
Non-QM Loan Program Guidelines



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Contents

1.0	GENERAL UNDERWRITING	12
1.1	Underwriting Philosophy.....	12
1.2	Fair Lending.....	12
1.3	Maximum Fees.....	13
1.4	Financed Discount Points and Broker Origination Fees	13
1.5	Broker Owned Escrows	13
2.0	EXPIRATION OF CREDIT/COLLATERAL DOCUMENTS.....	14
3.0	BORROWER ELIGIBILITY	15
3.1	Ineligible Borrower.....	15
3.2	Citizenship.....	15
(a)	Citizen.....	15
(b)	Permanent Resident Alien	15
(c)	Non-permanent Resident.....	15
(d)	Foreign National.....	15
(e)	ITIN	15
3.3	Co-Borrower.....	15
3.4	First Time Home Buyer	16
3.5	Non-Occupant Co-Borrower	16
3.6	Adding Borrowers to Title	16
3.7	Non-Borrowing or Non-Titled Spouse.....	16
3.8	Power of Attorney.....	17
(a)	Specific Power of Attorney.....	17
(b)	Military/Service Member Power of Attorney	18
(c)	Ineligible Power of Attorney	18
(d)	Transactions Ineligible for Power of Attorney	18
3.9	Mortgage Broker or Employee of Mortgage Broker.....	18

Non-QM Loan Program Guidelines

4.0 PURCHASE MONEY TRANSACTIONS 19

4.1 Purchase/Sales Contract 19

4.2 Seller Disclosure 19

4.3 REO/HUD Purchase 19

4.4 Arm’s Length Transactions 20

4.5 Non-Arm’s Length Transactions..... 20

4.6 For Sale by Owner 20

5.0 REFINANCE TRANSACTIONS 21

5.1 Rate/Term Refinance 21

5.2 Debt Consolidation..... 21

5.3 Incidental cash-out on rate/term refinance transactions 22

5.4 Cash-out..... 22

5.5 Cash-out Refinance 22

5.6 Refinances of Lease Options and Land Contracts..... 22

5.7 Construction to Permanent Financing (Site Built Single Family Residence)..... 22

5.8 Inherited Property..... 22

5.9 Interfamily Transfers..... 23

6.0 CREDIT 24

6.1 Credit Report Requirements..... 24

6.2 Credit Reporting Bureaus 24

6.3 Consumer Debt Not Reported 24

6.4 Credit History 24

6.5 Credit Score Determination..... 25

6.6 Collection/Charge-off Accounts..... 25



Non-QM Loan Program Guidelines

6.7 Judgements, Tax Liens and Delinquent Child Support 25

6.8 Bankruptcy..... 26

(a) Chapter 7.....26

(b) Chapter 11.....26

(c) Chapter 13.....26

6.9 Consumer Credit Counseling 27

6.10 Housing History 27

(a) Determining Housing Rating27

(b) Private Party/Non-Institutional Lender27

(c) Verification on Rent Payments.....27

(d) Charged Off Second Mortgage.....28

(e) Past due Balloon Payments28

(f) Absence of Housing History28

(g) Foreclosures29

(h) Short Sales.....29

(i) Deed in Lieu (DIL)29

(j) Short Payoff.....29

(k) Time Shares.....29

7.0 INCOME/EMPLOYMENT30

7.1 General requirements 30

7.2 Declining Income or Unusual Fluctuations..... 30

7.3 Income Documentation Programs 30

7.4 Calculating Income on the Business Bank Statement Program 34

(a) Fixed Expense Percentage.....35

(b) Specific Expense Percentage from CPA/Enrolled Agent/Tax Preparer36

(c) Profit and Loss Statement prepared by CPA/Enrolled agent/Tax Preparer36

(d) Tax Preparer Requirements37

7.5 Income Documentation Chart (Wage Earners, Fixed Income, Other Sources)..... 37

7.6 Income Sources 44

(a) Salary/Wage Earner44

(b) Fixed Income44

(c) Other Sources of Income45

(d) Self-Employment.....45

7.7 Unacceptable Sources 45

7.8 Income Calculations (Wage Earners) 45

Non-QM Loan Program Guidelines

(a) Full Time Employees46

(b) Teachers/Education Professionals47

(c) Part-time, Second Job, Contract, Temporary or Unemployment Income47

7.9 Fixed Income 47

7.10 Rental Income 48

(a) Owned at Least One Year48

(b) Owned Less than One Year49

(c) Owner-Occupied 2-4 Unit Properties.....49

(d) Departing Residence49

(e) Multiple Rental Properties49

(f) Mortgage Payments for Rental Properties50

7.11 Self-Employed Borrowers..... 50

(a) Principal Business Structures for Self-Employed Borrowers50

(b) Acceptable Evidence of Self-Employed Business52

(c) Income Tax Returns for Self-Employed Borrowers52

(d) Self-Employed Borrower IRS Tax Return Chart52

(e) General Requirements for Evaluating Self-Employed Borrowers’ Documentation54

8.0 DEBTS AND LIABILITIES.....55

8.1 Borrowers’ Debts and Liabilities..... 55

8.3 Business Debt..... 55

8.4 Contingent Liabilities/Co-Signed Debt..... 55

8.5 Installment Accounts..... 55

8.6 Lines of Credit 56

8.7 Open Accounts 56

8.8 Revolving Accounts 56

8.9 Student Loans 56

8.10 Timeshares..... 56

8.11 Garnished wages 56

9.0 DEBT TO INCOME 57

9.1 Debt to Income Ratio 57

Non-QM Loan Program Guidelines

9.2 Rounding Debt to Income Ratio 57

9.3 Monthly Housing Expense..... 57

9.4 Other Debts and Obligations 57

10.0 ASSETS/FUNDS TO CLOSE.....58

10.1 Source of Funds..... 58

10.2 Contributions by Interested Parties (Seller Contributions) 58

10.3 Items Not Considered Contributions 58

10.4 Non-Recurring Closing Costs..... 59

10.5 Acceptable Assets/Funds to Close 59

 (a) Deposit Accounts 59

 (b) Earnest Money and Deposit..... 60

 (c) Gift Funds 60

 (d) Gift of Equity 61

 (e) IRA, Keogh 61

 (f) IRS 1031 Exchange (including reverse exchange) 61

 (g) Life Insurance Cash Value 63

 (h) Loans Secured by Borrowers’ Asset(s) 63

 (i) Unsecured Debt 63

 (j) Relocation Credits and Residence Liquidation 64

 (k) Sale of Real Property 64

10.6 Verification of Assets/Funds to Close 64

10.7 Other Sources..... 64

 (a) Subordinate Financing 64

 (b) Home Equity Line of Credit 65

 (c) Stocks, Bonds, and Other Securities..... 65

 (d) Tax Refunds..... 65

10.8 Unacceptable Sources 65

10.9 Reserves..... 66

10.10 Source and Seasoning of Funds to Close..... 66

11.0 TITLE.....67

11.1 Acceptable Forms..... 67



Non-QM Loan Program Guidelines

11.2 Borrower Information 67

11.3 Coverage Amount 67

11.4 Gap Coverage 67

11.5 Chain Of Title 68

11.6 Title Exceptions 68

11.7 Survey Requirements 68

11.8 Vesting 69

11.9 Parcel Number 70

11.10 Legal Description 70

11.11 Delinquent Property Taxes..... 70

11.12 Open Liens 71

11.13 Solar Power 71

12.0 INSURANCE..... 72

12.1 Minimum Coverage 72

12.2 Evidence of Hazard Insurance..... 72

12.3 Optional Coverage..... 73

12.4 Rating Requirements..... 73

12.5 Endorsements Assuring Full Insurable Value 73

12.6 Deductible Requirements..... 73

12.7 Condominium and PUD Project Insurance Requirements..... 74

 (a) HO-6 Insurance coverage for Condominiums 74

 (b) General liability coverage..... 75

 (c) Fidelity Bond Coverage 75

12.8 Flood Insurance..... 75

 (a) Flood Certificate 75

 (b) Minimum Flood Insurance Coverage 76

 (c) Project Flood Insurance Requirements 76

 (d) Evidence of Flood Insurance 76

Non-QM Loan Program Guidelines

13.0 COLLATERAL 77

13.1 Property Ownership/Seasoning 77

13.2 Compliance with TILA/HPML rule..... 77

13.3 Minimum Equity Requirements..... 77

13.4 Property Value Determination 78

 (a) Purchase Transaction 78

 (b) Refinance Transactions 78

13.5 Property Eligibility 78

 (a) Eligible Property Types 78

 (b) Ineligible Property Types..... 78

 (c) Property Marketability 79

13.6 Property Descriptions..... 80

 (a) Single Family Residence 80

 (b) Single Family Residence New Tract / Development..... 80

 (c) Condominium..... 80

 (d) Townhomes..... 80

 (e) Row Housing 81

 (f) Rural Properties 81

 (g) Modular Homes 81

 (h) Ground Lease Properties..... 82

 (i) Multi-Family Residences 82

 (j) Log Style Homes 82

 (k) Deed Restricted Developments 83

 (l) Manufactured Homes 83

 (m) Mixed Use Properties 83

 (n) Unique Properties/Unique Property Features 83

 (o) Vacant Properties..... 84

13.7 Condominium Requirements..... 84

 (a) Project Risk Overview..... 84

 (b) All Condominium Projects must meet the following criteria: 85

 (c) Condominium – High Rise Condominium Projects (Eight (8) stories or greater); (3) or more in Florida).. 85

 (d) Condominium Hotel (Condotel, Condo Hotel) 86

 (e) Condominium – Documentation Requirements 86

 (f) Non-Warrantable Condominiums 86

 (g) Properties with Litigation..... 87

13.8 General Property Requirements..... 89

 (a) Building Permits 89

 (b) Living Area Requirements 90

 (c) Outbuildings 90



Non-QM Loan Program Guidelines

(d) Acreage91

(e) Properties Listed for Sale91

13.9 Property Inspections 91

(a) Termite / Pest Inspection Report91

(b) Roof Certification92

(c) Well, Septic, Structural, Geological Inspections / Reports.....92

13.10 Occupancy..... 92

(a) Owner Occupied Principal Residence92

(b) Second / Vacation Home.....92

(c) Investment Property (Non-Owner Occupied)93

(d) Short Term Rental Property93

14.0 APPRAISALS94

14.1 Appraiser Requirements 94

(a) Appraiser Qualifications.....94

(b) Appraiser Licensing/Certification Requirements94

14.2 Appraisal Reports..... 94

(a) General Requirements94

(b) Second Appraisals95

(c) Environmental Hazards95

(d) Radon Certification95

(e) Toxic Waste.....95

(f) Appraisal Report Forms.....95

(g) Age of Appraisal Report96

(h) Appraisal Updates (Recertification of Value).....96

14.3 Appraisal Report Documentation 96

(a) Client/Lender96

(b) Location Map97

(c) Plat Map97

(d) Floor Plan/Building Sketch97

(e) Exterior Sketch97

(f) Rent Schedules (FNMA Form 1007)97

(g) Addenda97

(h) Statement of Limiting Conditions – Appraisal Certification (FNMA Form 1004B or FHLMC 439)97

(i) Satisfactory Completion Certificate (FNMA Form 1004D)98

(j) Energy Addendum (Energy Efficient Property)98

(k) Photographs (Subject and Comparable Sales)98

14.4 Neighborhood 99

(a) Neighborhood Analysis99

(b) Growth Rate99

(c) Present Land Use.....99

Non-QM Loan Program Guidelines

- (d) Predominant Value99
- (e) Supply, Demand, Marketing Time.....99
- (f) Neighborhood Description and Market Trends99
- 14.5 Site..... 100**
 - (a) Value100
 - (b) Multiple Parcels.....100
 - (c) Site Area100
 - (d) Site Utilities101
 - (e) Street Surfaces and Private Roads101
 - (f) Ingress and Egress.....101
 - (g) Zoning Classification.....101
- 14.6 Improvements..... 102**
 - (a) Over-Improved or Super-Adequate Properties.....102
 - (b) Effective Age vs. Actual Age102
 - (c) Heat Source.....102
 - (d) Parking102
 - (e) Above Grade Room Count102
- 14.7 Cost Approach..... 103**
 - (a) Site Value and Land Value Ratio.....103
 - (b) Remaining Economic Life103
- 14.8 Sales Comparison Approach 103**
 - (a) Sales Comparison103
 - (b) Sales Comparison Selection Criteria.....103
 - (c) Adjustments to Comparable Sales104
 - (d) Excessive and Multiple Adjustments.....104
- 14.9 Income Approach 104**
- 14.10 Appraiser’s Comments 104**
 - (a) Environmental Hazards104
 - (b) Additions or Alterations104
 - (c) Environmental/Energy104
 - (d) Property Condition.....105
 - (e) Work in Progress.....105
 - (f) Deferred Maintenance105
 - (g) Structural Deferred Maintenance105
 - (h) Minor or Cosmetic Deferred Maintenance106
 - (i) Health and Safety Issues106
 - (j) Security Bars.....106
- 14.11 Reconciliation of Value..... 106**
 - (a) Value Conclusion.....106



Non-QM Loan Program Guidelines

14.12	Appraisal Review Requirements.....	106
(a)	Appraisal Reviews	106
15.0	LOAN PROGRAM DESCRIPTIONS	108
15.1	CoreX	108
15.2	PrimeX	116
15.3	PremierX	122
15.4	InvestorX 1-4 Units.....	127
15.5	InvestorX 5-8 Units.....	135
16.0	LOAN PRODUCT FEATURES	139

1.0 General Underwriting

1.1 Underwriting Philosophy

HomeXpress Mortgage Corp. originates loans to borrowers on residential and small income properties. This section describes the underwriting philosophy and general underwriting guidelines applied to all mortgages during the origination process.

The soundness of a loan is dependent on the applicant's ability to repay the debt, verifiable adequate credit history, and the market value of the property. All property values are supported by appraisal reports completed by appraisers that are licensed or certified in the state where the property is located.

All loans are reviewed by qualified underwriters to ensure the loan file documentation complies with Federal and State regulations and all loans are approved or denied based on the underwriting standards and guidelines set forth in this Guide.

Each loan is individually underwritten with professional judgment. The applicant's past and present payment history, employment and income, assets, liabilities, and property value are all critical factors considered during the underwriting review process. All loans are reviewed for accuracy, credit discrepancies, income contradictions, and misrepresentations during the underwriting process. The loan package must be documented as required for the loan program and must contain enough information to render an informed and knowledgeable decision.

Loans that do not meet all the applicable Guidelines are not necessarily excluded from approval. HomeXpress Mortgage Corp. may review exceptions to the Guidelines, provided that compensating factors exist, and good business sense prevails. Non-guideline-based exceptions to program pricing may be considered subject to management approval.

All underwriting and loan program standards not specifically addressed in these Guidelines are evaluated through "common sense" underwriting, which includes but is not limited to an overall analysis of the likelihood of repayment by the borrower, the likelihood that the loan is properly collateralized in the event of default, and that the loan provides a tangible net benefit to the borrower. HomeXpress Mortgage Corp. is a commonsense lender and will consider all variables when rendering an underwriting decision.

All loans are made pursuant to all State, Federal, RESPA, Reg Z, Section 32 and Section 35 lending laws when applicable.

HomeXpress Mortgage Corp. reserves the right to modify these underwriting guidelines at any time.

1.2 Fair Lending

HomeXpress Mortgage Corp. operates within all applicable fair lending and regulatory compliance requirements. All credit decisions are made without regard to race, color, national origin, sex, age, religion, marital status, sexual orientation, disability, or any other basis prohibited by law.

Non-QM Loan Program Guidelines

1.3 Maximum Fees

HomeXpress Mortgage Corp. will not make any loan where the total combined fees exceed or the maximum allowed under applicable federal, state, and local laws.

Broker origination points and fees are limited to the lesser of

- a. the maximum allowable by Federal, State, and Local High Cost thresholds.

1.4 Financed Discount Points and Broker Origination Fees

HomeXpress will allow discount points and broker origination fees to be added on top of the base loan amount thus increasing the total loan amount. The points financed are limited to a maximum two (2) percent of the base loan amount. The new (total) loan amount will reflect the funds used to pay discount points and broker origination fees and will be used to calculate the final LTV, but the pricing of the loan will be computed on the LTV of the base loan amount. Further, this increase in LTV is not viewed as an exception; however, if the resulting new loan amount and LTV results in additional program requirements (i.e. reserves or appraisal review), these must be adhered to. See Loan Program Descriptions for LTV limits.

Example: A loan of \$400,000 is being made at 60% LTV (base LTV). The borrower wishes to finance two (2) percent of the loan amount to pay for points and fees. This will increase the loan amount to \$408,000. Although the LTV of this loan is now 61.2%, the pricing of the loan will be based on 60% LTV.

Note: Total combined LTV when financing points may not exceed 80% LTV under any circumstances.

1.5 Broker Owned Escrows

HomeXpress Mortgage allows brokers who are licensed to operate an escrow company to use those escrow companies to close the loan transaction. When a broker-owned escrow company closes the transaction, title must be insured from First American Title Insurance Company, Old Republic National Title Insurance Company, Attorney's Title Insurance Funds, Inc. or Chicago Title Insurance Company.



2.0 Expiration of Credit/Collateral Documents

Credit Report	<p>90 days at underwriting and no more than 120 days as of the date the documents are signed by the borrower(s).</p> <p>A credit update (UDN or gap report) pulled and analyzed no later than 10 days prior to consummation but no more than 15 days at funding.</p> <p>Note: If the credit report run by HomeXpress Mortgage is being used to qualify the borrower, the broker’s credit report does not need to be updated.</p>
Verification of Mortgage / Rent	30 days as of the date of closing.
Payoff Demand	Valid, updated current Payoff Demand.
Verification of Employment	60 days as of the date of closing.
Pay Stubs or Bank Statements (Income)	60 days as of the date of closing.
Verification of Funds (Assets for Closing/Reserves)	See program descriptions for specifics.
Profit and Loss Statement	90 days as of the date of the closing
Preliminary Title Report / Title Commitment Report	120 days at closing.
Appraisal	<p>If the appraisal date is greater than 120 days, an appraisal re-cert of value is required.</p> <p>If the appraisal is dated 180 days or more at the time of closing, a full new appraisal is required</p>
Verbal Verification of Employment	A verbal verification of employment will be conducted by HomeXpress Mortgage Corp. within 10 calendar days of closing.
Termite/ Other Property Reports	90 days as of the date of closing.

3.0 Borrower Eligibility

HomeXpress Mortgage Corp. funds loans made to natural persons who are citizens and / or legal residents of the United States and natural persons who are Permanent Residents of the United States.

Natural persons must have reached the age of majority in the jurisdiction where the subject property is located.

Refer to program descriptions that details loans that may be made to other entities than citizens and Permanent Resident Aliens.

3.1 Ineligible Borrower

HomeXpress Mortgage Corp. will not fund loans made to, Churches and Non-Profit Organizations.

3.2 Citizenship

(a) **Citizen**

A person born in the United States or a person who legally acquired citizenship in the United States.

(b) **Permanent Resident Alien**

A person who is not a United States citizen and is legally able to maintain a permanent residency in the United States.

(c) **Non-permanent Resident**

A person who is not a United States citizen and resides in the United States under the terms of a visa.

(d) **Foreign National**

A person who is not a United States citizen and has no lawful residency status in the United States.

(e) **ITIN**

A person who is not a United States citizen and resides in the United States that does not meet the definition on a Permanent Resident Alien or Non-permanent Resident but has been issued an Individual Taxpayer Identification Number (ITIN) and has not been issued a SSN. Borrowers with an ITIN designation are not eligible for financing. Work Visa

3.3 Co-Borrower

A co-borrower is anyone other than the primary borrower, including the borrower's spouse qualifying for the loan. HomeXpress Mortgage Corp. will fund loans with co-borrowers provided all parties sign the Note and Mortgage / Deed of Trust and jointly take title to the property. The co-borrower must meet the citizenship requirements of the loan program.

3.4 First Time Home Buyer

HomeXpress defines a First Time Home Buyer as a borrower who has no demonstrable interest in a property in the last 7 years.

See the Loan Program Descriptions for any requirements or lending restrictions on First Time Home Buyers.

3.5 Non-Occupant Co-Borrower

HomeXpress Mortgage Corp. will consider loans to non-occupant co-borrowers subject to:

- The occupant borrower must have a credit score of 680.
- The occupant borrower must have a documented source of income and that income must be the majority of the total used to qualify the loan.
- The Non-Occupant Co-Borrower must be an immediate family member.
- Maximum combined DTI is not to exceed 43%.
- The loan purpose is not for cash-out.

The non-occupant co-borrower must execute the Note and the Mortgage/Deed of Trust.

3.6 Adding Borrowers to Title

An occupant co-borrower (“new co-borrower”) being added concurrently to title must meet the following requirements:

1. The original vested borrower must occupy the subject property as his/her principal residence.
2. The new co-borrower’s credit and income must be relied on in part for qualifying purposes.
3. The new co-borrower(s) must execute all loan documents required for the loan program.
4. The new co-borrower(s) must be concurrently added to title through closing.

NOTE: If the borrower’s spouse is being added concurrently to title, the above restrictions numbers 1 and 3 do not apply.

Original Vested Borrower – must have a vested interest in the subject property (i.e. must be currently vested on title to the subject property and be the mortgagor on any liens secured by the subject property).

3.7 Non-Borrowing or Non-Titled Spouse

A non-borrowing spouse is the borrower’s spouse whose credit and income is not considered for qualifying. A non-borrowing spouse may or may not be currently vested on title to the property.

A non-titled spouse is the borrower’s spouse who currently is not vested on title to the property.

A non-borrowing spouse and a non-titled spouse not being included on title in a purchase transaction must execute certain documents to evidence that the spouse is relinquishing all rights to the property if

so required to perfect the lien under governing law and must also execute a concurrent Quit Claim Deed or Grant Deed.

3.8 Power of Attorney

In certain circumstances a borrower may not be available or may be unable to attend the signing/closing of their loan documents. In cases where the principal is unavailable to conduct their business a Power of Attorney (“POA”) may be used. POAs should generally be used when the principal is unavailable to conduct their business in person and not as a matter of convenience. A POA is a written statement legally authorizing a person to act on behalf of another individual. The principal is the person who grants this authority to another person, the agent or attorney-in-fact. A POA does not survive the death of the borrower. The borrower must select someone who is legally an adult to be named as their agent or attorney-in-fact.

(a) Specific Power of Attorney

A Specific POA authorizes the attorney-in-fact to act on behalf of the principal only in connection with a specific transaction.

- HomeXpress requires that the Power of Attorney must be specific to the property and include either Property Address or Legal Description
- The Attorney-in-Fact must be a person with a familial, personal or fiduciary relationship with the borrower; however, the attorney-in-fact must not be an interested party to the loan transaction.
- The Attorney-in-Fact will be required to provide a written explanation for the cause of the absence of the borrower.
- Acceptable reasons to use a specific Power of Attorney could be military assignment, short-term personal or business trips, or physically incapacitating hospitalization.
- A Specific Power of Attorney will not be accepted if used only as a matter of convenience when the borrower is able to execute the documents themselves.
- The Power of Attorney must be executed prior to the loan document date and not be expired at the time documents are executed.
 - If the Power of Attorney is not recorded prior to the execution of documents, it must be a condition of the loan that the Title Company records the Power of Attorney prior to the Securing Instrument. Concurrent recordation is acceptable as long as the instrument number on the Power of Attorney precedes the instrument number on the Security Instrument and Originator must provide a County Certified Copy of the recorded Power of Attorney.
- The Power of Attorney must be without limitation.
- Power of Attorney must be acceptable per State, and Federal guidelines.

(b) **Military/Service Member Power of Attorney**

A Military /Service Member POA is a properly executed POA issued through the U.S. Military General Advocate's Office and survives the disability or incapacity of the principal, states the rights to conduct business on behalf of the principal, and is available only to the service member. If the property state does not have a statutory durability and a durability clause is not included, an alive and well/not disabled (including Missing-in-Action [MIA]) or incapacitated statement is sufficient provided there are no impairments to the POA prior to closing.

- Commanding officer as notary is acceptable.
- A Service Member Power of Attorney may be used for loan application and loan closing.
- Power of Attorney must be acceptable per State, Federal and Military guidelines.
- Must conform to provisions of Servicemember's Civil Relief Act (SCRA).

(c) **Ineligible Power of Attorney**

A General POA which is non-transaction specific and gives broad powers to the attorney-in-fact to manage the affairs of the principal.

(d) **Transactions Ineligible for Power of Attorney**

Transactions for which a Power of Attorney is ineligible:

- Texas 50(a)(6) transactions
- Loan transactions closed in the name of a trust
- Foreign Nationals
- Gift of Equity transactions
- Cash-out refinance
- Investor X loan programs

3.9 Mortgage Broker or Employee of Mortgage Broker

HomeXpress Mortgage Corp. will fund loans made to self-employed mortgage brokers and their employees or borrowers whose employment / income is affiliated with the residential mortgage industry (i.e. realtor, loan officer, and account executive). Employees of mortgage brokers using DSCR or full income documentation to qualify (including signed and executed 4506) and brokers using DSCR may process the loan in house. Mortgage brokers, whether using full doc or alt doc income, and their employees using non-full doc (ALT Doc, etc) income must have the loan processed by a non-affiliated third-party Mortgage Broker.

4.0 Purchase Money Transactions

A purchase money transaction is a transaction in which the proceeds from the loan are used to finance the acquisition of the property. Transfer(s) of title to the property in the twelve (12) months preceding the listing should be investigated for property flips and / or non-arm's length transactions. Any relationship or concessions between the purchasers and sellers, appraisers or realtors should be fully disclosed in writing.

4.1 Purchase/Sales Contract

A purchase money transaction must include a fully executed agreement of sale and counteroffer (if applicable) reflecting the following:

- Borrower as the purchaser of the property (borrowers / purchasers reflected as "or assignee" is not allowed).
- Seller as the vested owner on title.
- Correct address of the property.
- Correct sales price.
- Amount of down payment.
- Closing dates.
- Concessions and seller contributions.

4.2 Seller Disclosure

The Seller Disclosure must be obtained if a requirement of the purchase contract. The disclosure should be reviewed for any significant deferred maintenance and / or structural deficiencies that may require repair or correction prior to closing.

Satisfactory proof of any repairs and / or corrections must be obtained and included in the loan file.

4.3 REO/HUD Purchase

The following requirements must be met for all REO / HUD purchase money loans:

- Complete purchase contract/agreement showing all terms of the sale, (i.e. down payment, amount of first mortgage and any secondary financing) to ensure the purchase is a typical transaction.
- All required inspections and / or disclosures.
- An independent third-party inspection from a licensed contractor or certified building inspector to determine the interior and exterior condition of the property. This inspection may be waived by HomeXpress Mortgage Corp. if the listed repairs are less than the lower of \$5,000 or 2.5% of the reconciled property value and are generally cosmetic in nature.
- Completion of any and all repairs based on the sales contract and/or inspections. A Certificate of Completion (Form 1004D) including photos of all repairs must be completed by the original appraiser.
- The appraisal report must include interior photos.

4.4 Arm's Length Transactions

An Arm's Length transaction occurs when the parties involved are entirely independent of one another. All parties deal with one another as strangers and have no reason to collude. If a direct relationship exists between any of the parties to a transaction, including the borrower / buyer, seller (if applicable), employer, lender, broker, or appraiser, then the transaction will be considered non-arm's length.

4.5 Non-Arm's Length Transactions

A non-arm's length transaction is a transaction in which two or more parties to the transaction are related or associated in any manner. Examples of non-arm's length transactions are:

- Buyer and seller are related or associated in business.
- Developer and buyer are related or associated in business.
- Broker and buyer or seller are related or associated in business.
- Seller is buyer's employer or vice-versa.
- Buyer is the real estate agent for the seller.

Non-arm's length transactions generally carry a higher risk and must be carefully analyzed for concealed credits, cash paid outside of escrow, double escrows and other unacceptable lending criteria. See Loan Program Descriptions for acceptability on Non-Arm's Length Transactions.

4.6 For Sale by Owner

Arms-length transactions where there is no realtor commission being paid and no MLS listing require the following:

- The seller must be vested on title for no less than one (1) year.
- Properties in foreclosure are not eligible.
- The buyer and seller cannot waive normal inspections for pest / termite or roof certification.
- A copy of the inspection reports when completed.

5.0 Refinance Transactions

5.1 Rate/Term Refinance

A rate and term refinance transaction involves the repayment of an existing debt from the proceeds of a new mortgage. A rate and term refinance may include the payoff of:

- First mortgage secured by the subject property.
- Junior liens secured by the subject property.
- Reasonable and customary loan costs/fees.
- Marital settlement buyout per court decree.
- Buyout of heirs pursuant to a distribution of probate assets.

Payoff of consumer debt and net cash to the borrower are not permitted in a rate / term refinance, except as noted below. Reasonable and customary closing costs (including prepaid items and Points) may be financed, including the maximum incidental cash to the borrower as allowed for the program and/or type of transaction. (Refer to Incidental Cash-Out on Rate and term or Debt Consolidation Refinance Transactions.)

Delayed Financing

Borrowers who purchased the subject property within the past six months using all cash, are eligible to receive back a portion of their investment. Even though the borrower will receive cash-out, this will be treated as a rate/terms refinance capped at 85% LTV based upon original purchase price. There is no limit placed on the amount of cash back that can be received.

All of the following requirements must be met to be considered delayed financing:

- The original purchase transaction was an arms-length transaction.
- The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property.
- The sources of funds for the purchase transaction are documented as the borrowers' own funds.

5.2 Debt Consolidation

A debt consolidation refinance transaction involves the repayment of an existing debt from the proceeds of a new mortgage. A debt consolidation refinance may include the payoff of:

- First mortgage secured by the subject property.
- Junior liens secured by the subject property.
- Reasonable and customary loan costs / fees.
- Controlled payoffs of credit cards, installment loans, etc., unless stated otherwise for a specific program. The final Closing Disclosure must show the payoff of credit cards, installment loans, etc.

This is considered a cash-out transaction. See restrictions below.

5.3 Incidental cash-out on rate/term refinance transactions

The borrower may receive incidental cash back of the lesser of \$5,000 or 2.00% of the loan amount on rate and term refinance transactions.

If the Closing Disclosure reflects incidental cash back to the borrower exceeding these limits, the excess must be credited to principal reduction, or the loan must be reprocessed as a cash-out transaction.

5.4 Cash-out

Cash-out is any amount paid out of the settlement proceeds that is not applied to valid liens secured by the subject property and acceptable closing costs. A refinance of a property that is free and clear of any existing liens is considered cash-out. The payoff of a lien recorded against the subject property is not considered cash-out.

In certain situations, cash out may be designated for specific uses (i.e., business purpose loans). In those cases, the majority is defined as 51% of total cash out.

5.5 Cash-out Refinance

There is no limit on the amount of closing costs that may be financed as part of a cash-out refinance.

5.6 Refinances of Lease Options and Land Contracts

Recorded lease options or land contracts may be treated as refinances and valued based on the current appraised value subject to the following restrictions:

- The lease option or land contract must be seasoned at least 12 months. Transactions seasoned less than 12 months will be treated as purchases.
- The lease option or land contract must be recorded on title. If not recorded on title, verification of the original down payment will be required. Additionally, on a cash-out refinance, if the lease option or land contract is not recorded, the maximum LTV is 70% and cash-out may not exceed \$50,000.
- All credits towards the lease option from monthly lease option payments must be verified as exceeding market rents for the subject property to be considered.

5.7 Construction to Permanent Financing (Site Built Single Family Residence)

The granting of a long-term mortgage, for the purpose of replacing interim financing for the construction of a new single-family residence, is considered a refinance transaction. Property must be ready for occupancy and a certificate of occupancy is required and final permits must be obtained (in areas where required).

5.8 Inherited Property

The probate must be settled and closed, and the property vested in the borrower's name. If the property is not vested in the borrower's name, sufficient documentation clearly showing the chain of title and



Non-QM Loan Program Guidelines

proof the borrower is vested on title to the subject property must be obtained and approved by underwriting prior to closing.

Funds to payoff the interest of other heirs is allowed and will not be counted as cash-out. If the loan is cash-out, the LTV may be reduced.

5.9 Interfamily Transfers

Interfamily transfers are eligible for financing. The transaction must be a purchase. Previous recent title transfers and properties in foreclosure are not allowed.



6.0 Credit

HomeXpress Mortgage Corp. will order a credit report on all loan submissions, unless a satisfactory credit report from an approved vendor is supplied by the broker. All three credit bureaus are required to be searched with appropriate credit scores, as well as public records and OFAC

6.1 Credit Report Requirements

HomeXpress Mortgage Corp. requires a three-bureau in-file report for each individual loan applicant obligated for repayment of the loan. Each report should comply with the following:

- The credit bureaus utilized in generating borrowers’ credit reports comply with the Fair Credit Reporting Act.
- Appropriate authorization from the Borrower(s) is required prior to obtaining credit. (Refer to Credit Authorization on the following page.)
- Credit supplements must be included in and made a part of the report.
- Historical status for all account/ratings (i.e., R-1, I-2, etc., are acceptable if the meaning is clarified on the report; vague comment such as “satisfactory”, “as agree,” etc., are not acceptable. (0x30, 0x60, 0x90 is the preferred format.)
- Reports should be numbered or have a beginning and ending statement.

HomeXpress will independently verify the broker’s submitted credit report on all loans by pulling an additional tri-merge credit report or having the broker’s credit report reissued to HomeXpress by the credit provider.

6.2 Credit Reporting Bureaus

Each credit report must utilize three credit reporting bureaus and credit scores provided by the following bureaus:

<u>Credit Reporting Bureau</u>	<u>Credit Score</u>
Equifax	Beacon 5.0
Experian	FICO (V2)
Trans Union	FICO RISK SCORE CLASSIC 04

6.3 Consumer Debt Not Reported

Consumer debt claimed by the applicant but not reported on the credit bureau are to be included in the debt-to-income ratio.

6.4 Credit History

HomeXpress Mortgage Corp. defines credit history as the record of the borrower’s payment of credit and voluntary obligations. The credit history is measured on the credit depth, number of obligations and the

Non-QM Loan Program Guidelines

demonstrated intent to repay. A borrower with a history of consistently meeting financial obligations provides reasonable justification that he / she is likely to continue to do so in the future.

6.5 Credit Score Determination

The credit score assigned to the borrower is determined as follows:

- If three (3) scores are supplied for the borrower, use the middle of the three (3) scores.
- If two (2) credit scores are supplied for the borrower, use the lower of the two (2) scores.
- If one (1) credit score is supplied for the borrower, it will be treated as if the borrower has no credit score.

The FICO score on the credit report pulled by HomeX will be used to qualify. In instances where the FICO score on the broker's credit report is higher than the HomeX credit report, the FICO score on the broker's credit report may be used to qualify under the following conditions:

- The FICO on the broker's credit report may not be greater than 25 points higher than the FICO on HomeX's credit report.
- The broker's credit report must be no more than 120 days old loan closing.
- The account balances and credit history must not materially differ between the credit reports.
- The broker's credit report must contain a website or phone number where the accuracy of the FICO can be validated by the reporting agency.

6.6 Collection/Charge-off Accounts

The earliest reported last active date for a collection/charge-off account, on either a HomeXpress mortgage Corp. or broker credit report will be used to determine the age of the collection/charge-off, assuming HomeXpress Mortgage Corp determines the broker's credit report to be acceptable. If the borrower and the creditor have worked out a payment plan, the account will be added to the DTI and the balance will not be required to be paid off.

6.7 Judgements, Tax Liens and Delinquent Child Support

Purchase, Rate / Term Refinance, Debt Consolidation Refinance and Cash-out Refinance Transactions:

- Pay all open judgments/liens on title.
- Judgments and Liens that do not affect title may be left open subject to:
 - A payment of 3% of the balance must be assigned to the judgment or lien
 - The judgment or lien amounts must meet CLTV restrictions
 - The total amount of the liens may not exceed \$10,000.
- Pay any delinquent child support listed on the credit report.

6.8 Bankruptcy

(a) Chapter 7

A Chapter 7 Bankruptcy filing allows individuals to liquidate estate assets and distribute funds received through liquidation to creditors.

The aging for Chapter 7 Bankruptcies is calculated using the discharge date.

(b) Chapter 11

A Chapter 11 Bankruptcy allows businesses the opportunity to “reorganize” business debt obligations without having to liquidate all assets. The debtor introduces a plan to creditors, which will allow the debtor to reorganize financial obligations to improve the financial stability of the business.

The aging for Chapter 11 Bankruptcies is calculated using the discharge date. Chapter 11 Bankruptcies must be discharged prior to the loan application.

(c) Chapter 13

A Chapter 13 Bankruptcy provides relief to an individual with regular income, who is overcome by debts but believes they can be repaid within a reasonable period of time. Chapter 13 permits the debtor to file a plan to pay a certain percentage of future income to the Bankruptcy court for payment to creditors. If the court approves the plan, the debtor will be under the court’s protection while repaying stated debts.

The Chapter 13 filing date is used for aging for qualification purposes.

The payment plan history should verify that all payments under the plan have been completed. Any open Chapter 13 Bankruptcy must be paid in full prior to or through closing.

Approval to pay off the bankruptcy is required from the trustee and/or bankruptcy court. A list of all outstanding debts reflecting the unpaid balances must be obtained from the trustee. If the bankruptcy is paid through closing, the final closing statement Closing Disclosure (CD) must reflect the bankruptcy pay off. Proof of the bankruptcy discharge or trustee approval to pay off bankruptcy through closing must be obtained and included in the loan file.

6.8.c.1. **Mortgage Payments Included in the Chapter 13 Plan**

If the mortgage payments are included in the bankruptcy payment plan (Senior and Junior liens), the full PITIA must be paid as agreed and current.

6.9 Consumer Credit Counseling

Consumer Credit Counseling assists individuals with financial management of debts to avoid further delinquencies or possible bankruptcy. Generally, creditors agree to a lesser repayment under a Credit Counseling plan. A copy of the CCC record of monthly payments covering the look back period is required. Participation in Consumer Credit Counseling is treated the same as a Chapter 13 bankruptcy. The CCC must be complete and/or paid in full prior to or through closing.

6.10 Housing History

(a) Determining Housing Rating

See program description for mortgage / rental rating requirements. Regardless of amount of acceptable mortgage lates per program, no properties currently in foreclosure or any “bailouts” are allowed.

6.10.a.1. Rolling Delinquency

Rolling delinquencies are considered one (1) event for 30-day late payments, occurring up to six (6) consecutive times. 60-day late payments or greater will be counted individually.

6.10.a.2. Forbearance Agreement

Forbearance is a temporary postponement of mortgage payments. It is a form of repayment relief granted by the lender or creditor in lieu of forcing a property into foreclosure.

For loans that have had a forbearance during the housing look-back period, a copy of the forbearance and a letter of explanation regarding the circumstances will be required.

6.10.a.3. Modification

Loan modification is a change made to the terms of an existing loan by a lender. It may involve a reduction in the interest rate, an extension of the length of time for repayment, a different type of loan, or any combination of the three.

(b) Private Party/Non-Institutional Lender

Requires that the mortgage history be documented with twelve (12) months cancelled checks front and back. If paid by cashiers or postal checks, copies of the past twelve (12) months are required. Receipts for cash payments are generally not acceptable.

(c) Verification on Rent Payments

A rental payment history requires verification by ONE of the following to document payments within the look back period per program requirements:

Non-QM Loan Program Guidelines

1. Legible copy of canceled checks (front and back) or money orders – amount of checks / money orders must be consistent and match the amount of monthly rent reflected on the 1003.
2. Verification of Rent (VOR) or a rating from credit reporting agency if from rental agency. VOR from a private party is not permissible.
3. Bank statements which consistently show payment made for rent amount.

NOTE: IF BORROWER RENTS FROM RELATIVE OR THE SELLER OF THE PROPERTY, A VOR WILL NOT BE ACCEPTABLE, CANCELLED CHECKS OR BANK STATEMENTS WILL BE REQUIRED.

(d) **Charged Off Second Mortgage**

At its discretion, HomeXpress may choose to treat a second mortgage that has been charged-off or inactive for more than 3 years as a consumer account and not a mortgage rating. The charged-off second mortgage must be paid through the loan. Documentation must be provided to document that the account has been charged-off or inactive. Additionally, the borrower must provide a Letter of Explanation regarding the second.

(e) **Past due Balloon Payments**

Mortgages with past due balloon payments will be considered subject to the following:

- Monthly payments must continue since the balloon date or documentation that no payments were required.
- Borrower must have no other mortgage lates or housing events
- Cash-out refinance is limited to 70%.

(f) **Absence of Housing History**

In the absence of a mortgage / rental rating, the loan will not be considered except for:

6.10.f.1. Free and Clear Properties

In the absence of a mortgage / rental rating on subject properties owned free and clear, a chain of title covering the last twelve (12) months must be obtained and reviewed by the underwriter for property flipping and / or suspicious or conflicting property transfers.

(g) **Foreclosures**

A foreclosure is a proceeding by which the creditor, pursuant to the terms of the trust deed or mortgage, may cause the sale of the collateral property in full or partial satisfaction of the debt. Such action typically extinguishes all rights, title, and interest of the owner of the property.

Any real estate loan more than 120 days delinquent within the housing event look back period will be considered “in foreclosure” unless performing under a written forbearance or modification agreement.

The look back period for foreclosure is based on the following:

- The date a foreclosure action is cured or
- The date the applicant is no longer reported 120 days delinquent or
- The date the property was sold at a foreclosure sale.

A borrower with two (2) or more unrelated foreclosures within the last 36 months will be eligible for a HomeXpress Mortgage Corp. loan, but the LTV may be restricted.

Two (2) or more foreclosures resulting from separate circumstances or occurring several months apart will be considered unrelated foreclosures. The underwriter must prudently analyze related foreclosures, to ensure the reasons for defaulting on the mortgages were due to extenuating circumstances beyond the borrower’s control and such circumstances are resolved and not likely to recur.

(h) **Short Sales**

A short sale is a proceeding whereby a lender allows the current owner of a property to sell that property with that lender accepting a payoff for less than the current unpaid mortgage balance. See program description for look back period.

(i) **Deed in Lieu (DIL)**

A DIL is a proceeding whereby a lender accepts a forfeited title from the current owner in lieu of foreclosure. The unpaid principal balance is typically forgiven once the lender takes title. These will be treated the same as a short sale.

(j) **Short Payoff**

These refinances will be treated in the same manner as a short sale but will allow a homeowner to keep their home. These will be graded per the actual mortgage payment history during the look back period.

(k) **Time Shares**

The payment history of a time-share account is treated the same as consumer credit.

7.0 Income/Employment

7.1 General requirements

All borrowers should have a history of receiving stable income from employment or from other sources such as alimony, child support, retirement, and pension. Any source of income that is not verifiable is not an acceptable source of income. There must be a reasonable expectation that the income will continue in the foreseeable future, and such income is enough for repaying the proposed monthly debts.

Borrowers with employment histories that do not meet the length of employment required must provide a Letter of Explanation as to their individual situation. The underwriter must then determine the probable stability and continuance of employment. The potential for future income can have a positive influence for borrowers who have recently entered or been absent from the job market for a period.

Employment across different jobs in the same or related line of work is acceptable. Borrowers who change jobs frequently to advance within the same line of work and are successful in that work will receive favorable consideration. Such borrowers should not be penalized for frequent changes in jobs if they have maintained income continuity despite the changes.

If the borrower(s) present employment does not cover the length of employment required for the documentation program, verification of their previous employment will be required.

7.2 Declining Income or Unusual Fluctuations

A review of all income documentation is necessary to identify any upward or downward trends by comparing the current income and the income from the most recent year. If declining income trends or unusual fluctuations exist, proper discretion must be exercised to determine the extent or probability of impairment.

7.3 Income Documentation Programs

HomeXpress Mortgage Corp. offers several Documentation Programs: Full Documentation Full Doc”), Alternative Income (“Alt Doc -Bank Statements”), Asset Xpress and DSCR.

The below information is a summary of the minimum documentation requirements for each Income Documentation Program. For additional documentation requirements, refer to the Income Doc Charts in this section of the Guide.

Non-QM Loan Program Guidelines

Doc Type	Documentation Requirements
Full Doc – 2 years (Wage Earner)	<p>1. VOE completed in full by employer verifying most recent two (2) years (Verbal verification of employment required) and current year-to-date earnings on a current pay stub <u>OR</u></p> <p>2. W-2 for most recent two (2) years & current pay stub reflecting year- to-date earnings <u>OR</u></p> <p>3. Signed 1040's for most recent two (2) years & current pay stub reflecting year-to-date earnings.</p> <p>Note: For borrowers that have been receiving a 1099 or have recently transitioned from a W2 to a 1099 yet are still in the same position doing the same functions, a 1099 can be used in lieu of a W2 or 1040. Full amount of the payout listed on the 1099 can be used to qualify if it is supported by YTD pay stubs, pay vouchers WVOE, etc. and the loan file contains information from the employer that there are no job related expenses or a 10% expense factor will be applied.</p>
Full Doc – 1 year (Wage Earner)	<p>1. VOE completed in full by employer verifying most recent one (1) year (Verbal verification of employment required) and current year-to-date earnings on a current pay stub <u>OR</u></p> <p>2. W-2 for most recent one (1) year & current pay stub reflecting year-to-date earnings <u>OR</u></p> <p>3. Signed 1040's for most recent one (1) year & current pay stub reflecting year-to-date earnings</p> <p>Note: When using the most recent tax return, the tax return may not be on extension.</p> <p>Note: For borrowers that have been receiving a 1099 or have recently transitioned from a W2 to a 1099 yet are still in the same position doing the same functions, a 1099 can be used in lieu of a W2 or 1040. Full amount of the payout listed on the 1099 can be used to qualify if it is supported by YTD pay stubs, pay vouchers WVOE, etc. and the loan file contains information from the employer that there are no job related expenses or a 10% expense factor will be applied.</p>
Full Doc – 2 years (Self-Employed)	<p>1. Verification of income covering the most recent two (2) years and year-to-date earnings with signed 1040's as well as other applicable supporting documentation (i.e. 1120's, K-1s etc.).</p> <ul style="list-style-type: none"> • 2 years' financials audited by a CPA firm are acceptable in lieu of tax returns. • Self-employed income may be documented via K-1's only, provided that the forms are verified by a 4506.

Non-QM Loan Program Guidelines

<p>Full Doc – 1 year (Self-Employed)</p>	<p>1. Verification of income covering the most recent one (1) year and year-to-date earnings with signed 1040's as well as other applicable supporting documentation (i.e. 1120's, K-1s etc.)</p> <ul style="list-style-type: none"> • 1 year's financials audited by a CPA firm are acceptable in lieu of tax returns. • Self-employed income may be documented via K-1's only, provided that the forms are verified by a 4506 <p>Note: When using the most recent tax return, the tax return may not be on extension.</p>
<p>24 months business bank statements (Self-Employed) (Must own at least 25% of business)</p>	<p>1. Last twenty-four (24) months business bank statements with all pages for all months or 2 years form 1099 (must be verified via form 4506 or transcript online from IRS) plus bank statements for YTD. At its discretion, HomeXpress may accept fewer than 24 months of bank statements provided that HomeXpress takes the total deposits for the months it has and divides by 24. A minimum of 20 statements are required.</p> <p>See "Calculating Income on the Business Bank Statement Program"</p> <p>A maximum six (6) NSF checks is allowed in the last twelve (12) months unless the borrower has a paid as agreed housing history. Multiple NSFs within a one month attributable to a single cause may be treated as one event at the underwriter's discretion.</p>
<p>12 months business bank statements (Self-Employed) (Must own at least 25% of business)</p>	<p>1. Last twelve (12) months business bank statements with all pages for all months or 1-year form 1099 (must be verified via form 4506 or transcript online from IRS) plus bank statements for YTD. At its discretion, HomeXpress may accept fewer than 12 months of bank statements provided that HomeXpress takes the total deposits for the months it has and divides by 12. A minimum of 10 months is required.</p> <p>See "Calculating Income on the Business Bank Statement Program"</p> <p>A maximum six (6) NSF checks is allowed in the last twelve (12) months unless the borrower has a paid as agreed housing history. Multiple NSFs within a one month attributable to a single cause may be treated as one event at the underwriter's discretion.</p>

Non-QM Loan Program Guidelines

<p>P&L Assist (Self-Employed) (Must own at least 25% of business)</p>	<ol style="list-style-type: none"> 1. 24-month CPA compiled and signed P&L Statement (Proof of CPA current state license required). The average monthly income to be used for qualifying will be determined by dividing the total net income from the P&L by 24 months. 2. 3 months most recent business bank statements which must support the sales reflected on the 24-month CPA prepared P&L. The average deposits from the bank statements must be greater than or within 10% of monthly sales. In the event the 10% tolerance is not met, continuous bank statements may be added to the analysis until the tolerance is met. Note: NSF is not allowed on bank statements.
<p>P&L Xpress (Must own at least 25% of business)</p>	<ol style="list-style-type: none"> 1. 24-month CPA compiled and signed P&L Statement (Proof of CPA current state license required) 2. CPA must provide a letter stating that they have filed borrower's tax returns for the past 2 years.
<p>24 Months Personal Bank Statements (Self-Employed & Gratuity Earners) (Must own at least 25% of business)</p>	<ol style="list-style-type: none"> 1. Two (2) months business bank statements are required to verify that a valid business bank account exists. If business bank account doesn't exist, the personal bank account statements will be treated as a business account. See above for business bank account guidelines and restrictions. 2. Last twenty-four (24) months personal bank statements with all pages for all months. At its discretion, HomeXpress may accept fewer than 24 months of bank statements provided that HomeXpress takes the total deposits for the months it has and divides by 24. A minimum of 20 statements are required. 3. Income is determined by using 100% of the personal bank statements average gross monthly amount of deposits. For borrowers with rental properties, gross rental income will be subtracted from the total amount of deposits to determine the amount of income from the borrower's income source. Net rental income will be calculated separately in accordance with the policy in the DEBT TO INCOME section. <p>A maximum six (6) NSF checks is allowed in the last twelve (12) months unless the borrower has a paid as agreed housing history. Multiple NSFs within a one month attributable to a single cause may be treated as one event at the underwriter's discretion.</p>

Non-QM Loan Program Guidelines

<p>12 Months Personal Bank Statements (Self-Employed & Gratuity Earners)</p> <p>(Must own at least 25% of business)</p>	<ol style="list-style-type: none"> 1. Two (2) months business bank statements are required to verify that a valid business bank account exists. If business bank account doesn't exist, the personal bank account statements will be treated as a business account. See above for business bank account guidelines and restrictions. 2. Last twelve (12) months personal bank statements with all pages for all months. At its discretion, HomeXpress may accept fewer than 12 months of bank statements provided that HomeXpress takes the total deposits for the months it has and divides by 12. A minimum of 10 months is required. 3. Income is determined by using 100% of the personal bank statements average gross monthly amount of deposits. For borrowers with rental properties, gross rental income will be subtracted from the total amount of deposits to determine the amount of income from the borrower's income source. Net rental income will be calculated separately in accordance with the policy in the DEBT TO INCOME section. <p>A maximum six (6) NSF checks is allowed in the last twelve (12) months unless the borrower has a paid as agreed housing history. Multiple NSFs within a one month attributable to a single cause may be treated as one event at the underwriter's discretion.</p>
<p>12 Months Bank Statements, Alt Doc Cash Flow</p>	<ol style="list-style-type: none"> 1. For self-employed borrowers, acceptable documentation supporting existence of the business for the past twelve (12) months (<i>"Refer to the Acceptable Evidence of Self-employed Business"</i>). Borrower must demonstrate they have been in the same professional line of business (i.e. doctor, CPA, lawyer, etc.) for 24 months. 2. All bank statements from the inception of the business and must demonstrate a consistent cash flow for 12 consecutive months. <p>See "Calculating Income on the Business Bank Statement Program"</p>
<p>Asset Xpress</p>	<ol style="list-style-type: none"> 1. Asset statements for 6 months 2. Asset funds are divided by 60 and added to borrower's monthly income. If borrower does not earn income, the assets will still be qualified as income based on the above calculation to determine a DTI. <p>See Reserves portion of guidelines for acceptable assets and any reduction from total based on account type. Note that if reserves are required, that amount will be deducted from the total available to be used for income qualification purposes For example, if the borrower has \$1,000,000 in assets and \$100,000 is required for reserves, only \$900,000 would be available for the income calculation.</p>

7.4 Calculating Income on the Business Bank Statement Program

On the Business Bank Statement Programs, income will be calculated in one of the following ways:

Non-QM Loan Program Guidelines

(a) **Fixed Expense Percentage.**

On the 24-month bank statement program, the lower of the 24-month or last 12-month average less an expense factor will be used for qualifying purposes. On the 12-month program, the average deposit less an expense factor will be used for qualifying purposes.

The loan will have an expense factor applied to the deposits used for calculating income. The expense factors available will be: 90%, 70%, 50%, 30% or 15%. An analysis of the business will determine the factor used based on the activity shown in the bank statements and an analysis of the Business Analysis Questionnaire.

Examples of each category is listed below. These are only examples and the HomeXpress underwriter will determine the final expense ratio bases on the review of the business.

- 90% expense factor characteristics.
 - Unlimited employees.
 - Multiple physical locations
 - High inventory (New car dealerships, Restaurants, New home builders, Retail foot traffic stores)

- 70% expense factor characteristics
 - Up to 25 employees.
 - Physical location
 - Medium inventory requirements (Home improvement, Trucking Company, Gas stations, Beauty salons)

- 50% expense factor characteristics
 - Work from home or limited facilities.
 - Minimal employee count (Up to 15)
 - Service provider with limited inventory or inventory by consignment (Landscape, Appliance repair, Contract doctors, Art dealer, Independent truck driver)

- 30% expense factor characteristics
 - Work from home with no inventory and some travel expenses
 - Limited Employees (up to 5)
 - Service provider (Consultant, Accountant, Event planner, Internet “pass through” company, Sales/Distributor)

- 15% expense factor characteristics
 - Work from home with no inventory and minimal travel
 - All work may be conducted through computer or over phone
 - No Employees
 - Limited Service provider (Authors/Writers, Virtual Assistant, On-line Instructor)

Note: These examples are meant to be used as a guide. Each company will be reviewed individually.

(b) **Specific Expense Percentage from CPA/Enrolled Agent/Tax Preparer**

Income will be calculated using a specific expense percentage from a CPA/EA in place of a fixed expense factor as noted above.

Example:

A borrower provides 24 months of business bank statements whose revenues after one-time transactions and transfers is \$2,100,000. The borrower owns 80% of the business.

The borrower's enrolled agent provides a letter stating that the expense percentage for the borrower's business is 30%. Income is calculated as \$2,100,000 less 30% expenses for a total of \$1,470,000 net profit ($\$2,100,000 - \$630,000 = \$1,470,000$). This number is then divided by the amount of time the bank statements cover, $\$1,470,000 \div 24 = \$61,250$. The ownership percentage is then applied equaling \$49,000 for income ($\$61,250 \times 80\% = \$49,000$).

(c) **Profit and Loss Statement prepared by CPA/Enrolled agent/Tax Preparer**

Expenses will be calculated off the Profit and Loss Statement provided by CPA/Enrolled Agent for borrower's business that covers the same period as the bank statements being used to qualify. The Profit and Loss Statement provided must support the revenue shown on the bank statements, within 10%. The percentage of expenses shown on the Profit and Loss Statement will be used to calculate the qualifying income off of the bank statements.

Example:

A borrower provides 24 months of business bank statements whose revenues after one-time transactions and transfers is \$1,800,000. The borrower owns 70% of the business.

The borrower's CPA provides the prior year and YTD Profit and Loss Statement (dated 6/30 of current year). The monthly revenue averages to \$70,000 per month which is within 10% of the average shown on bank statements (\$75,000).

The P&L shows that net income is 60% of gross revenue, making the expense percentage 40%. Income is calculated as \$1,800,000 less 40% expenses for a total of \$1,080,000 net profit ($\$1,800,000 - \$720,000 = \$1,080,000$). This number is then divided by the amount of time the bank statements cover, $\$1,080,000 \div 24 = \$45,000$. The ownership percentage is then applied equaling \$31,500 for income ($\$45,000 \times 70\% = \$31,500$).

Non-QM Loan Program Guidelines

(d) **Tax Preparer Requirements**

When using a Tax Preparer to document the expenses via a Profit and Loss Statement or expense letter, the following is required:

- An expense letter must be on tax preparer’s letterhead.
- A profit and loss statement must be signed by the tax preparer.
- Tax Preparer must provide verification from municipal, state or federal licensing boards or proof of their business’ existence.
- Signed letter from borrower’s tax preparer affirming that tax preparer has filed the borrower’s tax returns for the previous two years OR that tax preparer has reviewed the previous two years of borrower’s self-prepared taxes.

7.5 Income Documentation Chart (Wage Earners, Fixed Income, Other Sources)

Source of Income	Receipt History	Continuation Period	Required Verification	Calculation Method
Alimony	Last 3 Months	3 Years	<ul style="list-style-type: none"> • Divorce decree or legally binding separation agreement (signed by the courts) specifying the duration of payments no less than 3 years remaining, and amount of the monthly payments AND • 3 months canceled checks OR • 3 months personal bank statements OR • 3 months court payment records 	Use verified monthly income for qualifying
Asset Depletion	Not Applicable	Not Applicable	<ul style="list-style-type: none"> • See Asset Xpress and Asset Assist Programs. 	See Asset Xpress and Asset Assist Programs.
Auto Allowance	2 Years	Likely to Continue	<ul style="list-style-type: none"> • Letter from employer describing amount and frequency of distribution, and a current pay stub reflecting receipt of monthly allowance for auto loan payments 	The amount of the allowance can be used to offset the monthly auto debt. Only the portion of the auto allowance that exceeds the monthly auto loan payment can be included as income.

Non-QM Loan Program Guidelines

Bonus, Overtime, Shift Differential	As required per program	Likely to Continue	<ul style="list-style-type: none"> • VOE verifying earnings for the period required per program; including a statement that income source is likely to continue & current pay stub OR • Statement from employer indicating the income source is likely to continue & W-2 for the years required by the program & current pay stub reflecting year-to- date earnings 	Applicant must have history of receiving income for the last year and the trend must be stable or increasing. Income calculation: Average of earnings from most recent year and year-to-date.
Child Support	The lesser of three months or time elapsed since the settlement.	3 Years	<ul style="list-style-type: none"> • Divorce decree or legally binding separation agreement (signed by the courts) specifying the duration of payments no less than 3 years remaining, and amount of the monthly payments AND • Proof of receipt via cancelled checks, bank statements or court records. 	Use verified monthly income for qualifying
Disability (Permanent)	2 months	3 Years	<ul style="list-style-type: none"> • Copy of Insurance Award Letter reflecting amount of monthly payment AND • Most recent two (2) bank statements showing automatic deposits matching award letter OR • Two (2) most recent disability checks 	Use verified current monthly disability payment

Non-QM Loan Program Guidelines

Temporary Leave Income	Not applicable	Not applicable	<ul style="list-style-type: none"> Original signed letter from borrower's employer stating continuance of employment is guaranteed and disclose date borrower is expected to return to work. 	<p>If the borrower will return to work as of the first loan payment date, the lender can consider the borrower's regular employment income in qualifying.</p> <p>If the borrower will not return to work as of the first loan payment date, the lender must use the lesser of the borrower's temporary leave income (if any) or regular employment income.</p>
Employment by Relative or Interested Party	2 Years	Likely to Continue	<ul style="list-style-type: none"> 6 months bank statements verifying monthly deposits equal to the amount of the borrower's net income AND VOE verifying most recent two (2) year and current year-to-date earnings OR W-2 for most recent two (2) years & current pay stub reflecting year-to- date earnings 	Use verified monthly income (Only used on 2-year full doc program)
Foster Care Income	2 Years	Likely to Continue	<ul style="list-style-type: none"> Letter(s) from agency showing the amount received for each child AND Copy of bank statements covering last 24 months reflecting direct deposit (deposit must specifically reference the source of the deposit) 	Average of foster care income received the last 12 months.
Guaranteed Income (Annuity, Lottery)	Evidence of Receipt	3 Years	<ul style="list-style-type: none"> Copy off original agreement showing length of time borrower is eligible to receive payments, & personal bank statement verifying receipt of payment AND Signed 1040's for most recent one (1) or two (2) years OR 1099 for most recent one (1) or two (2) years 	Use the verified current monthly payment

Non-QM Loan Program Guidelines

<p>Housing Allowance</p>	<p>2 Years</p>	<p>2 Years</p>	<ul style="list-style-type: none"> • Housing allowances are allowed as additional sources of income only for members of the military or clergy. • The amount must be considered reasonable and normal. • The borrower must submit proof of historical payments and certification of continuation from the employer. Not applicable for military. • In addition, the monthly allotment statement is required for the military and a copy of the employment contract is required for the clergy. 	<p>Verified amount of the monthly housing allowance added to the monthly income (Only used on 2-year full doc program)</p>
<p>Interest and Dividends</p>	<p>2 Years</p>	<p>Likely to Continue</p>	<ul style="list-style-type: none"> • Most recent account statements for all accounts to verify borrower has enough funds to support the continuance of interest / dividend income AND • Signed 1040's for most recent two (2) years, including all schedules 	<p>Average of interest/dividend income received for the most recent two (2) years (Only used on 2-year full doc program)</p>
<p>Military Income</p>	<p>Evidence of Receipt</p>	<p>Likely to Continue</p>	<ul style="list-style-type: none"> • Military personnel may be entitled to different types of pay in addition to their base pay. Flight or hazard-pay, rations, clothing allowance, quarters allowance, and proficiency pay may be considered as part of the borrower's stable income. 	<p>Use verified monthly amount</p>

Non-QM Loan Program Guidelines

Mortgage Differential Payments	Evidence of Receipt	2 Years	<ul style="list-style-type: none"> An employer may subsidize an employee's mortgage payments by paying all or part of the interest differential between the employee's present and proposed mortgage payments. These payments can be considered as acceptable income if verified in writing by the borrower's employer. The employer must state the amount and duration of the payments. 	Add differential payments to gross income. Mortgage differential payments cannot be used to directly offset the mortgage payment, even if the employer pays them directly to the mortgage lender.
Note Income	12 Months	3 Years	<ul style="list-style-type: none"> Copy of executed Note AND Most recent six (6) months bank statements showing deposits equal to the amount of the monthly Note payments. 	Use verified amount of monthly Note payments received by borrower
Part Time Employment (primary source of income)	Length of income documentation	Likely to Continue	<ul style="list-style-type: none"> VOE verifying earnings for most recent one (1) or two (2) years AND Current paycheck stub OR W-2 for most recent one (1) or two (2) years & current pay stub reflecting year-to-date earnings 	Income calculation is based on type of employment. Employment must have been uninterrupted for the last year.
Rental Income	Refer to "Rental Income Requirements" later in this Section			
Retirement and Pension	Evidence of Receipt	3 Years	<ul style="list-style-type: none"> Copy of Retirement/Pension Award Letter reflecting amount of monthly payment AND Most recent bank statement showing automatic deposit (deposit must specifically reference the source of the deposit); OR 1099 for the most recent year 	Use verified current monthly payment
Retirement Savings Account	Evidence of Receipt/ Distribution	3 years	<ul style="list-style-type: none"> Statement showing balance of account AND Verification of Distribution 	Use monthly distribution amount

Non-QM Loan Program Guidelines

Seasonal Job	2 Years	Likely to Continue	<ul style="list-style-type: none"> • VOE verifying earnings for most recent 2) years and current year-to-date OR • W-2 Forms for most recent 2 years AND • Most recent pay stub 	Average of income for most recent two (2) years. Seasonal job must have been uninterrupted for the most recent two (2) years. (Only used on 2-year full doc program)
Second Job	2 Years	Likely to Continue	<ul style="list-style-type: none"> • VOE verifying earnings for most recent two (2) years & current pay stub OR • W-2 for most recent two (2) years & current pay stub reflecting year-to- date earnings 	Average of most recent year's W-2 and current year- to-date earnings. Second job must have been uninterrupted for the past year. (Only used on 2-year full doc program)
Social Security	Evidence of Receipt	Likely to Continue	<ul style="list-style-type: none"> • Current Award letter; AND • Most recent bank statement showing automatic deposit (deposit must specifically reference the source of the deposit); OR • 1099 for the most recent year 	Use verified current monthly income
Supplemental (Dependent's) Social Security	Evidence of Receipt	3 Years	<ul style="list-style-type: none"> • Current Award letter; AND • Most recent bank statement showing automatic deposit (deposit must specifically reference the source of the deposit); OR • 1099 for the most recent year 	Use verified current monthly income Dependent's age must be disclosed on 1003 and proof of dependent's age will be required.
Temporary Employment	2 Years	Likely to Continue	<ul style="list-style-type: none"> • VOE verifying earnings for most recent two (2) year's through current YTD & current pay stub OR • W-2 or 1099 for most recent two (2) years, & current pay stub reflecting year-to-date earnings 	Average of income for most recent two (2) years and current year-to- date earnings (two (2) year history must be uninterrupted). (Only used on 2-year full doc program)

Non-QM Loan Program Guidelines

Tips and Gratuities	2 Years	Likely to Continue	<ul style="list-style-type: none"> • VOE verifying tips and gratuities for most recent two (2) years & current pay stub reflecting year- to-date earnings OR • W-2 for most recent two (2) year & current pay stub reflecting year-to- date earnings. 	Average of tips and gratuities for most recent year and current year- to-date. Monthly average is added to the borrower’s gross income. (Only used on 2-year full doc program. See bank statement rules for alt. document program)
Trust Income	Evidence of Receipt	Likely to Continue	<ul style="list-style-type: none"> • Copy of Trust Agreement or statement from Trustee confirming trust is irrevocable, the amount, frequency, and duration of payments. AND • Signed 1040's, all schedules for most recent one (1) or two (2) years 	Average of trust income from most recent two (2) years’ 1040’s. The assets must be fixed; liquid assets with no limitation on withdrawals will not be considered as a source of income.
Unemployment Compensation	2 Years	Seasonally employed and reasonably predicted	<ul style="list-style-type: none"> • Signed 1040's, all schedules for most recent two (2) years AND • Most recent bank statement supporting deposit 	Average income for most recent two (2) years. Borrower must receive as a regular part of his or her income.
Union Members	1 or 2 Years	Likely to Continue	<p>Union members may hold several jobs during a year.</p> <ul style="list-style-type: none"> • VOE(s) verifying earnings for most recent one (1) or two (2) years through current year-to-date & current pay stub OR • W-2 (s) for most recent one (1) two (2) years & current pay stub reflecting year- to-date earnings. <p>NOTE: If current year-to-date earnings are not available, the borrower’s most recent six (6) months bank statements must be obtained to support earnings.</p>	Average income for most recent year and current year-to-date earnings. A stable earnings trend must be established.

Non-QM Loan Program Guidelines

VA Benefits	Evidence of Receipt	3 Years	<ul style="list-style-type: none"> Award Letters AND Most recent bank statement reflecting direct deposit (deposit must specifically reference the source of the deposit) and education benefits are not acceptable income) 	Current monthly payment as evidenced by award letter or bank statement
Wage Earner	2 Years	Likely to Continue	<ul style="list-style-type: none"> VOE verifying earnings for most recent one (1) or two (2) years through current year-to-date & current pay stub OR W-2 for most recent one (1) or two (2) years & current pay stub reflecting year-to-date earnings 	Monthly gross income
Workers' Compensation (Temporary)	6 Months	NA	<ul style="list-style-type: none"> Copy of Insurance Award Letter reflecting amount of temporary monthly payment and disability check AND Signed letter from borrower's employer indicating continuance of employment is guaranteed and the date borrower is expected to return to work. AND Current paycheck from current employer 	Borrower must have returned to work. Use base income from most recent paycheck stub.

7.6 Income Sources

A borrower may receive income from the following four sources:

(a) **Salary/Wage Earner**

A wage earner derives income in the form of salary or an hourly rate through employment of a business in which he or she has little or no ownership interest.

(b) **Fixed Income**

Acceptable sources of Fixed income may include:

- Alimony, Child Support and Separate Maintenance
- Permanent Disability
- Guaranteed income (Inheritance, Lottery, Trust)
- Retirement/Pension, Social Security, Supplemental (Dependent's) Social Security

Non-QM Loan Program Guidelines

(c) **Other Sources of Income**

Other sources of income may include:

- Capital gain income
- Dividend / interest income
- Foster care income
- Housing allowance, mortgage differential payments
- Note income
- Rental income,
- Room rents
- Tips and gratuities
- Trust income
- Unemployment income (seasonally employed and reasonably predicted)
- VA benefits
- Pension

(d) **Self-Employment**

A borrower who owns twenty-five percent (25%) or more of a business entity is considered self-employed.

7.7 **Unacceptable Sources**

The following sources of income are not acceptable:

- Contributions or support from family members
- Educational benefits
- Food stamps
- Illegal income
- One-time capital gains (continuing capital gains may be considered as acceptable source of income) unless using as assets on the Asset Xpress program
- Refund of federal, state or local income tax

7.8 **Income Calculations (Wage Earners)**

Income documentation should be reviewed for upward or downward trends by comparing the current income and the income from the most recent year. Refer to “Declining Income”.

Income is analyzed on a monthly basis. If the borrower is paid other than monthly, the income must be converted to a monthly figure. Typically, the income is multiplied by a factor to achieve an annual amount, and then divided by twelve to reach the monthly figure.

Non-QM Loan Program Guidelines

(a) **Full Time Employees**

<p>Hourly</p>	<p>Multiply (x) the wage by 40 (or consistent number of hours worked in a week).</p> <p>Multiply (x) that amount by 52 (weeks in the year). Divide (/) that amount by 12 (months).</p> <p><i>Example: \$14.80 an hour</i></p> <p>$\\$14.80 \times 40 = \\$592.00 \times 52 = \\$30,784.00 / 12 = \\$2,565.33$ (monthly salary)</p> <p>NOTE: If number of hours is not consistent income must be averaged, add (+) year-to-date amount with previous year W-2 earnings, divide that amount by the total number of months.</p> <p><i>Example: 2014 income 6 months year-to-date: \$16,000.00 2013 income 12 months W-2: \$24,000.00</i></p> <p>$\\$16,000.00 + \\$24,000.00 = \\$40,000.00 / 18 \text{ months} = \\$2,222.22$ (monthly average)</p>
<p>Weekly</p>	<p>Multiply (x) the weekly salary by 52. Divide (/) that amount by 12.</p> <p><i>Example: \$570.00 a week</i></p> <p>$\\$570.00 \times 52 = \\$29,640.00 / 12 = \\$2,470.00$ (monthly salary)</p>
<p>Bi-weekly</p>	<p>Multiply (x) the bi-weekly salary by 26. Divide (/) that amount by 12.</p> <p><i>Example: \$1500.00 bi-weekly</i></p> <p>$\\$1500.00 \times 26 = \\$39,000.00 / 12 = \\$3,250.00$ (monthly salary)</p>
<p>Semi-monthly</p>	<p>Multiply (x) the semi-monthly salary by 24. Divide (/) that amount by 12.</p> <p><i>Example: \$1280.00 semi-monthly</i></p> <p>$\\$1280.00 \times 24 = \\$30,720.00 (/) 12 = \\$2,560.00$ (monthly salary)</p>
<p>Annual</p>	<p>Annual salary divided by 12 months.</p> <p><i>Example: \$55,000.00 annually (/) 12 = \$4,583.33 (monthly salary)</i></p>

7.8.a.1. Bonus, Overtime or Shift Differential

Bonus, overtime or shift differential income is acceptable when the employer verifies that the borrower has received the income for the last twenty-four (24) months and such income is likely to continue.

Non-QM Loan Program Guidelines

If the employer specifies the overtime or bonus income is received separately from the borrower's monthly salary, determine the monthly average as follows:

- Add the overtime or bonus income received year-to-date to the overtime or bonus income for the most recent year, and then divide by the total number of months (number of months for year-to-date and twenty-four (24) months for most recent year).

If overtime or bonus income is not verified separately from the borrower(s) monthly salary, determine the monthly average as follows:

- Add the Borrower's current year-to-date earnings including overtime to the income for the most recent year, then divide by the total number of months (number of months for year-to-date and twenty-four (24) months for most recent year).

(b) **Teachers/Education Professionals**

If annual salary is determined, divide amount by twelve (months). If paid ten (10) months of the year, multiply monthly amount by 10 then divide by 12.

Example: \$4200.00 a month for 10 months.

$$\$4200 \times 10 = \$42,000 / 12 = \$3500.00 \text{ (monthly income)}$$

(c) **Part-time, Second Job, Contract, Temporary or Unemployment Income**

Use either W-2's or Tax Returns for the two (2) most recent years. Average the income.

Example: 2014 income: \$73,840.00 2013 income: \$68,350.00

$$\$73,840.00 + \$68,350.00 = \$142,190.00 / 24 \text{ (months)} = \$5,924.58 \text{ (monthly income)}$$

7.9 Fixed Income

Non-taxable income can be grossed up by 25%. Examples of non-taxable income may include military allowances for clothing, quarters, and subsistence, child support, worker's compensation, disability retirement, social security income, clergy housing allowance, foster care income, food stamps, income from municipal bonds, and certain types of insurance benefits.

Some income types may contain both taxable and non-taxable income. Proof of non-taxable income may be provided by a Certified Public Accountant or Enrolled Agent reviewing the tax returns and declaring the amount that is taxable on stationary or by providing the borrowers' tax returns to determine the amount that is taxable.



7.10 Rental Income

Rental income may be used in qualifying a Borrower for a loan where income documentation is required. All owner occupied two-to-four unit properties and all investment properties require a rental income analysis to determine positive or negative cash flow. Rental income on a second home is not allowed.

Does the Borrower Have a History of Receiving Rental Income from the Subject Property?	Transaction Type	Documentation Requirements
No	Purchase	Form 1007 or Form 1025, as applicable, and <ul style="list-style-type: none"> • copies of the current lease agreement(s). 80% of the rents will be used for qualification. If the property is not currently rented, lease agreements are not required and Form 1007 or Form 1025 may be used.
No	Refinance	Form 1007 or Form 1025, as applicable, and <ul style="list-style-type: none"> • copies of the current lease agreement(s). 80% of the rents will be used for qualification.

(a) **Owned at Least One Year**

For properties owned for one or more tax years, cash flow can be calculated in one of the following manners:

- 80% of actual rents, established by copies of signed leases and proof of receipt of rental income for at least 2 months less the PITIA payment, OR
- Net income from 1040 tax return Schedule E, plus depreciation

When using lease agreements as proof of income, the loan will be treated as an ALT Doc loan.

(b) **Owned Less than One Year**

For properties owned less than one tax year, cash flow must be based on 80% of the market rents less the PITIA payment.

Actual rents must be documented with copies of the signed leases and proof of receipt for at least 2 months.

(c) **Owner-Occupied 2-4 Unit Properties**

On owner-occupied 2-4 unit properties, calculated rental income will be added to the borrower's income and the full PITIA payment will be included in the borrower's monthly liabilities.

Example: On an owner-occupied triplex, the two rented units generate \$1,000 per month in cash flow. This amount would be multiplied by 80%, resulting in \$1,600 added to borrower's income. The full amount of the PITIA payment would be included in the borrower's liabilities.

(d) **Departing Residence**

If the Borrower's current principal residence is going to be rented, the following documentation must be provided or the entire PITIA will be included in the Borrower's qualifying ratios. The rental amount must be documented with either of the following:

- If a fully executed lease is not available:
 - Rent Survey from the appraiser
 - 80% of the rental amount will be used less the PITIA payment
- If an executed lease is available:
 - Fully executed lease (must be arm's length)
 - Copy of cancelled check (or other proof of receipt) for the first month's rent and security deposit
 - 80% of the rental amount will be used less the PITIA payment

(e) **Multiple Rental Properties**

If the borrower owns multiple rental properties, then the overall cash flow for each property will be calculated. If the overall number is positive, it will be added to income. If the overall number is negative, it will be added to liabilities.

Example:

A borrower owns 3 properties. The first is \$500 positive. The second is \$100 negative. The third is \$200 negative. Overall, the borrower has \$200 in overall positive cash flow, which is added to income.

(f) **Mortgage Payments for Rental Properties**

The monthly mortgage payments must be satisfactorily documented on all rental properties owned by the borrower, if not reported on the credit report.

7.10.f.1. Property Taxes, Insurance, HOA Fees for Rental Properties Owned by the Borrower

The monthly payments for taxes, insurance and Homeowner's Association (HOA) fees (if applicable) will be taken from the Schedule of Real Estate. If the Schedule of Real Estate is incomplete or blank, the borrower must provide satisfactory documentation verifying the amount of the monthly payments.

If the monthly payments for taxes and insurance are impounded, the borrower must provide satisfactory documentation verifying an impound account.

7.10.f.2. Property Owned Free and Clear

A subject property that is owned free and clear requires proof that the property is free and clear of all mortgage liens.

A chain of title covering the last twelve (12) months must be obtained and reviewed by the underwriter for property flipping and / or suspicious or conflicting property transfers.

Any property on the REO section of the 1003 that is shown to be owned free and clear (zero balance mortgage) must be corroborated by HomeXpress to show no additional open mortgage account(s).

7.11 Self-Employed Borrowers

(a) **Principal Business Structures for Self-Employed Borrowers**

A borrower who owns twenty-five percent (25%) or more of a business entity is considered self-employed. A self-employed borrower must be carefully evaluated as the success of the company is directly related to a borrower's financial ability to repay debts.

There are six principal business structures for self-employed borrowers as follows:

7.11.a.1. Sole Proprietorship

In a sole proprietorship, the individual owner has unlimited personal liability for all debts of the business. Since no distinction is made between the owner's personal assets and the assets used in the business, creditors may take either (or both) to satisfy business obligations. The success of this type of organization depends solely on the individual who owns it. His or her death would terminate the business and place the assets into probate, delaying the disposition of the assets to creditors and heirs. Business income or loss is folded into the individual owner's tax return.

7.11.a.2. Independent Contractor & Commission Income

An independent contractor is an individual whose income is derived through independent/other sources or an individual whose income is derived from commissions that constitute 25% or more of his/her yearly income.

7.11.a.3. Partnership General Partnership

A general partnership is dissolved immediately on the death, withdrawal, insanity, or insolvency of any of the partners - although the personal liability to partnership creditors exists even after the partnership is dissolved. In a general partnership, each partner is personally liable for the debts of the entire business and is responsible for the actions of every other partner.

7.11.a.4. Limited Partnership

A partnership is formed when two or more individuals form a business and share profits, losses, and responsibility for running the business. In a limited partnership, a partner has limited decision – making ability and his or her liability is limited to the amount he or she invested in the partnership. A limited partner's death, withdrawal, insanity, or insolvency does not dissolve the partnership. Individual partners pay taxes on their proportionate share of net partnership income at their individual tax rate.

7.11.a.5. S Corporation

An S corporation is generally a smaller business entity with a limited number of stockholders. Business gains and losses are passed on to the stockholders. Stockholders are taxed at their individual tax rate for their proportionate share of ownership. Income for an owner that comes from wages is folded into the individual's tax return.

7.11.a.6. Corporation

A corporation is a state-chartered business that is owned by stockholders. A stockholder is not personally liable for the debts of the corporation. Although legal control of the corporation rests with its stockholders, they are not responsible for the day-to-day operations of the business since they delegate that responsibility to a board of directors and officers of the company. Corporations must file corporate tax returns to report their income and losses. Income to the officers is folded into each officer's individual tax return.

Non-QM Loan Program Guidelines

(b) Acceptable Evidence of Self-Employed Business

Income from a self-employed borrower generally requires two (2) or more years to be considered stable income. For less than two (2) years self-employment, refer to the “cash flow” program. The underwriting process must carefully analyze the following factors on a self-employed borrower:

- Borrower’s training and experience.
- Location and nature of the business.
- Demand for that type of business in the area.

One (1) item from the following list may be used for verification of a current and active business.

1. Copy of the business license covering 2 years as of the date of the application.
2. Tax Preparer’s Letter:
 - Letter must be on tax preparer's letterhead;
 - Tax preparer’s license verification, from municipal, state or federal licensing boards or proof of their business’ existence; and
 - Signed letter from the borrower's tax preparer, explaining tax preparer's relationship to the business and personal knowledge of the length of time the business has been in existence.
3. For a newly formed business entity to be capitalized, a copy of the organizational papers (i.e. DBA statement, Incorporation, or LLC formation).
4. Two (2) years of business tax returns in the form of 1065, 1120 or 1120S and corresponding Schedule K1 (if applicable) shall be acceptable for proof of self-employment.

(c) Income Tax Returns for Self-Employed Borrowers

The income documentation required to qualify self-employed borrowers may include income tax returns or a copy of the borrower's monthly bank statements. The IRS income tax forms required for qualifying self-employed borrowers are as follows:

INCOME DOCUMENTATION						
Business Type	1040	1065	K-1	1120S	1120	P&L
Sole Proprietor	X					X
General Partner	X	X	X			X
Limited Partner	X	**	X			**
S Corporation	X		X	X		X
Corporation	X				X	X

Current, signed Profit & Loss Statement is required when tax returns will be more than 90 days old at underwriting or 120 days at closing. ** If borrower owns more than 25% of a partnership.

(d) Self-Employed Borrower IRS Tax Return Chart

Non-QM Loan Program Guidelines

Source of Income	Receipt History	Continuation Period	Required Verification	Calculation Method
Sole Proprietor	2 Years	Likely to Continue	<ul style="list-style-type: none"> Signed 1040's, including all schedules for most recent two (2) years AND Current YTD P&L months. 	1040 Schedule C Net income/loss, plus non-cash expenses
General Partnership	2 Years	Likely to Continue	<ul style="list-style-type: none"> Signed 1040's & 1065's & K-1's including all schedules for most recent two (2) years AND Current YTD P & L 	Income average using 1040, Schedule E and 1065 borrower's % ownership
Limited Partnership	2 Years	Likely to Continue	<p>If < 25% ownership</p> <ul style="list-style-type: none"> Signed 1040's & K1's, including all schedules for most recent two (2) years AND Current YTD P&L <p>If > 25% ownership</p> <ul style="list-style-type: none"> Signed 1040's, & 1065's & K-1's, including all schedules for most recent two (2) years AND Current YTD P & L 	Income average using 1040 and K1.
"S" Corporation	2 Years	Likely to Continue	<ul style="list-style-type: none"> Signed 1040's, & 1120-S, including all schedules for most recent two (2) years AND Current YTD P & L 	Income average using 1040's and 1120-S
Corporation	2 Years	Likely to Continue	<ul style="list-style-type: none"> Current pay stub reflecting year-to-date earnings AND Signed 1040's & 1120's, including all schedules for most recent two (2) years, AND YTD P & L three (3) preceding months. 	Average income using 1040's and income from 1120's based on borrowers % owned.

BRIDGE THE GAP - If tax returns are not available for the most recent tax year, the following must be obtained:

Prior to April Tax Filing date	<ol style="list-style-type: none"> Previous tax year returns; AND Year-end P & L statement covering 12 months of the most recent tax year and current tax year through year to date.
After April Tax Filing Date	<ol style="list-style-type: none"> Previous tax year returns; AND Copy of IRS Extension for Filing; AND Year-end P & L statement covering the most recent tax year and the most recent quarter of the current tax year.

(e) **General Requirements for Evaluating Self-Employed Borrowers' Documentation**

7.11.e.1. Analyzing Self-Employed Borrowers' Income Tax Returns

The tax returns for the self-employed borrower's business must be analyzed to ensure the business' financial strength and to confirm that it will continue to generate the income the borrower needs to qualify for the requested loan. All income tax returns require the borrower's original signature.

7.11.e.2. Self-Employed Income Analysis Form

The Self-employed Income Analysis form should be completed by the underwriter and included in the loan file.

7.11.e.3. Deductible Expenses

Deductible expenses for the business that are attributable to non-cash expenses are "depreciation", "depletion" and "amortization". These non-cash expenses may be added back to the net income/loss for qualifying purposes. Depreciation is a deduction for the decline in value of an asset such as real or personal property and is not an out of pocket expense. Depletion is a deduction for the useful life of a natural resource and is not an out of pocket expense. Amortization is an intangible asset, such as a copyright or patent over its useful life, which may include start-up costs. Amortization is not an out of pocket expense.

7.11.e.4. Income Averaging

Self-employment income is determined by averaging the income from the tax returns including all schedules and attachments. Income from the year-to-date P & L statement may be included in the income calculation if consistent with the previous years' earnings.

7.11.e.5. Declining Income

A continuing large decline in gross income over two years could be a reason to decline a loan application; even if the borrower's current income and debt ratios meet the guidelines. The actual income source, not just the total income must be analyzed. For example, adjusted gross income could be increasing yearly because of items not related to the business (such as by capital gains from the sale of real estate), but the actual business income could be declining yearly. If declining income for the last two years is evident, the lesser income figure should be used for qualifying purposes.

8.0 Debts and Liabilities

8.1 Borrowers' Debts and Liabilities

The borrower's debts and liabilities include all revolving charge accounts, installment loans, real estate loans, and negative income from rental properties, stock pledges, alimony, child support, and all other debts of a continuing nature.

8.2 Alimony/Child Support

Monthly payments that extend beyond ten (10) months are included in debt-to-income ratio. A copy of the complete divorce decree and dissolution of marriage must be provided and included in the loan file.

8.3 Business Debt

The monthly payments for business debts are not included in the borrower's debt-to-income ratio if the payments have been made in a timely manner by the business entity.

The business debt must be counted in the debt-to-income ratio if:

- Payments by the business cannot be adequately documented.
- A sufficient payment history has not been established for the debt.
- If the debt has been delinquent greater than 1 x 30 in the last six (6) months

8.4 Contingent Liabilities/Co-Signed Debt

The monthly payments for contingent liabilities are not included in the borrower's debt-to-income ratio, if the payments have been made in a timely manner. Canceled checks covering the last six (6) months' showing no late payments by the primary obligor will be required.

The contingent liability must be counted in the debt-to-income ratio if:

- Payments by the primary obligor cannot be adequately documented.
- A sufficient payment history has not been established for the debt.
- If the debt has been delinquent greater than 1 x 30 in the last six (6) months.

8.5 Installment Accounts

Monthly payments on installment debts extending beyond ten (10) months are included in the borrower's debt-to-income ratio. The required monthly payment reflected on the most recent statement may be used instead of the payment reflected on the credit report.

Auto lease contracts provide the consumer with an option to either purchase the automobile or return it to the dealer at the end of the lease contract. Regardless of the two options, it is likely the consumer will secure new financing for another automobile once the lease expires. Therefore, monthly auto lease payments are included in the borrower's debt-to-income ratio regardless of the number of payments remaining on the lease contract.

8.6 Lines of Credit

Monthly payments must be calculated on revolving lines of credit and included in the applicant's debt-to-income ratio. The monthly payment is determined based on the present outstanding balance.

8.7 Open Accounts

Open accounts are accounts which require the balance to be paid monthly. HomeXpress generally does not calculate a payment on these accounts nor does it require the borrower to have enough reserves to cover the balance.

8.8 Revolving Accounts

Monthly payments of all revolving accounts with outstanding balances are included in the calculation of the debt-to-income ratio calculation. The monthly payments reflected on the credit report are used for the calculation of debts. When revolving accounts with outstanding balances do not have stated minimum required payments, the monthly payment calculation is three percent (3%) of the outstanding balance or \$10 per month, whichever is greater.

A ninety-day same as cash account is considered a revolving account, the monthly payment is calculated using three percent (3%) of the outstanding balance.

8.9 Student Loans

Payments on student loans will be included in the debt to income ratio, unless the loan repayment is deferred for a minimum of 3 years. If the payment is deferred, documentation must be provided that clearly demonstrates the time of the deferral and when payments are expected to begin (note: deferral information on the credit report is not acceptable). A 0.5% minimum payment will be used for qualification on all student loans where a payment is not specified on the credit report.

8.10 Timeshares

All timeshare accounts are treated as consumer debt.

8.11 Garnished wages

If wages are garnished for a planned payment or if the planned payment is delinquent in the last twelve (12) months, the monthly payment must be included borrower's monthly liabilities and the underlying credit event must meet guidelines.

9.0 Debt to Income

9.1 Debt to Income Ratio

The Debt-to-Income ratio represents the ratio of the applicant's stable monthly income to the total monthly-debt-payment. (Total monthly debt divided by total income.) The monthly debt payment is the sum of the following monthly charges.

9.2 Rounding Debt to Income Ratio

Round the debt-to-income ratio to the nearest hundredths. For example: 45.493% round to 45.49%. See Loan Program Descriptions for maximum DTI for each program.

9.3 Monthly Housing Expense

1. Principal and Interest Payments:
 - For consumer purpose loans that have an initial fixed interest rate, then become adjustable, use the higher of the start rate or fully indexed rate. 30-year fixed program use the note rate. See InvestorX program for specific details on qualifying rate for that program.
2. Payments on subordinate financing on the borrower's principal residence (if applicable)
3. Hazard insurance
4. Flood Insurance (if applicable)
5. Mortgage Insurance (if applicable)
6. Real estate taxes and/or assessments
7. Homeowner's association fees on the borrower's principal residence (if applicable)

9.4 Other Debts and Obligations

1. Monthly payments on all revolving trade lines (does NOT include any type of household utilities (e.g. gas, water, electric, trash, television house & cell phone or internet, etcetera) that may be reporting on credit).
2. Alimony, child support or separate maintenance payments (if applicable).
3. Monthly payments on installment debts with maturity dates greater than ten (10) months.
4. Aggregate negative net rental income from all investment properties owned.
5. Monthly mortgage payments (PITIA) for second homes.

10.0 Assets/Funds to Close

10.1 Source of Funds

The source of funds on all transactions can be from any of the following sources:

- Borrower's own funds
- Gift from a relative (refer to Gift Funds)
- Seller or institutional second mortgage

10.2 Contributions by Interested Parties (Seller Contributions)

Any closing costs normally paid by the property purchaser are considered contributions if not paid by the purchaser. Contributions may be paid by the property seller or by any other interested party to the transaction - such as the builder, the developer, the real estate agent, the lender, or any of their affiliates. On purchase money transactions contributions by interested parties (i.e.: Realtor, Builder, and Seller) are acceptable and may be applied towards non-recurring and recurring closing costs but may not exceed actual costs. For first mortgage loans, the maximum contribution by interested parties are 6% for LTVs \leq 80%; 3% for LTV $>$ 80%:

A copy of the fully executed sales contract is required. Any excess credit or gift allowance must be deducted from the lower of the sales price or appraised value when calculating the LTV and CLTV.

10.3 Items Not Considered Contributions

Items paid by the property seller that are the seller's responsibility - such as real estate sales commissions, charges for pest inspections, fees paid to trustees to release a deed of trust, or costs that the property seller is required to pay under state or local law - are not contributions.

Funds the purchaser receives from a non-participant to the sales transaction - such as the property purchaser's employer or a family member - are not considered contributions, even when they are used to pay closing or settlement costs. For example, funds received from the purchaser's employer through a corporate relocation plan are not considered a contribution. Funds received from a relative of the purchaser would be considered as a gift (not a contribution) and, as such, would have to comply with our requirements regarding gifts.

Non-QM Loan Program Guidelines

10.4 Non-Recurring Closing Costs

- Appraisal
- Appraisal Desk Review
- Appraisal Field Review
- Attorney Fees
- Broker Admin Fee
- Broker Fee
- Courier Fees
- Credit Report
- Discount Fees/Points
- Document Fee
- Document Redraw Fee
- Endorsement Fees
- Escrow Fee
- Flood Certification Fee
- Inspections
- Lender Points
- MI Premium (Initial or 1st Year)
- Notary Fees
- Photos
- Prepaid Interest
- Processing Fee
- Recording/Filing Fees
- Taxes for Govt. Fees
- Tax Service Fee
- Termite Report
- Title Fee
- Underwriting Fee
- Warehouse Fee
- Wire Transfer Fee
- Withhold Fee

10.5 Acceptable Assets/Funds to Close

All funds to close exceeding two percent (2%) of the sales price or \$1,000.00, whichever is less, must be documented.

(a) Deposit Accounts

Verification of deposit accounts such as checking, savings, certificate of deposit, and money market accounts may include the following documentation:

- Verification of Deposit

Non-QM Loan Program Guidelines

- Copy of the borrower's most recent bank statement(s) for the account(s) in which the funds for the down payment are to be withdrawn.

(b) **Earnest Money and Deposit**

Earnest Money and Deposit on Sales Contracts are considered part of the down payment.

One of the following must be provided to verify these funds:

- Copy of check (canceled or not canceled) with certified escrow deposit receipt.
- Bank statement showing the check cleared with certified escrow deposit receipt.

Verification of acceptable source of funds on any deposit paid outside of escrow must be satisfactorily documented.

(c) **Gift Funds**

Gift funds from a family member to assist with the costs to close are permitted.

10.5.c.1. Acceptable Donors may include

- Family members (i.e., spouse, parent, brother, sister, child, grandparent, aunt, uncle, nephew, niece).
- Fiancé, fiancée, or domestic partner.
- Non-profit organizations when given pursuant to an established program (requires corporate underwriting approval).

10.5.c.2. Gift Letter - required on all Gifts and must include:

- Reflect the borrower's name;
- Reflect the Donor's name, address and phone number;
- Reflect the Donor's relationship to the borrower;
- Disclose the source of the gift funds (i.e., name of depository institution, account number);
- Indicated the dollar amount of the gift; and
- Include a statement that the person receiving the gift (i.e., borrower) is not obligated to repay the dollar amount of the gift;
- Signed and dated by the Donor and Borrower(s).

10.5.c.3. Receipt of Gift Funds

Evidence (a) that the gift funds have been transferred from the donor's account to the borrower and (b) that the gift funds came from an acceptable source, must be documented in the file. Acceptable evidence may include:

- Copy of the wire receipt from the donor's account into the borrower's account;
OR
- Copy of the certified check from the donor to the borrower; OR

- If the gift funds were deposited directly in escrow, a copy of the check with a certified escrow deposit or wire receipt showing funds were from the donor's account is required.

The documentation evidencing the transfer of funds must match the information on the gift letter (i.e., the remitter's name (donor), borrower's name, dollar amount, date, name of the depository institution, and account number.

(d) **Gift of Equity**

Gift Equity is allowed provided the following is met:

1. Purchase transactions only. Fully executed purchase agreement is required.
2. The donor of the gift of equity must be from an family member (i.e. grandparent, parent, sibling, aunt, uncle, spouse, and child).
3. A gift letter signed and dated by the donor and borrower is required. The gift letter must explain the gift of equity, stating the amount of the gift and that no repayment is expected or implied.
4. Proof the existing mortgage lien(s) secured by the subject property is not currently delinquent.
5. As no cash down payment is made in a gift equity transaction, the borrower must pay all closing costs from his own funds. Seller credits, broker credits, or gift funds towards closing costs are allowed when the LTV is 80% or less.

(e) **IRA, Keogh**

Only a withdrawal amount may be considered. The loan file must include a copy of the IRA or Keogh Account Statement and proof of liquidation. A deposit receipt showing the funds on deposit in the borrower's account or the funds deposited into escrow is required.

(f) **IRS 1031 Exchange (including reverse exchange)**

The 1031 Tax Deferred Exchange (1031 Exchange) feature provides Borrowers with an additional means for obtaining down payment funds. A tax deferred exchange allows a borrower to exchange the "like kind" investment property if the acquired property is of greater or equal Value to the relinquished property. A 1031 exchange allows the borrower to continue the old property investment into the new replacement property for delayed tax purposes. The borrower or any related party/parties to the borrower, such as; spouse, ancestors, descendants, siblings, employees, attorney, accountant, investment banker, broker, or real estate agent cannot control the funds from the 1031 exchange.

A "reverse" exchange occurs when the taxpayer acquires the replacement property before transferring the relinquished property.

Funds received by the borrower from an IRS 1031 Exchange must meet the following criteria:

- The subject property must be "like kind" non-owner occupied (investment) property with the acquired property of equal or greater value to the relinquished property.

Non-QM Loan Program Guidelines

- A Qualified Intermediary, who acts on behalf of the borrower in accordance with a specific written contract, must control the funds. The Qualified Intermediary, for a fee, acts to facilitate the deferred exchange by entering into an agreement to exchange the properties. Under this agreement, the Qualified Intermediary sells the relinquished property, acquires the replacement property, and transfers the replacement property to the exchanger (i.e., borrower).
 - The exchange must be an arm's length transaction in which the parties involved are entirely independent of one another with no reason to collude. Title reports, sales contracts and sales history must be reviewed on both properties if simultaneous closing to determine property churning is not occurring.
 - The property must be reduced to cash in an arm's length transaction. If a replacement property is not available at the time of the relinquishment, the borrower can sell the subject property and place the proceeds in an escrow account held by the Qualified Intermediary to be applied toward a replacement property when one becomes available if the replacement property is:
 - Identified on or before 45 days of the date the taxpayer transfers the subject property and
 - Received within 180 days after the subject property has been transferred or before the Borrower's taxes are due for the year of transfer, whichever is first.
 - The 1031 Exchange cannot be an exchange of a partnership or limited liability corporation interest.
 - The name of the taxpayer on the sale of relinquished property must be the same as the acquirer of the exchanged property.
 - Relinquished property sale must close before or simultaneously with the property acquired, except when the transaction is a reverse exchange.
 - A "pure" reverse exchange, where the taxpayer owns both the relinquished and replacement properties at the same time, is not permitted. An Exchange Accommodation Titleholder (EAT), acquires and holds the new property in a separate special purpose entity, typically a single member LLC. To complete a reverse exchange, the EAT will take title to either the Relinquished Property or the Replacement Property under a "Qualified Exchange Accommodation Arrangement" (QEAA).

10.5.f.1. Simultaneous Closing

The following documentation is required for BOTH properties in simultaneous closing:

- Sales contract and escrow instructions
- Appraisal
- Preliminary title report

Non-QM Loan Program Guidelines

- Exchange agreement identifying the holder of funds, buyer and home seller, expiration date, agreed upon value, closing date, closing costs, conditions of transfer and repairs, if required
- Statement of borrower's equity, calculated as the lower of one of the following:
 - New trade from the sales contract
 - Gross trade value from the sales contract less the sum of the transfer fees, all lien balances on the currently owned property and transfer fees on the new property
 - Appraised value of the borrower's currently owned property plus any new transfer fees on the new property

10.5.f.2. Relinquished Property and Purchase of New Property

The following documentation is required for 1031 Exchange transactions occurring prior to the purchase of the new property.

- HUD-I for both properties
- Exchange agreement
- Sales contract or escrow instructions for both properties
- Verification of funds from Qualified Intermediary (exchange holder)

(g) Life Insurance Cash Value

The cash value must be verified by a letter from the insurance company and a deposit receipt showing deposit of funds into the borrower's account.

(h) Loans Secured by Borrowers' Asset(s)

Proceeds from a loan secured by an asset that is owned by the borrower is an acceptable source of funds for closing provided the following criteria is met:

- The loan must be secured by an asset owned by the borrower such as, certificates of deposit, stocks, bonds, real estate other than the subject property, life insurance policies, savings accounts, profit sharing plans, and automobiles.
- The loan must be from an institutional lender and disclosed in the liability section of the loan application at submission to underwriting or revised accordingly.
- The borrower must qualify with the payment of the additional debt.
- The terms of the debt must be verified by the institution or by a copy of the loan documentation.
- The closed loan package must contain a copy of the executed note reflecting the same terms as disclosed in the submission package.
- Proof of receipt of the funds must be provided in the closed loan package.

(i) Unsecured Debt

Proceeds from unsecured or revolving debt are acceptable for closing. The borrower must meet any minimum contribution requirements and all payments on the unsecured debt must be included in the DTI calculation.

(j) **Relocation Credits and Residence Liquidation**

A copy of the commitment letter from the employer's relocation company describing the details and terms of the relocation package. A receipt showing the deposit of funds into the borrower's account or escrow/title must be obtained and included in the loan file.

(k) **Sale of Real Property**

If the source of funds to close is proceeds from the sale of real estate owned by the borrower, the amount of the net proceeds must be documented as follows:

10.5.k.1. Pending Sale

If the sale has not closed, a copy of the agreement of sale and Closing Disclosure must be obtained and reviewed by the underwriter to ensure the net proceeds will be sufficient for closing. The final Closing Disclosure showing sufficient funds to close must be provided at closing and included in the loan file.

10.5.k.2. Closed Sale

If the sale has closed, a copy of the Final Settlement Statement (HUD-1) must be provided. Verification that the net proceeds from the sale are either held in escrow/title or on deposit in the borrower's account must be obtained and included in the loan file.

10.6 Verification of Assets/Funds to Close

Funds to close are to be properly verified on purchase-money transactions and where applicable on rate / term refinances. Verification of funds is not required for cash-out refinances.

- Verification of acceptable source of funds is required for all funds paid OUTSIDE of escrow/closing, which may be reflected as a credit on the purchase contract, escrow instructions, CD or HUD-1.

Verification of the seasoning of funds to close is not required on loans of 65% or less.

10.7 Other Sources

(a) **Subordinate Financing**

New and existing junior liens secured by the subject property and subordinating to a HomeXpress Mortgage Corp. first mortgage is allowed provided the following is met:

- The junior lien(s) may be a private party seller second from the original purchase of the property, or an institutional lender.
- The existing junior lien(s) must have a remaining term of at least five (5) years.
- The terms of the note must provide for regular monthly payments of at least interest only with no provisions for future advances or wrap-around terms.
- The principal and/or interest payment must be added to the monthly debt ratio.
- A copy of the executed note on the subordinating junior lien(s) must be obtained and included in the loan file. The note must be reviewed and approved by the underwriter prior to ordering loan documents.

Non-QM Loan Program Guidelines

A certified copy of the fully executed subordination agreement must be reviewed and approved by the underwriter prior to funding the loan. The subordination agreement must record concurrently with HOMEXPRESS MORTGAGE CORP.'S first mortgage / deed of trust.

(b) **Home Equity Line of Credit**

When Secondary or Subordinate financing is a Home Equity Line of Credit the following additional criteria must be met:

- The property being financed should be owner occupied or second / vacation home.
- The calculation of the CLTV should include the total usable Home Equity Line of Credit.
- A copy of the Note for the Home Equity Line of Credit must be obtained to determine the payment based on the interest rate in effect for the Line of Credit Loan on the date that the Loan application is underwritten.
- An executed estoppel agreement is required from the existing line of credit holder, for existing lines of credit that are being subordinated to a new HomeXpress Mortgage loan. The estoppel agreement must freeze the credit line at the current maximum limit.

(c) **Stocks, Bonds, and Other Securities**

The file must contain proof that the borrower owns the stocks, bonds, or other securities and must document what they are worth. Proof is required that these securities have been sold if funds are needed to close. Acceptable evidence of ownership and value include:

- A statement from the brokerage company indicating ownership of the security and verifying the sale.
- Verification from the bank that the security has been sold or redeemed. Copies of the sale documents proving ownership and that the transaction is complete.

To verify government bond income, a photocopy of the bond, copy of the redemption table to verify the value, and proof of liquidation is required. If funds are used to satisfy the borrower's minimum down payment required for the loan-to-value, the documentation must clearly show the borrower owned the source of the funds for at least 90 days.

(d) **Tax Refunds**

Tax refund checks from either the Internal Revenue Service or State Revenue are acceptable sources of funds. Such funds must be documented as follows:

- Copy of the refund check(s) or a bank statement showing the refund directly deposited.

10.8 **Unacceptable Sources**

Unacceptable sources of funds include, but are not limited to:

- Sweat Equity – a contribution to the construction or rehabilitation of a property in the form of labor or services instead of cash
- Trade Equity (excluding 1031 Exchange)

Please note that the HomeXpress Mortgage Corp. maintains discretion for interpretation or definition of any item or situation that is not explicitly addressed in the guidelines.

10.9 Reserves

Some HomeX programs require reserves. Please consult your rate sheet for program-specific details.

When reserves are required to be verified, they must be seasoned for at least 60 days and verified by a VOD or 2 months' bank statements. Acceptable sources of reserves include:

- A borrower's personal checking, savings, money market, or other depository account
- Business funds are acceptable as reserves as long as the borrower owns at least 50% of the business. If the Borrower owns 95% or less of the business, funds may be transferred to a personal account or documentation from the business or business' accounting services (CPA, EA) must be provided stating that the Borrower has access to the funds and that the withdrawal of funds will not impact the business. Business funds may not be used for the Asset Xpress programs.
- Stocks, bonds, mutual funds, or other marketable securities held in a Brokerage account. (valued at 90% of statement value)
- Cash value of a life insurance policy. A copy of the policy is required.
- 401(k) or IRA. Due to early withdrawal penalties, only 70% of the value of either of these types of accounts will be credited as reserves. If borrowers are at retirement age (59 ½), the account will be treated as a Brokerage account.

10.10 Source and Seasoning of Funds to Close

The source of funds must be verified.

When the loan requires the borrower to bring funds to escrow to close the transaction, the following requirements must be met:

- For loans with an LTV greater than 65%, all funds to close must be sourced and seasoned for 60 days.
- For loans with and LTV of 65.00% and below, funds to close must be sourced.

All funds to close, other than gift funds, must come from a personal account or business account that is owned by the borrower(s).

11.0 Title

All title insurers must be acceptable to Fannie Mae and must have a minimum rating from an independent rating as shown below or be fully covered by a reinsurer licensed in the state of the subject property with a satisfactory minimum rating.

Rating Agency	Rating Requirements
Demotech	Financial Stability Rating of S or better, or a Statutory Accounting Rating of C or better
Duff & Phelps	BBB or better
Fitch	BBB or better
Kroll Bond Rating Agency	C or better
Moody's	Baa2 or better
Standard and Poor's	BBB or better

11.1 Acceptable Forms

The final title policy must be written on one of the following forms:

- 2006 American Land Title Association (ALTA) standard form
- ALTA short form
- ALTA form with amendments required by state law in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not yet been adopted, provided those amendments are acceptable to Fannie Mae/Freddie Mac

11.2 Borrower Information

All borrower names must be indicated on the title commitment. If the borrower's marital status appears to be different than on 1003, the discrepancy must be addressed. The property seller's name must be cross referenced to the purchase agreement and valuation chain of title.

11.3 Coverage Amount

The amount of title insurance coverage must at least equal the original principal amount of the mortgage.

11.4 Gap Coverage

The preliminary title report/title commitment must be updated after closing in writing to ensure the mortgage is in first lien position and documented through one of the following:

- Final Title Policy
- Title bring-down search representing the period of time from the original search through the time the mortgage is recorded
- Gap coverage from the time of the original search until the mortgage is recorded, when the mortgage is not recorded at the time of diligence

11.5 Chain Of Title

All files are to contain a 24-month title history from an acceptable source. Transfer date, price, and buyer and seller names on any title transfers that occurred within the previous 24 months should be provided. The vesting history should be reviewed for inconsistencies or any indication of flipping activity.

11.6 Title Exceptions

The following items are allowable title exceptions:

- Customary public utility subsurface easements; the location of which are fixed and can be verified.
- The exercise of rights of easement will not interfere with use and enjoyment of any improvement of the subject property or proposed improvements upon which the appraisal or loan is based.
- Above-surface public utility easements that extend along one or more property lines for distribution purposes, or along the rear property line for drainage, provided they do not extend more than 12 feet from the subject property lines and do not interfere with any of the buildings or improvements, or with the use of the subject property; and public utility restrictions, provided their violation will not result in the forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the fair market value of the subject property.
- Mutual easement agreements that establish joint driveways or party walls constructed on the subject property and on an adjoining property, provided all future owners have unlimited and unrestricted use of them.
- Encroachments on one foot or less on adjoining property by eaves or other overhanging projections or by driveways provided there is at least a 10-foot clearance between the buildings on the subject property and the property line affected by the encroachments.
- Encroachments on the subject property by improvements on adjoining property provided these encroachments extend one foot or less over the property line of the subject property, have a total area of 50 square feet or less, do not touch any buildings, and do not interfere with the use of any improvements on the subject property or the use of the subject property not occupied by improvements.
- Encroachments on adjoining properties by hedges or removable fences.
- Liens for real estate or ad valorem taxes and assessments not yet due and payable.
- Outstanding oil, water, or mineral rights as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes.

11.7 Survey Requirements

If the title company requires a survey or plat map due to an exception noted on the title policy, a copy must be submitted in the loan file. Surveys must be certified, dated, and signed by the licensed civil engineer or registered surveyor performing the survey. Unimproved land surveys are not acceptable.

Surveys should be reviewed for easements, encroachments, flood zone impacts, and possible boundary violations, taking into account the location of the dwelling on the property.

11.8 Vesting

Final title policy vesting should reflect the name(s) of the individual borrower(s) unless held by a trust or legal entity. All borrowers should exhibit a continuity of obligation of at least 12 months or since acquisition if purchased less than 12 months ago. The only exceptions are when title is transferred between spouses and the underlying mortgage is current.

(a) Title held in a Trust

Inter-vivo or living trusts are created by individuals when they are still living. This type of trust is revocable and can be used as an alternative form of property ownership. The Underwriter verifies the credit worthiness of the trustee which is the individual establishing the trust (or at least one individual, if there are two or more) or an institutional trustee that is authorized to act as trustee under the laws of the applicable state.

Note: The trustee(s) must have the right to mortgage the security property for the purpose of securing a loan to the borrower(s) under the mortgage or deed of trust note.

All trusts must be inter-vivo and contain specific language giving the grantor/trustor/settler the power to revoke the trust. Inter-vivo trusts require the trustee to manage the property placed in the trust.

11.8.a.1. Unacceptable Trusts

Trusts not accepted are as follows:

- Blind Trust
- Land Trust
- Life Estate Trust
- Irrevocable Trust
- Split Trust

11.8.a.2. Eligibility Requirements

The transaction using a trust to securitize the property must meet the following eligibility requirements:

- The borrower and co-borrower must qualify on an individual basis.
- If the trust is created by more than one individual, at least one must be the borrower on the loan.

11.8.a.3. Required Documentation

Complete Trust Document - Copies of the entire trust document, certified by an attorney or the grantor/trustor/settler, are required.

Partial Trust Document - If a portion of the trust document is submitted, it must include:

- Identification of the grantor/trustor/settler, beneficiaries and trustee(s)
- The powers of the trustee
- The property that is held in the trust
- Name of one or more trustees holding legal title to the property
- Revocability of the trust
- Date the trust was created and became effective (during the lifetime of the original grantor/trustor/settler)

Additional Notes:

- If a portion of the revocable trust is now irrevocable, submit documentation describing the event (I.e. death certificate)
- In certain states, a *trust certification* containing all facts listed above (partial trust document) and signed by all trustees is acceptable in lieu of the entire trust document. Refer to the [Trust Policy and Procedure](#) for the current list of eligible states.

11.8.a.4. Vesting Requirements

The name of the living trust must appear on the security instrument when required to create a valid lien under state law. The borrower(s) must also appear on the note. The individual borrower is not required to be listed on the property deed or title.

11.8.a.5. Title/Closing Requirements

Title must assure full protection to HomeXpress and must not list any exceptions arising from trust ownership of property.

11.9 Parcel Number

Both the title commitment and the final title policy should provide the parcel number of the subject property, which should match the parcel number provided in the appraisal.

11.10 Legal Description

Both the title commitment and the final title policy should provide the legal description of the subject property, which should match the legal description provided in the appraisal.

11.11 Delinquent Property Taxes

The Preliminary Title Report/Commitment should detail any delinquent taxes on the subject property. All past due taxes must be paid either prior to or at closing to ensure that HomeXpress is in 1st Lien position

11.12 Open Liens

All open liens on title must be paid either prior to or through closing unless they are subordinated to HomeXpress' lien.

11.13 Solar Power

HomeXpress will lend on a property with solar panels. If the property owner is the owner of the solar panels, standard eligibility requirements apply (for example, appraisal, insurance, and title).

If the solar panels are leased from or owned by a third party under a power purchase agreement or other similar arrangement, the following requirements apply (whether to the original agreement or as subsequently amended).

(a) Requirements for Properties with Solar Panels that are Leased or Covered by a Power Purchase Agreement

The solar panels may not be included in the appraised value of the property.

The property must maintain access to public electrical grids.

The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation unless the lease is structured to, provide delivery of a specific amount of energy at a fixed payment during a given period, and have a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period. (Payments under power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI ratio.)

The lease or power purchase agreement must indicate:

- any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home)
- the owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure on which the panels are attached. As an alternative to this requirement, HomeXpress may verify that the owner of the solar panels is not a named loss payee (or named insured) on the property owner's property insurance policy
- in the event of foreclosure, HomeXpress or assignee has the discretion to - terminate the lease/agreement and require the third-party owner to remove the equipment; - become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; or - enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner.

12.0 Insurance

12.1 Minimum Coverage

Hazard insurance must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.

Hazard insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.

Borrowers may not obtain hazard insurance policies that include such limitations or exclusions, unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitation or exclusions.

Hazard insurance coverage should be in an amount to cover one of the following:

- 100% of the replacement cost, as established by the property insurer; or
- The unpaid principal balance of the mortgage as long as it is no less than 80% of the replacement cost.

12.2 Evidence of Hazard Insurance

Policy must be effective for at least 60 days after the date of funding (does not apply to condominium master project insurance policies). Evidence of Insurance may be provided in one of the following forms:

- Policy
- Certificate of Insurance (COI)
- Insurance Binder

Evidence of Insurance must provide the following information:

- Names of borrowers reflect the same as the names on the note
- Property address agrees with the note/security instrument
- Policy number
- Loan Number
- Name of insurance company
- Insurance Agent information
- Effective and expiration dates of coverage
- Premium Amount
- Coverage amount and deductible
- Loss payee clause as applicable
- Signed and dated by agent

12.3 Optional Coverage

Hazard insurance policies may include optional coverage(s) which are acceptable but are not required. For example, a “homeowner” or “package” policy is acceptable as long as any part of the coverage that exceeds the required coverage is not obligated for renewal.

12.4 Rating Requirements

The hazard insurance policy must be written by a carrier that meets at least one of the following requirements:

- Carrier rated by A.M. Best Company, Inc. must have:
 - A “B” or better Financial Strength Rating in Best’s Insurance Reports, or an “A: or better Financial Strength Rating and a Financial Size Category of “VIII” or
 - greater in Best’s Insurance Reports Non-US Edition
- Carriers rated by Demotech, Inc. must have an “A: or better rating in Demotech’s Hazard Insurance Financial Stability Ratings
- Carriers rated by Standard and Poor’s must have a “BBB’ or better Insurer Financial Strength Rating in the Standard and Poor’s Ratings Direct Insurance Service

Policies underwritten by a state’s Fair Access to Insurance Requirements (FAIR) plan or other state insurance plan are also acceptable.

12.5 Endorsements Assuring Full Insurable Value

An insurance policy that includes either of the following endorsements will assure full insurable value replacement cost coverage:

- A Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).
- A Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the subject Property’s insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

12.6 Deductible Requirements

The maximum allowable deductible for insurance covering a property securing a first mortgage loan is 5% of the face amount of the policy.

When a property insurance policy includes multiple deductibles, such as a separate deductible that applies to windstorms, or a separate deductible that applies to a specific property element such as the roof, the total amount for such deductibles applicable to a single occurrence must be no greater than 5% of the property insurance coverage amount.

Non-QM Loan Program Guidelines

For policies covering the common elements in a PUD project and for policies covering condo projects, the maximum deductible amount must be no greater than 5% of the face amount of the policy.

For losses related to individual PUD units that are covered by the blanket policy for the project, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit. If, however, the policy provides for a wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be no greater than 5% of the replacement cost of the unit.

The maximum allowable deductible on a flood policy is the maximum available from the NFIP which is currently \$10,000.

Deductibles for master coverage on a condominium can exceed the 5% deductible cap but cannot exceed 10% if the HOA budget contains a lint item for reserves in a level equal to or greater than the deductible as a holdback, and the loan file contains no credit exceptions.

12.7 Condominium and PUD Project Insurance Requirements

Insurance should cover 100% of the insurable replacement cost of the project improvements and common elements, including the individual units in the project.

If the subject property is an attached PUD or a condominium, the respective associations may acquire a blanket policy to cover the project. The entire project insurance policy should be reviewed to ensure the homeowners' association maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The policy must show the HOA as the named insured.

For PUD projects, individual insurance policies are also required for each unit. If the project's legal documents allow for blanket insurance policies to cover both the individual units and the common elements, blanket policies are acceptable in satisfaction of its insurance requirements for the units.

The policy must require the insurer to notify in writing the HOA (or insurance trustee) and each first mortgage loan holder named in the mortgagee clause at least 10 days before it cancels or substantially changes a condo project's coverage.

(a) HO-6 Insurance coverage for Condominiums

If the unit interior improvements are not included under the terms of the condominium policy, the borrower is required to have a HO-6 hazard policy ("wall-in coverage"), which is sufficient to repair the condo unit to its condition prior to a loss claim event.

(b) **General liability coverage**

Project liability insurance requirements are as follows:

- The homeowners' association must maintain a commercial general liability insurance policy for condo projects or Type F PUD projects, including all common areas and elements, public ways, and other areas that are under its supervision.
- The insurance should cover commercial spaces that are owned by the homeowners' association, even if they are leased to others. The commercial general liability insurance policy should provide coverage for bodily injury and property damage that result from the operation, maintenance or use of the project's common areas and elements.
- The amount of liability coverage should be at least \$1,000,000 for bodily injury and property damage for any single occurrence.
- The policy should provide for at least ten days' written notice to the owners' association before the insurer can cancel or substantially modify it. For condominium projects, similar notice must also be given to each hold of a first mortgage or share loan on an individual unit in the project.

An insurance policy that includes either of the following endorsements will assure full insurable value replacement cost coverage:

- A Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).
- A Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the subject Property's insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

(c) **Fidelity Bond Coverage**

Fidelity bond coverage is required for condominium projects over 20 units (or per state requirements). The insurance coverage must be equal to 3 months HOA dues or reserves or minimum required by state law. Coverage is not required when the calculated amount is \$5,000 or less.

12.8 Flood Insurance

Flood insurance is required for any property located within any designated by the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area (SFHA). A SFHA is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be located in a community which participates in the FEMA program to be eligible for financing.

(a) **Flood Certificate**

Non-QM Loan Program Guidelines

Determination whether a subject property is in a flood zone must be established by a Flood Certificate provided by the Federal Emergency Management Agency (FEMA). The appraisal report should also accurately reflect the flood zone.

The flood insurance requirement can be waived if:

- Subject property improvements are not in the area of Special Flood Hazard, even though part of the land is in Flood Zone A or V; or
- Borrower obtains a letter from FEMA stating that its maps have been amended so that the subject property is no longer in an area of Special Flood Hazard.

(b) **Minimum Flood Insurance Coverage**

The minimum amount of flood insurance required for most first mortgages secured by 1-unit properties and individual PUD units is the lower of:

- 100% of the replacement cost of the insurable value of the improvement's;
- The maximum insurance available from the National Flood Insurance Program (NFIP), which is currently \$250,000 per dwelling; or
- The unpaid principal balance of the mortgage

(c) **Project Flood Insurance Requirements**

The flood policy for a PUD or condominium project must cover any common element buildings and any common property located in a SFHA. The amount of flood insurance coverage for a PUD or condo project should be at least equal the lesser of 100% of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Program (NFIP).

(d) **Evidence of Flood Insurance**

Flood insurance must be maintained throughout the duration of the loan and be in force with an effective date equal or earlier than that of the loan closing.

Evidence of Insurance must provide the following information:

- Names of borrowers reflect the same as the note
- Property address agrees with the note/security instrument
- Mailing address is the same as property address
- Policy Number
- Loan Number
- Name of insurance company
- Insurance Agent information
- Effective and expiration dates of coverage
- Premium Amount and deductible
- Coverage amount
- Loss payee clause as applicable
- Signed and dated by agent.

13.0 Collateral

13.1 Property Ownership/Seasoning

Properties that have sold more than once in the previous twelve (12) months must be prudently analyzed for value discrepancies and to ensure the property has not been involved in a “pyramid or flip” scheme. A “pyramid or flip” scheme is initiated in an effort to inflate property values within a certain market area.

Examining recent changes to title on the property and information disclosed on the appraisal report may uncover possible “pyramid or flip” schemes.

- A twelve (12) month seasoning requirement will apply on purchase or refinance transactions when determining the current value for properties that have experienced the following:
 - Recent and / or frequent change(s) of ownership
 - Refinance where the property is not currently vested in the owner's name; or
 - Recent property transfer data (i.e. REO resale data as shown on the appraisal report) that does not support the appraised value.

13.2 Compliance with TILA/HPML rule

Consumer purpose purchase transactions on properties that were purchased by the seller within 180 days of the current purchase contract date are subject to additional regulations and requirements. As such, they will be considered subject to:

- No Non-Arm’s Length transactions
- Management Review

An additional full appraisal is required by HomeXpress when the subject loan purchase price is greater than the seller’s recent acquisition price, as noted below:

- More than a 10% price increase if the property was acquired by the seller within the last 90 days.
- More than a 20% price increase if the property was acquired by the seller within the last 180 days.

The second appraisal will be ordered directly by HomeXpress, at its expense.

13.3 Minimum Equity Requirements

Equity is defined as the value of the home less the loan amount. See Loan Program Descriptions for minimum equity requirements.

Examples:

A loan, 80% LTV, \$200,000 property value. At 80% LTV, loan amount would be \$160,000. The equity amount is \$40,000 (\$200,000 home value - \$160,000 loan amount = \$40,000 equity).

Non-QM Loan Program Guidelines

B loan 70% LTV, \$300,000 property value. At 70% LTV, loan amount would be \$210,000. There would be \$90,000 equity in the property (\$300,000 home value - \$210,000 loan amount = \$90,000 equity).

13.4 Property Value Determination

The determination of the loan-to-value ratio is as follows:

(a) **Purchase Transaction**

Value of the subject property is the lesser of the appraised value or purchase price.

The appraisal determines the appraised value. The executed purchase agreement determines the purchase price/sales price.

(b) **Refinance Transactions**

See Loan Program Descriptions for seasoning requirements.

13.5 Property Eligibility

HomeXpress Mortgage Corp. funds loan on properties that are secured by residential dwellings in urban, suburban, or rural areas. HomeXpress Mortgage Corp. does not reject loans solely based on age of the property, square footage, number of bedrooms, the location of the property or the ethnic composition of a neighborhood.

(a) **Eligible Property Types**

Eligible property types include properties as listed below that are situated on fee simple or real property with a ground lease. (Refer to Ground Lease requirements later in this section.)

- Single Family Residences (attached/detached)
- Condominiums (attached/detached) (low-rise/high rise)
- Condotels
- Planned Unit Developments PUD (attached/detached)
- Two-to-eight (2-8) units

(b) **Ineligible Property Types**

Certain property types are not considered to be acceptable collateral:

- Agricultural use properties (crops, lumber, animals of any kind)
- Cross Collateralized Properties
- Refinance of Builder Spec Homes where builder is still owner or on title
- Time Shares
- Cooperatives
- Earth-berm Homes, Geodesic Domes
- Economic life of property is less than term of the loan
- Nine or more unit properties
- Highly Unique Properties

Non-QM Loan Program Guidelines

- Illegal use of property - Zoning or building code violations
- Properties in lava zones 1 and 2
- Log Cabins
- Manufactured Homes
- Mixed use properties; excluding professional live/work units provided they conform with the area.
- Mobile Homes
- Mobile Home Parks or Converted Mobile Home Parks
- Own Your Own Apartments
- Properties in less than average condition
- Properties with no permanent heat source (except for areas where not required by code)
- Properties that are not suitable for year-round use
- Properties zoned: commercial, industrial, manufacturing, exclusive farm use (EFU), forest commercial (FC)
- Properties with interim use or properties reported to have a different highest and best use than the present use
- Properties with deferred maintenance, deterioration or structural damage that may seriously affect the structural integrity or pose a health and safety hazard to the occupant(s). Properties that are condemned or deemed uninhabitable by local municipalities. Properties displaying significant disrepair that it is prohibitive and not feasible to restore the structure to a habitable condition.
- Vacant land
- Working Farms or Ranches (crops, cattle, horse, dairy, etc.)

(c) **Property Marketability**

Properties that have unique physical features, are physically deteriorated, or exposed to value and marketability issues may result in a reduction of value or be ineligible for financing.

Examples of marketability factors that could adversely affect the acceptability of the property are:

- Atypical physical characteristics and construction type / quality
- Economic changes in market conditions
- Environmental risk hazards (toxic)
- External or functional obsolescence
- Geological conditions – Properties currently or potentially suffering from significant site distress or erosion due to local geological conditions
- Inadequate ingress and egress
- Public utilities or services – Properties that lack typical city or county services and necessary utilities, including water electricity, heating and sewage disposal
- Properties in remote locations
- Unique properties that do not conform to the local market and require longer marketing times such as over-improved or super-adequacy properties

- Zoning changes - Identified recent or pending zoning changes which would have a short-term negative or de-stabilizing impact on residential market values

13.6 Property Descriptions

(a) Single Family Residence

A single-family residence is a site-built dwelling designed for one (1) family use only, normally detached and generally built on land owned by the homeowner.

The dwelling may share one (1) wall ("Party Wall") with a residence owned by another party. Therefore, the units are either detached or attached in groupings of two (2) ("Twin Home"). The dwelling may include an attached or detached garage. Properties that share one (1) wall require a party wall agreement. The party wall agreement should be recorded and reflected on the preliminary title report / title commitment.

(b) Single Family Residence New Tract / Development

For purchase transactions of new construction, the sales contract must indicate the base price and detail any and all upgrades with the cost breakdown. The allowable percentage for upgrades above the standard package must be supportable within the local market.

The appraisal report must be current with two (2) comps in the project and two (2) comps outside the project to support the Fair Market Value (FMV) and the marketability. The appraisal must be made either "as is" if complete or "subject to" which would require a Form 1004D and photos upon completion.

(c) Condominium

A condominium project is one in which individual owners hold title to units in the project along with an undivided interest in the real estate that is designated as the common area for the project. The units in the project must be owned in fee simple and the unit owners must have the sole ownership interest in and rights to the use of, the project's facilities, common elements, and limited common elements.

To qualify as an acceptable condominium unit, the condominium project must be common for the area and demonstrate good marketability.

(d) Townhomes

A town home is a style of construction designed for one (1) family use only and can be built as a PUD, Condo, or Site Built home (no common area). The unit may be detached or attached in groupings of two (2) or more.

(e) **Row Housing**

A row house property is a site-built dwelling for one family only and built on land owned by the borrower. The dwelling is an attached housing unit that is not classified as a condominium or PUD and does not share any common areas or pay HOA fees.

- Adjoining row homes typically fill an entire block and were primarily built in the 1930s and 1940s.
- Row homes are typically located in communities of row homes with similar construction type, appearance, and value.
- Row homes are typically two (2) or more stories with a front and rear entrance only. The rear entrance is accessible from an alley at the rear of the property, which runs the length of the city block.
- The dwelling may include an attached carport typically accessible from the alley.

(f) **Rural Properties**

HomeXpress Mortgage Corp. will consider properties that are classified as “rural” and built up “under 25%” provided that the subject property demonstrates a reasonable marketing time and timely comparables are provided by the appraiser.

All rural properties may be subject to LTV reductions. See Loan program descriptions.

Rural properties with a marketing time in excess of six (6) months may be subject to an additional LTV reduction.

The determination of a rural property will be made based on the review of the appraisal by HomeXpress Mortgage. A property may be considered rural if any of the below conditions exist:

- On a gravel road and does not have adequate utilities available in service,
- On more than five (5) acres of land,
- In a neighborhood under 25 percent “built-up”,
- Appraiser classifies the property as rural, or
- In a remote or isolated area.

NOTE: Generally, comparable sales used by the appraiser that exceed five (5) miles or more from the subject property is also a good indicator the property may be located in a rural area.

(g) **Modular Homes**

A modular home is a prefabricated dwelling, which is principally factory built off-site. The dwelling is delivered to the site in sections or modules. Upon delivery to the site, the home is assembled and attached to a permanent foundation and assumes the appearance and characteristics of a site-built residence. Portions of the dwelling may be built on site.

If the subject is modular construction, the comparable sales must include at least one (1) resale of a modular constructed home. For lending purposes, a modular home is treated as a single-family residence including loan-to-value limits. An ALTA 7 Endorsement is required from Title.

(h) **Ground Lease Properties**

A ground lease is a condition; whereby the persons listed on the title owns the dwelling but leases the land on which the dwelling exists. The appraisal report must include comparable sales that are leasehold properties, unless the leasehold fee interest is being purchased through the subject transaction. All Leaseholds are subject to approval by HomeXpress Mortgage Corp. All requests for approval must include the following items:

- Copy of the recorded ground lease agreement,
- Copy of all sub-lease agreements, and
- Copy of the appraisal report.

Ground lease agreements must meet the following:

1. The lease and any sub-lease must be recorded in the appropriate public land records.
2. The use of leasehold or ground rents must be an accepted practice in the area and properties with them must be readily marketable.
3. The original term of the lease does not terminate earlier than five (5) years after the maturity date of the mortgage.
4. The mortgage must cover the improvements and the mortgagor's leasehold interest in the land.
5. An ALTA Leasehold Loan Policy must insure the leasehold estate and the improvements.
6. The lease does not contain provisions for termination in the event of damage to or destruction of the premises if the leasehold exists.
7. For sub-leasehold mortgages, the sublease payments are at least equal to the amount of the lease payments. The sublease payments are not due less frequently than the lease payments.
8. A ground lease must give the leasehold mortgagee standard protections necessary to protect the security of a leasehold mortgagee including the right to receive notice, at least 30-days, of the lessee's default under the ground lease. The mortgagee must have the right, with adequate time, to cure such default, and in the case of incurable defaults of the lessee, the right to enter into a new ground lease with the lessor on terms financially identical and otherwise substantially identical to the existing ground lease.

(i) **Multi-Family Residences**

A two-to-four (2-4) unit dwelling is eligible for financing.

(j) **Log Style Homes**

Log style homes (excluding log cabins) are acceptable collateral provided the following is met:

- Minimum of two (2) comparable sales that are log style homes with similar property characteristics as the subject property.
- The two comparable sales must be recent sales (one (1) year or less) and must be located in close proximity to the subject property.
- The Appraiser must comment if log style homes are typical for the area.

(k) **Deed Restricted Developments**

A deed restricted development is a community where use of the land is governed and restricted by a Homeowner's Association. Restrictions may vary from fencing and landscaping requirements to limitations on the age of potential owners.

Any property in a deed restricted development is subject to review and approval by HomeXpress. Generally, deed restrictions will be approved by HomeXpress as long as those restrictions do not impact the marketability of the subject property or reduce the lien holder's rights.

(l) **Manufactured Homes**

A manufactured home is a prefabricated dwelling, factory built and transported to the site in sections. A manufactured home differs in from a modular home in that it has a steel beam frame, to which transportation wheels have been attached, as well as the hitch with which to tow it.

Manufactured homes are not acceptable collateral to HomeXpress Mortgage Corp.

(m) **Mixed Use Properties**

A mixed-use property as defined by HomeXpress Mortgage Corp. is a one-to-four (1-4) unit residential property with a home-based business. The following requirements must be met:

1. The borrower must be both the owner and the operator of the business.
2. The business cannot interfere or conflict with the residential use of the property.
3. The property cannot have been altered in any way that would indicate any use, design, or appeal other than residential.
4. There must be no hazardous material being used or stored at the subject property.
5. The market value of the property must be solely a function of its residential characteristics, rather than of the business use.

(n) **Unique Properties/Unique Property Features**

A dwelling with an unusual layout, peculiar floor plan or inadequate equipment or amenities usually has limited market appeal and should not be considered for maximum financing. The appraiser should comment on any functional obsolescence, negative impact on the marketability, or buyer resistance as a result of the unique property features.

HomeXpress Mortgage Corp. finances unique properties subject to the following stipulations:

1. Unique properties must be compared with other unique properties in the area,
2. The property must be in average or better condition,
3. The property must have adequate heating and water sources,
4. The appraised value must be based on a marketing time of no more than six (6) months, and
5. The property must meet all other HomeXpress Mortgage Corp. property requirements and may be subject to an LTV reduction.

(o) **Vacant Properties**

Vacant properties are generally unacceptable collateral for rate and term or cash-out refinances, unless the property is vacant pending the completion of/or was recently renovated or remodeled within the last 90 days; or the property is used as a short term rental (must be furnished). All work performed on the subject property must be noted by the appraiser or documented with contractors' bids and be completed by closing.

Properties that are currently or have been recently listed for sale may not be vacant.

Vacant properties are eligible for purchase financing.

13.7 Condominium Requirements

(a) **Project Risk Overview**

The quality of mortgages secured by units in condo projects can be influenced by certain characteristics of the project or by the project as a whole.

Project eligibility risk is a risk that is distinct from the credit risk presented by individual borrowers. Units located in a project, present risks that are also distinct from the risks associated with properties that are not part of project. These risks include the following:

- the financial stability and viability of the project;
- the condition and marketability of the project;
- limitations on the unit owner's ability to control the decision-making for the project, occupy the unit, or utilize the project's amenities and common elements;
- dissolution of the project and the unit owner's resulting rights and responsibilities;
- project-level litigation;
- project-level misrepresentation and fraud;
- the inability to cure a mortgage default due to restrictions in the project documents such as, but not limited to, right of first refusal provisions; and
- insurance coverage that is inadequate to protect the project from unexpected losses.

Project eligibility and financial strength are key drivers of credit performance on individual unit mortgages and critical to the long-term success of the project.

Non-QM Loan Program Guidelines

The documentation needed to complete a project review may differ depending on the project and review type. Project documentation may include, but is not limited to, the following:

- legal and recorded documents including the covenants, conditions and restrictions, declaration of condominium, or other similar documents that establish the legal structure of the project;
- project budgets, financial statements, and reserve studies;
- project construction plans;
- architects' or engineers' reports;
- completion reports;
- project marketing plans;
- environmental hazard reports;
- attorney opinions;
- appraisal reports;
- evidence of insurance policies and related documentation; and
- condominium project questionnaires.

Sources for project information include, but are not limited to, appraisers, HOAs, co-op corporations, management companies, real estate agents, insurance professionals, and project developers.

(b) **All Condominium Projects must meet the following criteria:**

- The maximum number of total units in the project owned by the same entity or individual may not exceed 30%.
- No more than 25% of the units may be delinquent on HOA fees.
- Non-warrantable condominium projects may be acceptable on certain lending programs. Please see Loan Program descriptions for further information.

(c) **Condominium – High Rise Condominium Projects (Eight (8) stories or greater); (3) or more in Florida)**

High-rise condominium project stories are defined as levels residential living, commercial use and parking, including those that are subterranean.

They must be common for the area as evidenced by comparable sales. Comparable sales must be from other high-rise condominium projects in close proximity to the subject and the sales must be similar in design, appeal, market area, etcetera. See Loan Program Details for further acceptability.

- The project may have commercial uses on the first floor only, when typical for the area.
- Elevator access to each floor is required.
- Studio units are not eligible.
- Comparable sales must include at a minimum:
 - One (1) from inside the project tower; and
 - One (1) from outside the project tower.

Non-QM Loan Program Guidelines

NOTE: For review purposes, condominium projects located in the state Florida that are 25 years or older will be considered a high rise if they are three (3) or more stories.

(d) **Condominium Hotel (Condotel, Condo Hotel)**

- Projects that are managed and operated as a hotel or motel, even though the units are individually owned.
- A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis.
- Minimum square footage: 500
- Fully functioning kitchen required – define as full-size appliances including a refrigerator and stove/oven
- Bedroom required
- Investor concentration up to 100% allowed

(e) **Condominium – Documentation Requirements**

1. HOA Information Letter – verifying the following:
 - Condominium project is not currently involved in any litigation. Generally, a condominium project that is currently in litigation is not eligible for financing.
 - Total number of units in the project
 - Total number of phases that are not complete
 - Percent of the units sold and conveyed to the unit owners
 - Percent of the units owner occupied
2. Percent of units owned by any one entity or individual and If and when the project was conveyed to the unit owners (i.e., HOA in control).
3. Hazard insurance in the name of the HOA showing 100% guaranteed replacement coverage.
4. General liability in the name of the HOA for a minimum amount of coverage equal to one million dollars (\$1,000,000) per occurrence.
5. Flood insurance & boiler insurance in the name of the HOA (if applicable).
6. Monthly HOA fee for subject.

(f) **Non-Warrantable Condominiums**

All non-warrantable projects are allowed when the warrantable status of the project is not able to be obtained due to excess commercial space, the project operates as a condotel, investor concentration is over 50%, there is pending litigation or insurance limitations.

The following restrictions will apply to non-warrantable condo projects:

- HomeXpress will lend on a maximum of 10 units in the project , 10% of the total units in the project or a combined \$3,000,000, whichever is less.
- No more than 40% of the project can be used for commercial space
- No pending litigation for structural defects
- The subject unit may not be a studio or efficiency unit

(g) **Properties with Litigation**

If the HOA is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project would be considered ineligible.

If the litigation involves minor matters with no impact on the safety, structural soundness, habitability, or functional use of the project, the project is eligible provided the litigation meets the following:

- non-monetary litigation including, but not limited to neighbor disputes or rights of quiet enjoyment;
- litigation for which the insurance carrier has agreed to provide the defense, and the amount is covered by the HOA's insurance;
- the HOA is the plaintiff in the litigation and the matter is minor and will result in an insignificant impact to the financial stability of the project;
- the reasonably anticipated or known damages and legal expenses are not expected to exceed 10% of the project's funded reserves;
- the HOA is seeking recovery of funds for issues that have already been remediated, repaired, or replaced and there is no anticipated material adverse impact to the HOA if funds are not recovered;
- litigation concerning localized damage to a unit in the project that does not impact the overall safety, structural soundness, habitability, or functional use of the project;
- the HOA is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA assessments.

Litigation that involves personal injury or death is not considered minor litigation unless:

- the claim amount is reasonably anticipated or known,
- the insurance carrier has agreed to provide the defense, and
- the reasonably anticipated or known damages are covered by the HOA's insurance.

(h) **Project Review Methods**

To determine whether the project meets requirements, a number of project review methods are available. Whether a project review is required depends on:

- the number of units in the project (two- to -four or more than four);
- the unit type (attached or detached);
- the project status (new or established); and
- whether the project is warrantable or not.



The characteristics that dictate which method to use are shown in the following table:

Unit and Project Type	Project Review Methods
Attached warrantable or non-warrantable condo unit in a new, newly converted, established, high rise, or condotel project.	Review is required.
Unit in a new or established two- to four-unit condo project	Review is limited to the arbitration agreement and confirmation the project meets requirements listed in these guidelines.
Detached Condo Units	No review required.
Florida High Rise (3 or more stories and 25 years or older)	Full Review is required.

(i) **List of Ineligible Project Characteristics**

Projects that may have specific characteristics that make the project ineligible. Such characteristics are described below. All eligible projects must be created and remain in full compliance with state law and all other applicable laws and regulations of the jurisdiction in which the project is located.

- Timeshare, fractional, or segmented ownership projects.
- New projects where the seller is offering sale or financing structures with excessive financing structures including, but are not limited to, builder/developer contributions, sales concessions, HOA assessments, or principal and interest payment abatements, and/or contributions not disclosed on the settlement statement.
- Projects with covenants, conditions, and restrictions that split ownership of the property or curtail an individual borrower’s ability to utilize the property.
- Multi-dwelling unit projects that permit an owner to hold title (or stock ownership and the accompanying occupancy rights) to more than one dwelling unit, with ownership of all of their owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan).
- Projects with property that is not real estate, such as houseboat projects.
- Any project that is owned or operated as a continuing care facility.

Non-QM Loan Program Guidelines

- Projects with non-incident business operations owned or operated by the HOA including, but not limited to, a restaurant, spa, or health club.
- The total space that is used for nonresidential or commercial purposes may not exceed 40%.
- Projects with mandatory upfront or periodic membership fees for the use of recreational amenities, such as country club facilities and golf courses, owned by an outside party (including the developer or builder). Membership fees paid for the use of recreational amenities owned exclusively by the HOA or master association are acceptable.
- Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns more than the following total number of units in the project:
 - Projects with 1-4 units – 1 unit
 - Projects with 5-20 units – 2 units
 - Projects with 21 or more units – 30%
- Projects in need of critical repairs, including material deficiencies and significant deferred maintenance.

(j) **Special Assessments**

Special assessments may be current or planned. The following information for each special assessment must be reviewed to determine if it addresses a critical repair:

- what is the purpose of the special assessment,
- when was the special assessment approved and is it planned (approved by the unit owners, but not yet initiated by the board) or already being executed,
- what was the original amount of the special assessment and the remaining amount to be collected, and
- when is the expected date the special assessment will be paid in full.

If the special assessment is associated with a critical repair and the issue is not remediated, the project is ineligible.

13.8 **General Property Requirements**

The property must conform to the neighborhood and must be in average or better condition. The mortgaged property should conform to all applicable zoning regulations and be the highest and best use of the land.

(a) **Building Permits**

Acceptable building permits will be required on all conversions or additions to living areas. Square footage, which can be verified through public records, is acceptable and will not require further documentation.

In areas where permits are not required, the appraiser must disclose when the work was originally completed and comment if the work was done in a workmanlike manner. The appraiser must also

Non-QM Loan Program Guidelines

comment on the type of conversion or addition and if the improvements are functional and conforming to the original structure.

(b) **Living Area Requirements**

HomeXpress Mortgage Corp. does not typically (refer to loan program descriptions for any additional requirements) impose minimum square footage requirements on the subject property provided the following requirements are met:

1. The property must have adequate square footage and room dimensions to be marketable and acceptable to typical borrowers in that market area;
2. The property should include a kitchen, bedroom, and a bathroom with minimum facilities (sink, toilet, and bathtub or shower);
A kitchen must, at a minimum, contain:
 - a. Cabinets
 - b. A countertop
 - c. A sink; and
 - d. A stove or stove hookup (hotplates, microwaves, or toaster ovens are not acceptable stove substitutes)
3. A property consisting of a combined living room and bedroom (i.e., studio / efficiency unit) will be considered provided that the property is marketable, common for the area and the appraisal report includes recent sales of studio / efficiency units; and
4. Current sales with similar square footage and number of bedrooms / bathrooms must be utilized to support the value. If the subject property consists of one (1) bedroom, the comparable sales must include recent sales of one (1) bedroom properties.

Smaller sized properties (i.e., square footage and / or bedroom count) that cannot be supported with recent sales of similar sized properties located in the subject's market area are subject to loan to value reductions.

(c) **Outbuildings**

All outbuildings (i.e., barns, stables, arenas, workshops, guesthouses, etcetera) must be described in detail on the appraisal report. Value for outbuildings may be considered if:

- Legal use and affixed to a permanent foundation;
- Not being used for commercial or business purposes that would conflict with the residential use of the property; and
- Typical for the area as evidenced by comparable sales with value given for the same or similar type of outbuildings.

If outbuildings are not typical for the area and supported by comparable sales with similar outbuildings, no value will be given.

Non-QM Loan Program Guidelines

(d) **Acreage**

The appraiser must provide a value for the entire site size of the property, regardless of the lot dimensions or number of acres.

- Comparable sales must support larger parcels as common and typical for the area.
- The comparable sales should be on similar sized lots from competing market areas in close proximity to the subject. In addition, the comparable sales should exhibit similar age, quality of construction, design, appeal, square footage, room count and utility, etc.

NOTE: If the subject property's site size is not supported with similar comparable sales, a loan-to-value reduction may be required.

(e) **Properties Listed for Sale**

If the subject property has been listed for sale in the last six (6) months, the appraised value may not exceed the listing price unless significant improvements have been made to the property. The appraiser must describe the improvements that have been made and the impact the improvements have had on the property's value.

All properties that have been listed for sale in the last six months are considered subject to:

- No mortgage lates or past due balloon
- Borrower Letter of Explanation regarding circumstances of sale
- Copy of cancelled listing agreement
- Subject to restrictions detailed in Loan Program Descriptions.

13.9 Property Inspections

All individuals performing inspections must be appropriately licensed within their field of expertise. See below for when specific inspections are required.

(a) **Termite / Pest Inspection Report**

Termite/Pest Inspection Report must be obtained as follows:

- A requirement of the purchase contract, excluding new construction.
- If there is evidence of termite/pest or dry rot, whether indicated in the appraisal report or not.
- A recommendation in the appraisal or Home Inspection report.
- Termite/pest or dry rot damage is visible in the photos.

The report should be reviewed for any deferred maintenance and/or structural deficiencies that may require repair or correction prior to closing. A clearance must be obtained on all Section 1 repairs as required by the Inspection Report.

(b) **Roof Certification**

Roof Certification must be obtained if ANY of the following apply:

- A requirement of the purchase contract;
- A recommendation in the appraisal or Home Inspection report; or
- Disrepair is visible in the photos.

Roof certifications must certify that the remaining life of the roof is no less than (two) 2 years.

(c) **Well, Septic, Structural, Geological Inspections / Reports**

Well, Septic, Structural, Geological Inspections / Reports must be obtained if ANY of the following apply:

- A requirement of the purchase contract.
- Recommendation in the appraisal report.

The report should be reviewed for any deferred maintenance and / or structural deficiencies that may require repair or correction prior to closing. A clearance must be obtained on all repairs as required by the inspection report.

13.10 Occupancy

(a) **Owner Occupied Principal Residence**

An owner-occupied property is a 1-4 family dwelling occupied by the borrower(s) as his / her principal residence.

- Borrower occupies the subject as their principal residence. For a purchase transaction, Borrower's stated intention to occupy the subject as their principal residence.
- Property location is relatively convenient to borrower's place of employment.
- Property possesses the physical characteristics to accommodate the borrower's immediate dependent family.

(b) **Second / Vacation Home**

A second / vacation home is owned and occupied by the borrower for some portion of the year, in addition to their principal residence.

- Timesharing, rental agreement ownership or 2-4 unit properties are NOT eligible as second / vacation homes.
- Property must be suitable for year-round occupancy.
- Property must not be subject to any rental pools or agreements requiring the rental of the property.
- A management firm does not control property occupancy.
- Pricing adds and LTV restrictions may apply. See program rate sheet for details.

Non-QM Loan Program Guidelines

Borrowers purchasing or refinancing a second / vacation home must execute the appropriate rider to the deed with loan documents.

(c) **Investment Property (Non-Owner Occupied)**

An investment property is a residential dwelling owned by an individual who does not occupy the dwelling. The dwelling is leased and occupied by individuals other than the owner.

- When financing an investment property, HomeXpress Mortgage Corp. limits the number of total investment properties a borrower may own including subject to 10, whether mortgaged or not.
- Investment properties that were built by a borrower / contractor are generally not eligible for financing.

All borrowers purchasing or refinancing an investment property must execute the appropriate rider to the deed with loan documents and provide rent-loss insurance coverage.

(d) **Short Term Rental Property**

HomeXpress will consider properties rented out on a short-term basis.

If the property is not listed on AirBnb or VRBO, then the following must be documented:

- Satisfactory evidence that short term rental use is legal in the subject property's jurisdiction.
- All required registrations, licenses, permits, and business tax certificates must be provided and reviewed.
- If the property is part of a HOA, documentation from the HOA will be required to verify that the subject's use is permissible under the CC&Rs.
- Satisfactory evidence that the owner has registered and paid all required transient occupancy taxes.

The appraiser, in addition, must comment on the prevalence of short-term rental activity in the market area, and whether there is an impact on marketability.

14.0 Appraisals

14.1 Appraiser Requirements

(a) Appraiser Qualifications

The appraiser or review appraiser must be an appropriately licensed or certified for the state in which the property is located and comply with the competency rules of USPAP. HomeXpress Mortgage Corp. reserves the right to reject an appraisal from any given appraiser or to request a second appraisal.

(b) Appraiser Licensing/Certification Requirements

HomeXpress Mortgage Corp. requires appraisal reports to be completed by appraisers that have either a certified residential appraiser license or a certified general appraiser license in good standing at the time the report is completed.

Appraisal reports signed by a trainee appraiser must be co-signed by a supervisor appraiser (either a licensed or certified residential appraiser). The supervisory appraiser does not have to inspect the property.

Appraisal Reports

(a) General Requirements

HomeXpress Mortgage Corp. requires a complete original summary appraisal report on each property. HomeXpress Mortgage Corp. does not accept limited appraisal reports or evaluations. Each appraisal must meet FNMA appraisal standards and conform to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraisal must include an original or digital signature from the licensed appraiser. The appraiser must explain any inconsistencies or discrepancies noted in the appraisal report. The appraisal must build to a logical conclusion of value.

The subject property section of the appraisal report must include the following:

- Identify and describe the location of the subject property. The appraisal must identify the subject property by its complete property address and legal description. When the legal description is lengthy, the appraiser may attach the full description as an addendum to the appraisal report, or may provide the subject's tax ID parcel number.
- Provide information about property taxes and special assessments.
- Indicate the occupancy status of the property.
- Describe the property rights appraised.
- Summarize financing data and sales concessions.
- Identify the borrower, the current owner, the loan originator as the client, and the appraiser.

Non-QM Loan Program Guidelines

(b) **Second Appraisals**

Two (2) full appraisals may be required at the discretion of HomeXpress Mortgage Corp for unique properties, properties with questionable marketability or as defined in the HomeXpress Appraisal Review Policy.

(c) **Environmental Hazards**

Any known environmental hazard in or on the subject property, or in the vicinity of the subject property must be disclosed to the appraiser. The appraiser must consider any influence the hazard may have on the property's value and marketability. These hazards may be found on the sales contract / offer to purchase, or communicated by the seller of the property, the buyer, the real estate broker, or local governments. Upon discovery of any hazard, the appraiser must review for any suggested corrective action.

(d) **Radon Certification**

- Must be completed by a licensed or certified inspector
- Must indicate levels within acceptable tolerance

(e) **Toxic Waste**

- Properties within one (1) mile of a Federal Super Fund site will require a Phase I Report. Based on the results, further analysis or reports may be required.
- Properties that abut or are adjacent to a known toxic site will require full disclosure and may require further analysis or a Phase I report.

(f) **Appraisal Report Forms**

Appraisals must be completed on the most current version of the following forms, including all appropriate schedules, addenda, and documentation indicated below:

Single Family Residence

- URAR – Uniform Residential Appraisal Report (FNMA Form 1004 dated 03/2005) Planned Unit Development (PUD)
- URAR – Uniform Residential Appraisal Report (FNMA Form 1004 dated 03/2005) Condominium Units

Individual Condominium Unit Appraisal Report; Site Condominiums (detached individual condo unit)

- Individual Condominium Unit Appraisal Report (FNMA Form 1073 dated 03/2005)

2-4 Family Units

- FNMA Form 1025

5-8 Units

- FNMA Form 1050

(g) **Age of Appraisal Report**

If the appraisal date is 120 days or more at closing, the original appraiser must provide an Appraisal Update with photos.

If the appraisal date is 180 days or more as of the date of closing, a full new appraisal report completed by a licensed or certified appraiser is required.

(h) **Appraisal Updates (Recertification of Value)**

If an appraisal update is required, the following conditions must be met:

- The real estate has undergone no significant change since the original appraisal.
- The time period between the effective date of the original appraisal and the effective date of the appraisal is less than six (6) months.
- The appraiser must address any changes in the market conditions and the status of the subject since the original appraisal and analyze the effect of these changes in arriving at the current value estimate for the subject.

The appraisal update must include:

1. written documentation in the form of an addendum to the appraisal with all supporting information and documentation with the following:
2. A list of current supporting comps listing the sale information and physical characteristics or can be shown on a market grid;
3. If current comps are not available, the appraiser must also make a statement;
4. Location map;
5. If the original appraisal cannot be supported by an appraisal update, a new appraisal must be obtained.

14.3 **Appraisal Report Documentation**

Each appraisal report must include as attachments the exhibits listed below:

(a) **Client/Lender**

All appraisals must be ordered through an Appraisal Management Company (AMC) and name HomeXpress Mortgage or the submitting broker as the Client. Appraisals ordered by the broker through their own appraisal network are acceptable provided that the appraisal is ordered through Appraisal Management Software (“AMS”) and an Appraiser Independence Requirement (AIR”) Certification will be required. Transferred appraisals must have been ordered through an AMC. The transferring lender or the AMC must provide evidence certifying that the appraisal follows Appraiser Independence Requirements.

Appraisal reports reflecting the borrower or property seller as the client / lender are not acceptable and will require a full new appraisal report.

(b) **Location Map**

The location map must locate the subject property and all comparable properties (including sale, rental and listing comparable sales, as applicable). The map should also disclose the street names of the subject property and comparable sales.

(c) **Plat Map**

In states where available, a plat map (a survey from the title commitment if applicable) showing the location of the subject property with the dimensions of the lot size should be obtained.

(d) **Floor Plan/Building Sketch**

- A sketch showing the location of all rooms and exterior doors.
- Location of interior walls and doors is required if a condition of functional obsolescence is noted.

(e) **Exterior Sketch**

The exterior sketch of the improvements must include the dimensions and calculations that the appraiser used to determine the size of the subject property. An exterior building sketch is used for detached one- unit properties and end PUD units; an interior perimeter sketch is acceptable for condominium units and interior PUD units. For two-to-four (2-4) unit properties, the sketch must include each unit's layout and entries, indicate the square feet of living area per unit, and the gross building area

(f) **Rent Schedules (FNMA Form 1007)**

HomeXpress Mortgage Corp. requires the Single-Family Comparable Rent Schedule (FNMA Form 1007) for single-family properties on lease-option purchase transactions only. Single family investment properties with excessive monthly rent payments reflected on the Rental / Lease Agreement will require documentation supporting that the monthly rent is typical for the area. Acceptable documentation may include; classified ads from local newspapers, Single Family Comparable Rent Schedule (FNMA Form 1007) completed by the appraiser or a market rent survey completed by a local real estate company or rental management company familiar with the market rents in the area.

(g) **Addenda**

The appraiser may determine that the appraisal report must be supplemented by addenda. All addenda must be attached to the appraisal report and incorporated into the report by reference. The appraiser must comment on all forms of obsolescence and specify causes. If repairs are needed, the appraiser must list and estimate the cost to repair.

(h) **Statement of Limiting Conditions – Appraisal Certification (FNMA Form 1004B or FHLMC 439)**

- Each form must have an original or digital signature.

- Any additions or deletions made to the Statement of Limiting Conditions Appraisal Certification must be referenced in the “reconciliation” section of the appraisal report

(i) **Satisfactory Completion Certificate (FNMA Form 1004D)**

For appraisal reports made “subject to”, a satisfactory completion certificate with photographs must be obtained and included in the loan file. The certification must:

- Be made after completion of the repairs, improvements, alterations, conditions, or construction;
- Clearly state that all conditions or requirements set forth in the original appraisal report of the mortgaged premises have been fulfilled; and
- Be prepared and signed by the original appraiser, if available, or by another qualified approved appraiser.

(j) **Energy Addendum (Energy Efficient Property)**

The following may be used to identify, rate and evaluate the subject property's energy efficient features:

- Evidence of compliance with the Council of American Building Officials (CABO) 1992 Model Energy Code (MEC);
- Form 70A, Energy Addendum (Residential Appraisal Report); or
- A report from an established Home Energy Rating System (HERS) sponsored by a local utility, home builder association, or a state or local government.

(k) **Photographs (Subject and Comparable Sales)**

One set of clear descriptive color photographs of the subject property is required. The photographs must be originals (produced by photography or electronic imaging), must be appropriately identified and must clearly show the completed improvements. The photographs must include:

- A front view of the property;
- A street scene identifying the location of the property and showing neighboring improvements;
- A rear view of the property;
- The appraiser must include additional photographs, if necessary, to show clearly the improvements, amenities, or external influences that have a material impact on value or marketability; and
- Interior photos are required on all properties to generally depict the living areas, kitchen, bedrooms and bathrooms.

One set of clear color digital photographs of the front view on each of the three (3) closed comparable sales is required. (The property addresses must be indicated.)

14.4 Neighborhood

(a) Neighborhood Analysis

The neighborhood section of the appraisal report must contain an accurate description of the subject neighborhood and the factors that influence market value and marketability in the neighborhood. The actual neighborhood area being considered should be clearly defined using street names and other recognizable boundaries. The sales price of comparable properties in the identified area should reflect positive and negative influences in the neighborhood. The analysis should consider the effect of social, economic, governmental and environmental forces on the property values. The information presented in the neighborhood description must be consistent with, and supported by, the conclusions reached by the appraiser throughout the appraisal report.

(b) Growth Rate

When property values are declining an internal appraisal review may be required and the loan may require a loan-to-value reduction.

(c) Present Land Use

The present land use, the predominant occupancy composition, and the likelihood that either will change must be analyzed to determine whether a neighborhood is undergoing transition. The appraiser must comment on any change in land use. **(Properties with interim use or properties reported to have a different highest and best use than the present use are not eligible for financing).**

(d) Predominant Value

The relative percentages of developed land should be shown; underdeveloped land should be shown as vacant. Any unusual situations or types of land use should be mentioned in the comment section. The total types of land use must equal 100%

(e) Supply, Demand, Marketing Time

When marketing time for an area is greater than six (6) months, the appraisal must contain comments on the reason for the extended marketing period and its effect on the value of the property.

(f) Neighborhood Description and Market Trends

Any increase or decline in the market must be detailed. The marketing time of the subject must reflect the current trend for the area and the subject property. Marketing time of over six (6) months must be explained in detail to determine the effect on the marketability.

14.5 Site

(a) Value

The estimated site value must be included for all detached properties. If the appraiser's estimate of the site value is one that is not typical for a comparable residential property in the subject property's market area, the appraisal must include comments on how the variance affects the marketability of the subject property.

(b) Multiple Parcels

A property that consists of two or more parcels of land with one legal description reflected on the title policy is acceptable collateral. The appraised value must be based on all parcels of land. All existing parcels must be contiguous and encumbered by the subject loan. The appraisal should include comparable sales similar to the subject property. Additional parcels with no improvements must be valued as excess land only at its contributory value. The mortgage must include all parcels as collateral. The site size of all parcels may not exceed HomeXpress Mortgage Corp.'s maximum requirements.

(c) Site Area

HomeXpress Mortgage Corp. will lend on properties that are located on lot sizes up to ten (10) acres. Loans secured by properties located on more than ten (10) acres will be considered provided that the property is not used for agricultural purposes and may be subject to LTV restrictions. The appraiser must provide a value for the entire site size of the property, regardless of the lot dimensions or number of acres.

- Comparable sales must support larger parcels as common and typical for the area.
- The comparable sales should be on similar sized lots from competing market areas in close proximity to the subject. In addition, the comparable sales should exhibit similar age, quality of construction, design, appeal, square footage, room count and utility, etc.

NOTE: If the subject property's site size is not supported with similar comparable sales, a loan-to-value reduction may be required. See Loan Program Descriptions for further acceptability.

(d) **Site Utilities**

The minimum requirements for water sources, sewers and electricity may include:

- Public water, private wells, shared wells with a recorded agreement, or common stock in a private water company with a recorded water stock certificate.
- Cistern water is acceptable provided that the appraiser provides recent comparable sales of properties that use cistern water that are in close proximity to the subject property. An internal appraisal review is required.
- Public sewer or private septic systems (cesspools).
- Private septic systems (cesspools) must be typical for the area and supported by comparable sales with similar septic systems.
- Public electricity only. Properties relying on solar systems or generators for electricity except as backup systems are not allowed.

All non-public water sources and septic systems should be addressed by the appraiser and should be typical for the marketplace with like comparable sales.

(e) **Street Surfaces and Private Roads**

Publicly maintained paved or all-weather dirt roads or a private road access is acceptable, if common for the area. A road maintenance agreement is required for private road access. Charges for maintenance of private roads are considered assessments and should be included in the debt-to-income calculation. If the subject is on an all-weather dirt road, similar comparable sales must be utilized to support marketability and value. The presence of sidewalks, curbs, gutters, streetlights and alleys depends on the local codes and regulations of the city or local municipality. If such improvements are required in the community, they must be present.

(f) **Ingress and Egress**

A property that is land locked is accessed by a private road must have easements of record allowing access to and from the subject property to a public street (i.e., ingress and egress) and must be insurable by the title insurance company. Land locked properties with no legal access are not eligible for financing.

(g) **Zoning Classification**

The appraisal report must indicate the specific zoning classification for the subject property and a general statement to describe what the zoning allows (e.g., "R-1 single-family" vs. residential", R-2 "two-family, "C1-commercial", etc.). For areas in which there are no local zoning, the report should indicate so.

The appraisal report should contain a statement indicating whether the site's improvements represent a legal use of land. Loans secured by property with improvements that are not legally permissible are not acceptable.

Non-QM Loan Program Guidelines

A one-to-four (1-4) unit property that represents a legal, but non-conforming use of the land must include the appraiser's analysis regarding any adverse effect(s) that the non-conforming use has on the property's value and marketability and comment on the highest and best use. A 100% rebuild letter from the local municipality is required. For a unit located in a condominium or attached PUD project the rebuild letter must indicate that the project may be rebuilt to its current use and density with no restrictions.

Properties with interim use or a highest and best other than residential are not acceptable.

14.6 Improvements

(a) Over-Improved or Super-Adequate Properties

Properties that are considered over-improved or super-adequate for the neighborhood require a detailed explanation from the appraiser. The appraiser should attempt to utilize recent sales of similar properties (over-improved or super-adequacy) from the subject's market area, if available. If recent sales of such properties are not available, the appraiser should utilize recent sales that are typical for the subject's market area and make the appropriate adjustments for functional obsolescence based on the market's reaction to the property.

(b) Effective Age vs. Actual Age

The relationship of the effective age to actual age is a good indicator of property condition. A property that has an effective age higher than the actual age probably has not been well maintained. In such cases, the condition of the property must be carefully analyzed.

(c) Heat Source

The subject property must have an acceptable heating source based on local health and safety codes. A permanent ventilated source of heating is required except in areas where heating is not required.

(d) Parking

Adequate off-street parking should be available for the subject property. The property should provide adequate parking that is typical for the neighborhood. Off-street parking for one car is considered acceptable, unless the property is in an area where no off-street parking is typical.

(e) Above Grade Room Count

The appraiser must be consistent when calculating the above grade room count and square footage of the gross living areas that are above grade. Only finished above grade areas should be counted; garages and basements should not be included.

A room that is not included in the above grade room count may add substantial value to the property. Therefore, the appraiser should report the basement area and other partially below grade areas, including the room count, separately and make appropriate adjustments for them in the Sales Comparison Analysis Section.

14.7 Cost Approach

The cost approach to value is not required on all one-to-four (1-4) residential properties except for manufactured homes. All forms of depreciation applicable are required and must be explained.

(a) Site Value and Land Value Ratio

The estimated site value must be included in the cost approach for all detached properties. If the site value is more than 50% of the total value, the appraiser should include comments as to whether this is common for the subject property market area. If the appraiser's estimate of the site value is one that is not typical for a comparable residential property in the subject property's market area, the appraisal must include comments on how the variance affects the marketability of the subject property.

(b) Remaining Economic Life

The estimated remaining economic life of the property must be included in the cost approach. The estimated remaining economic life of the subject property must be no less than the term of the new loan.

14.8 Sales Comparison Approach

(a) Sales Comparison

At least three (3) verified, closed sales of comparable properties must be analyzed in the appraisal report, with adjustments made for significant differences between the comparable sales and the subject property.

(b) Sales Comparison Selection Criteria

The three comparable sales listed in the report must meet the following criteria:

- Must be similar in property characteristics including square footage, room count (bedroom/bath count), design/appeal, construction, condition, amenities, site, etc.
- Urban and suburban properties must be measured in city blocks.
- Must be near the subject property. Outlying suburban and rural properties generally should not be more than five miles from the subject property without adequate explanation from the appraiser.
- Be recently sold (usually no more than six months before the date of the appraisal). Multiple Listings from the market area are also recommended in areas where current closed sales may be difficult to obtain. The use of an older comparable sale must be justified by comments in the appraisal report. The use of comparable sales over 12 months old must include an extensive explanation from the.
- The comparable sales prices should bracket the estimated value of the subject property.
- If adverse conditions affect the subject property, at least the same type of adverse condition must affect two of the comparable sales.

Non-QM Loan Program Guidelines

In areas where there are certain style / types of properties that may be typical for the area such as A- frame home, log homes, split level homes, daylight basements, etc. the comps utilized must be similar, in the market area and represent the current market conditions for the time of sale, etc.

(c) **Adjustments to Comparable Sales**

Each comparable sale must be analyzed for similarities and differences between it and the subject property. The appraisal must include appropriate adjustments for differences and indicate the dollar amount of the adjustments. Comparable sales must be adjusted to the subject property. (Time adjustments must reflect the time that elapsed between the contract date for the comparable sale and the effective date of the appraisal of the subject property. Unsupported time adjustments are not acceptable.)

(d) **Excessive and Multiple Adjustments**

Excessive and multiple adjustments could indicate that the comparable sales chosen were not suitable for accurately evaluating the property. The appraiser must "bracket" the comparable sales so that the property can be analyzed using both higher and lower priced homes.

14.9 Income Approach

The Income Approach is required on all multifamily units. The market rents must be supported by comparable sales with similar unit mix and characteristics properties to the subject. The appropriate supplemental addenda for rents and expenses are required.

14.10 Appraiser's Comments

The appraiser's comments should reflect the reconciliation of the adjusted or indicated values for the comparable sales and identify which were given the most weight in arriving at the indicated value for the subject property.

Any additional features, necessary repairs or modernization, or physical, functional or external inadequacies must be reported in the comment sections of the appraisal report.

(a) **Environmental Hazards**

The appraiser must comment on any effects of environmental hazards discovered on or near the site, the impact on marketability or value and an estimate of the scope and/or cost if known to cure.

(b) **Additions or Alterations**

If the appraisal notes that additions or alterations were made without permits, the comment section should contain comments on the quality and appearance of the work.

(c) **Environmental/Energy**

The appraiser should use this section to note special energy-efficient items and adverse environmental conditions

(d) **Property Condition**

HomeXpress Mortgage Corp. does not fund loans secured by a property with a condition rating of C5 or C6. The appraiser must report the condition of the improvement in factual terms. Items rated less than average (inferior) in competing properties of the subject's market area generally may result in buyer resistance. The appraiser must comment on these items, the reasons for such ratings and how they affect the marketability and value of the subject property. Any property condition rating of C5 or C6 must be properly conditioned and brought to C4 or better condition prior to closing.

(e) **Work in Progress**

Any work in progress must be completed and a Satisfactory Certificate of Completion (FNMA Form 1004D) with photos must be included in the loan file.

(f) **Deferred Maintenance**

A property may be rejected as security for a loan or may require a reduction in the loan amount if signs of deferred maintenance exist on the appraisal.

Properties that include certain appraiser conditions, subject to items, or deferred maintenance must be described in detail. The appraiser should include the cost to cure to determine the nature of the repairs. The appraiser's comments should address any threat to an occupant's health, safety and habitability.

All subject to items must be completed and a Satisfactory Completion Certificate (FNMA Form 1004D) with photos must be included in the loan file. Other items may be requested to be repaired and the adequate completion of work required must be evidenced by photos.

A property that is being used to store old cars, auto parts, appliances, debris scattered throughout the site, excessive amount of trash, unkempt yard with overgrown trees, shrubs and weeds, should be cleared and photos provided to evidence the work was completed.

(g) **Structural Deferred Maintenance**

Structural items are not covered in the cosmetic rule. Structural items can be roofing, internal plumbing, electrical, anything that affects the "bone structure" of the house. Items like termite damage, wood rot, roof leaks, broken windows, door damage, gross ceiling or wall damage, unstable or non-level floors, foundation problems, basement leaks, or major exterior wall problems are further examples of structural deferred maintenance.

Properties with structural damage will not be acceptable unless repaired. Structural concerns require a satisfactory structural report. The items must be corrected and documentation, including photos of the repaired items prior to closing, is required.

(h) **Minor or Cosmetic Deferred Maintenance**

Deferred maintenance items that are considered minor and cosmetic and do not affect the safety, structural integrity, mechanical systems, or habitability of the improvement need not be repaired. Minor cosmetic items may include, interior or exterior painting, worn carpet, worn linoleum, minor patching, replacement of fixtures, minor clean up items, or minor landscaping.

(i) **Health and Safety Issues**

All items that have been identified as potential health and safety issues by the Appraiser or HomeXpress must be satisfactorily addressed or resolved. The corrections must be documented and photos provided.

Health and safety issues may include; a broken window, empty pool, security bars not equipped with safety release latches, upper level doors with no balcony, missing railings, broken steps, missing handrails on steps/stairs consisting of four (4) or more levels, major electrical and plumbing repairs.

(j) **Security Bars**

For health and safety reasons, a property with security bars on the windows and/or doors should be equipped with safety release latches. The appraiser must comment whether the security bars have safety release latches or not.

14.11 Reconciliation of Value

The reconciliation must contain any conditions of the appraisal on which the final estimate of value is based. The rationale in the final reconciliation must be consistent with the comments, conclusions and assumptions stated throughout the appraisal report. The appraiser must indicate if the appraisal is made “as-is” or “subject-to” repairs or completion.

The report must contain the:

- Date of the value estimate.
- Estimate of market value.
- Appraiser’s name and original or digital signature.
- Appraiser’s state certification or license number.

(a) **Value Conclusion**

The value conclusion must be well supported and documented. All approaches to value must be reconciled except on properties where certain approaches to value may not be applicable.

14.12 Appraisal Review Requirements

(a) **Appraisal Reviews**

The intent of the appraisal review is to form an accurate opinion regarding the facts and value of the appraisal that was submitted for lending purposes.



Non-QM Loan Program Guidelines

All appraisals submitted to HomeXpress Mortgage Corporation are subject to a review. Refer to the Appraisal Review Policy for specific information.

HomeXpress Mortgage Corp. maintains discretion for interpretation or definition of any item or situation that is not explicitly addressed in the guidelines.



15.0 Loan Program Descriptions

15.1 CoreX

General	
Transaction types	Purchase (maximum 90%) Rate/Term (maximum 85% LTV) Cash-Out (maximum 80% LTV)
Occupancy	Owner-Occupied 2 nd Home (maximum LTV 85% on purchase transactions, 80% rate and term refinances and 75% on cash out refinances) <ul style="list-style-type: none"> • Ineligible for financing if listed for sale in the last 6 months Non-owner Occupied (maximum 80% LTV on purchase and 75% on refinances) <ul style="list-style-type: none"> • Non-owner occupied defined as a property that is not for the sole purpose of investing in real estate or where the majority of the proceeds from a cash out refi are for personal and not business use. • Ineligible for financing if listed for sale in the last 6 months
Minimum Loan Amount	\$100,000 Condotel - \$150,000
Products Available	30 year fixed, 5/1 ARM, 40-year fixed IO, 5/1 ARM IO, Interest-Only is limited to max 85% LTV.
Maximum Loan Amount	\$3,000,000 Non-Owner Occupied - \$2,000,000 Condotel - \$1,500,000
Maximum Cash Out	LTV ≤ 65%, unlimited LTV > 65%, \$500,000
Minimum Equity Requirement	\$40,000 (Defined as Home Value less loan amount)
Subordinate Financing	Maximum CLTV is 90% for Purchase transactions. The maximum CLTV for all other loans is 85%. Subordinate IRS tax liens may go to 90% CLTV on all loans.
First Time Homebuyer	Allowed with the following restrictions: <ul style="list-style-type: none"> • Gift funds are allowed with 5% of borrower’s own funds.

Non-QM Loan Program Guidelines – CoreX Loan Program Description

Non-Arm's Length Transaction	<p>Non-Arm's length transactions are allowed subject to management review and must meet the following requirements:</p> <ul style="list-style-type: none"> • Evidence the underlying (seller's) mortgage is not currently delinquent or in default • No builder/employee relationships
Eligible Borrowers	<p>US Citizens Permanent Resident Aliens NPRA (maximum 80% LTV, maximum \$2M loan amount, see NPRA section below for additional requirements)</p>
Taxes/Insurance Impounds	<p>Required for all loans where allowed by law.</p>
Financed Discount Points and/or Broker Origination Fees	<p>HomeXpress will finance up to two (2) percent of the base loan amount that may be used to pay discount points, broker origination fees, and/or buyer's realtor fees. These funds used will be reflected in the LTV, however pricing of the loan will be based on the base LTV. Further, this increase is allowed on all loans up to 80% LTV and although the LTV is beyond the "base" LTV, it will not be viewed as an exception to the loan program.</p> <p>Example: A loan of \$400,000 is being made at 70% LTV. The borrower wishes to finance two (2) percent of the loan amount to pay for discount points and/or broker origination fees. This will increase the loan amount to \$408,000. Although the LTV of this loan is now 71.4%, the pricing of the loan will be based on 70% LTV. Further, if the program maximum is 70%, the LTV of 71.4% will not be viewed as an exception.</p> <p>Note: Texas(a)(6) loans may not exceed 80% LTV under any circumstances.</p>
Credit	
Minimum FICO Score	<p>Primary Wage Earner – 600 Co-Borrower – None Non-owner Occupied - 660</p> <p>When multiple borrowers are on the loan, the middle score the primary wage earner will be used for LTV and pricing purposes. If the income of the borrower's is equal, then the highest score will be used for LTV and pricing purposes.</p>

Non-QM Loan Program Guidelines – CoreX Loan Program Description

<p>Housing History</p>	<p>A 12-month housing history is required unless:</p> <ul style="list-style-type: none"> • the property is owned free and clear of liens, or • the borrower(s) lived rent free for that period. <p>Non-Owner Occupied Properties</p> <ul style="list-style-type: none"> • Maximum allowed: 1x30 max in the past 12 months. <p>Owner Occupied Properties</p> <ul style="list-style-type: none"> • Allowed up to 1x60 in the past 12 months, subject to LTV reductions from the program maximum. <ul style="list-style-type: none"> • 1x30 is a 5% reduction (capped at 80%) • 1x60 is a 10% reduction. • Mortgage lates greater than 1x60 are not eligible for financing.
<p>Minimum Tradelines</p>	<p>When 3 scores are returned, there is no minimum tradeline requirement as long as the tradelines on the report are not solely authorized user accounts. If only 2 scores are returned, then 3 trade lines reporting for ≥ 12 month; or 2 trade lines reporting for ≥ 24 months with activity in the past 12 months are required. For borrowers without a housing history, one of the tradelines must be at least \$5000 high credit/limit.</p>
<p>Bankruptcy/Foreclosure</p>	<p>Standard Requirement: Must be seasoned more than 2 years to qualify for program maximum LTV.</p> <p>Less Than 2 Years Seasoning:</p> <ul style="list-style-type: none"> • Maximum LTV is 80%. <p>Foreclosures in the last 12 Months:</p> <ul style="list-style-type: none"> • Not eligible for financing. <p>Multiple Events:</p> <ul style="list-style-type: none"> • Borrowers with multiple Bankruptcies and/or foreclosures are typically not eligible.
<p>Short Sale/Deed-in-Lieu/Modification</p>	<p>Program LTV – Must be seasoned more than 2 years</p> <p>Must be settled with LTV reductions, less than 2 years maximum LTV is 85% and less than 1 year the maximum LTV is 75%.</p>

Non-QM Loan Program Guidelines – CoreX Loan Program Description

<p>Forbearance</p>	<p>A forbearance during the housing lookback period is allowed if the borrower continued making their contractual mortgage payments as specified in the Note, if the loan was brought current during the month immediately following the end of the forbearance, or if the borrower has made all payments as agreed for at least 3 months following the end of the forbearance.</p> <p>Example 1: The borrower’s contractual payments according to the terms of the Note is \$1,000 per month. The borrower entered into a forbearance agreement for 3 months which required no payments. Although the borrower entered into a forbearance agreement, the borrower made payments of \$1,000 each month of the forbearance. In this example, the borrower would be eligible for financing.</p> <p>Example 2: The borrower’s contractual payments according to the terms of the Note are \$2,000 per month. The borrower entered into a forbearance which did not require payments for 3 months. The borrower did not make payments during the time the forbearance was in effect. In the month following the forbearance (month 4), the borrower made a payment of \$8,000 which is the equivalent of the 3 missed payments plus the current month. This borrower would be eligible for financing as long as there were no delinquent payments after exiting the forbearance.</p> <p>Example 3: The borrower’s contractual payments according to the terms of the Note are \$2,000 per month. The borrower entered into a forbearance which did not require payments for 3 months. The borrower did not make payments during the time the forbearance was in effect. Beginning the month following the forbearance (month 4), the borrower made a payment of \$2,000 (the contractual payment amount) for at least 3 consecutive months. This borrower would be eligible for financing as long as there were no delinquent payments after exiting the forbearance.</p>
<p>Tax Liens/Judgements</p>	<p>All tax liens and judgments must be paid at closing</p>
<p>Collections/Charge-offs</p>	<p>All collections and charge-offs must be paid except the following:</p> <ul style="list-style-type: none"> • Medical collections • Collections and charge-offs over two years old or \$2500 or less.

Non-QM Loan Program Guidelines – CoreX Loan Program Description

Assets	
Reserves	<p>LTV ≤ 80% - None Required LTV > 80% - 6 months PITI Loan Amount > \$2MM - 6 Months PITI</p> <p>Cash-out from loan proceeds may be used to satisfy reserve requirements</p>
Funds to Close	<p>Funds to close must be sourced and seasoned for 60 days.</p> <p>Gift funds are acceptable with the following scenarios:</p> <ul style="list-style-type: none"> • ≤80% LTV – 100% of down payment and closing costs may come from gift funds. • >80% LTV - 5% borrower own funds required. <p>Note: Gift funds may not be used to satisfy reserves requirement.</p>
Lender Credit	<p>HomeXpress will allow the application of Lender Credit to be used for recurring and non-recurring closing costs.</p> <ul style="list-style-type: none"> • Any overages will be applied to principal reduction • Lender credit can be used on Lender Paid and Borrower Paid loans • Lender credit cannot be used to pay broker compensation.
Income/DTI	
Income Documentation Types Available	<p>Full Doc 2-year Full Doc 1-year ALT Doc – 24 months business bank statements ALT Doc – 24 months personal bank statements ALT Doc – 12 months business bank statements ALT Doc – 12 months personal bank statements ALT Doc – Full Doc with lease agreements ALT Doc – P&L Assist ALT Doc – P&L Xpress (Max 75% LTV) ALT Doc – 12 Month Cash Flow (Max 80% purchase and rate term, 65% cash out) Asset Xpress –</p> <ul style="list-style-type: none"> • Max DTI 50% • Assets divided by 60 and added to income <p>For Self-employed Borrowers: Min. 2 years history of self-employment required, except for 12-month cash flow option where the min. is 1 year. Also available for gratuity earners.</p> <p>Lease agreements in lieu of schedule E are treated as ALT Doc.</p> <p>Non-Owner Occupied is only allowed on 1 and 2 year Full Doc and</p>

Non-QM Loan Program Guidelines – CoreX Loan Program Description

	bank statement programs. No lease agreements, 3 month bank statements, P&L, Cash Flow or asset based programs allowed.
DTI	50% (Non-owner Occupied max.) 55% with max 80% LTV, \$4,000 per month disposable and 0x30 mortgage. (Owner Occupied and Second Home only)
Residual Income	\$1,500 per household plus \$500 1 st child, \$250 thereafter. Child maximum \$1,500.
Qualifying Rate	Higher of Start Rate or Fully-Indexed Rate.
Property	
Property Types	Single Family Residence Condominium (Warrantable and & Non-Warrantable (Non-Warrantable max 80% LTV purchase and 75% all refinances) High Rise Condominium Max 80% LTV (FL High Rise Max 75%) Planned Unit Development (PUD) Townhouse 2-4 units (Max 80% LTV) Condotel (Max 75% purchase and 65% all refinances) Short Term Rental (5% reduction from program maximum LTV) Rural (Max 75% purchase and 70% all refinances)
Ineligible Properties	Properties > 10 acres Mixed-Use Properties Properties in below average condition
Appraisal	Full Interior Appraisal on appropriate FNMA form <ul style="list-style-type: none"> • SFR/PUD – 1004 • Condo – 1073 • 2-4 Units – 1025
2 nd Appraisal	Required on loan amounts > \$2,000,000 Required on properties subject to TILA HPML rule. HomeX, at its discretion, may order a 2 nd appraisal when it is deemed warranted.

Non-QM Loan Program Guidelines – CoreX Loan Program Description

Property Seasoning	<p><u>Refinance Transactions (Rate & Term and Cashout)</u></p> <p>If the property was purchased in the last 6 months using solely cash and no underlying mortgage, refer to the delayed financing section for additional requirements.</p> <ul style="list-style-type: none"> • Property purchased < 6 months, use acquisition cost plus documented improvements. • Property purchased ≥ 6 months, use appraised value.
Listed Properties	<p>For cash out refinance transactions, listed properties must be off market for 6 months. On rate/term transactions, lendable value will be based off the lowest listing price over the 6 months.</p>
Non-Permanent Resident Aliens Requirements	
Acceptable Visa Classifications	<p>The borrower must provide a visa indicating that they are legally allowed to reside in the United States.</p>
Documentation Requirements	<p>Copies of the borrower’s passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing under the NPRA program.</p> <p>For wage earners, a valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower’s current employer. If a NPRA is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-borrowers only. A valid EAD must be provided to use their income for qualification.</p> <p>Borrowers who are residents of countries which participate in the State Department’s Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website at http://travel.state.gov/content/visas/english/visit/visawaiver-program.html.</p>
Credit	<p>A U.S. credit report is required for each borrower on the loan using a valid Social Security number. The credit report should provide merged credit information from the 3 major national credit repositories. A 2-year U.S. housing history is required.</p>

Non-QM Loan Program Guidelines – CoreX Loan Program Description

<p>Qualifying Foreign Credit</p>	<p>The Qualifying Foreign Credit designation refers to NPRA borrowers who do not meet the Standard Tradeline requirements in HomeXpress Tradeline Requirements guidelines. A Qualifying Foreign Credit borrower may or may not have a U.S. credit report with no credit score, a single score, or a score with insufficient tradelines. If no credit score is available, a 680 FICO score will be used to determine the rate and LTV.</p> <p>Qualifying Foreign Credit borrowers must establish an acceptable credit history subject to the following requirements:</p> <ul style="list-style-type: none"> • Three open accounts with a 2-year history must be documented for each borrower reflecting no late payments. • A 2-year housing history can be used as a tradeline. • U.S. credit accounts can be combined with letters of reference from verifiable financial institutions in a foreign country to establish the 3 open accounts and an acceptable credit reputation. If letters of reference are obtained, they must: <ul style="list-style-type: none"> ○ State the type and length of the relationship, how the accounts are held, and status of the account; ○ Provide contact information for person signing the letter; and ○ Translations must be signed and dated by a certified translator
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Non-QM Loan Program Guidelines – PrimeX Loan Program Description

15.2 PrimeX

General	
Transaction types	Purchase (maximum 90% LTV) Rate/Term (maximum 85% LTV) Cash-Out (maximum 80% LTV)
Occupancy	Owner-Occupied 2 nd Home (maximum LTV 85% on purchase transactions, 80% rate and term refinances and 75% on cash out refinances) <ul style="list-style-type: none"> ineligible for financing if listed for sale in the last 6 months
Minimum Loan Amount	\$100,000
Products Available	30 year fixed, 5/1 ARM, 40-year fixed IO, 5/1 ARM IO- Interest-Only is limited to max 85% LTV
Maximum Loan Amount	\$4,000,000 For loans over \$3,000,000 the LTV/CLTV will be capped at 65% for purchase and rate/term transactions and 60% for cash out (cash out limited to \$1,000,000), the qualifying FICO must be 700 or greater, the property must be owner occupied or a second home, and income programs are limited to full doc and/or bank statements only.
Maximum Cash Out	LTV ≤ 65%, unlimited LTV > 65%, \$500,000
Minimum Equity Requirement	\$40,000 (Defined as Home Value less loan amount)
Subordinate Financing	Maximum CLTV is 90% for Purchase Transactions. The maximum CLTV for all other loans is 85%. Subordinate IRS tax liens may go to 90% CLTV on all loans.
First Time Homebuyer	Allowed
Non-Arms' Length Transactions	Non-Arm's length transactions are allowed subject to management review and the following requirements: <ul style="list-style-type: none"> Evidence the underlying (seller's) mortgage is not currently delinquent or in default. No builder/employee relationships
Eligible Borrowers	US Citizens Permanent Resident Aliens NPRA (Max 80% LTV, max \$2M loan amount and see NPRA section below for additional requirements)
Taxes/Insurance Impounds	Required for all loans where allowed by law
Financed Discount Points and/or Broker Origination Fees	HomeXpress will finance up to two (2) percent of the base loan amount that may be used to pay discount points, broker origination fees, and/or buyer's realtor fees. These funds used will be reflected

Non-QM Loan Program Guidelines – PrimeX Loan Program Description

	<p>in the LTV, however pricing of the loan will be based on the base LTV. Further, this increase is allowed on all loans up to 80% LTV and although the LTV is beyond the “base” LTV, it will not be viewed as an exception to the loan program.</p> <p>Example: A loan of \$400,000 is being made at 70% LTV. The borrower wishes to finance two (2) percent of the loan amount to pay for discount points and/or broker origination fees. This will increase the loan amount to \$408,000. Although the LTV of this loan is now 71.4%, the pricing of the loan will be based on 70% LTV. Further, if the program maximum is 70%, the LTV of 71.4% will not be viewed as an exception.</p> <p>Note: Texas(a)(6) loans may not exceed 80% LTV under any circumstances.</p>
Credit	
Minimum FICO Score	<p>Borrower – 660 Co-borrower – 660</p> <p>When multiple borrowers are on the loan, the middle score of primary wage earner will be used for LTV and pricing purposes. If the income of the borrower’s is equal, then the highest score will be used for LTV and pricing purposes.</p>
Housing History	<p>12-month housing history required. 1x30 late allowed in previous 12 months with pricing add.</p>
Minimum Tradelines	<p>When 3 scores are returned, there is no minimum tradeline requirement as long as the tradelines on the credit report are not solely authorized user accounts. If only 2 scores are returned, then 5 trade lines, open or closed with one trade aged 24 months or greater with high credit of \$5,000 or more are required. At least 2 trades must be open and active.</p> <p>If the primary borrower’s qualifying FICO score is 720 or greater no minimum tradelines are required.</p>
Bankruptcy/Foreclosure/Short Sale/Deed-in-Lieu	<p>48 months seasoning. Multiple events not allowed.</p> <p>Loans with multiple Bankruptcies and/or foreclosures are not eligible.</p>

Non-QM Loan Program Guidelines – PrimeX Loan Program Description

<p>Forbearance</p>	<p>A forbearance during the housing lookback period is allowed if the borrower continued making their contractual mortgage payments as specified in the Note, if the loan was brought current during the month immediately following the end of the forbearance, or if the borrower has made all payments as agreed for at least 3 months following the end of the forbearance.</p> <p>Example 1: The borrower’s contractual payments according to the terms of the Note is \$1,000 per month. The borrower entered into a forbearance agreement for 3 months which required no payments. Although the borrower entered into a forbearance agreement, the borrower made payments of \$1,000 each month of the forbearance. In this example, the borrower would be eligible for financing.</p> <p>Example 2: The borrower’s contractual payments according to the terms of the Note are \$2,000 per month. The borrower entered into a forbearance which did not require payments for 3 months. The borrower did not make payments during the time the forbearance was in effect. In the month following the forbearance (month 4), the borrower made a payment of \$8,000 which is the equivalent of the 3 missed payments plus the current month. This borrower would be eligible for financing as long as there were no delinquent payments after exiting the forbearance.</p> <p>Example 3: The borrower’s contractual payments according to the terms of the Note are \$2,000 per month. The borrower entered into a forbearance which did not require payments for 3 months. The borrower did not make payments during the time the forbearance was in effect. Beginning the month following the forbearance (month 4), the borrower made a payment of \$2,000 (the contractual payment amount) for at least 3 consecutive months. This borrower would be eligible for financing as long as there were no delinquent payments after exiting the forbearance.</p>
<p>Tax Liens/Judgements</p>	<p>All tax liens/judgements must be paid (may be paid at closing).</p>
<p>Collections/Charge-offs</p>	<p>All collections/charge-offs must be paid (may be paid at closing).</p>
<p>Assets</p>	
<p>Reserves</p>	<p>Loan Amount ≤ \$2MM – 6 months PITI Loan Amount > \$2MM – 12 months PITI</p> <p>Cash-out from loan proceeds may be used to satisfy reserve requirements.</p>

Non-QM Loan Program Guidelines – PrimeX Loan Program Description

Funds to Close	<p>Funds to close must be sourced and seasoned for 60 days.</p> <p>Gift funds are acceptable with the following scenarios:</p> <ul style="list-style-type: none"> • ≤80% LTV – 100% of down payment and closing costs may come from gift funds. • >80% LTV - 5% borrower own funds required. <p>Note: Gift funds may not be used to satisfy reserves requirement. Gift of Equity not permitted</p>
Lender Credit	<p>HomeXpress will allow the application of Lender Credit to be used for recurring and non-recurring closing costs.</p> <ul style="list-style-type: none"> - Any overages will be applied to principal reduction - Lender credit can be used on Lender Paid and Borrower Paid loans <p>Lender credit cannot be used to pay broker compensation.</p>
Income/DTI	
Income Documentation Types Available	<p>Full Doc 2-year Full Doc 1-year ALT Doc – 24 months business bank statements ALT Doc – 24 months personal bank statements ALT Doc – 12 months business bank statements ALT Doc – 12 months personal bank statements Asset Xpress – Assets divided by 60 and added to income</p> <p>For Self-Employed Borrowers: Min. 2 years history of self-employment required. Also available for gratuity earners.</p>
DTI	<p>45% above 85% LTV 50% up to 85% LTV</p>
Residual Income	<p>\$1500 per household plus \$500 1st child, \$250 per child thereafter. Child maximum \$1500.</p>
Qualifying Rate	<p>Higher of Start Rate or Fully-Indexed Rate.</p>
Property	
Property Types	<p>Single Family Residence Condominium (Warrantable and Non-Warrantable) (Non-Warrantable max 80% LTV purchase and 75% all refinances) High Rise Condominium Max 80% LTV (FL High Rise Max 75%) Planned Unit Development (PUD) Townhouse Rural Properties (Max 75% on purchase and 70% on all refinances) 2-4 units (Max 80% LTV)</p>

Non-QM Loan Program Guidelines – PrimeX Loan Program Description

Ineligible Properties	<p>Properties > 10 acres Short-Term Rentals Condotels Mixed Use Properties Properties in below average condition.</p>
Appraisal	<p>Full Interior Appraisal on appropriate FNMA form</p> <ul style="list-style-type: none"> • SFR/PUD – 1004 • Condo – 1073 • 2-4 Units - 1025
2 nd Appraisal	<p>Required on loan amounts > \$2,000,000</p> <p>Required on properties subject to TILA HPML rule.</p> <p>HomeX, at its discretion, may order a 2nd appraisal when it is deemed warranted.</p>
Property Seasoning	<p><u>Refinance Transactions (Rate & Term and Cashout)</u></p> <p>If the property was purchased in the last 6 months using solely cash and no underlying mortgage, refer to the delayed financing section for additional requirements.</p> <ul style="list-style-type: none"> • Property purchased < 6 months, use acquisition cost plus documented improvements. • Property purchased ≥ 6 months, use appraised value.
Listed Properties	<p>For cash-out refinance transactions, listed properties must be off market for 6 months. On rate/term transaction, lendable value will be based off the lowest listing price over the 6 months.</p>
Non-Permanent Resident Aliens Requirements	
Acceptable Visa Classifications	<p>The borrower must provide a visa indicating that they are legally allowed to reside in the United States.</p>
Documentation Requirements	<p>Copies of the borrower’s passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing under the NPRA program.</p> <p>For wage earners, a valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower’s current employer. If a NPRA is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-borrowers only. A valid EAD must be provided to use their income for qualification.</p>

Non-QM Loan Program Guidelines – PrimeX Loan Program Description

	<p>Borrowers who are residents of countries which participate in the State Department’s Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website at http://travel.state.gov/content/visas/english/visit/visawaiver-program.html.</p>
Credit	<p>A U.S. credit report is required for each borrower on the loan using a valid Social Security number. The credit report should provide merged credit information from the 3 major national credit repositories. A 2-year U.S. housing history is required.</p>
Qualifying Foreign Credit	<p>The Qualifying Foreign Credit designation refers to NPRA borrowers who do not meet the Standard Tradeline requirements in HomeXpress Tradeline Requirements guidelines. A Qualifying Foreign Credit borrower may or may not have a U.S. credit report with no credit score, a single score, or a score with insufficient tradelines. If no credit score is available, a 680 FICO score will be used to determine the rate and LTV.</p> <p>Qualifying Foreign Credit borrowers must establish an acceptable credit history subject to the following requirements:</p> <ul style="list-style-type: none"> • Three open accounts with a 2-year history must be documented for each borrower reflecting no late payments. • A 2-year housing history can be used as a tradeline. • U.S. credit accounts can be combined with letters of reference from verifiable financial institutions in a foreign country to establish the 3 open accounts and an acceptable credit reputation. If letters of reference are obtained, they must: <ul style="list-style-type: none"> ○ State the type and length of the relationship, how the accounts are held, and status of the account; ○ Provide contact information for person signing the letter; and ○ Translations must be signed and dated by a certified translator

Non-QM Loan Program Guidelines – PremierX Loan Program Description

15.3 PremierX

General	
Transaction types	Purchase (maximum 85% LTV) Rate/Term (maximum 80% LTV) Cash-Out (maximum 75% LTV)
Occupancy	Owner-Occupied 2 nd Home (maximum LTV 80% on purchase transactions, 75% rate and term refinances and 70% on cash out refinances) <ul style="list-style-type: none"> ineligible for financing if listed for sale in the last 6 months
Minimum Loan Amount	\$400,000
Products Available	30 year fixed, 5/6 ARM, 40-year fixed IO, 5/1 ARM IO- Interest-Only is limited to max 85% LTV
Maximum Loan Amount	\$3,000,000
Maximum Cash Out	LTV ≤ 65%, unlimited LTV > 65%, \$500,000
Minimum Equity Requirement	\$40,000 (Defined as Home Value less loan amount)
Subordinate Financing	Maximum CLTV is 85% for Purchase Transactions. The maximum CLTV for all other loans is 80%. Subordinate IRS tax liens may go to 85% CLTV on all loans.
First Time Homebuyer	Allowed
Non-Arms' Length Transactions	Non-Arm's length transactions are allowed subject to management review and the following requirements: <ul style="list-style-type: none"> Evidence the underlying (seller's) mortgage is not currently delinquent or in default. No builder/employee relationships
Eligible Borrowers	US Citizens Permanent Resident Aliens
Taxes/Insurance Impounds	Required for all loans where allowed by law
Financed Discount Points and/or Broker Origination Fees	HomeXpress will finance up to two (2) percent of the base loan amount that may be used to pay discount points, broker origination fees, and/or buyer's realtor fees. These funds used will be reflected in the LTV, however pricing of the loan will be based on the base LTV. Further, this increase is allowed on all loans up to 80% LTV and although the LTV is beyond the "base" LTV, it will not be viewed as an exception to the loan program. Example: A loan of \$400,000 is being made at 70% LTV. The

Non-QM Loan Program Guidelines – PremierX Loan Program Description

	<p>borrower wishes to finance two (2) percent of the loan amount to pay for discount points and/or broker origination fees. This will increase the loan amount to \$408,000. Although the LTV of this loan is now 71.4%, the pricing of the loan will be based on 70% LTV. Further, if the program maximum is 70%, the LTV of 71.4% will not be viewed as an exception.</p> <p>Note: Texas(a)(6) loans may not exceed 80% LTV under any circumstances.</p>
Credit	
Minimum FICO Score	<p>Borrower – 720 Co-borrower – 720</p> <p>When multiple borrowers are on the loan, the middle score of primary wage earner will be used for LTV and pricing purposes. If the income of the borrower’s is equal, then the highest score will be used for LTV and pricing purposes.</p>
Housing History	<p>12-month housing history required. 0x30 late allowed.</p>
Minimum Tradelines	<p>When 3 scores are returned, there is no minimum tradeline requirement as long as the tradelines on the credit report are not solely authorized user accounts. If only 2 scores are returned, then 5 trade lines, open or closed with one trade aged 24 months or greater with high credit of \$5,000 or more are required. At least 2 trades must be open and active.</p> <p>If the primary borrower’s qualifying FICO score is 720 or greater no minimum tradelines are required.</p>
Bankruptcy/Foreclosure/Short Sale/Deed-in-Lieu	<p>48 months seasoning. Multiple events not allowed.</p> <p>Loans with multiple Bankruptcies and/or foreclosures are not eligible.</p>

Non-QM Loan Program Guidelines – PremierX Loan Program Description

Forbearance	<p>A forbearance during the housing lookback period is allowed if the borrower continued making their contractual mortgage payments as specified in the Note, if the loan was brought current during the month immediately following the end of the forbearance, or if the borrower has made all payments as agreed for at least 3 months following the end of the forbearance.</p> <p>Example 1: The borrower’s contractual payments according to the terms of the Note is \$1,000 per month. The borrower entered into a forbearance agreement for 3 months which required no payments. Although the borrower entered into a forbearance agreement, the borrower made payments of \$1,000 each month of the forbearance. In this example, the borrower would be eligible for financing.</p> <p>Example 2: The borrower’s contractual payments according to the terms of the Note are \$2,000 per month. The borrower entered into a forbearance which did not require payments for 3 months. The borrower did not make payments during the time the forbearance was in effect. In the month following the forbearance (month 4), the borrower made a payment of \$8,000 which is the equivalent of the 3 missed payments plus the current month. This borrower would be eligible for financing as long as there were no delinquent payments after exiting the forbearance.</p> <p>Example 3: The borrower’s contractual payments according to the terms of the Note are \$2,000 per month. The borrower entered into a forbearance which did not require payments for 3 months. The borrower did not make payments during the time the forbearance was in effect. Beginning the month following the forbearance (month 4), the borrower made a payment of \$2,000 (the contractual payment amount) for at least 3 consecutive months. This borrower would be eligible for financing as long as there were no delinquent payments after exiting the forbearance.</p>
Tax Liens/Judgements	All tax liens/judgements must be paid (may be paid at closing).
Collections/Charge-offs	All collections/charge-offs must be paid (may be paid at closing).
Assets	
Reserves	<p>6 months PITI</p> <p>Cash-out from loan proceeds may not be used to satisfy reserve requirements.</p>

Non-QM Loan Program Guidelines – PremierX Loan Program Description

Funds to Close	<p>Funds to close must be sourced and seasoned for 60 days.</p> <p>Gift funds are acceptable with the following scenarios:</p> <ul style="list-style-type: none"> • ≤80% LTV – 100% of down payment and closing costs may come from gift funds. • >80% LTV - 5% borrower own funds required. <p>Note: Gift funds may not be used to satisfy reserves requirement. Gift of Equity not permitted</p>
Lender Credit	<p>HomeXpress will allow the application of Lender Credit to be used for recurring and non-recurring closing costs.</p> <ul style="list-style-type: none"> - Any overages will be applied to principal reduction - Lender credit can be used on Lender Paid and Borrower Paid loans <p>Lender credit cannot be used to pay broker compensation.</p>
Income/DTI	
Income Documentation Types Available	<p>Full Doc 2-year Full Doc 1-year ALT Doc – 24 months business bank statements ALT Doc – 24 months personal bank statements ALT Doc – 12 months business bank statements ALT Doc – 12 months personal bank statements</p> <p>For Self-Employed Borrowers: Min. 2 years history of self-employment required. Also available for gratuity earners.</p>
DTI	45%
Residual Income	\$1500 per household plus \$500 1 st child, \$250 per child thereafter. Child maximum \$1500.
Qualifying Rate	Higher of Start Rate or Fully-Indexed Rate.
Property	
Property Types	<p>Single Family Residence Condominium (Warrantable and Non-Warrantable) (Non-Warrantable max 80% LTV purchase and 75% all refinances) High Rise Condominium Max 80% LTV (FL High Rise Max 75%) Planned Unit Development (PUD) Townhouse Rural Properties (Max 75% on purchase and 70% on all refinances) 2-4 units (Max 80% LTV)</p>

Non-QM Loan Program Guidelines – PremierX Loan Program Description

Ineligible Properties	<p>Properties > 10 acres Short-Term Rentals Condotels Mixed Use Properties Properties in below average condition.</p>
Appraisal	<p>Full Interior Appraisal on appropriate FNMA form</p> <ul style="list-style-type: none"> • SFR/PUD – 1004 • Condo – 1073 • 2-4 Units - 1025
2 nd Appraisal	<p>Required on loan amounts > \$2,000,000</p> <p>Required on properties subject to TILA HPML rule.</p> <p>HomeX, at its discretion, may order a 2nd appraisal when it is deemed warranted.</p>
Property Seasoning	<p>Refinance Transactions</p> <p>If the property was purchased in the last 6 months using solely cash and no underlying mortgage, refer to the delayed financing section for additional requirements.</p> <ul style="list-style-type: none"> • Property purchased < 6 months, use acquisition cost plus documented improvements or appraised value, whichever is less. • Property purchased ≥ 6 months, use appraised value.
Listed Properties	<p>For cash-out refinance transactions, listed properties must be off market for 6 months. On rate/term transaction, lendable value will be based off the lowest listing price over the 6 months.</p>



15.4 InvestorX 1-4 Units

General	
Transaction types	<p>Purchase, Rate/Term, Cash-Out (maximum 80% LTV)</p> <p>Cash-out Refi: The majority of the cash-out must be used for business purposes. A letter of explanation signed by the borrower confirming the use of the cash-out is required. Only liens on the property can be paid through proceeds.</p>
Occupancy	Non-Owner Occupied only
Minimum Loan Amount	<p>\$100,000 (DSCR under .75 min loan amount of \$200,000)</p> <p>Condotel - \$150,000</p>
Products Available	30 year fixed, 5/1 ARM, 40-year fixed IO, 5/1 ARM IO
Maximum Loan Amount	<p>\$2,500,000 (DSCR under .75 max. loan amount of \$2,000,000)</p> <p>Condotel - \$1,500,000</p>
Maximum Cash-Out	\$1,000,000 when LTV is equal to or less than 65%, over 65% maximum is \$500,000 (cash out over \$500,000 requires Management approval when DSCR is under .75)
Minimum Equity Requirement	\$40,000 (Defined as Home Value less loan amount)
Subordinate Financing	Allowed where CLTV does not exceed program LTV.
First Time Homebuyer	Allowed with a DSCR of 1.0 or greater
Non-Arm’s Length Transaction	Allowed with a 10% reduction from maximum LTV.
Eligible Borrowers	<p>US Citizens</p> <p>Permanent Resident Aliens</p> <p>Non-Permanent Resident Aliens (Max 75% LTV purchases and 70% LTV all refinances)</p> <p>Foreign Nationals (DSCR only. Must close in a Legal Entity with a domestic agent). (Max 75% LTV purchases and 70% LTV all refinances)</p> <p>Legal Entities (S Corp, LLC, Limited Partnership – subject to approval).</p> <p>Note: Legal entities not in good standing will be ineligible to execute loan documents</p>
Financed Discount Points and/or Broker Origination Fees	<p>HomeXpress will finance up to two (2) percent of the base loan amount that may be used to pay discount points, broker origination fees, and/or buyer’s realtor fees. These funds used will be reflected in the LTV, however pricing of the loan will be based on the base LTV. Further, this increase is allowed on all loans up to a combined total 80% LTV and although the LTV is beyond the “base” LTV, it will not be viewed as an exception to the loan program.</p> <p>Example: A loan of \$210,000 is being made at 70% LTV. The borrower wishes to finance two (2) percent of the loan amount to pay for discount points and broker origination fees. This will increase the loan amount to \$214,200. Although the LTV of this loan is now 71.4%, the pricing of the loan will be based on 70% LTV. Further, if the program maximum is 70%, the LTV of 71.4% will not be viewed as an exception.</p>



ACH	All loans made to Legal Entities (S Corp, LLC, etc.) require set up for ACH payments at Loan Closing
Personal Guarantee	If the borrower is a Legal Entity (LLC, Corporation, etc.), all parties owning at least 25% of the entity must sign a Personal Guarantee as well as any party submitting an application for the loan.
Properties Owned	No maximum on number of properties owned.
Maximum Number of Loans	Maximum 10 loans to borrower not to exceed a combined \$4,000,000 in loan amounts.
Credit	
Minimum FICO Score	<p>Primary Borrower – 620</p> <p>640 score required when the DSCR is under 1.00</p> <p>All borrowers must meet the program requirements.</p> <p>When multiple borrowers are on the loan, the middle score of the primary wage earner will be used for LTV and pricing purposes. If the income of the borrowers is equal or DSCR is used to qualify, then the highest score will be used for LTV and pricing purposes.</p>
Housing History	<p>0x30 Mortgage last 12 months</p> <p>1x30 Mortgage (no rolling) last 12 months with ≥700 FICO and DSCR .75 or greater</p> <p>Ratings must be obtained for the subject property and the borrower’s primary residence. Mortgage/rental history must reflect no more than 1x30 on the borrower’s primary residence, the subject property, and all mortgages currently reporting on the credit report used by HomeExpress in the underwriting of the loan.</p>
Minimum Tradelines	3 trade lines reporting for ≥ 12 month; or 2 trade lines reporting for ≥ 24 months with activity in the past 12 months. Borrower must have housing history or one of the trades must have \$5,000 high credit/limit.
Bankruptcy/Foreclosure/Short Sale/Deed-in-Lieu	<p>36 months seasoning. Multiple events not allowed.</p> <p>Loans with multiple Bankruptcies and/or foreclosures are not eligible.</p>
Forbearance	<p>A forbearance during the housing lookback period is allowed if during the forbearance period the borrower continued making their contractual mortgage payments as specified in the Note, if the loan was brought current during the month immediately following the end of the forbearance, or if the borrower has made all payments as agreed for at least 3 months following the end of the forbearance.</p> <p>Example 1: The borrower’s contractual payments according to the terms of the Note is \$1,000 per month. The borrower entered into a forbearance agreement for 3 months which required no payments. Although the borrower entered into a forbearance agreement, the borrower made payments of \$1,000 each month of the forbearance. In this example, the borrower would be eligible for financing.</p>



	<p>Example 2: The borrower’s contractual payments according to the terms of the Note are \$2,000 per month. The borrower entered into a forbearance which did not require payments for 3 months. The borrower did not make payments during the time the forbearance was in effect. In the month following the forbearance (month 4), the borrower made a payment of \$8,000 which is the equivalent of the 3 missed payments plus the current month. This borrower would be eligible for financing as long as there were no delinquent payments after exiting the forbearance.</p> <p>Example 3: The borrower’s contractual payments according to the terms of the Note are \$2,000 per month. The borrower entered into a forbearance which did not require payments for 3 months. The borrower did not make payments during the time the forbearance was in effect. Beginning the month following the forbearance (month 4), the borrower made a payment of \$2,000 (the contractual payment amount) for at least 3 consecutive months. This borrower would be eligible for financing as long as there were no delinquent payments after exiting the forbearance.</p>
Tax Liens/Judgements	All tax liens and judgments must be paid at closing
Collections/Charge-offs	All collections and charge-offs must be paid except the following: Medical collections Collections and charge-offs over two years old
Assets	
Reserves	<p><u><=65% LTV</u></p> <ul style="list-style-type: none"> • No Reserves Required <p><u>>65% to 80% LTV</u></p> <ul style="list-style-type: none"> • 3 months PITI <p>DSCR under 1.00 requires 6 months reserves.</p> <p>Loans amounts over \$1,500,000 require 6 months reserves.</p> <p>Reserves must be seasoned 30 days.</p> <p>Cash-out from loan proceeds may be used to satisfy reserve requirements.</p>
Funds to Close	<p>Funds to close must be sourced and seasoned for 10 days.</p> <p>Gift funds are allowed with 5% of the borrower’s own funds in the transaction. If the borrower does not have the minimum 5% funds to close, a 10% reduction to the LTV will be required. Note: Gift funds not allowed if the borrower is a Foreign National</p>
Lender Credit	<p>HomeXpress will allow the application of Lender Credit to be used for recurring and non-recurring closing costs.</p> <ul style="list-style-type: none"> - Any overages will be applied to principal reduction - Lender credit can be used on Lender Paid and Borrower Paid loans <p>Lender credit cannot be used to pay broker compensation.</p>



Income/DSCR	
Income Documentation Types Available	<p>DSCR</p> <ul style="list-style-type: none"> Full Doc 2 years Full Doc 1 Year Alt Doc 24 months Business Bank Statements Alt Doc 24 months Personal Bank Statements Alt Doc 12 months Business Bank Statements Alt Doc 12 months Personal Bank Statements
DSCR	<p>Total borrower income is not disclosed, and borrower income is not calculated.</p> <p>Long Term Rental (LTR) Income can be documented via:</p> <ul style="list-style-type: none"> • Market Rents on FNMA form 1007 or 216 • Actual Rents can be used in place of Market Rents with lease agreement showing ≥6 months remaining on lease and evidence of receipt of 3 most recent months’ rent. If the property has been recently rehabilitated, actual rents can be supported by a copy of the lease and evidence of receipt of the first month’s rental and security deposit. <p>DSCR = Rental Income/PITIA (ITIA on loans with an interest only feature).</p> <p>Short Term Rental (STR) Income can be used to qualify with a 20% reduction from gross monthly rents to account for operating costs associated with the operation of an STR as compared to a LTR property. The gross monthly rents can be documented via any of the following:</p> <p>FNMA form 1007 or 216 where the appraiser provides STR comparables.</p> <p>The most recent 12-month rental history from a professional third party rental/management service clearing stating the rental property, rents collected for the previous 12 months and all vendor fees. The rental income will be reduced by the fees prior to DSCR calculation. When using this method of rental income verification, the 20% reduction noted above does not apply as the operating costs have already been accounted for.</p> <p>The most recent 12 months borrower bank statements showing the STR deposits plus rental records to support the monthly deposits. For purchases only: AIRDNA reports may be utilized in the absence of the above.</p> <ul style="list-style-type: none"> • The AIRDNA forecast must cover 12 months from Note date, the occupancy rate must be > 65%. Six comparison properties must be provided located within 2 miles of the subject with similar square footage, room count, amenities, availability, and occupancy.



	<ul style="list-style-type: none"> The market score must be 60 or higher. <p>A 5% LTV reduction (from the DSCR program maximums) will be applied when the property is used as a STR.</p>
Full/ALT Doc	The borrower’s income will be verified, and a DTI will be calculated. The maximum DTI is 50% and residual income must be met.
Residual Income	\$1500 per household plus \$500 first child. \$250 per child thereafter. Child maximum \$1500. This is not applicable when the loan is qualified using DSCR.
Payment Shock	Not Applicable.
Qualifying Rate	Both the DSCR and the Full/ALT doc loans will be qualified on start rate. Additionally, if the loan is interest-only, the interest-only payment may be used to qualify.
Property	
Property Types	Single Family Residence Condominium (Warrantable and non-warrantable) High Rise Condominium Max 80% LTV (FL High Rise Max 75%) Planned Unit Development (PUD) Townhouse Condotel (Max 75% purchase and 65% all refinances and Foreign National purchase) 2-4 units Rural Properties (Max 75% LTV on purchase and 70% on refinances)
Ineligible Property Types	Rural properties with a DSCR under .75. Site > 10 acres, properties over 5 acres and under .75 DSCR require Management approval. Mixed-Use Properties Properties in below average condition.
Appraisal	Full Interior Appraisal on appropriate FNMA form including the appropriate rental schedule, i.e. 1007, 216, etc. <ul style="list-style-type: none"> SFR/PUD – 1004 Condo – 1073 2-4 Units - 1025
2 nd Appraisal	Required on Cash Out refinances greater than \$1.5M. Required on loan amounts > \$2,000,000 HomeX, at its discretion, may order a 2 nd appraisal when it is deemed warranted
Property Seasoning	If the property was purchased in the last 6 months using solely cash and no underlying mortgage, refer to the delayed financing section for additional requirements. <u>Cash-Out Refinance Transactions:</u> <ul style="list-style-type: none"> If the property was purchased 6 months ago or less, the max LTV is 75%. The property must be occupied by a tenant (not currently vacant). If the property is vacant, the loan amount will be limited to the purchase price plus documented improvements and new loan fees. If the property was purchased over 6 months but less than 12



	<p>months ago, the loan amount will be limited to the purchase price plus documented improvements and new loan fees or 80% LTV of the appraised value, whichever is less; or if improvements cannot be documented, the maximum LTV is 75% of the appraised value.</p> <ul style="list-style-type: none"> • Properties purchased over 12 months ago, cash out is allowed to 80% LTV of the appraised value. • 2nd signature required by UW managers for: <ul style="list-style-type: none"> ▪ All LTVs equal to or greater than 75% on a cash out refinance ▪ Property that has been purchased in the last 12 months and experiences a value increase of more than 100% of the purchase price ▪ Cash out amounts of more than 50% of total investment (defined as actual borrower funds; not financed) <p><u>Rate and Term Refinance Transactions:</u></p> <ul style="list-style-type: none"> • Allowed to 80%, regardless of seasoning since purchase. • 2nd signature required by UW managers for: <ul style="list-style-type: none"> ▪ All LTVs equal to or greater than 80% on a rate/term refinance. ▪ Property that has been purchased in the last 12 months and experiences a value increase of more than 100% of the purchase price
Listed Properties	Refinance Loans – properties listed for sale with the past 6 months are allowed but require a minimum of 2-year prepayment penalty. The lendable value may not exceed the lowest listing price.
Non-Permanent Resident Aliens Requirements	
Acceptable Visa Classifications	The borrower must provide a visa indicating that they are legally allowed to reside in the United States.
Documentation Requirements	<p>Copies of the borrower’s passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing under the NPRA program.</p> <p>For wage earners, a valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower’s current employer. If a NPRA is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-borrowers only. A valid EAD must be provided to use their income for qualification.</p> <p>Borrowers who are residents of countries which participate in the State Department’s Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the</p>



	<p>U.S. Department of State website at https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html.</p>
Credit	<p>A U.S. credit report is required for each borrower on the loan using a valid Social Security number. The credit report should provide merged credit information from the 3 major national credit repositories. A 2-year U.S. housing history is required</p>
Qualifying Foreign Credit	<p>The Qualifying Foreign Credit designation refers to NPRA borrowers who do not meet the Standard Tradeline requirements in HomeXpress Tradeline Requirements guidelines. A Qualifying Foreign Credit borrower may or may not have a U.S. credit report with no credit score, a single score, or a score with insufficient tradelines. If no credit score is available, a 680 FICO score will be used to determine the rate and LTV.</p> <p>Qualifying Foreign Credit borrowers must establish an acceptable credit history subject to the following requirements:</p> <ul style="list-style-type: none"> • Three open accounts with a 2-year history must be documented for each borrower reflecting no late payments. • A 2-year housing history can be used as a tradeline. • U.S. credit accounts can be combined with letters of reference from verifiable financial institutions in a foreign country to establish the 3 open accounts and an acceptable credit reputation. If letters of reference are obtained, they must: <ul style="list-style-type: none"> ○ State the type and length of the relationship, how the accounts are held, and status of the account; ○ Provide contact information for person signing the letter; and ○ Translations must be signed and dated by a certified translator
Foreign Nationals	
Credit	<p>The following minimum credit references are required:</p> <ul style="list-style-type: none"> • A U.S. credit report with at least two (2) trade lines with minimum age of two (2) years for one tradeline; or • An international credit report is required if a U.S. credit report cannot be produced; or • An original credit reference letter from an internationally known financial institution. <p>If no U.S. FICO is available, a 680 score will be assigned for qualifying and pricing purposes.</p> <p>The borrower(s)' primary residence must be validated.</p> <p>Cash out limited to \$250,000 if LTV is over 65% and the borrower has owned the property for less than 3 years.</p>



<p>Assets</p>	<p>A copy of the two (2) most recent bank statements for the account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds. No gift funds allowed.</p>
<p>Assets in Foreign Accounts</p>	<p>Assets in foreign accounts must meet the following requirements:</p> <ul style="list-style-type: none"> • Must be verified in U.S. Dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table. • Sufficient funds to close must be on deposit at a domestic bank three (3) days prior to any closing date. • A copy of the two (2) most recent bank statements of the foreign account. If the funds are not seasoned a minimum of sixty (60) days, a letter of explanation is required along with the information to comprise a sixty (60) day chain of funds. • No Russian based banks allowed.
<p>Specific Closing Documentation Requirements</p>	<p>The following is required on all Foreign National loans:</p> <ul style="list-style-type: none"> • A copy of current Passport. • All loans must be closed with a title and closing agent approved and/or vetted by HomeX. • Documents signed outside of the U.S. must be notarized by a U.S. embassy or consular official. The certificate of acknowledgement must include the embassy or consular seal and be acceptable to the title company. • For documents signed in a country that is party to the “Hague Convention Treaty Abolishing the Requirement of Legalization for Foreign Public Documents” a certificate of acknowledgment completed and signed by a notary public authorized or commissioned to perform such duties plus authentication by apostle in English and attached to the executed documents and certification of acknowledgement with title company acceptance is agreeable to lender. • Executed W-8 (BEN) IRS form. • Loan must be made to a domestic LLC and a domestic agent of service is required. Total ownership of the LLC must be greater than 50% for borrower(s) and all owners of the LLC must submit a loan application. • No parties may be of Russian citizenship or Venezuelan citizen.



15.5 InvestorX 5-8 Units

General	
Transaction types	Purchase Rate/Term Cash-Out Cash-out Refi: All of the cash-out must be used for business purposes. A letter of explanation signed by the borrower confirming the use of the cash-out is required. Only liens on the property can be paid through proceeds.
Occupancy	Non-Owner Occupied only NOTE: Residential unit(s) not permitted to be occupied by the borrower or the borrower’s immediate family
Minimum Loan Amount	\$400,000
Maximum Loan Amount	\$2,000,000
Maximum Loan Term	Maximum loan term cannot exceed 30 years
Products Available	30 year fixed
Maximum Cash-Out	\$1,000,000
Subordinate Financing	Not Allowed
Non-Arm’s Length Transaction	Not Allowed
Eligible Borrowers	US Citizens Permanent Resident Aliens Non-Permanent Resident Aliens Legal Entities (S Corp, LLC, Limited Partnership – subject to approval). Note: Legal entities not in good standing will be ineligible to execute loan documents
Borrower Experience	Experienced Investors only, borrower must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 1 year in last 3 years. First-time investors not eligible.
ACH	All loans made to Legal Entities (S Corp, LLC, etc.) require set up for ACH payments at Loan Closing
Personal Guarantee	If the borrower is a Legal Entity (LLC, Corporation, etc.), all parties owning at least 25% of the entity must sign a Personal Guarantee as well as any party submitting an application for the loan.
Properties Owned	No maximum on number of properties owned.
Maximum Number of Loans	Maximum 10 loans to borrower not to exceed a combined \$4,000,000 in loan amounts.
Credit	
Minimum FICO Score	Primary Borrower – 700 All borrowers must meet the program requirements. When multiple borrowers are on the loan, the highest middle score will be used for LTV and pricing purposes.



Housing History	0x30 Mortgage last 24 months
Minimum Tradelines	3 trade lines reporting for ≥ 12 month with activity in the past 12 months; or 2 trade lines reporting for ≥ 24 months with activity in the past 12 months.
Bankruptcy/Foreclosure/Short Sale/Deed-in-Lieu	36 months seasoning. Multiple events not allowed. Loans with multiple Bankruptcies and/or foreclosures are not eligible.
Tax Liens/Judgements	All tax liens and judgments must be paid at closing
Collections/Charge-offs	All collections and charge-offs must be paid except the following: Medical collections Collections and charge-offs over two years old
Assets	
Reserves	Loan Amounts ≤ 1,500,000 - require 6 months PITIA; Loan Amounts > 1,500,000 - require 9 months PITIA Reserves must be seasoned 30 days. Cash-out from loan proceeds may not be used to satisfy reserve requirements.
Funds to Close	Funds to close must be sourced and seasoned for 30 days. No gift funds allowed.
Lender Credit	HomeXpress will allow the application of Lender Credit to be used for recurring and non-recurring closing costs. <ul style="list-style-type: none"> - Any overages will be applied to principal reduction - Lender credit can be used on Lender Paid and Borrower Paid loans Lender credit cannot be used to pay broker compensation.
Income/DSCR	
Income Documentation Types Available	DSCR
DSCR	Total borrower income is not disclosed, and borrower income is not calculated. Rental Income can be documented via: <ul style="list-style-type: none"> • Market Rents on Rent Roll and Income and Expense Statement <ul style="list-style-type: none"> ○ Leased –Use lower of estimated market rent or lease agreement. ○ Vacant Unit(s) – Use 75% of market rents. Max: 2 vacancies ○ Reduce qualifying rents by any management fee reflected on appraisal report. DSCR = Rental Income/PITIA (ITIA on loans with an interest only feature). Minimum DSCR >= 1.00
Payment Shock	Not Applicable.



Property	
Property Types	Residential 5-8 Units
Ineligible Property Types	No Rural properties Site > 2 acres Mixed-Use Properties Properties in below average condition.
Minimum Property Requirements	400 sq. ft per individual unit All properties must: <ul style="list-style-type: none"> • Be improved real property. • Be accessible and available for year-round residential use. • Contain a full kitchen and a bathroom. • Represent the highest and best use of the property.
Minimum Property Condition	<ul style="list-style-type: none"> • No fair or poor ratings • No environmental issues • No health or safety issues (As noted by appraiser, i.e., broken windows, stairs) • No excessive deferred maintenance that could become a health or safety issue for tenants • No structural deferred maintenance, (i.e., Foundation, roof, electrical, plumbing)
Appraisal	<ul style="list-style-type: none"> • Full Interior Appraisal on appropriate form • FHLMC Form 71A • FNMA Form 1050 <p>APPRAISAL ATTACHMENTS REQUIRED:</p> <ul style="list-style-type: none"> • Rent Roll • Income and Expense Statement • Photos of subject including exterior/interior and street scene • Aerial photo • Sketch or floor plan of typical units • Map • Plot plan or survey • Appraiser qualifications
Property Seasoning	If the property was purchased in the last 6 months using solely cash and no underlying mortgage, refer to the delayed financing section for additional requirements.
Listed Properties	Refinance Loans – properties listed for sale with the past 6 months are allowed but require a minimum of 2-year prepayment penalty. The lendable value may not exceed the lowest listing price.



Non-Permanent Resident Aliens Requirements	
Acceptable Visa Classifications	The borrower must provide a visa indicating that they are legally allowed to reside in the United States.
Documentation Requirements	<p>Copies of the borrower’s passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival/Departure Record). Borrowers unable to provide evidence of lawful residency status in the U.S. are not eligible for financing under the NPRA program.</p> <p>For wage earners, a valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower’s current employer. If a NPRA is borrowing with a U.S. citizen, it does not eliminate visa or other residency requirements. Individuals in possession of spouse or family member visas are to qualify as co-borrowers only. A valid EAD must be provided to use their income for qualification.</p> <p>Borrowers who are residents of countries which participate in the State Department’s Visa Waiver Program (VWP) will not be required to provide a valid visa. Participating countries can be verified through the U.S. Department of State website at https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html.</p>
Credit	A U.S. credit report is required for each borrower on the loan using a valid Social Security number. The credit report should provide merged credit information from the 3 major national credit repositories. A 2-year U.S. housing history is required

16.0 Loan Product Features

5/6 ARM – For loans submitted 3/8/2021 or later	
Index	30-day SOFR
Term	30 Years
Fixed Interest Rate Term	5 Years
Adjustment Frequency	Every 6 months after Fixed Interest Period
Initial Adjustment Maximum	2.00%
Subsequent Adjustment Maximum	1.00%
Lifetime Maximum Adjustment	5.00%
Lifetime Floor Rate	Start Rate
Qualifying payment for CoreX/PrimeX/NPRA or ITIN	Greater of start rate or fully indexed rate
Qualifying payment for InvestorX	Start Rate

5/1 ARM – For loans submitted 3/7/2021 or earlier	
Index	1-Year LIBOR
Term	30 Years
Fixed Interest Rate Term	5 Years
Adjustment Frequency	Annual after Fixed Interest Period
Initial Adjustment Maximum	2.00%
Subsequent Adjustment Maximum	2.00%
Lifetime Maximum Adjustment	5.00%
Lifetime Floor Rate	Start Rate
Qualifying payment for CoreX/PrimeX/NPRA or ITIN	Greater of start rate or fully indexed rate
Qualifying payment for InvestorX	Start Rate

Fixed Rate	
Index	N/A
Term	30 Years
Fixed Interest Rate Term	30 years
Adjustment Frequency	N/A
Initial Adjustment Maximum	N/A
Subsequent Adjustment Maximum	N/A
Lifetime Maximum Adjustment	N/A
Lifetime Floor Rate	N/A
Qualifying payment	Note Rate

5/6 ARM Interest-Only	
Index	30-day SOFR
Term	40 Years
Interest Only Period	1 st 10 Years
Fully Amortized Period	30 Years (after expiration of interest-only period)
Fixed Interest Rate Term	5 Years
Adjustment Frequency	Every 6 months after Fixed Interest Period
Initial Adjustment Maximum	2.00%
Subsequent Adjustment Maximum	1.00%
Lifetime Maximum Adjustment	5.00%
Lifetime Floor Rate	Start Rate
Qualifying payment for CoreX/PrimeX/NPRA or ITIN	Greater of start rate or fully indexed rate based on 30-year amortization
Qualifying payment for InvestorX	Interest Only Payment

5/1 ARM Interest-Only	
Index	1-Year LIBOR
Term	40 Years
Interest Only Period	1 st 10 Years
Fully Amortized Period	30 Years (after expiration of interest-only period)
Fixed Interest Rate Term	5 Years
Adjustment Frequency	Annual after Fixed Interest Period
Initial Adjustment Maximum	2.00%
Subsequent Adjustment Maximum	2.00%
Lifetime Maximum Adjustment	5.00%
Lifetime Floor Rate	Start Rate
Qualifying payment for CoreX/PrimeX	Greater of start rate or fully indexed rate based on 30-year amortization
Qualifying payment for InvestorX	Interest Only Payment

Fixed Rate Interest-Only	
Index	N/A
Term	40 Years
Interest Only Period	1 st 10 Years
Fully Amortized Period	30 Years (after expiration of interest-only period)
Fixed Interest Rate Term	40 years
Adjustment Frequency	N/A
Initial Adjustment Maximum	N/A
Subsequent Adjustment Maximum	N/A
Lifetime Maximum Adjustment	N/A
Lifetime Floor Rate	N/A
Qualifying payment for CoreX/PrimeX	Note Rate based on 30 year fully amortized payment
Qualifying payment for InvestorX	Interest Only Payment