



Prime JumboXpress AUS

Express Jumbo AUS Eligibility Matrix				
10, 15, 20, 25, 30 Year Fixed Rate, 5/6, 7/6, 10/6 SOFR ARMS				
Purchase & Rate and Term Refinance				
Occupancy	Number of Units	Maximum Loan Amount	Maximum LTV/CLTV	Minimum Credit Score ¹
Primary	1 Unit	\$1,500,000	80%/80%	660
		\$2,000,000	75%/75%	680
			65%/65%	660
		\$2,500,000	80%/80%	720
	\$3,000,000	80%/80%	740	
	2 Units	\$1,000,000	80%/80%	660
		\$1,500,000	65%/65%	660
\$2,000,000		60%/60%	660	
Second Home	1 Unit	\$1,000,000	80%/80%	660
		\$1,500,000	70%/70%	680
		\$2,000,000	55%/55%	700
		\$2,500,000	80%/80%	720
		\$3,000,000	80%/80%	740
Investment	1-4 Units	\$1,000,000	70%/70%	680
		\$1,500,000	65%/65%	680
Cash Out Refinance				
Primary	1 Unit	\$1,000,000	75%/75%	660
		\$1,500,000	70%/70%	680
		\$2,000,000	80%/80%	720
		\$2,000,000	55%/55%	660
	2 Units	\$1,000,000	70%/70%	680
		\$1,500,000	55%/55%	660
Second Home	1 Unit	\$1,000,000	75%/75%	700
		\$1,500,000	65%/65%	700
		\$2,000,000	75%/75%	740

¹ Credit Score <661 in the states below are ineligible:

- Massachusetts
- Nevada

Investment	1-4 Units	\$1,000,000	65%/65%	680
		\$1,500,000	60%/60%	720

	Other Eligibility Criteria
Minimum Loan Amount	\$400,000
Maximum DTI	49.99%
Maximum Cash Out Proceeds	Loan amounts ≤\$1,500,000: \$350,000. Loan amounts >\$1,500,000: \$500,000.
Reserves	<p>Follow the greater of DU or below requirements:</p> <p>Primary Residence:</p> <ul style="list-style-type: none"> • Loan Amount ≤\$1,000,000 – minimum 6 months PITIA reserves. • Loan Amount >\$1,000,000 and ≤\$2,000,000 – minimum 9 months PITIA reserves. • Loan Amount >\$2,000,000 – minimum 12 months PITIA reserves. • 2 units regardless of loan amount – minimum 12 months PITIA reserves. <p>Second Home:</p> <ul style="list-style-type: none"> • Loan Amount ≤ \$2,000,000 – minimum 9 months PITIA reserves. • Loan Amount >\$2,000,000 – minimum 12 months PITIA reserves. <p>Investment Properties:</p> <ul style="list-style-type: none"> • 12 months PITIA reserves regardless of loan amount <p>Ineligible Assets for Reserves:</p> <ul style="list-style-type: none"> • Gift Funds. • Cash out proceeds.
Minimum Down Payment	5% of down payment must come from borrower's own funds, regardless of LTV.
Number of Financed Properties	<p>Per DU. Maximum total loan exposure to same borrower, including subject property is \$8,000,000.</p> <p>1–4-unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated on the mortgage.</p>

Temporary Interest Rate Buydowns	Not Permitted
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Underwriting	
Desktop Underwriter (DU)	<p>Fannie Mae’s Desktop Underwriter (“DU”) and/or Desktop Originator (DO) are required to be used for the program.</p> <p>Findings Report required with Approve/Eligible or Approve/Ineligible recommendations due to:</p> <ul style="list-style-type: none"> • Loan amount. • Cash out proceeds exceed incidental cash back requirement for rate term refinance due to delayed financing. <p>Fannie Mae-approved validation services allowed; no R&W relief provided.</p> <p>“Caution”, “Incomplete”, “Invalid”, or “Out of Scope” recommendations are not allowed.</p>
General and Supporting Guidelines	<p>Where this Guide is silent on a topic, defer to the Fannie Mae Selling Guide for requirements.</p> <p>To the extent reference is made herein to the Fannie Mae Selling Guide (“Fannie Guide”) and there shall be any conflict or inconsistency between the Fannie Guide and this Guide, the terms and provisions of this Guide shall govern.</p>
Fraud Reports	<p>A comprehensive fraud report providing loan-level information on valuation, fraud detection and regulatory compliance issues is required. Documentation as to the use of such product and the Seller’s actions to clear any adverse findings must be included in the loan file.</p>

	Transactions
Purchase	<ul style="list-style-type: none"> • Multiple contracts are not allowed to be combined when determining the purchase price. • Assignment of purchase contracts are ineligible unless the transferor is a family member and there is no change to purchase price or credits.
Rate & Term Refinance	<ul style="list-style-type: none"> • 6 months seasoning is required if the previous transaction was a cash out refinance. • Payoff of non-purchase money seconds, including HELOCs, are allowed with 12-month seasoning. For HELOCs, document no cumulative draws >\$2,000 in the last 12 months from the application date.
Cash Out Refinance	<p>Properties listed for sale must be off market at least 6 months prior to application date.</p> <ul style="list-style-type: none"> • Funds required to payoff unseasoned second liens (closed end <12 months, HELOC <12 months or draws more than \$2,000 in the past 12 months) must be considered in the total of cash out proceeds. Cash in hand plus the amount to payoff the 2nd lien cannot exceed the maximum cash out proceeds allowed
Texas 50(a)(6) and (f)(2) Transactions	<p>Eligible Products: 30-year fixed rate only.</p> <p>Maximum LTV/CLTV: the lesser of 80% or program maximum.</p> <p>Eligible Property Types:</p> <ul style="list-style-type: none"> • 1-unit principal residence designated as the borrower's homestead under Texas law, attached or detached unit. • Condominium. • Planned Unit Development.

Construction-to-Permanent Loan Refinancing

Construction-to-permanent loan refinances are eligible as rate and term refinance transactions and must meet the following criteria:

- Borrower must have held title to the lot for a minimum of 6 months prior to the closing of the permanent loan.
- If borrower was a first-time homebuyer when the construction contract was executed, first time homebuyer restrictions will apply to this transaction.
- The LTV/CLTV will be based on the current appraised value if the borrower has held title to the lot for 12 or more months prior to the closing date of the subject loan.
- If the lot was acquired less than 12 months before the closing date of the subject loan, the LTV/CLTV will be based on the lesser of (i) the original purchase price of the lot plus the total acquisition cost (sum of construction costs) or (ii) the current appraised value of the lot plus the total acquisition cost.
- Payoff of documented construction cost overruns that were incurred outside of the interim construction financing will require payment of the overruns directly to the builder at closing.
- Appraiser's final inspection is required.
- A certificate of occupancy is required from the applicable governing authority. If the applicable governing authority does not require a certificate of occupancy, its equivalent must be provided.
- Construction loan refinance transactions in which the borrower has acted as builder or general contractor are not eligible for purchase.

Delayed Financing

Delayed financing transactions in which the borrower purchased the subject property for cash or if the borrower is paying off a loan from a pledged asset/retirement account loan, secured loan or unsecured family loan within 6 months from the date of the application.

Requirements:

- The original purchase transaction was an arm's length transaction.
- The borrower(s) initially purchased the property as one of the following:
 - o A natural person or an eligible inter vivos revocable trust where the borrower is both the individual establishing the trust and the beneficiary of the trust.
 - o An LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.

- Delayed financing transactions are underwritten and priced as rate and term refinances and are not subject to cash out refinancing program limitations.
- Incidental cash back limits apply for cash in excess of the original purchase price or appraised value (whichever is less).
- Funds used to purchase the subject property must be documented and sourced.
- Property must have been purchased using the borrower(s) own funds. If funds to purchase property came from borrower's self-employed business, see Business Funds section for additional requirements.
- Properties located in the state of Texas must follow Texas Constitution requirements for equity refinance transactions.
- Settlement Statement/Closing Disclosure from the original purchase and documentation to show the downpayment and closing costs used for the purchase were from the borrower's own funds (no borrowed, gift or shared funds).
- The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan, subject to the maximum LTV/CLTV ratios for the transaction based on the current appraised value.
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Secondary Financing	<ul style="list-style-type: none"> • New and resubordinated secondary financing is permitted up to the maximum allowable LTV/CLTV for each loan type and program. • Subordinate liens must be recorded and clearly subordinate to the first mortgage lien. • Only institutional financing is permitted unless the subordinate financing meets the Employer Subordinate Financing requirements. • The principal balance of a HELOC used in the LTV/CLTV calculation will be based on the fully drawn line amount. • Subordinate liens must not have negative amortization features, prepayment penalties or balloon payments due within 5 years of the closing date of the subject loan. • Employer Subordinate Financing: <ul style="list-style-type: none"> ○ 30-year fixed rate only for subject transaction. ○ Employer must have an Employee Financing Assistance Program in place. ○ Employer may require full repayment of the debt if the borrower’s employment ceases before the maturity date. ○ Financing may be structured in any of the following ways: <ul style="list-style-type: none"> ▪ Fully amortizing level monthly payments. ▪ Deferred payments for some period before changing to fully amortizing payments. ▪ Deferred payments over the entire term. ▪ Forgiveness of debt over time. ▪ Balloon payment of no less than 5 years, or the borrower must have sufficient liquidity to pay off the subordinate lien.
Ineligible Transaction Types	<ul style="list-style-type: none"> • Single Close Construction-to-Permanent Financing. • Reverse 1031 Exchange. • Payoff of an installment loan land contract
Escrow Holdbacks	Not eligible
Escrow for HPMLs	For any loan that is determined to be a Higher Priced Mortgage Loan (HPML) under TILA and its implementing regulation, an escrow account must be established for the borrower prior to the consummation of the loan for the payment of property taxes and premiums for mortgage-related insurance, among other fees and charges.

Flip Transactions

- If a seller has taken title to the subject property within 90 days prior to the date of sales contract, the following requirements apply. Measurement is based on the closing date of initial transaction and the date of the fully executed purchase contract for the subject transaction.
- Property seller on the purchase contract and title commitment is the owner of record.
- LTV/CLTV will be based on the lesser of the prior sales price or the current appraised value.
- Note: loans that are bank or relocation sales are exempt from the above requirements.

Property Eligibility	
Eligible Properties	<ul style="list-style-type: none"> • Single Family Dwelling • 2-4 Unit Multifamily Dwelling, subject to eligibility restrictions • Condominiums, warrantable and non-warrantable • Planned Unit Developments • Resale restrictions subject to age-related requirements
Ineligible Properties	<ul style="list-style-type: none"> • Cooperatives • Time shares • Condotels • PUDtels • Houseboats • Manufactured homes • Agricultural property (working farm or ranch) • Mixed use properties • Commercial properties • Properties not located within the U.S. including any territory of the U.S. such as Guam, Puerto Rico, or the U.S. Virgin Islands • Properties on Indian reservations • Properties in litigation • Properties with income producing attributes • Unique properties • Barndominiums • Geodomes • Properties held as a leasehold • Island of Hawaii lava zones 1 and 2 • Resale restricted properties other than for age-related requirements
Rural Properties	For properties with greater than 10 acres, the appraiser must provide at least 3 comparable sales with similar acreage. The highest and best use of the property must be the subject improvements.

Borrower Eligibility

Eligible Borrowers

All borrowers must have a social security number. Documentation requirements apply to Permanent Residents and Non-Permanent Residents.

- U.S. Citizens
- Permanent Resident Aliens
 - A valid and current Permanent Resident card (form I-551) also known as a green card, or
 - A passport stamped processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until _____, Employment authorized. It must evidence the holder has been approved for, but not issued, a Permanent Resident card.
 - If the Permanent Resident Card is expiring within six (6) months of the Note Date, include a copy of the United States Citizenship and Immigration Services (USCIS) Form I-90 (Application to Replace Permanent Resident Alien Card) filing receipt.
- Non-Permanent Resident Aliens
 - Borrower must have a current two-year history of working in the U.S. without any gaps in U.S. employment greater than 30 days.
 - Valid visa types:
 - E Series (E-1, E-2, E-3)
 - G Series (G-12, G-2, G-3, G-4, G-5)
 - H Series (H-1B, H-1C, H-4)
 - L Series (L-1, L-1A, L-1B, Spouse L-2 with EAD)
 - NATO Series (NATO 1-6)
 - Series (O-1)
 - TN-1, Canadian NAFTA visa
 - TN-2, Mexican NAFTA visa

<p>Illinois Land Trust</p>	<ul style="list-style-type: none"> • One-unit property only. • The trustee must be a financial institution customarily engaged in the business of acting as trustee under Illinois land trusts. • The trust agreement term must be equal to or greater than the term of the security instrument. • Title may be vested as follows: <ul style="list-style-type: none"> ○ Solely in the trustee(s) of the trust, ○ Jointly in the trustee(s) of the trust and in the name(s) of the individual borrower(s), or ○ In the trustee(s) of more than one trust. • Title insurance must ensure full title protection to the Seller and must state that title to the property is vested in the trustee(s) of the trust. It must not list any exceptions with respect to the trustee(s) holding title to the property or to the trust. • The loan must be underwritten as if the individual(s) establishing the trust were the borrower.
<p>Borrowers with Pending Litigation</p>	<ul style="list-style-type: none"> • If the lender becomes aware of, or the loan file's documentation indicates the borrower is plaintiff to a lawsuit, additional documentation must be obtained to determine there is no negative impact on the borrower's ability to repay, property, or collateral documents. • If the borrower is a defendant in a lawsuit, the loan is ineligible.
<p>Ineligible Borrowers</p>	<ul style="list-style-type: none"> • Borrowers without a social security number. • Borrowers with diplomatic immunity. • Foreign nationals. • Limited partnerships, general partners, corporations, and limited liability companies. • The following trusts: <ul style="list-style-type: none"> ○ Irrevocable trusts. ○ Land trusts, except for Illinois Land Trust. ○ Bank trusts. ○ Qualified Personal Residence trusts. ○ Blind trusts. ○ Real estate trusts.

First-Time Homebuyer	<ul style="list-style-type: none"> • Maximum loan amount \$1,500,000. • Investment properties are ineligible. • Borrower's living rent free must meet the following minimum tradeline requirements: <ul style="list-style-type: none"> ○ Minimum 3 tradelines, with at least 1 tradeline open for a minimum 24 months from the application date. ○ 1 tradeline must have had activity in the past 12 months from the application date. ○ The minimum of 3 tradelines must have had no significant adverse credit, such as charge offs or collections. ○ Authorized user accounts cannot be used in the determination of minimum tradelines.
Non-Occupant Co-Borrower	<ul style="list-style-type: none"> • All borrowers and non-occupant co-borrowers execute the Note and Mortgage. • Non-occupant co-borrower's income may be used for qualifying purposes. • Non-occupant co-borrower's assets may be used to meet minimum borrower contribution requirements. • Non-occupant co-borrower's liabilities must be included in the combined DTI with a Maximum Combined DTI of $\leq 45\%$. • Non-occupant co-borrowers must be a relative (borrower's spouse, child, or other dependent or any other person who is related to the borrower by blood, marriage, adoption, or legal guardianship, domestic partner, fiancé, or fiancée).
Inter Vivos Revocable Trusts	<p>Seller must warrant that the Mortgage and Trust documents meet Fannie Mae eligibility criteria including title and title insurance requirements, and applicable state laws that regulate the loan origination of inter vivos revocable trusts.</p>

	Credit
Credit Score Requirements	<ul style="list-style-type: none"> • The credit report must reflect at least two reported scores for borrowers whose income is used to qualify. The lowest middle score of all borrowers is used to determine the representative score for eligibility purposes. • Self-reported or other non-traditional credit ratings are ineligible for use in developing or supporting a credit score. • Averaging credit scores to determine eligibility is not allowed. • Rapid re-scores are not allowed unless the re-score is the result of an error on the credit report. Errors must be confirmed by the creditor.
Minimum Tradeline Requirements	Follow DU messaging requirements.
Frozen Credit	Credit reports with bureaus identified as “frozen” are required to be unfrozen and a current credit report with all bureaus unfrozen is required.
Housing History	<p>Mortgage:</p> <ul style="list-style-type: none"> • 0x30x12, 0x60x24, x0x90x24 • Balloon Notes with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent (e.g., no extension and maturity date > 30 days at closing is 1x30 late, > 60 days is 1x60, etc.) <p>Rent:</p> <ul style="list-style-type: none"> • 0x30x12 <p>Lack of housing payment history must be satisfactorily explained. Acceptable explanations include, but are not limited to:</p> <ul style="list-style-type: none"> • Borrower previously living with family member rent free. • Current primary residence is owned free and clear
Letters of Explanation	<ul style="list-style-type: none"> • Mortgage late payments or significant derogatory credit will require a satisfactory signed letter of explanation. • Credit inquiries within the last 120 days will require a letter of explanation. Any new debt will need to be added to the debt obligations for qualifying purposes.

Credit Events

Significant Credit Events:

Use of extenuating circumstances to reduce waiting period for foreclosure, bankruptcy, short sale/deed in lieu of foreclosure is not allowed.

Regardless of the AUS findings report, borrowers with above credit events that are seasoned less than 7 years require the following:

- 0x30x24 rental housing history in the past 24 months.
- No mortgage late payments since credit event.

Multiple Credit Events:

- Not allowed.
- Credit events more than 10 years old from application date do not need to be evaluated or considered.

Forbearance Agreements:

- Requirements apply to subject and non-subject properties, currently or previously owned by the borrower.
- Allowable 6 months after the end of the forbearance period.
- All monthly payments during the forbearance period must have been made by the borrower.
- Forbearance terms to skip any payments not allowed.
- Payoff statements and mortgage statements must not reflect any deferred principal balance or any indication of current forbearance.

	Liabilities
Verification of Mortgage (VOM)	Standalone VOM is not acceptable unless it is from a financial institution.
Verification of Rent (VOR)	<p>If the borrower does not have an outstanding mortgage loan, a verification of rent must be completed to verify the borrower's rental payment history for the most recent 12 months. Acceptable VORs include:</p> <ul style="list-style-type: none"> • Canceled checks, front and back, reflecting rent payments. • Bank statements reflecting rent payments and a signed lease agreement. • Credit bureau provided rent rating <p>Landlord completed VOR form is acceptable only if the landlord is a professional management company.</p> <p>Lack of housing payment history must be satisfactorily explained. Acceptable explanations include, but are not limited to:</p> <ul style="list-style-type: none"> • Borrower previously living with family member rent free. • Current primary residence owned free and clear.
Income Taxes and Payment Plans	Only one tax payment plan is allowed. If a borrower has entered into multiple tax payment plans, all but one plan must be paid in full as acknowledged by the IRS prior to close of the subject transaction. Funds must be verified and considered when calculating funds to close and reserves.

Assets	
Eligible Sources of Funds	Follow DU findings report messaging for documentation requirements. Use of Fannie Mae-approved asset vendor reports is acceptable.
Large Deposits	<ul style="list-style-type: none"> • Large deposits exceeding 50% of the borrower's total monthly qualifying income or any large deposit that is out of the ordinary must be verified and explained by the borrower with the source of such funds documented. • Large deposits that cannot be sourced and explained must be subtracted from the verified asset amount.
Business Funds	<p>Allowed for funds to close and reserves with the following restrictions:</p> <ul style="list-style-type: none"> • Personal and business tax returns for the entity the funds are being withdrawn from, and a year-to-date P&L and balance sheet are required. • Documented cash flow analysis required using prior years' tax returns, P&L, balance sheet and most recent 3 months' business bank statements; to be completed by underwriter to confirm no negative impact to ongoing operation of the business. • Business bank statements must not reflect any NSF (non-sufficient funds) or overdrafts. • If borrower(s) ownership in the business is less than 100%, the following requirements must be met: <ul style="list-style-type: none"> ○ Borrower(s) must have majority ownership of 51% or greater. ○ Non-borrowing owner(s) of the business must provide an access letter for use of the business funds. ○ Borrower(s) percentage of ownership must be applied to the balance of business funds for use by borrower(s). • If business funds, or a combination of personal and business funds, are used to meet reserves requirement, at least 50% of the verified reserves must be from a personal account. Funds must be liquid and from non-retirement accounts.
Disaster Relief Grants	<ul style="list-style-type: none"> • Borrowers may use lump sum grants for down payment and no minimum contribution is required. • The grant may not be used for closing costs or reserve requirements. • Acceptable documentation is required to evidence that the grant is an actual grant and not a loan. • Subordinate liens against the property are not eligible.

<p>Unacceptable Sources of Funds</p>	<ul style="list-style-type: none"> • Proceeds from a personal or unsecured loan. • A cash advance on a revolving charge account or unsecured line of credit. • Foreign assets. • Non-marketable securities. • Profit sharing plans. • Labor performed by the borrower, also referred to as “sweat equity”. • Gifts that must be re-paid. • Donated funds in any form, such as cash or bonds donated by the seller builder or selling agent outside of approved financing contributions. • Funds from a community second mortgage or down payment assistance program. • Individual Development Accounts (IDAs). • Pooled Savings (Community Savings Funds). • Salary Advances. • Funds in a custodial or “in trust for” account. • Cryptocurrency (unless it meets the requirements for conversion to U.S dollars as noted in the Fannie Mae Selling Guide). • Trade equity. • Grants, except those noted in the Disaster Relief Grants section. • Cash on hand. • Loans from non-institutional lenders. • 529 Plans (Qualified Tuition Program) or similar college savings plans
<p>Unacceptable Reserves</p>	<p>In addition to the unacceptable source of assets previously listed, the following cannot be counted as part of the borrower’s reserves:</p> <ul style="list-style-type: none"> • Gift funds. • Cash proceeds from a cash out refinance transaction. • Proceeds from a home equity loan or line of credit, bridge loan or cash out from any other property. • Deferred compensation. • Funds that have not vested.

Employment and Income Stability

General Income Documentation Requirements

- Income documentation required is based on the DU Findings Report. Additional documentation may be required in order to properly calculate certain types of income.
- When the borrower has less than a two-year history of receiving income, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.
- A standalone written VOE/VOI is not allowed except if used in the validation services process, or if obtained through The Work Number or similar employment verification service.
- 4506-C must be signed and completed for all borrowers.
- Taxpayer consent form signed by all borrowers.
- The loan file must include an income worksheet detailing income calculations. Income analysis for borrowers with multiple businesses must show the income/loss details separately, not in aggregate.
- Fannie Mae Form 1084 or Freddie Mac Form 91, or their equivalent, or Fannie Mae's self-employed Income Calculator is required for self-employed analysis. The most recent forms should be used based on the application date. Form instructions must be followed. If the Income Calculator is used, no rep and warrant relief is provided by its use.
- Tax returns, when present in the loan file, must be reviewed in their entirety. Prior years' income reporting on the documentation must be considered when analyzing the income stream.

Unacceptable Sources of Income

- Any source that cannot be verified
- Income that is temporary
- Rental income (boarder income) received from the borrower's primary residence
- Rental income from a second home
- Trailing income from a co-borrower
- Any income that is not legal in accordance with all applicable federal, state, and local laws, rules and regulations
- MCC (Mortgage Credit Certificate) for qualifying

Tax Transcripts

Tax transcripts for personal tax returns are required when tax returns are used to document borrower's income or any loss, and must match the documentation in the loan file. Borrower obtained tax transcripts are not allowed.

Tax Transcript Alternative Documentation

When the most recent year's tax returns have been filed, and where the IRS has not processed the forms, the following alternative documentation is required:

- Tax transcripts for previous one or two years (per DU findings report)

Example:

- Borrower provided 2023 tax returns.
 - 2023 tax returns have been filed but the IRS has not yet processed the returns.
 - Required transcripts will be for 2022.
- For the most recent year's tax return, provide proof of e-filing with the IRS. This is generally an e-file receipt, or a screen shot from the borrower's online IRS account that confirms receipt of the tax returns, and
 - Proof of payment in full of tax liability or receipt of refund, as applicable, and
 - A processed 4506-C that confirms "no record of return found" with the IRS.

Code 10 Rejection – Indication of possible identity theft/fraud:

- Code 10 is a potential indicator of fraud or identity theft, and caution should be exercised. The appropriate level of prudence in confirming borrower identity is required.
- Tax transcript alternative documentation requirements should be followed to validate prior years' income.

Verbal Verification of Employment (VVOE) Requirements: Wage Earner

VVOE should cover at least the most recent 2 years of borrower's employment/income history.

- If the borrower has had multiple employers over the past 2 years, a VVOE with all employers is required.
- If an employer affirmatively states that a borrower's employment is likely to cease, the loan is ineligible for purchase.
- VVOE must be performed within 10 days prior to the Note date. If the VVOE is completed more than 10 days before the Note date, a post-closing VVOE is acceptable if it supports the information used to qualify the borrower.
- The VVOE should include the following information:
 - Date of contact.
 - Name and title of person contacting the employer.
 - Name of employer.
 - Start date of employment.
 - Employment status and job title.
 - Name, phone number, and title of contact person at employer.
 - Independent source used to obtain employer phone number.
- If the employer uses a third-party employment verification vendor, the Seller must obtain written verification from the vendor of the borrower's current employment status within the same time frame as the VVOE requirements.

Note: Because third-party vendor databases are typically updated monthly, the verification must evidence that the information in the vendor's database was no more than 35 days old as of the Note date.

<p>Verbal Verification of Employment (VVOE) Requirements: Self-Employment</p>	<ul style="list-style-type: none"> • Verification of the existence of borrower’s self-employment must be verified through a third-party source and no more than 30 calendar days prior to the Note date. If the verification is completed more than 30 calendar days before the Note date, a post-closing verification is acceptable if it supports the information used to qualify the borrower. • Third party verification requirements: <ul style="list-style-type: none"> ○ Third party verification can be from a CPA, regulatory agency, or applicable licensing bureau. If a CPA letter is utilized, length of self-employment identified by the CPA must match the length of self-employment in DU. ○ Listing and address of the borrower’s business. ○ Name and title of person completing the verification and date of verification. ○ If the foregoing option is not possible then: <ul style="list-style-type: none"> ▪ Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment). ▪ Evidence of current business receipts within 10 days of the loan closing date (payment for services rendered). ▪ Lender certification that the borrower’s business is open and operating (lender confirmed through a phone call or other means), or ▪ Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled).
<p>Borrowers Employed by a Family Member</p>	<ul style="list-style-type: none"> • Most recent 30 days’ paystubs with year-to-date earnings. • W2s or tax returns for the most recent 2-year period. • VVOE. • 2 years’ tax transcripts. See specific requirements under Tax Transcripts section. • Borrower’s potential ownership in the business must be addressed by obtaining a letter from a qualified disinterested third-party.

K-1 Income/Loss on Schedule E of the 1040s

- If the income is \$0 or positive, stable, and not used for qualifying, the K1 is not required.
- If income is positive, and is used for qualifying:
 - K-1 is required.
 - If the borrower has less than 25% ownership:
 - Year-to-date income must be verified if the most recent K1 is more than 90 days from the Note date.
 - If the borrower has 25% or more ownership, refer to [self-employment documentation and income requirements](#).
- If income represents a loss:
 - K-1 is required.
 - If the borrower has less than 25% ownership:
 - Where loss is >5% of total qualifying income, deduct loss from income.
 - Where loss is ≤5% of total qualifying income, lender must analyze the information to ensure the losses do not materially impact the borrower's ability to repay, otherwise they should be included in review of income regardless of ownership percentage.
 - If the borrower has 25% or more ownership, refer to [self-employment documentation and income requirements](#).

K-1 Recent Conversion	<ul style="list-style-type: none"> • A borrower who has recently been made a partner with their employer (typically but not necessarily a law firm, accounting firm etc.) may have their income considered as stable provided a minimum of two years with the same employer is verified. The borrower's ownership percentage must be less than 25%. Documentation requirements: <ul style="list-style-type: none"> ○ 2 years' personal tax returns signed on or before the closing date. In lieu of a signature, personal tax transcripts for the corresponding year may be provided. ○ 2 years' tax transcripts. See specific requirements under Tax Transcripts section. The transcripts must validate the income documentation used to underwrite the loan. The transcripts and supporting income documentation must be consistent. ○ Copy of partnership agreement. Guaranteed payments due under the partnership agreement must be equal to or greater than previously reported W-2 income. <ul style="list-style-type: none"> ▪ If the agreement does not specify guaranteed payments to the partner, borrower must have received partnership payments via K-1 for a minimum of one year, and the income must be documented with the prior year's K-1. • Income must be calculated based on the most recent two years' W-2 income.
Restricted Stock (RS), Restricted Stock Units (RSUs) and Stock Options	Follow Fannie Mae Selling Guide requirements

Self-Employment

Follow DU findings report and Fannie Mae Selling Guide for documentation and income calculation requirements, except:

- Verification of the existence of the business must be completed within 30 days of the Note date.
- Year-to-date P&L statement, updated through the most recent quarter, is required when the self-employed income is the primary source of income used to qualify the loan.
- After 3/31, if tax returns for the prior year have not been filed, then a P&L and Balance Sheet for the prior year are also required in addition to the current quarter P&L.
- Secondary Self-Employment Income:
 - Business income reported on a borrower's individual income tax returns is not required to be used in qualification if the lender is only using income that is not derived from self-employment and self-employment income is a secondary and separate source of income.
 - Secondary and separate sources of self-employment losses reporting on 1040 tax returns or transcripts greater than 5% of borrower's total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required.
 - Examples of income not derived from self-employment include salary and retirement income.
- Income from Self-Employed Co-Borrower:
 - When co-borrower income derived from self-employment is not being used for qualifying purposes, the lender is not required to document or evaluate the co-borrower's self-employment income.
 - Co-borrower self-employment losses reporting on 1040 tax returns or transcripts greater than 5% of borrower's total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required.

Valuation Requirements

Appraisal Requirements

- Full appraisal with interior and exterior inspection:
 - Uniform Residential Appraisal Report
 - Individual Condominium Unit Appraisal Report
 - Two-to-Four Unit Residential Appraisal Report
- Property Inspection Waivers (PIWs) are not permitted.
- Appraisals expire 120 days after the effective date. Appraisal updates are not allowed.
- Appraisals assigned from another lender are not permitted.
- Value is on an “as-is” basis and not subject to future improvements.
- Condition rating is C1 through C4.
- C5 and C6 condition ratings are ineligible.
- Appraisals assigned from another lender are not permitted.
- Appraisal must be completed for subject transaction; prior appraisals are not permitted.
- Purchase and Rate & Term Refinance:
 - Loan amounts ≤\$2,000,000 – 1 appraisal required.
 - Loan amounts >\$2,000,000 – 2 appraisals required.
- Cash Out Refinance:
 - Loan amounts ≤\$1,500,000 – 1 appraisal required.
 - Loan amounts >\$1,500,000 – 2 appraisals required.
- If two appraisals are required, the following applies:
 - Appraisals must be completed by two independent appraisal companies.
 - Both appraisal reports must be reviewed and address any inconsistencies between the two reports and all discrepancies must be reconciled.
 - If two appraisals are completed “subject to”, and an Appraisal Completion Report is required, it is allowable to provide one Appraisal Completion Report. If only one Completion Report is provided, it should be for the appraisal that the value of the transaction is being based upon.

<p>Secondary Valuation</p>	<p>The following secondary valuation requirements must be met when 1 appraisal is required:</p> <ul style="list-style-type: none"> • CU score ≤ 2.5, or • A Collateral Desktop Analysis report (CDA) from Clear Capital supporting appraised value. <ul style="list-style-type: none"> ○ If the CDA returns a value that is “indeterminate” or if the CDA indicates a lower value than the appraised value and exceeds a 10% tolerance, then a field review or 2nd appraisal is required. • If a field review product value is more than 10% below the appraised value, a second appraisal is required. • Value will be based on the lesser of the original appraisal, field review, or 2nd appraisal. • Note: It is acceptable to provide a field review or second appraisal in lieu of a CDA. The use of an appraisal review product does not relieve HXM of its representations and warranties relating to the property and the appraisal, including the underwriting review.
<p>Declining Markets</p>	<p>For Properties located within a declining market:</p> <ul style="list-style-type: none"> • LTV $>65\%$ - reduce LTV/CLTV by 5% • LTV $\leq 65\%$ - not LTV/CLTV reduction required

Appraisal Requirements
for HPML

- In addition to the general requirements for an appraisal to comply with Title XI of FIRREA, two (2) written appraisals completed by two (2) different appraisers are required for the following HPMLs:
- The property seller acquired the property within ninety (90) days prior to the date of the borrower's purchase agreement with the seller and the borrower's purchase price exceeds the property seller's acquisition price by more than ten percent (10%), or
- The property seller acquired the property between ninety-one (91) and one hundred and eighty (180) days prior to the date of the borrower's purchase agreement with the seller and the borrower's purchase price exceeds the property seller's acquisition price by more than twenty percent (20%).

Condominiums: Non-Warrantable

General Requirements

- Maximum LTV/CLTV is 10% below program maximum.
 - Example: Program max LTV/CLTV for a \$1,000,000 loan amount is 80%. If condo is non-warrantable, maximum LTV/CLTV is 70%
- Limited to primary residence and second homes.
- 30 Year Fixed Rate Only.
- Loans must be locked as a non-warrantable condo with the applicable pricing adjustments applied.
- Full project review required.
- Only one non-warrantable feature permitted.
- All other Fannie Mae condo requirements must be met.
- Condo project's legal phase, including common elements of the project is substantially complete.

Non-Warrantable Features

Commercial Space:

- Commercial space greater than 35% but less than or equal to 50% owned and controlled by the HOA must be separate and distinct from the condo project HOA.
- Commercial space must be compatible with residential use (such as stores, offices, restaurants, or bars, among other commercial spaces), and must compliment the neighborhood. The commercial space shall be deemed to include eligible spaces above and below grade, excluding parking.

Presale:

- Condo projects (new or converted) must have at least 30% of the condo units sold or under a pending sales contract (common areas must be complete). For a specific legal phase or phases, at least 30% of the total units in the subject legal phase(s), considered together with all prior legal phases, must have been conveyed or be under contract for sale to principal residence or second home purchasers.

Budget:

- For condo projects where replacement reserves are less than 10%, the following conditions must be met:

- Less than 10% but no less than 7% replacement reserves are permitted if the current reserve balance exceeds 10% of the operating expense for such project.
- Less than 7% replacement reserves are permitted if the current reserve balance exceeds 20% of the operating expenses.
- Regardless of the replacement reserves percentage amount, the balance sheet must be provided, and the date of the balance sheet must be within 120 days of the Note date.

Maximum Ownership by One Entity:

- Maximum ownership by one entity is 25% for projects with more than 10 units.
- Units owned by the developer, sponsor, or succeeding developer that are vacant and being actively marketed for sale are not included in the calculation.
- Units currently leased, including units owned by the developer, sponsor, or succeeding developer, must be included in the calculation.
- For projects with 10 units or less, follow Fannie Mae Selling Guide.

Investor Concentration:

- For investment property transactions in established projects at least 40% of the total units in the project must be conveyed to primary residence or second home purchasers. This requirement does not apply if the subject mortgage is for a principal residence or second home.

Mandatory Memberships:

- Mandatory memberships/recreational leases are eligible if there are no joining and/or annual membership fees, and the monthly fee is not greater than 25% of monthly HOA dues. Membership fees must be included in the DTI.

Planned Unit
Development (PUD)

PUDs must comply with all requirements published in the Fannie Mae Selling Guide. A PUD Eligibility Letter is not required.

For properties located in a PUD project, the Project Review is waived apart from some basic requirements that must be met.

- The project is not an ineligible project under this PEG.
- Priority of Common Expense Assessments (HOA fees) must not exceed 6 months of regular common expense assessments, even if applicable law provides for a longer priority period.
- Insurance requirements for PUD projects must be met for title, hazard, liability (if a new project) and flood.
- Appraisal must meet all applicable appraisal requirements established by the Fannie Mae Selling Guide.

Ineligible
Condominium, PUD
and Cooperative
Projects

- Projects in litigation: Any project for which the HOA or co-op corporation is named as a party to pending litigation or, any project for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project is ineligible. Litigation that involves minor matters are not considered ineligible projects; provided, that the pending litigation has no impact on the safety, structural soundness, habitability, or functional use of the project. The following are defined to be minor matters:
 - Non-monetary litigation involving neighbor disputes or rights of quiet enjoyment.
 - Litigation for which the claimed amount is known, the insurance carrier has agreed to provide the defense, and the amount is covered by the association's or co-op corporation's insurance; or
 - The HOA or co-op corporation is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA dues.
- Condotel: Any project that is managed and operated as a hotel or motel, even though the units are owned individually. Projects with any of the following characteristics are considered hotel-type projects, and are therefore, ineligible:
 - Projects that include registration services and offer rentals of units daily.
 - Projects with names that include the words "hotel" or "motel".
 - Projects that restrict the owner's ability to occupy the unit.
 - Projects with mandatory rental pooling agreements that require the unit owners to either rent their units or to give a management firm control over the occupancy of the units. These formal agreements between the developer, HOA, and/or the individual unit owners, obligate the unit owner to rent the property on a seasonal, monthly, weekly, or daily basis. In many cases, the agreements include blackout dates, continuous occupancy limitations, and other such use restrictions. In return, the unit owner receives a share of the revenue generated from the rental of the unit.
 - Projects that include any of the following: central telephone system, room service, units that do not contain full-sized kitchen appliances, daily cleaning service, advertising of rental rates, restrictions on interior decorating, franchise agreements, central key systems, location of the project in a resort area, projects converted from a hotel or motel.

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| | <ul style="list-style-type: none">• Projects with non-incidental business operations owned or operated by the HOA such as, but not limited to, a restaurant, spa, health club, etc.• Investment securities: projects that have documents on file with the Securities and Exchange Commission, or projects where unit ownership is characterized or promoted as an investment opportunity.• Common interest apartments or community apartment projects: any project or building that is owned by several owners as tenants-in-common or by a HOA in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment in the building.• Timeshare or segmented ownership projects.• Houseboat projects.• Manufactured housing projects.• Multi-dwelling unit condominiums: 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 his or her owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan).• Condominium projects that represent a legal use of the land if zoning regulations prohibit rebuilding the improvements to current density in the event of their partial or full destruction.• New projects where the seller is offering sale/financing structures more than permitted limits. These excessive structures include, but shall not be limited to, builder/developer contributions, sales concessions, HOA, or principal and interest payment abatements, and/or contributions not disclosed on the Closing Disclosure. |
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| | <ul style="list-style-type: none">• Attached condominium where more than fifteen percent (15%) of the total units in a project are thirty (30) days or more past due on their HOA dues/maintenance fees. For example, a one hundred (100) unit project may not have more than fifteen (15) units that are thirty (30) days or more delinquent.• Newly converted, no-gut rehabilitation condominium conversions are ineligible for financing.• Condominiums with less than four hundred (400) square feet. |
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