

**ELIGIBILITY MATRIX**

Occupancy	Property <sup>1</sup>	Loan Amount	Purchase, Rate/Term Refi					Cash-out Refi <sup>2</sup>				
			Max LTV/CLTV to FICO					Max LTV/CLTV to FICO				
			740+	720+	700+	680+	660+	740+	720+	700+	680+	660+
Primary Residence	1 Unit SFR/PUD/Condo	\$1,000,000	80%	80%	80%	80%	80%	80%	80%	75%	75%	75%
		\$1,500,000	80%	80%	80%	80%	80%	80%	80%	70%	70%	55%
		\$2,000,000	80%	80%	75%	75%	65%	80%	80%	55%	55%	55%
		\$2,500,000	80%	80%								
		\$3,000,000	80%									
	2 Unit	\$1,000,000	80%	80%	80%	80%	80%	70%	70%	70%	70%	55%
		\$1,500,000	65%	65%	65%	65%	65%	55%	55%	55%	55%	55%
		\$2,000,000	60%	60%	60%	60%	60%					
Second Home	SFR/PUD/Condo	\$1,000,000	80%	80%	80%	80%	80%	75%	75%	75%		
		\$1,500,000	80%	80%	70%	70%		75%	65%	65%		
		\$2,000,000	80%	80%	55%			75%				
		\$2,500,000	80%	80%								
		\$3,000,000	80%									
Investment	SFR/2-4 Unit/PUD/Condo	\$1,000,000	70%	70%	70%	70%		65%	65%	65%	65%	
		\$1,500,000	65%	65%	65%	65%		60%	60%			

<sup>1</sup>10% LTV/CLTV reduction for declining market

<sup>2</sup>Max Cash out is: \$350,000 ≤ \$1,500,000 loan amount & \$500,000 > \$1,500,000 loan amount

**PRODUCT OFFERINGS**

Full Amortizing Fixed Rate	15, 30 years
Full Amortizing Adjustable Rate	10/6 ARM, 30 year amortization

**ARM INFORMATION**

CATEGORY	VALUES
Fixed Rate Period	10 years
Index	<a href="#">30-day average SOFR</a>
Lookback Period	45 days
Adjustment Period	6 months
Floor	Subject to minimum margin and caps
Margin	2.75%
Caps	5%: Initial Cap (max increase or decrease) 1%: Subsequent Cap (max periodic increase or decrease) 5%: Lifetime Cap (max increase in interest rate over the life of loan)
Fully Indexed Rate	Sum of the index and margin rounded to the nearest one-eighth (.125) of 1 percentage point
Qualifying Rate	Greater of fully indexed rate or Note rate

KEY PROGRAM PARAMETERS

This product utilizes the DU Findings report. An “Approve/Eligible” or “Approve/Ineligible” recommendation is required. Ineligible recommendation is allowed for loan structure only, such as loan amount, LTV/CLTV, etc.

All loans must be underwritten to the more restrictive of the product guidelines or DU findings report.  
Where both are silent, refer to Fannie Mae Single Selling Guide. Freddie Mac/LPA findings are ineligible.

Fannie Mae-approved DU Validation Services are not allowed.

Qualifying criteria are subject to change without notice.

TOPIC

UNDERWRITING AND DOCUMENTATION REQUIREMENTS

<p><b>Appraisal Requirements</b></p>	<ul style="list-style-type: none"> <li>Appraisal must meet all requirements of the DU findings and comply with all applicable regulations and standards including but not limited to USPAP, FIRREA, AIR and HVCC compliance.</li> <li>Appraisals must be ordered through an AIR compliant Appraisal Management Company (AMC)</li> <li>Condition ratings must be C1 through C4, ○ C5 and C6 condition ratings are ineligible</li> <li>Appraisals must be dated within 120 days of the Note date. After the 120day period a new appraisal is required, appraisal updates are not allowed.</li> </ul> <table border="1" data-bbox="565 510 1485 693"> <thead> <tr> <th>First Loan Amount</th><th>Appraisal Requirements</th></tr> </thead> <tbody> <tr> <td>≤ \$1,500,000</td><td>1 Full Appraisal &amp; Secondary Valuation</td></tr> <tr> <td>&gt; \$1,500,000</td><td>2 Full Appraisals*</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li><b>Secondary valuation</b> is required when 1 appraisal is required. The secondary valuation waterfall is as follows: <ul style="list-style-type: none"> <li>CU score ≤ 2.5, OR <ul style="list-style-type: none"> <li>If CU score is &gt; 2.5, “no score” or “indeterminate”, a CCA/CDA, field review or 2<sup>nd</sup> appraisal is required</li> </ul> </li> <li>Consolidated Collateral Analysis (CCA) from Consolidated Analytics or a Collateral Desktop Analysis report (CDA) from Clear Capital ) from with variance that is no more than 10% below appraised value, OR <ul style="list-style-type: none"> <li>If variance is greater than 10%, a field review or 2<sup>nd</sup> full appraisal required</li> </ul> </li> <li>Field review, with value no more than 10% below appraised value, OR <ul style="list-style-type: none"> <li>If variance is greater than 10%, a 2<sup>nd</sup> full appraisal required ○ 2<sup>nd</sup> full appraisal</li> </ul> </li> <li>Value is based on the lesser of the original appraisal, field review or 2<sup>nd</sup> appraisal</li> </ul> </li> <li><b>Second appraisals</b> – When two appraisals are required, the following applies: ○ LTV determined by the lower value of 2 appraisals or sales price, whichever is lower <ul style="list-style-type: none"> <li>The appraisals must be completed by two independent appraisal companies</li> <li>Inconsistencies between the two appraisal reports must be addressed and all discrepancies reconciled</li> <li>If the two appraisals are completed “subject to”, and require 1004Ds, one 1004D is acceptable provided it corresponds with the appraisal on which the transaction value is based.</li> </ul> </li> <li><b>Appraisal waivers</b> (PIW, Value acceptance w/PDR, PDR) are not allowed even if present on DU</li> <li><b>Transferred appraisals</b> are not permitted</li> </ul>	First Loan Amount	Appraisal Requirements	≤ \$1,500,000	1 Full Appraisal & Secondary Valuation	> \$1,500,000	2 Full Appraisals*
First Loan Amount	Appraisal Requirements						
≤ \$1,500,000	1 Full Appraisal & Secondary Valuation						
> \$1,500,000	2 Full Appraisals*						
<p><b>Asset Requirements</b></p>	<ul style="list-style-type: none"> <li>Follow DU findings</li> <li>Large deposits are any large, atypical deposit or any large deposit that exceeds 50% of the borrower’s total monthly qualifying income</li> </ul>						

- Large deposits must be sourced and explained by the borrower. Large deposits that cannot be sourced and explained must be subtracted from asset balance.
- Virtual currency/cryptocurrency is not allowed as a source of funds or reserves unless it is liquidated into US currency
- **Business Funds** are allowed to be used for closing costs and reserves. Borrower must have **ownership of ≥ 51%** and meet all the following requirements:
  - Personal and business tax returns, a year-to-date P&L and balance sheet are required for the entity the funds are being withdrawn from
  - Most recent three months business bank statements
    - Statements must not reflect any non-sufficient funds (NSFs) or overdrafts
- Underwriter to complete cash flow analysis using prior years' tax returns, year-to-date P&L, balance sheet and three months business bank statements verifying use of funds has no negative impact to ongoing business operations
- If borrower's ownership in the business is less than 100% all the following is required:
  - Access letter for use of funds must be provided all nonborrower business owner(s)
  - Borrower's percentage of ownership must be applied to the business funds available for use. For example, if the borrower owns 70% of the company and the business bank account balance is \$200,000, the funds available to be used for closing costs and reserves are \$140,000 (\$200,000 x 70% = \$140,000)
- If any of the business funds are used for reserves at least 50% of the verified reserves to meet the reserve requirement must be liquid and come from a personal, non-retirement account.
- **Unacceptable sources of funds** that may not be used for downpayment, closing costs or reserve requirements are as follows:
  - Cash advance on revolving account or unsecured line of credit
  - Cash on hand
  - Cryptocurrency (unless it meets FNMA Selling Guide conversion to US dollars requirements)
  - Custodial or "in trust for" accounts
  - Donated funds
  - Foreign assets
  - Funds from a community second mortgage or down payment assistance program
  - Grants (disaster related grants allowed)
  - Individual Development Accounts (IDAs)
  - Loans from non-institutional lenders
  - Non-marketable securities
  - Pooled Savings (Community Savings Funds)
  - Profit sharing plans
  - Salary advances

	<ul style="list-style-type: none"> <li>○ Sweat equity ○ Trade equity</li> <li>○ Unsecured loan proceeds</li> </ul> <p>• <b>Unacceptable reserves:</b> ○</p> <ul style="list-style-type: none"> <li>Gift funds ○ Cash out</li> <li>proceeds ○ Deferred</li> <li>compensation ○ Non-vested</li> <li>funds</li> </ul>
<b>Compliance Requirements</b>	<ul style="list-style-type: none"> <li>• OCMBC follows the General QM Final Rule (price-based). These standards apply to both safe harbor and rebuttable presumption designations of QM. OCMBC allows loans that fall under safe harbor, rebuttable presumption and general ATR.</li> </ul>

<p><b>Credit</b></p>	<ul style="list-style-type: none"> <li>• <b>General Requirements</b> <ul style="list-style-type: none"> <li>○ All borrowers must have at least two reported credit scores</li> <li>○ The lowest middle score is the representative credit score and is used to determine eligibility</li> <li>○ Rapid re-scores are not allowed unless the re-score is necessary because of an error on the credit report. Evidence of error from the creditor is required.</li> <li>○ Credit reports may not have “frozen credit”. If the borrower unfreezes credit after the initial report is run, a new tri-merge credit report must be obtained.</li> <li>○ All credit inquiries made in the last 120 days require a letter of explanation <ul style="list-style-type: none"> <li>▪ Any new debt must be included as a liability for qualifying</li> </ul> </li> </ul> </li> <li>• <b>Tradeline Requirements</b> - Follow DU findings</li> <li>• <b>Contingent Liabilities</b> may be excluded from the borrower’s DTI ratios with the following: <ul style="list-style-type: none"> <li>○ Proof the borrower is not the primary obligor</li> <li>○ Evidence of timely payments made by the primary obligor for the most recent twelve (12) months</li> <li>○ No delinquencies in the past 12 months</li> <li>○ If the liability is a mortgage debt, the property must be included in the count of financed properties</li> </ul> </li> <li>• <b>Derogatory Credit</b> <ul style="list-style-type: none"> <li>○ Bankruptcy, foreclosure, deed-in-lieu, short sale, preforeclosure, or mortgage charge-off: Follow DU for credit seasoning requirements</li> <li>▪ In addition, events seasoned &lt; 7 years require the following: <ul style="list-style-type: none"> <li>♦ 0x30 rental history in the most recent 24 months (0x30x24)</li> <li>♦ No mortgage lates since credit event</li> <li>○ Forbearance: Past mortgage forbearance requires six (6) months of timely payments after exiting forbearance. Payoff and/or monthly statements must not reflect any deferred principal balance</li> <li>○ Multiple derogatory credit events are not allowed</li> <li>○ Mortgage lates and/or significant derogatory credit will require a satisfactory letter of explanation</li> </ul> </li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>• <b>Federal Income Tax Installment Agreement:</b> <ul style="list-style-type: none"> <li>○ Delinquent tax debt that has not become a lien and does not impact title (open liens reflected on credit report will impact title and must be paid off) may remain open provided the following are met: <ul style="list-style-type: none"> <li>▪ Repayment agreement required <ul style="list-style-type: none"> <li>♦ Only one repayment agreement is allowed. If multiple tax payment plans exist all plans but one must be paid in full and verified with the IRS prior to closing. Funds used must be verified and considered when calculating funds to close and reserves</li> </ul> </li> <li>▪ Evidence a minimum of 2 payments were made under the plan with all payments made on time and installment plan is current</li> <li>▪ Title company must provide written confirmation confirming (a) the title company is aware of the outstanding taxes with no exception to final title policy, and (b) there is no indication that a Notice of Federal Tax Lien has been filed against the borrower in the county which the subject property is located</li> </ul> </li> </ul> </li> <li>• <b>Housing History:</b> <ul style="list-style-type: none"> <li>○ Mortgages - Borrower's must evidence 0x30 in the most recent 12 months (0x30x12) and 0x60 in the most recent 24 months (0x60x24) <ul style="list-style-type: none"> <li>▪ Verification of Mortgage (VOM) is allowed only if provided from a financial institution</li> <li>○ Rents 0x30 for the most recent 12 months (0x30x12) must be verified for borrowers who do not currently have a mortgage or a full 12 month mortgage history</li> <li>▪ Acceptable verification of rents (VOR) are: <ul style="list-style-type: none"> <li>♦ Cancelled checks (front and back) evidencing rent payments</li> <li>♦ Fully executed lease agreement and bank statements evidencing rent payments</li> </ul> </li> <li>▪ VOR from landlord is allowed only in the landlord is a professional management company</li> <li>○ Insufficiencies in housing payment history must be satisfactorily explained. Acceptable examples are, but not limited to, primary residence owned free and living with family members rent free.</li> </ul> </li> </ul> </li> </ul>
<b>Debt-to-Income (DTI)</b>	<ul style="list-style-type: none"> <li>• Max DTI determined by DU up to a max 49.99%</li> </ul>
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• First time homebuyer, refer to <a href="#">First Time Homebuyers</a> for restrictions</li> <li>• Inter Vivos Revocable Trusts</li> <li>• Non-occupying co-borrowers</li> <li>• Non-Permanent Resident Aliens: <ul style="list-style-type: none"> <li>○ Borrower must have a two year employment and income history in the US evidenced without any gaps in employment greater than 30 days</li> <li>○ Acceptable visa types are: <ul style="list-style-type: none"> <li>▪ E Series (E-1, E-2, E-3)</li> <li>▪ G Series (G-12, G-2, F-3, F-4, G-5)</li> <li>▪ H Series (H-1B, H-1C)</li> <li>▪ L Series (L-1, L-1A, L-1B, Spoused with L-2 EAD) ▪ NATO Series (NATO 1-6)</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>▪ Series (O-1)</li> <li>▪ TN -1, Canadian NAFTA visa and TN-2, Mexican NAFTA visa</li> <li>• Permanent Resident Aliens ○ Allowed with one of the following: <ul style="list-style-type: none"> <li>▪ Current, valid Permanent Resident card/Green card (form I-551)</li> <li>▪ Passport stamped “processed for I-551” and temporary evidence of lawful entrance for permanent residence. Evidence must include employment is authorized, have a valid “until date” and verify the holder has been approved for, but not issued, a Permanent Resident Card. ○ If Permanent Resident Card expires within 6 months of Note date, United States Citizenship and Immigration Services (USCIS) Form I90 (Application to Replace Permanent Resident Alien Card) filing receipt required</li> </ul> </li> <li>• US Citizens</li> </ul>
<b>Eligible Properties</b>	<ul style="list-style-type: none"> <li>• Single family residence</li> <li>• Warrantable condominium (attached or detached)</li> <li>• Planned unit development (PUD; attached or detached)</li> <li>• 1-4 unit</li> <li>• Rural properties ○ If property is greater than 10 acres, the appraisal must include: <ul style="list-style-type: none"> <li>▪ 3 comparables with similar acreage</li> </ul> </li> <li>• Highest and best use must be the subject improvements</li> </ul>
<b>First Time Homebuyers</b>	<ul style="list-style-type: none"> <li>• Allowed with the follow restrictions: ○ <ul style="list-style-type: none"> <li>▪ \$1,500,000 max loan amount</li> </ul> </li> <li>○ Primary residence and second homes only, investment properties ineligible</li> <li>○ If living rent free, the following minimum tradeline requirements must be met: <ul style="list-style-type: none"> <li>▪ Minimum 3 tradelines, at least 1 must be open for minimum 24 months and 1 active in the past 12 months</li> <li>▪ All 3 tradelines must not have any significant adverse credit including collection or charge-offs</li> <li>▪ Authorized user accounts are not allowed to be counted as a tradeline</li> </ul> </li> </ul>
<b>General Property Requirements</b>	<ul style="list-style-type: none"> <li>• SFR: Minimum 600 square feet of gross living area</li> <li>• Condo: Minimum 500 square feet of gross living area</li> <li>• 2-4 Unit: Minimum 400 square feet of gross living area per individual unit</li> <li>• Maximum 25 acres</li> </ul>
<b>Geographic Restrictions</b>	<ul style="list-style-type: none"> <li>• Loan originated in the US territories and Texas refinance (a)(6) transactions are ineligible</li> <li>• Please refer to the <a href="#">SWF Correspondent</a> licensing page for any additional state restrictions</li> </ul>



<p><b>Gift Funds</b></p>	<ul style="list-style-type: none"> <li>• Gift funds allowed on primary residences and second homes when borrower has contributed at least 5% of their own funds <ul style="list-style-type: none"> <li>○ Are not allowed on investment properties</li> <li>○ May not be used to meet reserve requirements or pay off account for qualifying</li> </ul> </li> <li>• Donors must be: <ul style="list-style-type: none"> <li>○ A relative, defined as the borrower's spouse, child or other dependent, or any other individual who is related to the borrower by blood, marriage, adoption or legal guardianship; or</li> <li>○ a non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative or godparent</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• Fully executed gift letter with the following is required: <ul style="list-style-type: none"> <li>○ Gift amount    Source    Donor's name, address, phone number and relationship    When the gift is sourced by a trust the trust must be established by an acceptable donor or the estate of an acceptable donor. The gift letter must list the name of the trust or estate account in addition to the donor's signature</li> </ul> </li> <li>• Sufficient funds to cover the gift must be verified in either:    The donor's account; or <ul style="list-style-type: none"> <li>○ Transferred from the donor's account to the borrower account</li> </ul> </li> <li>• Acceptable documentation includes: <ul style="list-style-type: none"> <li>○ Electronic transfer of funds from a donor's account to the borrower's account to the closing agent</li> <li>○ Donor's certified check and borrower's deposit slip    Donor's withdrawal slip and borrower's deposit slip    Donor's certified check to the closing agent</li> <li>○ Closing disclosure evidencing receipt of the donor's certified check</li> <li>○ For gifts of equity, the closing disclosure must reflect the gift amount</li> </ul> </li> </ul>

<p><b>Income/Employment: Wage Earner</b></p>	<ul style="list-style-type: none"> <li>• Follow DU findings and Fannie Mae Seller Guide for qualifying income calculations and documentation requirements in addition to the following: <ul style="list-style-type: none"> <li>○ Additional documentation may be required to calculate certain types of income at underwriter's discretion</li> <li>○ Borrowers employed by a family member require the following: <ul style="list-style-type: none"> <li>▪ Most recent 30 days' paystubs with year-to-date earnings</li> <li>▪ W2 or personal tax returns for most recent 2 years</li> <li>▪ Two years tax transcripts required</li> </ul> </li> </ul> </li> <li>• Underwriter must provide written analysis justifying the income used is stable for all borrowers with less than two-year history of receiving income</li> <li>• If tax returns are provided, they must be analyzed in their entirety, including prior years income when determining income stream</li> <li>• Verbal verification of employment (VVOE) for each borrower using employment income to qualify is required and must be completed with ten (10) business days prior to the Note date and two (2) business days prior to funding <ul style="list-style-type: none"> <li>○ <b>VVOE is required from each employer if borrower worked for more than one employer with the past two years</b></li> </ul> </li> </ul>
<p><b>Income/Employment: Restricted Stock Units (RSU) and Restricted Stock (RS) Income</b></p>	<ul style="list-style-type: none"> <li>• Follow DU findings and Fannie Mae Selling Guide for qualifying income.</li> </ul>

<p><b>Income/Employment: Self-Employed</b></p>	<ul style="list-style-type: none"> <li>Follow DU findings and Fannie Mae Seller Guide for qualifying income calculations and documentation requirements in addition to the following: <ul style="list-style-type: none"> <li>Year-to-date Profit and Loss (P&amp;L) statement through the most recent quarter is required when the primary source of qualifying income is self-employed income</li> <li>If application dated is after March 31<sup>st</sup> and prior year tax returns have not been filed, a P&amp;L for the prior year is required in addition to the most recent quarter P&amp;L</li> <li>If self-employed income reporting on personal tax returns is secondary/supplemental income the following applies: <ul style="list-style-type: none"> <li>Income reported on the borrower's personal tax returns is not required to be used for qualifying if the income used is wage earner income (not self-employment income) and self-employed income reported is a separate source of income</li> <li>If secondary/supplemental income losses reporting on personal tax returns and/or 1040 tax transcripts are greater than 5% of borrower's total qualifying income the losses must be deducted from the qualifying income</li> <li>Additional self-employment documentation may be required at underwriter discretion <ul style="list-style-type: none"> <li>If self-employed income reporting is the co-borrower's selfemployed income and is not being used for qualifying, no additional documentation is required but may be conditioned for at underwriter discretion</li> </ul> </li> <li>If co-borrower's self-employment income losses reporting on personal tax returns and/or 1040 tax transcripts are greater than 5% of borrower's total qualifying income the losses must be deducted from the qualifying income</li> </ul> </li> </ul> </li> <li>Verbal verification of employment (VVOE) for each borrower using selfemployment income to qualify is required and must be completed with ten (10) business days prior to the Note date and two (2) business days prior to funding. If the VVOE is completed by the CPA, the length of employment confirmed by the CPA must match the length of employment reviewed in DU.</li> </ul>
<p><b>Income: K-1</b></p>	<ul style="list-style-type: none"> <li><b>K-1 Income on 1040 - Schedule E:</b> <ul style="list-style-type: none"> <li>K-1 is not required when income is positive or \$0, stable and not used for qualifying <ul style="list-style-type: none"> <li>K-1 is required when the income is positive and used for qualifying <ul style="list-style-type: none"> <li>If borrower has &lt; 25% ownership, year-to-date income to be verified if the most recent K-1 is more than 90 days seasoned at the Note date</li> <li>If the borrower has ≥ 25% ownership, refer to <a href="#">Self-Employed income requirements</a></li> </ul> </li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• <b>K-1 Loss on 1040 - Schedule E:</b> ○ K-1 is required when income reported is a loss <ul style="list-style-type: none"> <li>▪ If the borrower has &lt; 25% ownership and loss is &gt; 5% of the total qualifying income: <ul style="list-style-type: none"> <li>♦ Loss is to be deducted from the income</li> </ul> </li> <li>▪ If the borrower has &lt; 25% ownership and loss is ≤ 5% of the total qualifying income: <ul style="list-style-type: none"> <li>♦ Underwriter to analyze and determine if the loss materially impacts the borrower's ability to repay. Loss that has a material impact to be deducted from qualifying income.</li> </ul> </li> <li>▪ If the borrower has ≥ 25% ownership, refer to <a href="#">Self-Employed income requirements</a></li> </ul> </li> <li>• <b>K-1 – Recent conversion:</b> ○ Borrowers who have recently become a partner and converted to K1 may have their income considered with the following: <ul style="list-style-type: none"> <li>▪ Two years verification of employment with the same employer</li> <li>▪ Ownership must be &lt; 25%</li> <li>▪ Most recent two years signed personal tax returns and transcripts required</li> <li>▪ Partnership agreement evidencing guaranteed payments due under this agreement are to be equal or greater than income previously reported on borrower's W-2s <ul style="list-style-type: none"> <li>♦ If the agreement does not specify guaranteed payments borrower must have received partnership payments via K-1 for at least one year and income documented on the prior year's K-1</li> </ul> </li> </ul> </li> <li>○ Qualifying income is calculated using the most recent two years' W-2s</li> </ul>
<p><b>Income: Trust Income</b></p>	<ul style="list-style-type: none"> <li>• The trust agreement, trustee's statement or the trust's federal income tax returns to be obtained confirming amount, frequency and type of income being received</li> <li>• A borrower who is also the trustee may not provide the trustee's statement</li> <li>• Continuance of income may need to be verified based on the income received through the trust such as: <ul style="list-style-type: none"> <li>• If the income source is a fixed payment from an asset account, a three-year continuance must be verified</li> <li>• If the income source is rental income, a three year continuance does not need to be verified</li> <li>• If funds from the trust are used for downpayment, closing costs or reserves the funds used must be subtracted from the total funds before determining the continuity requirement</li> </ul> </li> <li>• <b>Trusts with Fixed Payments:</b> ○ The fixed amount from the trust agreement to be used ○ Current receipt must be documented with one month's bank statement or equivalent <ul style="list-style-type: none"> <li>○ Payments must have been received for at least 12 months to be considered as qualifying income unless all the following requirements are met: <ul style="list-style-type: none"> <li>▪ Trust documentation identifies it is a fixed payment</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>▪ Borrower is not the grantor</li> <li>▪ At least one payment has been received prior to closing</li> <li>• <b>Trust with Variable Payments:</b> <ul style="list-style-type: none"> <li>○ Qualifying income is calculated per Fannie Mae Variable Income requirements</li> <li>○ A minimum 24 month history of receipt is required and must be documented with all the following: <ul style="list-style-type: none"> <li>▪ Borrower signed personal tax returns for the most recent two years, and</li> <li>▪ Current receipt documented with one month's bank statement or equivalent</li> </ul> </li> </ul> </li> </ul>
<b>Income: Unacceptable Sources</b>	<ul style="list-style-type: none"> <li>• The following are unacceptable sources of income: <ul style="list-style-type: none"> <li>○ Any income source that cannot be verified</li> <li>○ Boarder income</li> <li>○ Deferred compensation</li> <li>○ Education benefits</li> <li>○ Expense account payments</li> <li>○ Foreign income that is not declared on personal tax returns</li> <li>○ Income that is not legal in accordance with all applicable federal, state, and local laws, rules and regulations</li> <li>○ Non-occupant income</li> <li>○ Projected income that will begin &gt; 60 days after Note date</li> <li>○ Rental income from a second home</li> <li>○ Retained earnings</li> <li>○ Temporary income</li> <li>○ Trailing co-borrower income</li> </ul> </li> </ul>
<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"> <li>• Blind trusts</li> <li>• Borrowers less than 18 years old</li> <li>• Borrowers without a social security number</li> <li>• Borrowers party to a lawsuit</li> <li>• Borrowers with diplomatic immunity</li> <li>• Corporations, Limited Partnerships, and LLCs</li> <li>• Foreign Nationals</li> <li>• Irrevocable trusts</li> <li>• ITIN</li> <li>• Land trusts</li> <li>• Life estates</li> <li>• Qualified Personal Residence trusts</li> <li>• Real Estate trusts</li> </ul>

<p><b>Ineligible Property Types</b></p>	<ul style="list-style-type: none"> <li>• Agricultural properties, including hobby farms, working farms, ranches and orchards</li> <li>• Assisted living facilities with medical services or other types of assisted care facilities</li> <li>• Bed and breakfast</li> <li>• Boarding house</li> <li>• Container homes</li> <li>• Commercial or Mixed-Use properties</li> <li>• Condo-hotels, including projects with registrations services that offer</li> </ul>
	<ul style="list-style-type: none"> <li>• rental units on a daily, weekly or monthly basis</li> <li>• Condominium conversion</li> <li>• Condo with HOAs in litigation</li> <li>• Co-ops, including Co-op timeshares</li> <li>• Domes or geodesic domes</li> <li>• Dwellings with &gt; 4 units</li> <li>• Earth Home, Berm Home or Basement Home</li> <li>• Factory Built Housing</li> <li>• Hawaii properties located in lava zones 1 or 2</li> <li>• Homes on Native American lands</li> <li>• Houseboats</li> <li>• Income producing properties</li> <li>• Leasehold properties</li> <li>• Log homes</li> <li>• Manufactured homes</li> <li>• Mobile homes</li> <li>• Properties exceeding 25 acres</li> <li>• Properties not readily accessible by roads that meet local standards</li> <li>• Properties not suitable for year round occupancy, regardless of location</li> <li>• Properties with deed restrictions or resale restrictions for other than age-related requirements</li> <li>• Properties with UCC filings</li> <li>• PUDtels</li> <li>• Unique properties</li> <li>• Vacant land or land development properties</li> </ul>

<b>Ineligible Transactions</b>	<ul style="list-style-type: none"> <li>• Bridge loan</li> <li>• Builder/Seller bailout</li> <li>• Escrow holdback or escrow for work completion</li> <li>• Foreclosure bailout</li> <li>• Illinois Land Trust</li> <li>• Income produced, or in relation to, cannabis, hemp</li> <li>• Interest only loan</li> <li>• Model home leaseback</li> <li>• Multiple property payment skimming</li> <li>• Non-QM loan</li> <li>• Property with a PACE loan</li> <li>• Refinancing of a subsidized loan</li> <li>• Reverse 1031 Exchange</li> <li>• Section 32 and/or High-Cost Loan</li> <li>• Shared Appreciation second liens</li> <li>• Single Closing Construction-to-Permanent refinance</li> <li>• Straw borrower or straw buyer</li> <li>• Texas refinance (a)(6) transactions</li> </ul>
<b>Interested Party Contributions (IPCs)</b>	<ul style="list-style-type: none"> <li>• Follow DU findings</li> </ul>

<b>LTV/CLTV/HCTLV</b>	<ul style="list-style-type: none"> <li>• <b>Purchase</b> ○ LTV/CLTV is based upon the lesser of the sales price or appraised value</li> <li>• <b>Rate and Term Refinance</b> ○ LTV/CLTV is based upon the current appraised value</li> <li>• <b>Cash-out Refinance</b> ○ Twelve (12) months since the most recent mortgage transaction (timeframe is Note date of previous transaction to Note date of current transaction) is required <ul style="list-style-type: none"> <li>○ LTV/CLTV is based upon the current appraised value</li> </ul> </li> </ul>
<b>Minimum Loan Amount</b>	<ul style="list-style-type: none"> <li>• One dollar (\$1) above conforming loan limits for one-unit properties as published by the Federal Housing Financing Agency (FHFA)</li> </ul>
<b>Mortgage Insurance/PMI</b>	<ul style="list-style-type: none"> <li>• Private Mortgage Insurance (PMI) is not allowed</li> </ul>
<b>Multiple Financed Properties</b>	<ul style="list-style-type: none"> <li>• Follow DU findings ○ 1-4 unit financed properties in the name of an entity can be excluded only when the borrower is not personally obligated on the mortgage</li> <li>• OCMBC's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$8,000,000 in high-cost areas) in current unpaid principal balance or six (6) properties</li> </ul>
<b>Non-Arm's-Length Transaction</b>	<ul style="list-style-type: none"> <li>• Follow DU findings</li> <li>• Loans made to principals or employees of OCMBC or the service provider cannot provide services on their own transactions (closing agent, title agent, appraiser, etc.)</li> <li>• Purchase transactions where the seller is a corporation, partnership, or any other business entity, OCMBC must ensure that the borrower is not one of the owners of the business entity selling the subject property</li> </ul>

<p><b>Non-Warrantable Condos</b></p>	<ul style="list-style-type: none"> <li>• 10% LTV/CLTV reduction before program maximum required</li> <li>• Primary residences and second homes eligible</li> <li>• 30 year fixed rate only</li> <li>• Full project review required</li> <li>• Only 1 non-warrantable feature is permitted</li> <li>• All other Fannie Mae condo requirements must be met</li> <li>• The projects legal phase, including common elements, are largely complete</li> <li>• Non-warrantable features: <ul style="list-style-type: none"> <li>○ Commercial space: <ul style="list-style-type: none"> <li>▪ Greater than 35% but no more than 50% allowed, must be owned and controlled by the HOA and separate from the condo project HOA</li> <li>▪ Space must be compatible with residential use and agree with the neighborhood. Examples are restaurants, bars, offices, etc.</li> <li>▪ Space to be considered to include eligible spaces above and below grade, parking excluded</li> </ul> </li> <li>○ Presale: <ul style="list-style-type: none"> <li>▪ At least 30% of the condo units are to be sold or under pending sales contract</li> <li>▪ For specific legal phase(s), at least 30% of the total units in the subject legal phase(s) deemed together with all prior legal phases,</li> </ul> </li> </ul> </li> </ul>
	<p>are to be sold or pending sale as principal residences or second homes</p> <ul style="list-style-type: none"> <li>○ Budget: <ul style="list-style-type: none"> <li>▪ If replacement reserves are less than 10%, the following must be met: <ul style="list-style-type: none"> <li>♦ No less than 7% replacement reserves are allowed if current reserve balance is more than 10% of the project's operating expenses</li> <li>♦ Less than 7% replacement reserves allowed if current reserve balance is more than 20% of the project's operating expenses</li> <li>♦ Balance sheet required and must be dated with 120 days of Note date</li> </ul> </li> </ul> </li> <li>○ Entity ownership concentration: <ul style="list-style-type: none"> <li>▪ Projects with 10+ units: Maximum ownership by 1 entity is 25%</li> <li>▪ Vacant units owned by the developer, sponsor, or succeeding developer that are actively being marketed for sale may be excluded from the calculation</li> <li>▪ Leased units, including units owned by the developer, sponsor, or succeeding developer must be included in the calculation</li> <li>▪ Projects with less than 10 units: Follow Fannie Mae</li> </ul> </li> </ul>



<b>Property Flip Transactions</b>	<ul style="list-style-type: none"> <li>• If the seller acquired the property 90 or fewer days prior to the sales contract date the follow requirement apply: <ul style="list-style-type: none"> <li>○ Seller on purchase contract and title commitment is owner of record</li> <li>○ LTV/CLTV is based on the lesser of the prior sales priced or current appraised value</li> <li>○ Relocation and bank owned sales are exempt and do not have to meet the above requirements</li> </ul> </li> <li>• Note: Seasoning is measured from the closing date of the initial transaction to the fully executed purchase contract date for the subject transaction</li> </ul>
<b>Purchase Transactions</b>	<ul style="list-style-type: none"> <li>• Multiple contracts may not be combined to establish purchase price</li> <li>• Assignment of purchase contract not allowed <ul style="list-style-type: none"> <li>○ Exception permitted only when the transferor is a family member and there is no change to the purchase price or credits from the previous transaction</li> </ul> </li> </ul>
<b>Refinance Transactions</b>	<ul style="list-style-type: none"> <li>• <b>Rate/Term Refinance:</b> <ul style="list-style-type: none"> <li>○ 6 months seasoning required if previous transaction was a cash out</li> <li>○ Payoff of non-purchase seconds allowed with 12 months seasoning <ul style="list-style-type: none"> <li>▪ HELOCS require evidence no cumulative draws &gt; \$2,000 were taken in the last 12 months, measured from application date</li> </ul> </li> </ul> </li> <li>• <b>Cash-Out Refinance:</b> <ul style="list-style-type: none"> <li>○ Properties listed for sale ≤ 6 months of application ineligible</li> </ul> </li> <li>• <b>Construction-to-Permanent Loan Refinance</b> - Eligible as a rate/term refinance when meeting all the following: <ul style="list-style-type: none"> <li>○ Borrower held title to the lot for minimum of six (6) months prior to the closing of the permanent loan</li> <li>○ If borrower has held title to the lot for ≥ 12 months prior to the closing</li> </ul> </li> </ul>

	<p>date of subject transaction, LTV/CLTV is based on current appraised value</p> <ul style="list-style-type: none"> <li>○ If borrower has held title to the lot for &lt; 12 months prior to the closing date of subject transaction, LTV/CLTV is based on the lesser of the original purchase price of the lot plus the total acquisition cost (sum of construction costs) or the current appraised value of the lot plus total acquisition cost</li> <li>○ Payoff of documented construction cost overruns that were incurred outside of the interim construction financing required payment of the overruns directly to the builder at closing</li> <li>○ Appraiser's final inspection to be provided</li> <li>○ A certificate of occupancy is required. If the applicable governing authority does not require a certificate of occupancy, its equivalent to be provided</li> <li>○ First time homebuyer restrictions apply if borrower was a first time homebuyer when construction contract was executed</li> <li>○ Transactions in which the borrower has acted as the builder or general contractor are ineligible</li> </ul> <p>• <b>Delayed Financing</b> ○ Eligible, property must have been purchased for cash within 180 days of application date</p> <ul style="list-style-type: none"> <li>○ Follow DU findings, DU will identify the loan as a cash-out refinance, however, transaction to be underwritten and priced as a rate/term refinance</li> <li>○ Cash back limits apply for proceeds exceeding the lesser of the purchase price or appraised value</li> <li>○ Closing disclosure from original purchase transaction required to evidence mortgage financing was not used to acquire the subject property and all funds used, including closing costs, were from the borrower's own funds</li> <li>○ If funds used to purchase the subject property came from borrower's self-employed business the borrower must be 100% owner. Cash flow analysis required to confirm there was no negative impact on business, refer to <a href="#">Business Funds</a> for additional requirements</li> <li>○ Subject properties located in Texas must follow Texas Constitution requisites for equity refinance transactions</li> </ul>
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Reserves Requirements		

	<ul style="list-style-type: none"> <li>• <b>Note:</b> If any amount of business funds is used to meet the reserve requirements at least 50% of the verified reserves must be liquid and come from a personal, non-retirement account.</li> <li>• <b>Multiple Financed Properties</b> – Additional reserves are required for each additional financed property. Follow DU findings to determine additional required reserves. Reserves are represented as a number equal to the fully amortizing payment, PITIA, for the relevant property; PITIA is the monthly payment obligation for all the following: <ul style="list-style-type: none"> <li>○ Principal ○ Interest</li> <li>○ Taxes – real estate taxes ○ Insurance – hazard, flood, mortgage insurance (as applicable) ○ Assessments/Association Dues (including ground rent, HOA Dues, special assessments, etc.)</li> <li>○ Plus any subordinate financing payments on mortgages secured by the subject property</li> </ul> </li> <li>• <b>Unacceptable Reserves:</b> ○ Assets that are not vested (such as non-vested stock options and non-vested restricted stock) <ul style="list-style-type: none"> <li>○ Business funds ○ Cash on hand ○ Cash-out proceeds ○ Cryptocurrency/virtual currency, unless liquidated ○ Gift funds ○ Non-vested funds ○ Stock held in an unlisted corporation ○ UGMA or UTMA accounts ○ Unsecured loans</li> </ul> </li> </ul>
Solar	<ul style="list-style-type: none"> <li>• Follow DU findings and Fannie Mae Single Selling Guide</li> </ul>

<p><b>Subordinate Financing</b></p>	<ul style="list-style-type: none"> <li>• Allowed up to maximum LTV/CLTV for each program</li> <li>• Subordinate liens must be recorded and always subordinate to first lien</li> <li>• Only institutional financing allowed unless subordinate financing is Employer Subordinate financing and meets all the requirements below</li> <li>• HELOC full drawn line amount must be used as the principal balance in the LTV/CLTV calculation</li> <li>• Subordinate liens with negative amortization features, prepayment penalties or balloon payments due within 5 years of closing of subject transaction are ineligible</li> <li>• Disaster relief grants may not be subordinated</li> <li>• Employer subordinate financing requirements: <ul style="list-style-type: none"> <li>○ First lien must be a 30 year fixed rate</li> <li>○ Employer Financing Assistance Program must be in existence and offered by employer</li> <li>○ Employer is allowed to require full repayment if borrower's employment ends before maturity date</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>○ Acceptable financing terms are: <ul style="list-style-type: none"> <li>▪ Fully amortizing monthly payments</li> <li>▪ Deferred payments for defined period prior to fully amortizing payments</li> <li>▪ Forgiveness after defined period</li> <li>▪ Balloon payment no less than 5 years unless borrower has sufficient liquidity to pay off subordinate lien in full</li> </ul> </li> </ul>
<p><b>Tax Transcripts</b></p>	<ul style="list-style-type: none"> <li>• Transcripts are required for all borrowers whose income is used for qualifying <ul style="list-style-type: none"> <li>○ Tax transcripts <ul style="list-style-type: none"> <li>▪ Required when personal returns are used to determine borrower qualifying income <ul style="list-style-type: none"> <li>♦ Borrower obtained tax transcripts are not allowed</li> </ul> </li> <li>○ W2 transcripts <ul style="list-style-type: none"> <li>▪ Acceptable to validate W2 wages if the borrower does not have any other income positive or negative income sources</li> <li>▪ W2 transcripts are not permitted if borrower: <ul style="list-style-type: none"> <li>♦ Is employed by a family member</li> <li>♦ Has ≥ 25% ownership in a company</li> </ul> </li> </ul> </li> </ul> </li> </ul> </li> <li>• If the most recent year's tax returns or W2s have been filed but the IRS has not processed the forms, the following alternative documentation is allowed: <ul style="list-style-type: none"> <li>○ Tax transcripts: <ul style="list-style-type: none"> <li>▪ Evidence of e-filing with the IRS, and</li> <li>▪ Receipt of refund or evidence of payment in full of tax liability, as applicable, and</li> <li>▪ Processed IRS form 4506-C confirming "no record of return found"</li> <li>○ W2 transcripts: <ul style="list-style-type: none"> <li>▪ Processed IRS form 4506-C confirming "no record of return found" Note: this option is only allowed through June 30th of each year. As of July 1st, the prior year W2 transcript is required</li> </ul> </li> </ul> </li> </ul> </li> </ul>

<p><b>Temporary Buydown</b></p>	<ul style="list-style-type: none"> <li>• <b>Product Eligibility</b> ○ 30 year fixed rate only <ul style="list-style-type: none"> <li>○ Primary Residence and Second Home eligible ○ Purchase transactions only</li> <li>○ 1-2 Unit Single Family, PUD and Condos only ○ Seller/Builder paid only</li> </ul> </li> <li>• <b>Buydown Terms</b> – 2:1 and 1:0 temporary buydowns allowed ○ <ul style="list-style-type: none"> <li>2:1 Buydown: <ul style="list-style-type: none"> <li>▪ Term of the temporary buydown is 24 months</li> <li>▪ Initial interest rate is temporarily reduced by no more than two (2) percent below the note rate for year one (1) and reduced by no more than one (1) percent below the note rate for year two (2). The non-reduced note rate applies for years three (3) through thirty (30). ○</li> </ul> </li> <li>1:0 Buydown: <ul style="list-style-type: none"> <li>▪ Term of the temporary buydown is 12 months</li> <li>▪ Initial interest rate is temporarily reduced by no more than one (1) percent below the note rate with the non-reduced note rate applying for years two (2) through thirty (30)</li> </ul> </li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>• <b>Underwriting Criteria</b> ○ Borrowers qualify using the note rate, not the buydown rate ○ Reserves are calculated, using the note rate, not the buydown rate ○ Standard Interested Party Contributions guidelines apply</li> </ul>