p>Short Sale / Deed in Lieu Seasoning/ Pre-Foreclosure or Charge-Off of a Mortgage Account</p>	<p>The waiting period (i.e., the amount of time that must pass before the borrower is eligible for mortgage financing), which commences on the completion date of the above events, is a minimum of four years with the maximum LTV/CLTV/HCLTV permitted as defined by the product/program selected.</p> <p>Extenuating Circumstances: If the deed-in-lieu, short sale, pre-foreclosure or charge-off of a mortgage account was the result of documented extenuating circumstances, the waiting period is two years provided the borrower meets all requirements for re-establishing credit. The maximum LTV/CLTV/HCLTV is the maximum LTV permitted by policy</p> <ul style="list-style-type: none"> • A deed-in-lieu is a transfer of title from a delinquent borrower to the lender in satisfaction of the mortgage debt to avoid foreclosure; also called a voluntary conveyance or typically identified on the credit report through Remarks Codes such as "Forfeit Deed-in-Lieu of Foreclosure." • A short sale, pre-foreclosure sale or charge-off of a mortgage account is a transaction where the mortgage lender agrees to accept a lower amount than is owed on the property. These are typically identified on the credit report through Remarks Codes such as "Settled for less than full balance and "Foreclosure Initiated." The loan may or may not be delinquent. <p>Examples of how short sales/pre-foreclosures or charge-off of a mortgage account may be identified on the credit report:</p> <ul style="list-style-type: none"> • Special Comment Code AU (Account Paid-in-Full for Less than Full Amount Due) • \$0.00 Current Balance • Payment rating applicable to the contractual status of the loan at time short sale is processed (i.e. current, 30 days' delinquent, 60 days' delinquent, etc.). <p>As a result of the "AU" reporting, credit bureaus display a corresponding comment on the consumer's credit report. The verbiage of that comment varies per bureau. The bureaus may display verbiage very similar to the actual AU definition, but may also display a comment, such as "settled". The actual "AU" code does not appear on the consumer's credit report. There is also not anything within the payment history section of the credit report that would refer to the short sale.</p> <p>Note: This section does not apply to deeded Timeshares.</p>

Topic	General Guidelines
<p>Bankruptcy History</p>	<p>To be considered for a mortgage loan, the borrower’s bankruptcy must have been dismissed or discharged (as defined below) and s/he must have re-established a satisfactory credit history and demonstrated the ability to manage financial affairs prudently. (“Satisfactory” means that the most recent rating has a rating of "1".) The bankruptcy should be fully discharged or dismissed as specified below.</p> <p>The mortgage application may not be approved before the following time periods have elapsed from the date of the application:</p> <ul style="list-style-type: none"> • 4 years from the date the Chapter 7 or 11 bankruptcy was discharged or dismissed; • 4 years from the date a Chapter 12 or 13 repayment plan was dismissed <p>A letter of explanation for the bankruptcy is required.</p> <p>The Lender may consider 2 years an acceptable interval for having re-established a satisfactory credit record when:</p> <ul style="list-style-type: none"> • The previous action was a discharged or dismissed Chapter 12 or 13 bankruptcy, regardless of the reasons that contributed to the previous bankruptcy. • The previous action related to a deed-in-lieu or Chapter 7 or 11 bankruptcies resulted from extenuating circumstances. (If the borrower cannot provide satisfactory documentation of the extenuating circumstances, 4 full years must have elapsed.) <p><u>Bankruptcy on the Same Mortgage</u></p> <p>If a mortgage debt was discharged through a bankruptcy, the bankruptcy waiting periods may be applied if the appropriate documentation to verify that the mortgage obligation that was discharged in the bankruptcy is obtained. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting periods must be applied.</p> <p><u>Multiple Bankruptcy Filings</u></p> <ul style="list-style-type: none"> • A 5-year time period must have elapsed from most recent dismissal or discharge date for borrowers with more than one bankruptcy filing within the past 7 years. A satisfactory credit record must be re-established. All bankruptcies must be either dismissed or discharged. <p>Note: Two or more borrowers with individual bankruptcies should not be considered cumulative. For example, if the borrower has one bankruptcy and the co-borrower has one bankruptcy, this is not considered a multiple bankruptcy.</p> <p><u>Documentation Requirements</u></p> <p>Borrowers who have had a bankruptcy closed within the past 7 years must provide the following:</p> <ul style="list-style-type: none"> • Copies of the bankruptcy petition, schedule of debts, discharge or dismissal order and the document issued by the court showing the bankruptcy estate is closed. • Evidence to indicate that all debts not satisfied by the bankruptcy have been paid or are being paid. • Any other evidence necessary to support the determination that the borrower has reestablished and maintained an acceptable credit reputation (see Re-establishing Credit).

Topic	General Guidelines
<p>Foreclosure Seasoning</p>	<p>After 7 years have elapsed, the borrower may obtain a purchase mortgage pursuant to the eligibility requirements in effect at that time. A letter of explanation is required.</p> <p>When both a bankruptcy and foreclosure are disclosed on the loan application, or when both appear on the credit report, the bankruptcy waiting period may be applied if the borrower provides appropriate documentation to verify that the mortgage loan in question was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied.</p> <p>Note: This topic does not apply to deeded Timeshares.</p>
<p>Rent back the Current Residence</p>	<p>Within 60 days from closing</p>
<p>Secondary Financing</p>	<p>If a subject property has an existing subordinate lien, the existing lien may be subordinated to the new “refinance” transaction. However, new subordinate financing is not permitted.</p>
<p>Ineligible Transactions & Scenarios</p>	<ul style="list-style-type: none"> • All deed restricted properties, including Age Only • Higher priced mortgage loans • Industrial, commercial, or agricultural zoned properties • Income sources properties • Mixed Used properties • Non-arm’s length transactions • Non-occupant co-borrowers • Non-resident applicants • Partial release • Properties with unpermitted additions • Technical refinance (If the mortgage proceeds are used to replenish the borrower’s funds on a property that was purchased within the last 12 months the loan is considered a technical refinance. In most instances, the borrower did not have the time to obtain permanent financing due to the need to close quickly (for any number of reasons) and may have obtained a short-term financing in order to do so. • Texas Cash-Out • Texas Section 50(a)(6) • Texas Section 50(f)(2) • Work Completion Escrow
<p>Technical / Short Term Refinance seasoning</p>	<p>Not Permitted (Any refinance to replenish borrower(s) funds, or payoff short term / private mortgages with less than 12 months seasoning)</p>
<p>Delayed Financing</p>	<p>Not allowed</p>

Rate and Term Refinance Transactions

Adding a Borrower to the New Transaction

All borrowers listed on the new loan must be the same as those listed on the original loan. A new borrower may be added and the transaction still will be eligible under the terms of a rate/term refinance provided at least one of the original borrowers remains on the loan. However, all credit parameters (e.g., minimum score) must be met for the product/program selected.

Removing a Borrower from the Transaction

The loan may still be eligible for a rate/term refinance if the borrowers have been divorced for 6 months or more and the remaining borrower has demonstrated the ability to manage the payments without the “absent” borrower’s income. Verification of timely payments for 6 months is required.

Seasoning from recent Cash-Out Transaction

The transaction is not eligible as a rate/term refinance if the borrower completed a cash-out refinance transaction with a note date 30 days prior to the application date of a new refinance on the same property.

Loan Amount Calculation

One year (12 months) title seasoning is required to use current market value.

- The new loan amount is limited to:
 - Payoff the outstanding unpaid principal balance of the existing first lien, regardless of the loan originate date; and
 - Financing of related closing costs and prepaid items;
 - Prepaid Real Estate Taxes: The loan must be treated as a cash-out refinance and is subject to all cash-out policies, LTV’s, etc. if:
 - If the borrower finances the payment of real estate taxes for the subject property in the loan amount, but does not establish an escrow account, OR
 - The borrower finances the payment of real estate taxes for the subject property in the loan amount and the real estate taxes are more than 60 days delinquent (with or without establishing an escrow account).

However, if a particular state law prohibits a lender from requiring an escrow account, the loan is still eligible as a rate/term refinance without the escrow account.

Note: Properties with transfer fees that are identified as exceptions on the title commitment may not be included.

- Payoff of a subordinate loan that meets the following scenario:
 - The subordinate lien was made within the last 12 months and all proceeds were used to purchase the property:
 - A copy of the HUD-1/Closing Disclosure signed by the borrower from the original sale must be obtained to verify that the entire amount being paid off was used to purchase the subject property
 - The payoff may also include any prepayment penalty that may be associated with the subordinate lien.
 - If the subordinate lien is a home equity line of credit, the total amount of additional draws within the past 12 months may not exceed \$2000 (as documented by copies of home equity line statements)

OR

Continued on next page

Topic	General Guidelines
	<ul style="list-style-type: none"> ▪ The subordinate lien was made more than 12 months ago: <ul style="list-style-type: none"> ▪ The payoff may also include any prepayment that may be associated with the subordinate lien; and ▪ If the subordinate lien is a home equity line of credit, the total amount of draw against the line during the past 12 months does not exceed \$2,000 (as documented by copies of the home equity line statements); ▪ Cash back to the borrower may not exceed 1% of the principal amount of the new mortgage or \$5,000 whichever is less, as noted on the Closing Disclosure. Cash back on the Closing Disclosure may only exceed this amount by the amount that was paid outside of closing by the borrower, or due to refunds that may be required in accordance with federal laws or regulations as documented in the loan file. The Closing Disclosure must clearly indicate the refund with a notation for the reason, and the loan file must include documentation to support the amount and reason for the refund. <p>Note: For Texas properties, a new refinance transaction that includes the payoff of an equity line of credit, the payoff of any loan that is a Texas Section 50(a)(6) loan or provides any cash to the borrower at closing makes the new loan subject to Texas Section 50(a)(6) requirements and is not eligible.</p> <p><u>Inherited Properties</u></p> <p>If a mortgaged property was inherited within the last twelve (12) months, the following restrictions apply:</p> <ul style="list-style-type: none"> • The owner must have clear title; • Title cannot be held in probate; and • Percentage of ownership by heirs must be demonstrated. • A five percent (5%) LTV/CLTV reduction must be applied to LTV/CLTV /HCLTV. • Documented evidence of the inheritance must be obtained. <p>For rate/term refinances, and cash-out refinances, the LTV is calculated by dividing the loan amount by the current appraised value unless noted otherwise in the subsections within this section. However, there are situations where the LTV may need to be calculated by dividing the loan amount of the lesser of the appraised value or the sales price/acquisition costs.</p>

Cash-Out Transactions

A transaction that does not meet all of the criteria listed for a Rate/Term Refinance section above must be treated as a cash-out refinance and must meet all the LTV/loan amount restrictions. One year (12 months) title seasoning is required to use current market value.

Cash out transactions must meet the following requirements:

- At least one borrower must have owned the subject property for a minimum of 6 months prior to the application date. (**Note:** There are no seasoning restrictions for doing two consecutive cash-out transactions.):
 - Borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership there are no other seasoning requirements. Refer to “Inherited Property” requirements below.
 - If prior to closing the property is owned and held in a Limited Liability Corporation (LLC) that is majority-owned or controlled by the borrower, the time it was held in the LLC may be counted towards meeting the borrower’s six month ownership requirement. (**Reminder:** In order to close the new refinance transaction, ownership must be transferred out of the LLC and into the name of the individual borrower.)
 - For properties in a leasehold estate, at least one borrower must have been a lessee on the ground lease or lease agreement of the subject leasehold estate for at least 6 months.
 - Continuity of Obligation must be met:
 - When an existing Mortgage on the subject property will be satisfied as a result of a refinance transaction (rate/term and cash out), one of the following requirements must be met:
 - At least one Borrower on the refinance mortgage was a Borrower on the mortgage being refinanced; or
 - At least one Borrower on the refinance Mortgage held title to and resided in the mortgaged premises as a primary residence for the most recent 12-month period and the mortgage file contains documentation evidencing that the borrower, either:
 - Has been making timely mortgage payment, including the payments for any secondary financing, for the most recent 12-month period; or
 - Is a related person to a borrower on the mortgage being refinanced; or
 - At least one Borrower on the refinance mortgage inherited or was legally awarded the mortgaged premises (for example), in the case of divorce, separation, or dissolution of a domestic partnership
- Note:** Continuity of Obligation requirements do not apply when there is no existing mortgage on the subject property.

Funds for a cash out refinance may be used to pay off the following:

- Unpaid principal balance of the existing first mortgage loan;
- Closing costs, prepaids and points;
- The amount to satisfy any outstanding subordinate mortgage liens of any age; and
- Additional cash that the borrower may use for any purpose.

Continued on next page

Topic	General Guidelines
	<p>Refinance mortgage loans that involve the refinance of subordinate liens that were not used in whole to purchase the subject property are considered cash-out refinance. This includes home improvement loans, HELOC and second mortgage loans obtained for taking equity out of the property, even if a portion of the subordinate lien was used to purchase the property. However, if such subordinate lien has been outstanding for more than one (1) year and there has not been a draw on the subordinate lien in the past twelve (12) months greater than or equal to \$2,000.00 then the new refinanced Mortgage Loan will not be considered a cash-out refinance.</p> <p><u>Delinquent Real Estate Taxes</u></p> <p>If real estate taxes are more than 60 days past due and are included in the new loan amount an escrow account must be established, unless prohibited by state law or regulation. In those instances only, when the particular state law prohibits the lender from requiring an escrow account, the loan is still eligible as a cash-out refinance without an escrow account.</p> <p>This includes the payoff of any second mortgage, that is not permitted as outlined in the Rate/Term Refinance section above, and transactions in which the loan proceeds exceed the maximum amount of funds that can be disbursed to the borrower per the rate/term refinance guidelines can be done as a cash out refinance.</p> <p><u>Inherited Properties</u></p> <p>If a mortgaged property was inherited within the last 6 months, the following restrictions apply:</p> <ul style="list-style-type: none"> • The owner must have clear title; • Title cannot be held in probate; and • Percentage of ownership by heirs must be demonstrated. • Documentation evidencing the inheritance must be obtained

<p>Primary Residence</p>	<p>A primary residence is the borrower’s main residence, where they live the majority of the year. It may be a 1-unit, condominium, PUD, or 2–4-unit property.</p> <p>Characteristics that may indicate the property is the borrower’s primary residence include:</p> <ul style="list-style-type: none"> • It is occupied by the primary wage-earner for the major portion of the year; • It is in a location relatively convenient to the owner's principal place of employment; • It is the address of record for such activities as federal income tax reporting, voter registration, occupational licensing, and similar functions. <p>The borrower must occupy the property within 60 days of closing. At least one of the borrowers must occupy and take title to the property and execute the note and mortgage. Exceptions (e.g., active military personnel) will be considered on a case-by-case basis.</p> <p>JMAC recognizes the special needs of a borrower looking to finance a home for a disabled adult child or an elderly parent who is unable to work or who may not have sufficient income to qualify for a mortgage on their own.</p> <table border="1" data-bbox="457 597 2001 1084"> <thead> <tr> <th data-bbox="457 597 1226 672">Borrower Type</th> <th data-bbox="1226 597 2001 672">Occupancy</th> </tr> </thead> <tbody> <tr> <td data-bbox="457 672 1226 808">Multiple Borrowers</td> <td data-bbox="1226 672 2001 808">Only one borrower needs to occupy and take title to the property, except as otherwise required for mortgages that have guarantors or co-signors</td> </tr> <tr> <td data-bbox="457 808 1226 945">Parents or legal guardian wanting to provide housing for their handicapped or disabled adult child</td> <td data-bbox="1226 808 2001 945">If the child is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the parent or legal guardian is considered the owner/occupant.</td> </tr> <tr> <td data-bbox="457 945 1226 1084">Children wanting to provide housing for parents</td> <td data-bbox="1226 945 2001 1084">If the parent is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the child is considered the owner/occupant.</td> </tr> </tbody> </table>	Borrower Type	Occupancy	Multiple Borrowers	Only one borrower needs to occupy and take title to the property, except as otherwise required for mortgages that have guarantors or co-signors	Parents or legal guardian wanting to provide housing for their handicapped or disabled adult child	If the child is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the parent or legal guardian is considered the owner/occupant.	Children wanting to provide housing for parents	If the parent is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the child is considered the owner/occupant.
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<p>Second Home</p>	<ul style="list-style-type: none"> • Only 1 Unit property • Borrower must occupy for some portion of the year in addition to their principal primary residence. • May not be in the same market as the borrower’s primary residence; however, there are exceptions such as: <ul style="list-style-type: none"> ○ Property located in a recreational area which is part of a metropolitan (e.g. beach house), or ○ Property use to minimize commuting problems (e.g. a Manhattan condo owned by a Connecticut resident working in New York City). 								
<p>Property Flipping</p>	<p>Not Permitted (Applies to refinance also if purchase was flipped property with less than 12 months seasoning to application date of new refinance)</p>								

<p>Properties recently listed for sale</p>	<p>Properties that are listed for sale and taken off the market within the past 180 days are eligible for a rate/term refinance Only on a primary occupied and second home transaction. For cash-out, must be off the market for 6 months before taking application.</p> <p>Documentation evidencing the listing was cancelled, along with a letter of explanation from the borrower detailing the rationale for cancelling the listing, must be provided.</p> <p>This policy does not apply to the refinance of a property that was recently purchased within the past 180 days.</p>
<p>1031 Tax Exchange</p>	<p>Allowed; Must exchange with like properties.</p>
<p>First Time Home Buyers (FTHB)</p>	<p>Only allowed on owner occupied transaction.</p>
<p>Net Tangible Benefit Requirements</p>	<p>Refer to JMAC Net Tangible Benefit Policy</p>
<p>Fraud or Active-Duty Alert on Borrower's Credit report</p>	<p>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.</p>
<p>Buyout of Spouse, domestic partner or affianced interest</p>	<p>A refinance that results from a divorce settlement in which one of the spouses is required to buy out the other's interest in a property is considered a rate/term refinance provided the borrower who acquires sole ownership of the property does not receive any cash back.</p> <p>We may also consider a buyout of the interests of a domestic partner, fiancée, or fiancé as a rate/term refinance transaction if all of the following conditions are satisfied:</p> <ul style="list-style-type: none"> • Both parties owned the subject property jointly for at least 12 months preceding the date of the mortgage application. An individual who inherits an interest in the property does not have to satisfy this requirement. • Both parties are able to demonstrate that they occupied the property as their principal residence by providing an acceptable source of verification (e.g., driver's license, bank statement, credit card bill, utility bill, etc. that was mailed to the individual at the address of the mortgaged property). • Both parties must sign a written agreement that states the terms of the property transfer and the proposed disposition of the proceeds from the refinance transaction. The borrower who acquires sole ownership of the property must not receive any cash back from the proceeds of the refinance. • The party who is buying out the other party's interest must be able to qualify for the mortgage under our standard underwriting guidelines. • Texas Property: The division of the homestead property pursuant to a court order or an award in a divorce proceeding is considered a Texas Non-Equity Loan that may be processed as a rate/term refinance. The borrower may not receive any cash back at closing. • Transaction Type: All transactions may be originated as rate/term refinances, regardless of process type.

Lease-to-Own / Rent w/Options to Buy	Not allowed
Principal Curtailment	Not allowed
Non-Arms' Length Transactions	<p>Non-arm's length transactions are not permitted.</p> <p>A non-arm's length transaction is one in which there is a relationship or business affiliation between the seller and the buyer of the property (e.g., family sale, property in an estate, employee and employer, renter and landlord, or flip transactions).</p> <p>Broker of record or principal owner can submit their loan under their company as long as they are not the loan origination or processor on the loan. They should have no control over the credit decision.</p> <p>The loan originator can be the buyer's agent and loan originator on the loan as long no sales commission is used in the loan transaction. There should be no real conflict of interests and they should have no control over the credit decision of the loan.</p> <p>Common risks associated with this type of loan include: absence of equity or down payment; a purchase price that does not represent the actual property value; financial bailouts or attempts to hide poor credit; occupancy concerns; and financing of unsold builders inventory, especially in soft real estate markets.</p>
Escrow Holdbacks	Not allowed
Escrow/Impounds	Escrow can be waived, except for flood insurance.
Title Vesting & Ownership	Closing in company name or TIC not allowed
Power of Attorney	Allowed; Must be specific to the loan transaction; Exclude cash-out transaction.
Title Held in a Trust	Allowed; Follows JMAC Trust Policy
Trusts	Trust must be revocable

<p>Construction to Permanent Financing</p>	<p>We provide end-loan financing on a proposed property, subject to completion, per plans and specifications after a construction loan is obtained. To be considered for construction to permanent financing, the borrower must be the primary obligor on the construction loan as well as the owner of the lot. Any other combination (e.g., the borrower owns the lot, but is not the primary obligor on the construction loan) must be considered a traditional purchase transaction.</p> <p>A newly constructed home is eligible for construction to permanent financing once the construction is complete. All construction work must be completed and paid for, and all mechanics' liens, materialmen's liens, and any other liens and claims that could become a lien relating to the construction must be satisfied before the mortgage loan is closed for purchase.</p> <p>The conversion of an interim loan or term note into permanent financing may be considered a purchase money transaction or a refinance transaction. While a purchase transaction may allow a higher LTV, the borrower may wish to opt for a refinance transaction that requires less documentation to establish the value of the mortgaged property and offers the possibility for cash-out.</p> <p>Note: The right to rescind will not apply to a loan to finance the acquisition or construction of a dwelling, but the right to rescind will apply to a loan to rehabilitate or improve the borrower's principal dwelling. If you have any questions about whether the right to rescind applies to a particular loan transaction, consult with Legal or Compliance.</p> <p>The loan classification is determined on the length of time the borrower has held legal title to the lot, and in some cases, how title was acquired. A copy of the purchase contract or HUD-1/Closing Disclosure signed by the borrower may be used to document the cost of the lot.</p> <p>Ineligible Property Types: Units in a condo or co-op project are not eligible.</p> <p>Required Documentation:</p> <ul style="list-style-type: none"> • Uniform mortgage instruments are required, and they may not be altered to include any reference to construction of the property. A construction loan rider is used to modify the uniform instruments. The rider must state the construction loan terms, and the construction-related provisions of the rider must become null and void at the end of the construction period, when the construction loan is modified into the permanent financing. • When the construction-to-permanent loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the lot, a certificate of occupancy must be obtained from the applicable government authority. <p>New Construction</p> <ul style="list-style-type: none"> • New construction properties are properties that are proposed or under construction at the time of loan application. • A full interior/exterior appraisal is required. <p>Note: Transactions that allow a borrower to make a single disbursement to a builder/contractor for the purchase of a newly completed site-built property (including an existing home that has never been occupied), where the borrower acquires title to both the lot and the improvements at the same time, are not considered new construction or a conversion of a construction loan; however, a full interior/exterior appraisal is required if the property has never been occupied.</p> <p>Converting an Interim Construction Loan to a Permanent Loan</p> <p>The conversion of an interim construction loan to a permanent loan may be handled as:</p> <ol style="list-style-type: none"> 1. A Single-Close Transaction: (Not Permitted), where one loan is used for both the interim construction loan and the permanent long-term mortgage. Upon completion of construction, the construction loan is either automatically converted to the permanent loan, as
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outlined in the construction rider to the note, or the construction loan terms are modified to match the final terms of the permanent loan, as outlined in the Modification Agreement must be recorded.

2. A Two-Closed Transaction, where a new long -term mortgage replaces the interim short-term construction loan that was used to fund the construction of the new residence. There is one closing for the construction loan and another closing for the new permanent loan.

Two-Close Transactions may be rate/term or cash out refinance transactions.

Purchase Money Guidelines

Purchase money guidelines (including required minimum borrower contribution requirements) apply to transactions where the borrower is not the owner of record prior to closing the construction financing.

The cost of the lot and total construction costs must be fully documented with receipts identifying the subject property along with cancelled checks.

The borrower may not receive any cash back on a purchase transaction, unless the amount represents:

- Reimbursement for overpayment of fees, transaction costs paid by the borrower in advance (e.g., earnest money deposit, appraisal, credit report fees, etc.), or pro-rated real-estate tax credit in locales where real estate taxes are paid in arrears. The underwriter must confirm that the minimum down payment or required borrower contribution has been met. Pro-rated real estate tax credits cannot be considered when determining if the borrower has enough funds for the transaction.
- Verify that Borrower Contribution Requirements have been met.

Rate/Term Refinance Guidelines:

For the transaction to be treated as a refinance, the borrower must have acquired title to the lot before applying for construction financing and must be named as the borrower on the construction loan.

LTV Calculation for Single-Closing Transactions

Transaction Type	Lot Ownership Requirement	LTV Ratio Calculation
Purchase	The borrower is the owner of record to the lot after or in connection with the first advance of the construction financing.	Divide the loan amount of he construction-to-permanent financing by the lesser of <ul style="list-style-type: none"> • The purchase price (sum of the cost of the construction and the sales price of the lot); or • The “as completed” appraisal value of the property (the lot and improvements).
Limited cash-out refinance	The borrower is the owner of record to the lot prior to the first advance of interim construction financing	Divide the loan amount of the construction-to-permanent financing by the “as completed” appraised value of the property (the lot and improvements).

	<p>Cash-Out Refinance Guidelines</p> <p>If the borrower receives cash back at the construction loan closing or pays off unsecured liens or construction costs paid by the borrower outside of the interim construction loan, the loan must be treated as cash-out refinance. In addition, the borrower must have acquired title to the lot before applying for the construction financing and must be named as the borrower on the construction loan.</p> <p>LTV Calculation:</p> <p>The LTV is determined by dividing the loan amount by the current appraised value of the lot and improvements.</p> <p>Note: To be eligible for a cash-out refinance, the borrower must have held legal title to the lot for at least six months prior the closing of the permanent mortgage. All other cash-out refinance parameters—including the maximum LTV and loan amount, must be met. It is not necessary to ask the borrower to provide evidence of the funds invested into the transaction.</p> <p>Modified/One-Time Close Transactions</p> <p>This feature is not available.</p>
<p>Sales and Financing Concessions</p>	<p>Seller Contributions: Basis for the limit is now based on HCLTV</p> <ul style="list-style-type: none"> • Primary Residence <ul style="list-style-type: none"> ○ 6%: LTV 75.01 -80% ○ 9%: LTV <= 75% • Investment: 2% <p>The total dollar amount of the Financing Concessions may Not Exceed the actual total dollar amount of the allowable closing costs.</p>
<p>Payment Shock</p>	<p>Not applicable</p>