

ELIGIBILITY MATRIX										
Occupancy	Property <sup>1,2,3</sup>	Loan Amount	Purchase, Rate/Term Refi				Cash-out Refi			
			Max LTV/CLTV to FICO				Max LTV/CLTV to FICO			
			740+	720+	700+	680+	740+	720+	700+	680+
Primary Residence	SFR/2-4 Unit/ PUD/Condo	\$1,000,000	85%	85%	85%	80%	75%	75%	75%	75%
		\$1,500,000	85%	85%	80%	75%	75%	75%	75%	70%
		\$2,000,000	85%	80%	75%	75%	75%	75%	70%	70%
		\$2,500,000	80%	75%	75%	65%	75%	70%	70%	60%
		\$3,000,000	75%	75%	65%	60%	70%	70%	60%	55%
Second Home/ Investment	SFR/2-4 Unit/ PUD/Condo	\$1,000,000	75%	75%	75%	75%	70%	70%	70%	70%
		\$1,500,000	75%	75%	75%	75%	70%	70%	70%	70%
		\$2,000,000	75%	75%	75%	75%	70%	70%	70%	70%
		\$2,500,000	75%	75%	75%	65%	70%	70%	70%	60%
		\$3,000,000	75%	75%	65%	60%	70%	70%	60%	55%
		<sup>1</sup> 5% LTV/CLTV reduction for declining market with > 70% LTV <sup>2</sup> 80% max LTV/CLTV for 2 Unit and 75% max LTV.CLTV for 3-4 Unit <sup>3</sup> Condos in Florida have the following max LTV/CLTV restrictions: Purchase & R/T Refi - 75%, C/O Refi - 65%								

PRODUCT OFFERINGS	
Full Amortizing Fixed Rate	15, 30 years, nonstandard terms available

TABLE OF CONTENTS				
<a href="#">Age of Documents</a>	<a href="#">Appraisal Requirements</a>	<a href="#">Asset Requirements</a>	<a href="#">Compliance Requirements</a>	<a href="#">Condominium Requirements</a>
<a href="#">Credit</a>	<a href="#">Debt-to-Income (DTI)</a>	<a href="#">Departing Residence</a>	<a href="#">Disaster Areas</a>	<a href="#">Eligible Borrowers</a>
<a href="#">Eligible Properties</a>	<a href="#">Eligible Transactions</a>	<a href="#">Escrow/Impound Accounts</a>	<a href="#">First Time Homebuyers</a>	<a href="#">Fraud Check</a>
<a href="#">General Property Requirements</a>	<a href="#">Geographic Restrictions</a>	<a href="#">Gift Funds</a>	<a href="#">Housing History</a>	<a href="#">Income – General Requirements</a>
<a href="#">Income – Full Doc 24 Months</a>	<a href="#">Income – Full Doc 12 Months</a>	<a href="#">Income – Other Sources of Income (Full Doc)</a>	<a href="#">Income - Alt Doc Bank Statement 12/24 Months</a>	<a href="#">Income - Alt Doc: Asset Utilization</a>
<a href="#">Income - Alt Doc: Rental Income</a>	<a href="#">Ineligible Borrowers</a>	<a href="#">Ineligible Property Types</a>	<a href="#">Ineligible Transactions</a>	<a href="#">Inter Vivos Revocable Trusts</a>
<a href="#">Interested Party Contributions (IPCs)</a>	<a href="#">Lease with Option to Buy</a>	<a href="#">Minimum Loan Amount</a>	<a href="#">Mortgage Insurance/PMI</a>	<a href="#">Multiple Financed Properties</a>
<a href="#">Non-Arm's Length/ Interested Party Transactions</a>	<a href="#">Non-Occupant CoBorrowers</a>	<a href="#">Payment Shock</a>	<a href="#">Properties Listed for Sale</a>	<a href="#">Property Insurance</a>
<a href="#">Property Eligibility – Accessory Dwelling Units (ADU)</a>	<a href="#">Property Eligibility - Flip Transactions JHPML Appraisal Rule</a>	<a href="#">Reserves Requirements</a>	<a href="#">Residual Income</a>	<a href="#">Secondary Financing</a>
<a href="#">Solar</a>	<a href="#">Tax Returns</a>	<a href="#">Title Vesting &amp; Ownership</a>	<a href="#">Temporary Buydown</a>	<a href="#">Texas Transactions</a>
<a href="#">Exhibit A: Visa and EAD Eligibility Matrix</a>				

## KEY PROGRAM PARAMETERS

All loans must be fully underwritten to the Jumbo Guidelines. AUS findings are not eligible for use with Jumbo. Defer to Fannie Mae Selling Guide where any topic in the Jumbo Guidelines is silent. To the extent where reference is made herein to the Fannie Mae Selling Guide and there is any conflict or inconsistency between the Jumbo Guidelines and Fannie Mae Selling Guide the provisions within this Guide shall preside.

Qualifying criteria within the program guidelines are subject to change without notice.

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
Age of Documents	<ul style="list-style-type: none"> <li>• Underwriting and Borrower Credit Documents may not be more than 90 days seasoned at the Note date</li> <li>• Credit Report should be dated no more than 120 days prior to the Note date</li> <li>• Appraisal should be dated no more than 120 days prior to the Note date. After a 120-day period, a re-certification of value is acceptable up to 180 days. After 180 days, a new appraisal report is required.</li> </ul>

<p><b>Appraisal Requirements</b></p>	<ul style="list-style-type: none"> <li>Statewide may, at its discretion, examine all valuation reports, including review products, to verify the accuracy of the subject property's value. If the value is deemed unsupported, Statewide reserves the right to adopt a lower value determined through an internal desk review of the appraisal(s) and review product.</li> <li>Appraisal must be ordered through an Appraisal Management Company (AMC) that complies with all applicable regulations and standards including but not limited to USPAP, FIRREA, AIR and HVCC compliance, or for approved lenders, through their AIR compliant appraisal panel management process. See your Correspondent Sales Team for panel management approval requirements.</li> <li>Full interior/exterior appraisal is required</li> <li>All properties must: <ul style="list-style-type: none"> <li>Be improved real property</li> <li>Be accessible and available for year-round residential use</li> <li>Represent the highest and best use of the property</li> <li>No contain any health and safety issues</li> </ul> </li> <li>Condition ratings must be C1 through C4</li> <li>C5 and C6 ratings are ineligible</li> <li>Appraisals are to be dated within 120 days of the Note date. After the 120-day period a recertification of value is acceptable up to 180 days. After 180 days a new appraisal is required.</li> <li>When two appraisals are completed, the underwriter has discretion to accept differences between the two appraisals, as each appraiser may appraise a property differently. For example one appraiser may call a room an office when the other appraiser may call the same room a bedroom or one appraisal may state that there is 1000 sq ft. and the other appraiser measured out 980 sq ft. The Underwriter needs to assure that the qualifying value used to calculate the final LTV/CLTV is supported.</li> </ul> <table border="1" data-bbox="402 1035 1474 1554"> <thead> <tr> <th colspan="2">Appraisal Requirements</th></tr> </thead> <tbody> <tr> <td>&gt; \$1,500,000 Loan Amount</td><td> <ul style="list-style-type: none"> <li>2 full appraisals required</li> <li>ARR (Appraisal Risk Review) or CCA (Consolidated Collateral Analysis) required on the lower valued appraisal regardless of the SSR score</li> <li>The lower of the two appraisal values used as the "Appraised Value"</li> </ul> </td></tr> <tr> <td>≤ \$1,500,000 Loan Amount</td><td> <ul style="list-style-type: none"> <li>1 full appraisal and secondary valuation</li> </ul> </td></tr> <tr> <td>Property Flip Transactions – HPML Appraisal Rule</td><td> <ul style="list-style-type: none"> <li>Refer to <a href="#">Property Flip Transactions- HPML Appraisal Rule</a> section for details</li> </ul> </td></tr> </tbody> </table>	Appraisal Requirements		> \$1,500,000 Loan Amount	<ul style="list-style-type: none"> <li>2 full appraisals required</li> <li>ARR (Appraisal Risk Review) or CCA (Consolidated Collateral Analysis) required on the lower valued appraisal regardless of the SSR score</li> <li>The lower of the two appraisal values used as the "Appraised Value"</li> </ul>	≤ \$1,500,000 Loan Amount	<ul style="list-style-type: none"> <li>1 full appraisal and secondary valuation</li> </ul>	Property Flip Transactions – HPML Appraisal Rule	<ul style="list-style-type: none"> <li>Refer to <a href="#">Property Flip Transactions- HPML Appraisal Rule</a> section for details</li> </ul>
Appraisal Requirements									
> \$1,500,000 Loan Amount	<ul style="list-style-type: none"> <li>2 full appraisals required</li> <li>ARR (Appraisal Risk Review) or CCA (Consolidated Collateral Analysis) required on the lower valued appraisal regardless of the SSR score</li> <li>The lower of the two appraisal values used as the "Appraised Value"</li> </ul>								
≤ \$1,500,000 Loan Amount	<ul style="list-style-type: none"> <li>1 full appraisal and secondary valuation</li> </ul>								
Property Flip Transactions – HPML Appraisal Rule	<ul style="list-style-type: none"> <li>Refer to <a href="#">Property Flip Transactions- HPML Appraisal Rule</a> section for details</li> </ul>								
<p><b>TOPIC</b></p>	<p><b>UNDERWRITING AND DOCUMENTATION REQUIREMENTS</b></p>								

	<ul style="list-style-type: none"> <li>• <b>Secondary Valuation is required</b> for all loan amounts <math>\leq \\$1,500,000</math>. The <b>secondary valuation waterfall</b> is as follows: <ul style="list-style-type: none"> <li>○ <b>CU score <math>\leq 2.5</math>, OR</b> <ul style="list-style-type: none"> <li>▪ If CU score is <math>&gt; 2.5</math>, “no score” or “indeterminate”, a CCA/ARR, field review or 2<sup>nd</sup> full appraisal is required</li> <li>▪ Not allowed on multi-unit properties ○ Enhanced desk review - Consolidated Collateral Analysis (CCA) from Consolidated Analytics or Appraisal Risk Review (ARR) from Stewart/ProTeck 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, or</li> <li>▪ If variance is between 10.01% to 15%, using the lower value without an additional report is acceptable.</li> </ul> </li> </ul> </li> <li>○ <b>Field review</b> - May not be ordered from same appraisal company or appraiser as the original report</li> <li>○ <b>Drive-by appraisal</b> - May not be ordered from same appraisal company or appraiser as the original report</li> <li>○ <b>2<sup>nd</sup> full appraisal</b> - May not be ordered from same appraisal company or appraiser as the original report <ul style="list-style-type: none"> <li>▪ Value is based on the lesser of the original appraisal, field review or 2<sup>nd</sup> appraisal</li> </ul> </li> </ul> </li> <li>• <b>Transferred Appraisals are allowed.</b> A transfer letter is be executed by the Lender that ordered the appraisal and must be signed by an authorized member of the company. ○ The letter should include the following: <ul style="list-style-type: none"> <li>▪ Prepared on letterhead of the original lender</li> <li>▪ Current date</li> <li>▪ Borrower name</li> <li>▪ Property address</li> <li>▪ Statement that the appraisal was prepared in compliance of Appraisal Independence Requirements (AIR)</li> <li>▪ Signed by an Authorized Representative ○ If more than one appraisal is required only one appraisal may be a transferred appraisal</li> </ul> </li> </ul>
--	--

Asset Requirements	<ul style="list-style-type: none"> <li>• <b>Asset Documentation Requirements</b> <ul style="list-style-type: none"> <li>○ Account statements must cover most recent 60-day period</li> <li>○ 100% access letter and an LOE is required if account, personal or business, has other names in addition to the borrower(s); if a borrower owns a business 100%, no access letter is required, even if there are other names on the business account</li> <li>○ Eligible assets: <ul style="list-style-type: none"> <li>▪ Stocks/Bonds/Mutual Funds/Annuities/Certificates of Deposit/Money Market Funds/Trust Accounts for which the borrower is a direct beneficiary - 100%</li> <li>▪ Vested Retirement Account funds – 60%</li> </ul> </li> <li>○ Large deposits are defined as any single deposit that exceeds more than 75% of the monthly average deposit balance and must be sourced and explained by the borrower.</li> <li>▪ Large deposits that cannot be sourced and explained must be subtracted from asset balance.</li> <li>○ Virtual current/cryptocurrency that is exchanged into US dollars is permitted</li> </ul> </li> </ul>
--------------------	---

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<p>when all the following requirements are met:</p> <ul style="list-style-type: none"> <li>▪ Evidence funds originated from borrower's cryptocurrency account</li> <li>▪ Funds verified in US or state regulated financial institution prior to closing</li> <li>○ Accounts in a minor's name where the borrower is named only as custodian of the funds is an ineligible asset</li> <li>• <b>Business Funds may be used for down payment, closing costs, and for the purposes of calculating reserves</b> <ul style="list-style-type: none"> <li>○ Borrower must be listed as sole owner of the account, and the account needs to be verified per requirements in Assets Documentation section of this Guide.</li> <li>▪ If account has other names in addition to the borrower(s), a 100% access letter and an LOE are required.</li> <li>▪ If the borrower owns 100% of the business or if the amount needed is less than their percentage of ownership, no access letter is required even if there are other names on the business account.</li> <li>○ If Business funds are used, the borrower may use a maximum of their percentage of ownership as qualifying assets. <ul style="list-style-type: none"> <li>▪ If funds needed exceed the maximum percentage of ownership, 100% access letter is required</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Underwriter must determine that the withdrawal of funds will not have a negative impact on the business by one of the following methods based upon the income documentation: <ul style="list-style-type: none"> <li>▪ <u>Full Income Documentation (May use one of the following methods)</u> <ul style="list-style-type: none"> <li>• Underwriter must perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business; Fannie Mae Form 1084 or a similar cash flow analysis form to be utilized to show the business can support the withdrawal of the funds, or</li> <li>• The balance sheet (borrower or tax professional/CPA/Accounting/Bookkeeping Firm supervised by a Certified Accountant prepared) for the business must reflect positive working capital, OR</li> <li>• Working capital is the difference between the current assets and current liabilities</li> <li>• The result of working capital represents the maximum amount of business funds available to use towards down payment, closing cost and reserves, or</li> <li>• CPA/Tax Professional/Accounting-Bookkeeping Firm supervised by a Certified Accountant Letter, signed and dated within 60 days of Note date, stating that the use of business funds would not have a negative impact on the business</li> </ul> </li> <li>▪ <u>Self-Employed – 12 or 24 Month Business Bank (May use one of the following methods)</u> <ul style="list-style-type: none"> <li>• Business Expense Coverage: Using the most recent business bank statement(s) used for income documentation, perform the following calculation: <div style="margin-left: 20px;"> Statement(s) Ending Balance  - Transaction Down Payment  - Transaction Closing Costs  - Program Required Reserves  <u>+Fund Available from Personal Account(s)</u>  Funds Available for Business Expense Coverage </div> </li> </ul> </li> </ul> </li> </ul>
--	---

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<ul style="list-style-type: none"> <li>▪ Funds Available for Business Expense Coverage must be a positive number and reflect a minimum of 2 months of average expenses as reflected on the P&amp;L; or as determined by using the expense factor, or</li> <li>▪ The balance sheet (borrower or tax professional/CPA prepared) for the business must reflect positive working capital. (Working capital is the difference between the current assets minus current liabilities; the result represents the maximum amount of business funds available to use towards down payment, closing cost, and reserves), or <ul style="list-style-type: none"> <li>• The Balance Sheet requirement can be waived by reducing the amount of available assets by 50%, or</li> <li>• CPA/Tax Professional/Accounting-Bookkeeping Firm supervised by a Certified Accountant Letter, signed and dated within 60 days of Note date, stating that the use of business funds would not have a negative impact on the business</li> </ul> </li> </ul>

<b>Compliance Requirements</b>	<ul style="list-style-type: none"> <li>All loans must adhere to the General QM Final Rule (price-based). Loans must be designated as Qualified loans. The allowable points and fees threshold is the more restrictive of state law, as applicable or 3.00% Loans that fall under safe harbor, rebuttable presumption and general ATR are permitted. Loans are subject to general ability-to-repay (ATR) standards (12 C.F.R 1023.43(c)) and require the lender to make a reasonable, good-faith determination that the consumer has a reasonable ability to repay the loan. The following eight underwriting factors are considered when making this determination: <ul style="list-style-type: none"> <li>I. Current or reasonably expected income or assets</li> <li>II. Current employment status</li> <li>III. The monthly payment on the covered transaction</li> <li>IV. The monthly payment on any simultaneous loan</li> <li>V. The monthly payment for mortgage-related obligations</li> <li>VI. Current debt obligations, alimony and child support</li> <li>VII. The monthly debt-to-income ratio or residual income</li> <li>VIII. Credit history</li> </ul> </li> <li>State and Federal High-Cost loans are not allowed.</li> </ul>
<b>Condominium Requirements</b>	<ul style="list-style-type: none"> <li>Refer to <a href="#">Condominium Project Standards</a> for details</li> </ul>
<b>Credit</b>	<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 and all three (3) repositories must be attempted</li> <li>All credit inquiries on the borrower credit report in the last 90 days require a signed letter of explanation <ul style="list-style-type: none"> <li>Any new debt must be documented and included as a liability for qualifying</li> </ul> </li> </ul> </li> <li><b>Credit Score:</b> <ul style="list-style-type: none"> <li>The lower of the two (2) credit scores or median of the three (3) credit scores is to be used unless there are multiple borrowers <ul style="list-style-type: none"> <li>For multiple borrowers: Lowest decision score amongst borrowers to be used</li> </ul> </li> </ul> </li> <li><b>Contingent Liabilities</b> – Certain debts may be excluded from the borrower’s DTI ratio when meeting all of the following: <ul style="list-style-type: none"> <li><b>Non-Mortgage Debt:</b> <ul style="list-style-type: none"> <li>Most recent 12 months’ canceled checks (or bank statements) from the other party making the payments documenting a 12-month payment history with no delinquent payments</li> </ul> </li> </ul> </li> </ul>

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
-------	---

	<ul style="list-style-type: none"> <li>▪ The party making the payment doesn't not have to be obligated on the debt unless the party making the payments is an interested party to the subject transaction (such as the seller or realtor)</li> <li>○ Mortgage debt:             <ul style="list-style-type: none"> <li>▪ The party making the payments is obligated on the mortgage debt, and</li> <li>▪ There are no delinquencies in the most recent 12 months, and</li> <li>▪ Borrower is not using rental income from the applicable property to qualify, and</li> <li>▪ Most recent 12 months' canceled checks (or bank statements) from the other party making the payments documenting a 12-month payment history with no delinquent payments</li> <li>▪ When a borrower is obligated on a mortgage debt, regardless of whether or not the other party is making the monthly mortgage payments, the referenced property must be included in the count of financed properties, as applicable</li> </ul> </li> <li>• Derogatory Credit             <ul style="list-style-type: none"> <li>○ All delinquent accounts must either be brought current or paid off at closing</li> <li>○ All mortgage accounts must be current at application and remain paid as agreed through closing</li> <li>○ Mortgage lates and/or significant derogatory credit will require a satisfactory letter of explanation</li> <li>○ All open judgments, garnishments, and all outstanding liens must be paid off prior to or at loan closing</li> <li>○ Charge-offs and collections with a cumulative balance greater than \$5,000 must be paid in full prior to or at closing unless they exceed state statute of limitations for debt collection. Evidence of expiration must be documented                 <ul style="list-style-type: none"> <li>▪ Medical charge-offs/collections may remain open</li> <li>▪ Payments for open charge-offs and collections that are not excluded and remain open must be included in the DTI. If there is no payment 5% of the balance is to be used.</li> <li>▪ If documented reserves exceed the combined balance of the charge-offs and/or collections and reserve requirement they payment does not have to be included in the DTI                     <ul style="list-style-type: none"> <li>○ Bankruptcy, Foreclosure, Forbearance, Deed-in-Lieu, Short Sale, PreForeclosure,</li> </ul> </li> </ul> </li> </ul> </li> <li>Mortgage Charge-Off or Loan Modification require 48 months seasoning             <ul style="list-style-type: none"> <li>▪ A second mortgage or junior lien that has been charged off is subject to foreclosure seasoning periods based upon the charge off date</li> <li>▪ Multiple derogatory credit events are not allowed</li> <li>○ Consumer Credit Counseling (CCC): Borrowers participating in Fannie Mae approved credit counseling services are acceptable if:                 <ul style="list-style-type: none"> <li>▪ Most recent 12 months are paid as agreed, and</li> <li>▪ CCC administrator provides a letter allowing borrower to seek new mortgage financing</li> </ul> </li> </ul> </li> <li>• Disputed Accounts:             <ul style="list-style-type: none"> <li>○ When the credit report contains tradelines disputed by the borrower and if the disputed account balance is \$1,000 or less, the payment can be included in the total debt calculation and the account can remain in dispute</li> </ul> </li> </ul>
--	--



TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
-------	---

	<ul style="list-style-type: none"> <li>▪ Total aggregate balance of accounts in dispute remaining unresolved cannot exceed \$3,000 ○ If the account that is in dispute is currently delinquent, a Charge Off or Collection, the requirement to pay off the account is at underwriter's discretion</li> <li>• Federal Income Tax Installment Agreement: ○ 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</li> <li>▪ Evidence a minimum of 2 payments were made under the plan with all payments made on time and current</li> <li>▪ If a lien:                 <ul style="list-style-type: none"> <li>♦ The balance of the lien must be included when determining the maximum CLTV for the program</li> <li>♦ Refinance transactions require a subordination agreement from the taxing authority</li> </ul> </li> <li>▪ Purchase Money Transactions: The following is required in addition to the requirements above:                 <ul style="list-style-type: none"> <li>♦ Title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien with no exception to final title policy, and (b) subordination agreement from IRS, when necessary</li> <li>♦ Evidence of two timely payments is not required if two months have not elapsed since entering into the repayment agreement, the balance owed is for the current tax filing year and is less than or equal to 5% of the property value</li> </ul> </li> </ul> </li> <li>• Tradelines Requirements – The minimum tradeline requirement are as follows: ○ At least three (3) tradelines reporting for a minimum of 12- months with activity in the last 12-months, or             <ul style="list-style-type: none"> <li>○ At least two (2) tradelines reporting for a minimum of 24-months with activity in the last 12-months, or</li> <li>○ At least 1 revolving tradeline reporting for 60 months with activity in the last 12 months and a verified 12-month housing history 0x30 or</li> <li>○ At least 1 installment tradeline reporting for 36 months with activity in the last 12 months and a verified 12-month housing history 0x30</li> <li>○ Mortgage accounts do count toward required tradelines. VORs and VOMs from servicing companies and/or management companies count toward tradelines with a credit supplement.</li> <li>○ Married Borrowers do not need to individually meet tradeline requirements. Their combined credit will be considered when evaluating acceptable tradelines. ○ The following are <u>not acceptable to be counted as a tradeline</u>: “Non-traditional” credit as defined by Fannie Mae, any liabilities in deferment status, accounts discharged through bankruptcy, authorized user accounts, charge-offs, collection accounts, foreclosures, deed in lieu of foreclosure, short sales, or preforeclosure sales. Any tradeline that cannot be used as a qualifying tradeline also will not affect the DTI.</li> <li>○ Limited Tradelines - If Standard Tradelines requirements are not met, and the borrower has a valid credit score per the Credit Score section of this guide the following restrictions apply:                 <ul style="list-style-type: none"> <li>▪ Owner Occupied &amp; Second Homes only, investment properties ineligible</li> <li>▪ On purchase transactions borrower must have 5% of their own funds</li> </ul> </li> </ul> </li> </ul>
--	---

Debt-to-Income	• 45% max DTI
TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
Departing Residence	<ul style="list-style-type: none"> <li>• Departing Residence is defined as the primary residence the borrower resided in prior to the purchase of the current primary residence. Second home and investment loans are ineligible.</li> <li>• 75% of the market rents may be used to offset the PITIA or TIA, (if property is owned free and clear). Surplus market rents in excess of the PITIA or TIA may be used as income. Market rents are determined by one of the following: <ul style="list-style-type: none"> <li>○ Appraiser rents survey form 1007</li> <li>○ Market Rent Survey</li> </ul> </li> <li>• 100% of the actual rents may be used to offset the PITIA or TIA (if property is owned free and clear). Surplus rents in excess of the PITIA or TIA may be used as income. Actual rents are documented with all the following: <ul style="list-style-type: none"> <li>○ Copy of executed rental agreement and proof of receipt of security deposit</li> </ul> </li> </ul>
Disaster Areas	<ul style="list-style-type: none"> <li>• The following applies to properties located in FEMA declared disaster areas, as identified by reviewing the FEMA web site, <a href="https://www.fema.gov/disaster/declarations">https://www.fema.gov/disaster/declarations</a>. In addition, when there is knowledge of an adverse event occurring near and around the subject property location, such as earthquakes, floods, tornadoes, or wildfires, additional due diligence should be used to determine if the disaster guidelines should be followed. <ul style="list-style-type: none"> <li>○ Appraisals Completed On or Before Incident Period End Date require: <ul style="list-style-type: none"> <li>▪ A final exterior inspection of the subject property</li> <li>▪ Appraiser to indicate if the subject property is in the same condition as the original date of appraisal, is free from any damage and the marketability and value remain the same</li> <li>▪ Inspection report must include photographs of the subject property and street view</li> <li>▪ Any damage must be repaired and re-inspected prior to funding</li> </ul> </li> <li>○ Appraisals Completed After Incident Period End Date must: <ul style="list-style-type: none"> <li>▪ Indicate the property was not impacted by the disaster and certify that there has been no change in housing values in the immediate area</li> </ul> </li> </ul> </li> <li>• Guidelines for disaster areas should be followed for 90 days after the disaster period end date as published by FEMA</li> </ul>

<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• US Citizens</li> <li>• Permanent Resident Aliens: <ul style="list-style-type: none"> <li>○ Allowed with acceptable evidence of permanent residence, which includes the following: <ul style="list-style-type: none"> <li>▪ Alien Registration Receipt Card I-151 (referred to as a green card)</li> <li>▪ Alien Registration Receipt Card I-551 (Resident Alien Card) that does not have an expiration date on the back (also known as a green card)</li> </ul> </li> </ul> </li> <li>• Non-Permanent Resident Aliens: <ul style="list-style-type: none"> <li>○ All non-permanent resident aliens must provide evidence of a valid, acceptable visa or an Employment Authorization Document (EAD). Depending on the EAD category type, both a valid visa and EAD may be required. Refer to <a href="#">Exhibit A</a> for a list of Eligible Visas and EADs Matrix.</li> <li>○ A copy of the unexpired visa and/or EAD must be included in the loan file <ul style="list-style-type: none"> <li>▪ If the EAD expires within six (6) months, one of the following must also be provided: <ul style="list-style-type: none"> <li>• Documentation of one previous EAD renewal</li> <li>• If there are no prior EAD renewal, documentation from USCIS confirming likelihood of renewal</li> </ul> </li> </ul> </li> <li>○ Any visa or EAD category not listed would generally be ineligible.</li> <li>○ NOTE: Effective July 1, 2023, Florida Senate Bill 264 Interests in Foreign Countries prohibits any person or entity from the People's Republic of China who is not a</li> </ul> </li> </ul>
---------------------------	---

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	citizen or lawful permanent resident of the US to purchase or acquire any interest in real property in the state of Florida.
<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) • 1-4 unit</li> </ul>

<p><b>Eligible Transactions</b></p>	<ul style="list-style-type: none"> <li>• <b>Purchase:</b> <ul style="list-style-type: none"> <li>○ Proceeds from the transaction are used to finance the acquisition of the subject property</li> <li>○ LTV/CLTV based upon the lessor of the sales price or appraised value</li> </ul> </li> <li>• <b>Rate/Term Refinance:</b> <ul style="list-style-type: none"> <li>○ Proceeds from the transaction are used to pay off an existing first mortgage loan and any subordinate loan used to acquire the property</li> <li>○ Any subordinate loan not used in the acquisition of the subject property provided one of the following apply: <ul style="list-style-type: none"> <li>▪ Closed end loan, at least 12 months of seasoning has occurred</li> <li>▪ HELOC, at least 12 months of seasoning has occurred and total draws over the past 12 months are less than \$2,000</li> <li>○ Buying out a co-owner pursuant to an agreement</li> <li>▪ Property must have been owned by current owners for the last 6 months. No recent changes in property or entity (LLC, Partnership or Corporation) ownership allowed</li> <li>○ Paying off an installment land contract executed more than 12 months from the loan application date</li> </ul> </li> <li>○ Cash back in an amount not to exceed the lesser of 2% of the new loan amount or \$5,000 can be included in the transaction</li> <li>○ LTV/CLTV based upon the appraised value</li> </ul> </li> <li>• <b>Cash-Out Refinance:</b> <ul style="list-style-type: none"> <li>○ A refinance that does not meet the definition of a rate/term transaction</li> <li>○ Meets ownership seasoning requirements of ≥ 6 months</li> <li>○ Prior cash-out transactions over 6 months seasoning are allowed</li> <li>○ LTV/CLTV based on the current appraised value</li> <li>○ Seasoning waived if the lender documents the borrower occupied the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership)</li> <li>○ If the property was owned prior to closing by a Limited Liability Corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted toward meeting the borrower's six (6) month ownership requirement. Ownership must be transferred out of the LLC and into the name of the individual borrower(s) prior to or at closing.</li> <li>○ Free and clear properties must verify housing for six (6) months with proof ITIA has been paid on time by borrower</li> <li>○ The payoff of delinquent real estate taxes (60 days or more past due) is considered cash out</li> <li>○ All cash-out transactions must be of benefit to the borrower</li> <li>○ Power of Attorney (POA) is not allowed</li> <li>○ Loans not eligible for cash-out: <ul style="list-style-type: none"> <li>▪ Properties listed for sale in the past six (6)-months</li> <li>▪ A prior cash out transaction in the past six (6) months (except for the below exception)</li> </ul> </li> </ul> </li> </ul>
-------------------------------------	--

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<ul style="list-style-type: none"> <li>♦ A draw on a HELOC in the past 6 months will be considered cash out for this 6 month seasoning requirement</li> <li>♦ Eligible only for 24 Months full doc transactions, with a max DTI of 43% with borrower's reserves of at least six (6) months PITIA (cash out cannot be used as reserves); enhanced appraisal review required</li> <li>○ Cash-out Seasoning is defined as the difference between the Note date of the new loan and prior financing Note date. In lieu of having the Note, the date may be based on when the loan was recorded. If the loan meets seasoning requirements the appraised value will be used to calculate the qualifying LTV/CLTV.             <ul style="list-style-type: none"> <li>▪ Properties must be owned for at least six (6) months to be eligible for cashout programs, except for the above-mentioned for inheritance or divorce/separation or Seasoning Waiver</li> <li>▪ An additional occupying borrower may be added under the following circumstances:                 <ul style="list-style-type: none"> <li>♦ At least one occupying borrower already on title over six (6) months remains on title and on the new loan transaction</li> <li>♦ The added borrower has been occupying the property for six (6) or more months</li> </ul> </li> <li>▪ Sole occupying borrower may be added and qualified as the sole borrower under the following circumstances:                 <ul style="list-style-type: none"> <li>♦ Verification of occupancy for six (6) or more months, and</li> <li>♦ Verification the borrower has made the mortgage payments directly to the mortgage company (must cover the time on title, minimum of six (6) months, maximum per program guidelines)                     <ul style="list-style-type: none"> <li>○ If the home is free &amp; clear, verification the borrower has paid the property taxes directly to the taxing authority is required</li> <li>○ Must cover the time on title, minimum of six (6) months, maximum per program guidelines</li> <li>○ If no taxes were due/paid within the prior six (6) months, the loan is ineligible</li> <li>○ Taxes cannot be paid within 30 days prior to the application date</li> </ul> </li> </ul> </li> </ul> </li> </ul> <p>There cannot be any outstanding delinquent taxes</p>

	<ul style="list-style-type: none"> <li>• <b>Delayed Financing:</b> <ul style="list-style-type: none"> <li>○ Borrowers who purchased the subject property within the last six (6) months (measured from the date purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all the following requirements are met: <ul style="list-style-type: none"> <li>▪ Original Purchase Transaction was an arm's-length transaction</li> <li>▪ Borrower(s) must meet Fannie Mae's borrower eligibility requirements as described in the FNMA Seller Guide</li> <li>▪ The original purchase transaction is documented by a settlement statement, which confirms no mortgage financing was used to obtain the subject property (a recorded Trustee's Deed or similar alternative confirming the amount paid by the Grantee to the Trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at the time of sale) <ul style="list-style-type: none"> <li>♦ Preliminary title search or report confirming there are no existing liens on the subject property</li> </ul> </li> <li>▪ Sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or HELOC on another property)</li> </ul> </li> </ul> </li> </ul>
--	--

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<ul style="list-style-type: none"> <li>▪ If source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds are used to pay off or pay down, as applicable, the loan used to purchase the property</li> <li>▪ Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculations for the refinance transaction</li> <li>▪ Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan</li> <li>▪ The new loan amount cannot be 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 (subject to the maximum LTV/CLTV/HCLTV ratios for the cash-out transaction based on the current appraised value)</li> <li>▪ All other cash-out refinance eligibility requirements are met (cash-out pricing applies)</li> </ul>
Escrow/ Impound Accounts	<ul style="list-style-type: none"> <li>• <b>Primary Residence &amp; Second Home:</b> <ul style="list-style-type: none"> <li>○ Impound accounts must be established for all loans with &gt; 90% LTV(CA) &amp; &gt; 80% LTV (all other states)</li> <li>○ Impounds are always required on all HPML (higher priced mortgage loans) and may never be waived, regardless of the LTV</li> </ul> </li> <li>• <b>Investment:</b> <ul style="list-style-type: none"> <li>○ Impounds accounts are optional and not required, regardless of the LTV</li> <li>○ Refer to the rate sheet for any costs associated with escrow waivers</li> </ul> </li> </ul>

First Time Homebuyers	<ul style="list-style-type: none"><li>• The following requirements apply:<ul style="list-style-type: none"><li>○ Primary residences allowed:<ul style="list-style-type: none"><li>▪ Payment shock limited as shown on the table below</li></ul></li><li>○ Investment properties allowed when meeting all the following requirements:<ul style="list-style-type: none"><li>▪ 80% max LTV, \$1,500,000 maximum loan amount</li><li>▪ Subject rents are not allowed to be used for qualifying purposes</li><li>▪ Full income documentation only, Alt income is not allowed</li><li>▪ Payment shock may not exceed 300% of current housing</li></ul></li><li>○ Second homes are not allowed</li></ul></li></ul> <table><tr><th colspan="3">PAYMENT SHOCK TABLE</th></tr><tr><th>CREDIT SCORE</th><th>&gt; 45% DTI</th><th>≤ 45% DTI</th></tr><tr><td>≥ 700</td><td>Payment shock not applicable*</td><td>Payment shock not applicable*</td></tr><tr><td>≥ 660</td><td>300% current housing</td><td>Payment shock not applicable*</td></tr><tr><td>&lt; 660</td><td>Not allowed</td><td>300% current housing</td></tr><tr><td colspan="3">* Max 300% payment shock for investment properties</td></tr></table> <p>Payment Shock = (Proposed Housing Payment /Present Housing Payment) * 10</p>	PAYMENT SHOCK TABLE			CREDIT SCORE	> 45% DTI	≤ 45% DTI	≥ 700	Payment shock not applicable*	Payment shock not applicable*	≥ 660	300% current housing	Payment shock not applicable*	< 660	Not allowed	300% current housing	* Max 300% payment shock for investment properties		
PAYMENT SHOCK TABLE																			
CREDIT SCORE	> 45% DTI	≤ 45% DTI																	
≥ 700	Payment shock not applicable*	Payment shock not applicable*																	
≥ 660	300% current housing	Payment shock not applicable*																	
< 660	Not allowed	300% current housing																	
* Max 300% payment shock for investment properties																			
Fraud Check	<ul style="list-style-type: none"><li>• All loans are to be submitted to an automated fraud and data check tool (i.e. Fraud Guard, DataVerify, etc.).</li><li>• All parties to the transaction are to be included in the report</li><li>• A copy of the findings with high alerts/deficiencies resolved are to be provided in every loan file</li></ul>																		

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
<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 (Truncating not allowed)</li> </ul>
<b>Geographic Restrictions</b>	<ul style="list-style-type: none"> <li>• Loan originated in the US territories are ineligible</li> <li>• Please refer to the <a href="#">SWF Licensing Page</a> for any additional state restrictions</li> </ul>



Gift Funds	<ul style="list-style-type: none"> <li>• Gift funds may be used for all or part of the down payment               <ul style="list-style-type: none"> <li>○ 100% of gift funds allowed with 10% LTV reduction, or                   <ul style="list-style-type: none"> <li>○ Allowed when 5% down payment has been made by the borrower from their own funds</li> </ul> </li> </ul> </li> <li>• Gifts of equity are not allowed</li> <li>• Gift funds may not be used to meet reserve requirements</li> <li>• Fannie Mae guidelines are to be followed for acceptable donors and documentation requirements including verifying donor availability of funds and transfer of gift funds, refer to <a href="#">B3-4.3-04, Personal Gifts</a></li> <li>• When a gift from a non-borrowing spouse or registered domestic partner is being combined with the borrower's funds to meet the required minimum cash down payment, the funds are not considered a gift when all the following items are provided:               <ul style="list-style-type: none"> <li>○ Certification from non-borrowing spouse or registered domestic partner stating that he/she has lived with the borrower for the past 12 months and will continue to do so</li> <li>○ Documentation evidencing a history of shared residency. The spouse's address must be the same as the borrower's address. Examples include but are not limited to a current utility bill or bank statement.</li> <li>○ If funds are held in a separate asset account, asset statements covering the most recent 60 day period are to be provided and must adhere to the asset guidelines</li> </ul> </li> </ul>
Housing History	<ul style="list-style-type: none"> <li>• Verification of housing history is required for the most recent 24 months</li> <li>• Mortgage History:               <ul style="list-style-type: none"> <li>○ Borrower's mortgage history must evidence 0x30 in the most recent 24 months (0x30x24), (this includes all mortgages)                   <ul style="list-style-type: none"> <li>▪ Primary residences: Mortgage ratings in the name of the non-borrowing spouse is acceptable if both are residing in the home together</li> <li>▪ Second home and investment properties: Mortgage ratings in the name of non-borrowing spouse are not acceptable unless a joint account has been used to make the payments</li> </ul> </li> <li>○ If the mortgage history is not reported on the credit report, acceptable alternative documentation is as follows:                   <ul style="list-style-type: none"> <li>▪ Verification of mortgage (VOM) from financial institution or mortgage servicing company                       <ul style="list-style-type: none"> <li>♦ Loans held and/or serviced by submitting lender or banker that will be paid off through the new transaction will require 12 months canceled checks</li> </ul> </li> <li>▪ Canceled checks                       <ul style="list-style-type: none"> <li>♦ Banks statements in lieu of canceled checks may be allowed at underwriter's discretion</li> </ul> </li> <li>▪ Mortgage statement that includes payment history</li> </ul> </li> </ul> </li> </ul>
TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS

	<ul style="list-style-type: none"> <li>• <b>Rental History:</b> <ul style="list-style-type: none"> <li>○ Borrower's rental history must evidence 0x30 in the most recent 24 months (0x30x24)</li> <li>○ If the rental history is not reported on the credit report, acceptable alternative documentation is as follows: <ul style="list-style-type: none"> <li>▪ Verification of rents (VOR) from a professional management company <ul style="list-style-type: none"> <li>♦ Private party VOR allowed with <math>\leq 80\%</math> LTV</li> </ul> </li> <li>▪ Cancelled checks <ul style="list-style-type: none"> <li>♦ Banks statements in lieu of canceled checks may be allowed at underwriter's discretion</li> </ul> </li> <li>▪ Rental statement that includes payment history</li> </ul> </li> </ul> </li> <li>• Borrowers who live rent free are ineligible</li> </ul>
<b>Income – General Requirements</b>	<p>The following applies to all "Income Documentation Options" unless otherwise stated in the specific section of the guidelines.</p> <ul style="list-style-type: none"> <li>• The loan file must include an income worksheet detailing income calculation.</li> <li>• Income analysis for borrowers with multiple businesses must show income/ (loss) details separately, not in aggregate.</li> <li>• Most recent one (1) or two (2) years income documentation is required for all income/documentation types unless otherwise noted</li> <li>• If any borrower is no longer employed in the position disclosed on the URLA at the time of funding, the loan will not be allowed to fund</li> <li>• Stable monthly income is the Borrower's verified gross monthly income which can be reasonably expected to continue for at least the next three years. Both the source and the amount of the income must be determined stable</li> <li>• A two-year employment history is required for the income to be considered stable and used for qualifying</li> <li>• When the Borrower has less than a two-year history of receiving income, underwriter must provide written analysis to justify the stability of the income used to qualify the Borrower</li> <li>• While the sources of income may vary, the Borrower should have a consistent level of income despite changes in the sources of income</li> <li>• When analyzing borrower earnings, year over year earnings trends must be incorporated into the borrower's income calculation.</li> <li>• YTD income amount must be compared to prior years' earnings where applicable. <ul style="list-style-type: none"> <li>○ Stable or increasing: Income amount should be averaged</li> <li>○ Declining but stable: If the trend was declining, but has since stabilized and there is no reason to believe that the borrower will not continue to be employed at the current level, the current, lower amount of variable income must be used</li> <li>○ Declining: If trend is declining, the income is not eligible</li> </ul> </li> <li>• The Debt-to-Income (DTI) ratio is calculated and reviewed for adherence to Fannie Mae guidelines and inclusion of all income and liability expenses.</li> </ul>

<b>Income – Full Doc 24 Months</b>	<ul style="list-style-type: none"> <li>• <b>General Requirements:</b> <ul style="list-style-type: none"> <li>○ Minimum two (2) year history of wage/salary or self-employed income is required • Wage or Salaried Borrowers:</li> <li>○ Most recent paystub reflecting 30 days of pay and YTD earnings or a completed Request for Verification of Employment (Form 1005 or Form 1005(s)) ○ IRS W-2 forms covering the most recent two-year period</li> <li>○ In the case of investment property ownership, the most recent two years personal tax returns filed with the IRS must be provided</li> </ul> </li> </ul>
--	--

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<ul style="list-style-type: none"> <li>▪ The definition of most recent is the last return scheduled to have been filed with the IRS</li> <li>▪ Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior-year tax return</li> <li>○ Verbal VOE within 10-days of the note date ○ A completed, signed and dated IRS Form 4506-C is required for each borrower. W-2 transcripts are required for all W-2s provided. If tax returns are present in the credit file, transcripts for the return will be required.</li> <li>• <b>Self-Employed Borrowers:</b> <ul style="list-style-type: none"> <li>○ Most recent two years of tax returns, personal and business if applicable (including all schedules), signed and dated by each borrower. If tax transcripts verify information on tax returns, tax returns do not have to be signed and dated by the borrower(s).</li> <li>○ Any borrower that applied for a tax return extension must provide a copy of the extension along with the prior two years of tax returns</li> <li>○ A YTD P&amp;L (borrower prepared acceptable, borrower required to sign the P&amp;L) ○ If a gap exists between the tax return ending date and start of the YTD P&amp;L, a gap year P&amp;L is required</li> <li>○ Underwriters must consider the financial strength of the borrower's business ○ P&amp;Ls required for qualifying positive income only. A P&amp;L is not required for negative income and/or business.</li> <li>○ A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return. Forms are to be executed and transcripts included in the credit file at the underwriter's discretion. If included tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.</li> <li>○ Existence of the business must be verified within 60 days of the note date to ensure the business is active when positive income is used for qualifying with one of the following: <ul style="list-style-type: none"> <li>▪ Phone listing and/or business address using directory assistance, internet search</li> <li>▪ For self-employed independent contractors, either a letter from a third party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired is required</li> <li>▪ If a business reflects negative income and that negative income was used in the qualifying income, business verification will not be required ○ Verbal VOE from each employer completed within 10 days of the Note date</li> </ul> </li> </ul> </li> </ul>

<b>Income – Full Doc 12 Months</b>	<ul style="list-style-type: none"> <li>• <b>General Requirements:</b> <ul style="list-style-type: none"> <li>○ Minimum two (2) year history of wage/salary or self-employed income is required</li> </ul> </li> <li>• <b>Wage or Salaried Borrowers:</b> <ul style="list-style-type: none"> <li>○ Most recent paystub reflecting 30 days of pay and YTD earnings or a completed Request for Verification of Employment (Form 1005 or Form 1005(S))</li> <li>○ IRS W-2 forms covering the most recent tax year</li> <li>○ In the case of investment property ownership, the most recent personal tax return filed with the IRS must be provided <ul style="list-style-type: none"> <li>▪ The definition of most recent is the last return scheduled to have been filed with the IRS</li> <li>▪ Any Borrower that applied for a tax return extension must provide a copy of the extension in the credit file along with the prior-year tax return</li> </ul> </li> <li>○ Verbal VOE from each employer completed within 10 days of the Note date</li> </ul> </li> </ul>
--	---

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<ul style="list-style-type: none"> <li>○ A completed, signed, and dated IRS Form 4506-C is required for each borrower. W-2 transcripts are required for all W-2s provided. If tax returns are present in the credit file, transcripts for the return will be required.</li> </ul>

	<ul style="list-style-type: none"> <li>• Self-Employed Borrowers: <ul style="list-style-type: none"> <li>○ Most recent one year tax return, personal and business, if applicable (including all schedules), signed and dated by each borrower. If tax transcripts verify information on tax returns, tax returns do not have to be signed and dated by the borrower(s). <ul style="list-style-type: none"> <li>▪ Any borrower that applied for a tax return extension must provide a copy of the extension along with the prior year tax return</li> </ul> </li> <li>○ A YTD P&amp;L (borrower prepared acceptable, borrower required to sign the P&amp;L) <ul style="list-style-type: none"> <li>○ If a gap exists between the tax return ending date and start of the YTD P&amp;L, a gap year P&amp;L is required</li> </ul> </li> <li>○ Underwriters must consider the financial strength of the borrower's business. <ul style="list-style-type: none"> <li>○ P&amp;Ls required for qualifying positive income only. A P&amp;L is not required for negative income and/or business.</li> </ul> </li> <li>○ A complete, signed, and dated IRS Form 4506-C is required for each borrower and any business entity filing a separate return. Forms are to be executed and transcripts included in the credit file at the underwriter's discretion. If included tax returns and transcripts should be compared; any discrepancies should be explained and if necessary additional documentation obtained to satisfactorily address.</li> <li>○ Existence of the business must be verified within 60 days of the note date to ensure the business is active when positive income is used for qualifying with one of the following: <ul style="list-style-type: none"> <li>▪ Phone listing and/or business address using directory assistance, internet search</li> <li>▪ For self-employed independent contractors, use either a letter from a third party company currently utilizing their service(s) or a business license procured through the internet reflecting active and not expired</li> <li>▪ If a business reflects negative income and that negative income was used in the qualifying income, business verification will not be required</li> </ul> </li> <li>○ Verbal VOE from each employer completed within 10 days of the Note date</li> </ul> </li> </ul>
Income – Other Sources of Income (Full Doc)	<p>The following sources of income must be verified using FNMA requirements. Bonus and overtime are permitted with full Income (12 months) documentation and generally calculated over the 12-month period.</p> <ul style="list-style-type: none"> <li>• Annuity</li> <li>• Auto allowance</li> <li>• Bonus</li> <li>• Capital Gains</li> <li>• Child support and alimony</li> <li>• Commission</li> <li>• Disability (with proof of 3-year continuance)</li> <li>• Foreign income is income earned by a borrower who is employed by a foreign corporation or a foreign government and is paid in foreign currency</li> <li>• Housing income</li> <li>• Interest and dividends</li> <li>• Investment</li> <li>• Military or government assistance</li> <li>• Overtime</li> <li>• Part-time/variable (uninterrupted and stable for past two years)*</li> </ul>
TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS

	<ul style="list-style-type: none"> <li>• <b>Rental Income:</b> should be documented through Schedule E of the borrower's tax returns. If the property was not rented during the previous tax year, the income will be calculated as follows: <ul style="list-style-type: none"> <li>○ <b>Long Term Rental:</b> <ul style="list-style-type: none"> <li>▪ Based on the lower of the lease agreement or 1007 times 75% for single unit property</li> <li>▪ The most recent two months' rent must be verified and documented as received in the most recent two months before closing</li> <li>○ <b>Short Term Rental:</b> <ul style="list-style-type: none"> <li>▪ 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property.</li> <li>▪ If the property has been reported as long term rental the prior tax year and is now a short term rental at least six (6) months receipts of current short term rent is required</li> <li>▪ A screen shot of the online listing evidencing the property is actively marketed as a short term rental to be provided</li> <li>▪ Gross monthly rents are based on a 12 month average to account for seasonality</li> <li>▪ The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3<sup>rd</sup> party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents</li> </ul> </li> </ul> </li> <li>○ <b>Rental Income from Boarders</b> - For this income to be considered, the following requirements must be met: <ul style="list-style-type: none"> <li>▪ There must be at least a 12-month history of receiving rental income from boarder or accessory dwelling unit (ADU)</li> <li>▪ Tax returns, and tax transcripts are required</li> </ul> </li> </ul> </li> <li>• <b>Retirement /or social security</b></li> <li>• <b>Trust income</b> Verify using Fannie Mae requirements along with the following: <ul style="list-style-type: none"> <li>○ Document trust account funds, both of the following must be obtained: <ul style="list-style-type: none"> <li>▪ Written documentation of the value of the trust account from either the trust manager or the trustee; and</li> <li>▪ The conditions under which the borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the current mortgage transaction</li> </ul> </li> </ul> </li> </ul> <p>* For Part-time employment, a minimum two (2) year history is generally required; however, a shorter period of no less than twelve (12) months may be considered caseby-case if positive factors are present to offset shorter history.</p>
--	--

Income – Alt Doc Bank Statement 12/24 Months	<ul style="list-style-type: none"> <li>Allows the use of bank statements to document self-employment income; a borrower with at least 25% ownership interest in a business is considered selfemployed</li> <li>At least one borrower must be self-employed</li> <li>Bank Statement income may be combined with other income sources that are documented as “Full Doc” but not associated with self-employment, such as a spouse employed as a wage earner or a borrower with previous year working as W2 employee. <ul style="list-style-type: none"> <li>When wage income is combined with Bank Statements, a tax return is not required for the full income documentation, as this would invalidate the bank statements if received for the same tax year. The 4506-C is still required, box 8</li> </ul> </li> </ul>
---	---

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS	
	<p>should be checked to obtain a transcript of W-2 earnings</p> <ul style="list-style-type: none"> <li>If other name(s) are on bank statements used to qualify, the following applied: <ul style="list-style-type: none"> <li>Direct relative(s) only (Refer to Fannie Mae guide); LOE required</li> <li>100% access letter</li> <li>Any deposits in the name of the other parties, are excluded</li> </ul> </li> <li>Net income from the bank statement analysis must be multiplied by the borrower’s ownership percentage to determine the borrower’s qualifying income</li> <li>Existence of the business must be verified within 60 days of the note date to ensure the business is active with one of the following: <ul style="list-style-type: none"> <li>Letter from the business tax professional certifying two years of selfemployment in the same business,</li> <li>License from regulatory agency or licensing bureau reflecting license is still active and not expired; or</li> <li>Internet search that verifies business phone number or address</li> <li>For self-employed independent contractors a letter from third party company currently utilizing their service(s)</li> </ul> </li> </ul> <p>Tax returns and 4506-C are not required. If tax returns and/or transcripts are provided, the loan will be ineligible</p> <p><b>NOTE:</b> Businesses that function as non-profit enterprises are ineligible.</p>	
	<b>BANK STATEMENT TYPES</b>	<b>12-MONTH INCOME/EXPENSE DOCUMENTATION OPTIONS</b>
	Personal* - Reflecting borrower’s personal income and expenses	<ul style="list-style-type: none"> <li>Most recent 12 months personal bank statements</li> <li>Most recent 2 months business bank statements</li> </ul>
	Business* - In the name of the business, reflecting only business income and expenses	<ul style="list-style-type: none"> <li>Business Expense Factor from the <a href="#">Fixed Expense Factor Table</a> or one of the Rebuttal Options; OR</li> <li>12 Month P&amp;L statement prepared by CPA, Enrolled Agent, properly licensed accountingbookkeeping firm supervised by a certified accountant or the Chief Financial Officer (CFO) of</li> </ul>

<p><b>Co-mingled* -</b> Personal and business activity combined in one account</p>	<p>the company providing the bank statements when 10+ employees are verified to work for company via narrative.</p> <ul style="list-style-type: none"> <li>○ 3 most recent months bank statements required</li> <li>• One year self-employed, most recent 12 months of bank statements and previous full year W-2 with transcript</li> </ul>
<p>* Additional bank statements or expense analysis documents may be requested as needed.</p>	
<ul style="list-style-type: none"> <li>• <b>Service and Tip Industry</b> ○ Borrowers in the service and tip industry may utilize the bank statement program to determine tip income with the following: <ul style="list-style-type: none"> <li>▪ Full documentation required for employment, base salary is verified with paystubs and W2s</li> <li>▪ Bank statement analysis used to determine income, qualified tips/deposits will be averaged</li> <li>▪ Borrowers who obtain income primarily in the form of service fees or tips (adult entertainer, musician, club hostess, etc.) are not required to have a business license</li> </ul> </li> </ul>	

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<ul style="list-style-type: none"> <li>• At least one business reference letter is required to validate employment</li> <li>▪ P&amp;L or expense factor letter not required if the borrower provides personal bank statements</li> </ul>



- **Personal Bank Statements**
  - Income is calculated based on a 12 month average or 24 month average of total deposits minus any inconsistent deposits not justified
  - Pattern of deposits and payments should be consistent, as determined by the type of business
    - For example, a Real Estate sales self-employed borrower may not have sold a property every month, so consistent would be deposits made a few times in a 12 or 24 month period
    - ATM deposits/PayPal or similar deposits may be included if a consistent pattern of such deposits is present
  - Changes in deposit pattern must be scrutinized
    - Income documented separately but comingled must be backed out of deposits
    - If other individual(s) work for the company and/or are part owners of the company, they must be on the loan for the income to be used. If the individual(s) work elsewhere but earn the income provided in the statements, they must also be on the loan for the income to be used. Otherwise, whatever percentage is owned by the borrower(s) must be used for qualification.
  - Two months most recent business bank statements required
    - Must evidence activity to support business operations
    - May reflect transfers to the personal account
    - If the personal bank statements include names of individuals other than the borrower(s), the following is required:
      - Must be direct relative(s) only (Refer to FNMA guide)
      - 100% Access Letter from individual(s) whose names appear on personal bank statements
      - LOE from individuals explaining the relationship with the borrower(s), whether they are employed or not, whether they are associated with the business, and whether they contribute income to the bank account
      - Any deposits in the names of the other individual(s) must be excluded
- **Business and Co-mingled Bank Statements Fixed Expense Factor**
  - Underwriter will evaluate the type of borrower/business using the [Fixed Expense Factor Table](#) below, applied to business-related deposits. The expense factor will be determined via review of the completed business narrative or any other borrower business narrative. If the expense factor allows the borrower to qualify, then no further expense analysis is required.
  - 1. Determine the gross monthly qualifying income  
Total allowable monthly deposits = Net qualifying deposits ÷ 12 (or 24) months
  - 2. Determine the business net income.  
Gross monthly qualifying income x (100% - fixed expense ratio from table below)
  - 3. Determine the borrower's monthly qualifying income  
Business net income X borrower's percentage of ownership in the business

FIXED EXPENSE FACTOR TABLE			
Number of Full-time Employees/Contractors	0—1	2—10	10+
<b>Service Business</b> Examples: Accounting, Consulting, Counseling, Financial Planning, Insurance, Law, Therapy, etc.	30%	50%	60%
<b>Product Business</b> Examples: Clothing/Jewelry, Construction, Food Service/Restaurant, Manufacturing, Retail, Trucking, etc.	40%	60%	70%
<b>Real Estate Business*</b> Examples: Real Estate Investors (without a schedule of current real estate), Property Developers and Property Flippers. *CPA letters will not be accepted for a lower expense ratio	70%	75%	80%

- If the type of business has a materially different expense factor per the borrower, two rebuttal options are listed below. Should the underwriter uncover any red flags that require further review, the underwriter may request additional documentation.
  - Rebuttal Option 1 – Business expense statement letter from a tax professional or a properly licensed accounting/bookkeeping firm supervised by a certified accountant
  - Net income is determined by total deposits per bank statements, less total expenses
  - Total expenses are calculated by multiplying total deposits by the expense factor provided by a CPA, tax preparer, or a properly licensed accounting/bookkeeping firm supervised by a certified accountant
  - Any expense factor lower than 15% will require a basic understanding of the borrower's business by a tax professional, which supports the expense factor noted, along with a borrower business narrative
    - ♦ Business narrative provided by the borrower should be reviewed to determine if the business provides a service or produces/manufactures goods. Underwriter's review of the narrative should conclude that the expense factor is reasonable based on the information provided.
    - ♦ If the business has a website, it should be reviewed to gain additional information on the business and its size
  - Rebuttal Option 2 – 12 month profit and loss statement (P&L) Statement (24-month if required by the underwriter) from a tax professional or a properly licensed accounting/bookkeeping firm supervised by a certified accountant.
  - P&L sales/revenue must be supported by the provided bank statements, total deposits per bank statements, minus any inconsistent deposits, and must be no more than 10% below revenue reflected on the P&L
  - Bank statements and the P&L must cover the same time period
  - Additional bank statements or expense analysis documents may be requested as needed

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
-------	---

- **NSF (Non-Sufficient Funds)/Overdrafts - Non-sufficient funds (NSF) or negative balance(s) reflected in the bank statement must be considered.**
  - NSF activity within the last 12 months (or 24, if required; depending on the program) requires a satisfactory explanation from the borrower
  - Any occurrence that happens on the same day is counted as a one-time occurrence. For example, if there are multiple NSFs or overdrafts on one day, it will only count as 1 in the tolerance levels
  - Multiple NSFs are viewed adversely and may affect qualification, especially at higher LTVs
  - Excessive NSFs will be scrutinized and may cause the loan to be deemed ineligible
    - Up to 12 occurrences in the most recent 12 months is acceptable. Any occurrence in the most recent 90 days will be scrutinized by the underwriter.
    - Any tolerance violations must be second signed and must include (a) a letter of explanation from the borrower outlining the reason for the occurrences and an explanation of how and when the issue leading to the occurrences was rectified, and (b) additional compensating factors outlined by underwriter supporting the viability of income
  - Overdraft protection fees associated with pre-arranged link to a savings account or line of credit must also be considered unless one of the following conditions exist:
    - The linked account balance/limit at the time of the transfer exceeded the amount of the overdraft transfer, and
    - There were no fees charged for the overdraft
  - Returned checks are considered separately; returned checks that do not result in a negative balance are not considered NSFs
  - Underwriter may consider the financial strength of a self-employed borrower's business and the bank statement trends:
    - Ending balances should show a trend that is stable or increasing
    - Low ending balances must be explained and could require additional documentation
- Additional bank statements or expense analysis documents may be requested by the Underwriter as needed

	<ul style="list-style-type: none"> <li>• <b>Rental Income</b> - When long term rental income is the borrower's primary income source, bank statements may be used to calculate income when meeting all the following: <ul style="list-style-type: none"> <li>○ Borrower must attest rental income is the only line of revenue and rental income is deposited into one or more bank accounts</li> <li>○ <b>Long Term Rentals:</b> <ul style="list-style-type: none"> <li>▪ 12 months bank statements evidencing receipt of rental income into borrower's co-mingled or business bank account required. Deposits must support the lease/rental amounts. Only rental income deposits will be used.</li> <li>▪ Schedule of Real Estate owned (URLA) must be completed for all investment properties where the borrower is held personally liable. PITIA/TIA will be included in the DTI calculation.</li> <li>▪ Fully executed lease/rental agreements for all properties required. 75% of the lease/rental amounts will be used.</li> </ul> </li> <li>○ <b>Short Term Rentals:</b> <ul style="list-style-type: none"> <li>▪ 12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the</li> </ul> </li> </ul> </li> </ul>
--	--

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<p>statements must clearly identify the rents received for each specific property.</p> <ul style="list-style-type: none"> <li>▪ A screen shot of the online listing(s) evidencing the property is actively marketed as a short term rental to be provided</li> <li>▪ Gross monthly rents are based on a 12 month average to account for seasonality</li> <li>▪ The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3<sup>rd</sup> party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents</li> </ul>
Income – Alt Doc: Asset Utilization	<ul style="list-style-type: none"> <li>• <b>Asset Utilization</b> is a calculation used to generate monthly income from a borrower's personal assets. Assets can be used for all qualifying income or blended income.</li> </ul>

- **Asset Utilization for Use as Income (DTI)** ○ Blended income
  - May be combined with other income such as W-2, Self-employment, 12 months Bank Statements, Social Security, Pension, or other investment income
  - There is no age restriction ○ Asset Utilization - 100% of the Income
  - Income is calculated income from assets to cover the monthly debt ratio
  - Employment information is not required ○ Asset Utilization calculation (for use with Blended Income or 100% Income qualification):
    - Income listed in the employment section on the URLA will not be considered as the sole income calculation
    - Qualifying asset monthly income is the total balance of assets eligible minus all funds used for down payment, closing costs and reserves divided by 60 months irrespective of the amortized term of the loan ▪ Example of Asset Income for a 30-Year loan:
      - ♦ Savings Account balance is \$100,000 (\$100,000 usable toward the calculation)
      - ♦ Stock Fund Balance is \$100,000 (\$90,000 usable toward the calculation)
      - ♦ Mutual Fund Balance is \$10,000 (\$9,000 usable toward the calculation) ♦ Total usable is \$199,000 ÷ 60 = \$3,316.66 monthly income
- **Asset Utilization without DTI (Residual Assets Method):** ○ Debt ratio calculation is not required when Asset Utilization can cover the new subject property debt, all costs, reserves and all other reported debt on the credit report. A calculated residual assets amount is required.
  - Asset Utilization calculation (for use with 100% Coverage):
    - Eligible assets available before closing must be sufficient to cover all of the following:
      - ♦ New loan amount
      - ♦ Down payment
      - ♦ Closing costs
      - ♦ Any required reserves, per program requirements
      - ♦ Five years (60 months) of all other current monthly obligations ♦ Five years of taxes and insurance
    - Sufficient liquid assets to pay off the loan in full would be considered fulfilling the DTI / Residual income prong of the ATR test.

	<ul style="list-style-type: none"> <li>• <b>Asset Utilization Eligibility Requirements:</b> <ul style="list-style-type: none"> <li>○ Available for primary residence, second homes, and investment property (N/O/O)</li> <li>○ Borrower and co-borrower must be individual or co-owners of all asset accounts with no other account holders listed on the documentation</li> <li>○ 100% of eligible assets must be verified</li> <li>○ All assets must be in a U.S. financial institution—no foreign assets</li> <li>○ The sum of eligible assets as defined are net of any discounts and minus any funds used for closing and/or minimum reserves required for the program</li> <li>○ Full asset documentation is required <ul style="list-style-type: none"> <li>▪ All pages of the most recent three (3) months account statement required</li> <li>▪ Asset levels in the verified accounts are expected to be consistent and sustained over the three (3) month period. Increases or decreases of greater than 15% over the three (3) month period (i.e., compare month 1 to month 3) must be explained by the borrower. <ul style="list-style-type: none"> <li>♦ Additional supporting documentation may be required. Large month-to-month changes in asset totals during the three (3) month period may require additional explanation and documentation.</li> </ul> </li> </ul> </li> </ul> </li> <li>• <b>Eligible Assets:</b> <ul style="list-style-type: none"> <li>○ The following readily marketable assets, which must be available to the borrower with no penalty, are eligible and limited as follows (after deduction of any funds used for down payment, closing costs, or reserves): <ul style="list-style-type: none"> <li>▪ Bank Deposits – checking, savings, money market accounts = 100%</li> <li>▪ Publicly traded stocks and bonds = 90% (stock options not allowed) ▪ Mutual funds = 90% ▪ Retirement accounts: <ul style="list-style-type: none"> <li>♦ 401(K) plans or IRA, SEP or KEOUGH accounts = 80% (these can only be used if distribution is not already set up)</li> </ul> </li> </ul> </li> <li>○ Any debt tied to an eligible asset must be netted out. Example: Stocks bought on margin or 401(K) loan against the 401(K) account</li> <li>○ Assets must be in liquid or semi-liquid form, no privately held stock, deferred compensation or non-regulated financial companies</li> <li>○ Additional documentation may be requested to validate the origin of the wealth.</li> </ul> </li> <li>• <b>Ineligible Assets:</b> <ul style="list-style-type: none"> <li>○ Any asset that produces income already included in the income calculation</li> <li>○ Business funds</li> <li>○ Equity in real estate</li> <li>○ Gift funds</li> <li>○ Life insurance</li> <li>○ Other non-liquid assets</li> <li>○ Privately traded or restricted/non-vested stocks</li> <li>○ Restricted stock units (RSUs)</li> <li>○ Non-vested retirement assets</li> </ul> </li> </ul>
--	---

<b>Income – Alt Doc: Rental Income</b>	<ul style="list-style-type: none"> <li>When rental income is the borrower’s secondary or supplemental source of income, the following may be used to calculate income. Long Term Rentals: <ul style="list-style-type: none"> <li>Schedule of Real Estate owned (URLA) must be completed for all investment properties where the borrower is held personally liable. PITIA/TIA will be included in the DTI calculation. Fully executed lease/rental agreements for all properties required.</li> </ul> </li> </ul>
--	---

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<ul style="list-style-type: none"> <li>75% of the lease/rental amounts will be used.</li> <li>The most recent two months’ rent must be verified and documented as received in the most recent two months before closing</li> <li>If the subject property is an investment purchase, rental income from the subject property is determined as follows: <ul style="list-style-type: none"> <li>75% of the current lease/rental amount <ul style="list-style-type: none"> <li>If there not an assignment of lease, 75% of market rent to be used</li> <li>ADU income can be used to qualify on alternative doc income loan similar to the way the other investment property income is calculated</li> </ul> </li> <li>Purchase Transaction – Not available, except when assignable via the purchase contract and verified</li> <li>Refinance Transaction – Only available with executed lease agreement and 2 months verifiable rent received</li> </ul> </li> <li>Short Term Rentals: <ul style="list-style-type: none"> <li>12 months statements or an annual statement provided by the on-line service provider such as Airbnb, VRBO, etc., evidencing rents received for the property to be provided. If more than one rental property is owned, the statements must clearly identify the rents received for each specific property.</li> <li>A screen shot of the online listing(s) evidencing the property is actively marketed as a short term rental to be provided</li> <li>Gross monthly rents are based on a 12 month average to account for seasonality <ul style="list-style-type: none"> <li>The actual extraordinary costs (i.e. management fees, advertising, furnishing, cleaning) listed on the 3<sup>rd</sup> party statements or a 20% extraordinary expense factor, if actual is not provided, must be subtracted from the gross rents</li> </ul> </li> </ul> </li> </ul>



<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"> <li>• Blind trusts</li> <li>• Borrowers from OFAC sanctioned countries</li> <li>• Borrowers less than 18 years old</li> <li>• Borrowers listed on HUD's Limited Denial of Participation (LDP) list, the federal General Services Administrative (GSA) Excluded Party list or any other exclusionary list</li> <li>• Borrowers without a social security number</li> <li>• Borrowers party to a lawsuit</li> <li>• Borrowers with diplomatic immunity or otherwise excluded from US jurisdiction</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>• Politically Exposed Persons</li> <li>• Qualified Personal Residence trusts</li> <li>• Real Estate trusts</li> </ul>
<b>Ineligible Property Types</b>	<ul style="list-style-type: none"> <li>• Agricultural properties, including hobby farms, working farms, ranches and orchards <ul style="list-style-type: none"> <li>○ Properties zoned agricultural/residential are eligible if not being used as agricultural and considered rural</li> </ul> </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> </ul>
<b>TOPIC</b>	<b>UNDERWRITING AND DOCUMENTATION REQUIREMENTS</b>

	<ul style="list-style-type: none"> <li>• Commercial</li> <li>• Condominium hotels (condotels), including any projects with registrations services that offer rental units on a daily, weekly or monthly basis</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>• Fractional Ownership</li> <li>• Hawaii properties located in lava zones 1 or 2</li> <li>• Homes on Native American lands</li> <li>• Hotel or motel conversions</li> <li>• Houseboats</li> <li>• Income producing properties</li> <li>• Log homes</li> <li>• Log façade homes (may be considered with like comparable on an exception basis)</li> <li>• Manufactured or Mobile homes</li> <li>• Mixed use properties</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 offering individual room leases such as Single Room Occupancy (SRO), Padsplits, etc.</li> <li>• Properties with zoning violations</li> <li>• Rural properties</li> <li>• Stilt homes which are defined as dwellings constructed on elevated platforms built above the ground or water. The foundation typically consists of series of columns or long pillars made up brick, stone, wood, or steel that support the weight of the home.</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> </ul>

<b>Inter Vivos Revocable Trusts</b>	<ul style="list-style-type: none"> <li>Inter Vivos revocable trust is permitted when the trust has an ownership interest in the subject property for all transaction types. The following requirements should be followed. Not all requirements may be addressed here; Fannie Mae requirements</li> </ul>
-------------------------------------	---

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS																								
	<p>should be followed where these guides are silent.</p> <ul style="list-style-type: none"><li>• The trust must:<ul style="list-style-type: none"><li>○ Be established by one or more natural persons, solely or jointly.</li><li>○ Primary beneficiary of the trust must be the individual(s) establishing the trust ○ Become effective during the lifetime of the person establishing the trust ○ If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.</li></ul></li><li>• The trustee must include either: ○ Individual establishing the trust (or at least one of the individuals, if 2 or more); or ○ An institutional trustee that customarily performs trust functions in and is authorized to act as trustee under the laws of the applicable state.</li><li>• The trustee must have the power to hold the title and mortgage the property. This must be specified in the trust. One or more of the parties establishing the trust must use personal income or assets to qualify for the mortgage.</li><li>• The following documentation is required:<ul style="list-style-type: none"><li>○ The trust was validly created and is duly existing under applicable law ○ Attorney's Opinion Letter from the borrower's attorney or Certificate of Trust verifying all the following:<ul style="list-style-type: none"><li>▪ The trust is revocable,</li><li>▪ The borrower is the settler of the trust and the beneficiary of the trust, ▪ The trust assets may be used as collateral for a loan, ▪ The trustee is:<ul style="list-style-type: none"><li>♦ Duly qualified under applicable law to serve as trustee,</li><li>♦ The borrower,</li><li>♦ The settler,</li><li>♦ Fully authorized under the trust documents and applicable law to pledge, or otherwise encumber the trust assets</li></ul></li></ul></li></ul></li><li>• In lieu of the above, a complete copy of the trust documents certified by the borrower to be accurate, or a copy of the abstract or summary for jurisdictions that require a lender to review and rely on an abstract or summary of trust documents instead of the trust agreements can be provided in the loan file. The Attorney needs to also verify that the trust has not been revoked, modified, or amended in any manner that would cause the representations to be incorrect.</li><li>• If the property is located in one of the following states, a trust certification is acceptable (Note: below does not represent the approved states list. Please Refer to the <a href="#">Licensed States</a> list)</li></ul> <table><tr><td>Alabama</td><td>Arizona</td><td>Arkansas</td><td>California</td></tr><tr><td>Delaware</td><td>District of Columbia</td><td>Idaho</td><td>Iowa</td></tr><tr><td>Kansas</td><td>Maine</td><td>Michigan</td><td>Minnesota</td></tr><tr><td>Missouri</td><td>Nebraska</td><td>Nevada</td><td>New Hampshire</td></tr><tr><td>New Mexico</td><td>North Carolina</td><td>Ohio</td><td>Oregon</td></tr><tr><td>Pennsylvania</td><td>South Carolina</td><td>South Dakota</td><td>Tennessee</td></tr></table>	Alabama	Arizona	Arkansas	California	Delaware	District of Columbia	Idaho	Iowa	Kansas	Maine	Michigan	Minnesota	Missouri	Nebraska	Nevada	New Hampshire	New Mexico	North Carolina	Ohio	Oregon	Pennsylvania	South Carolina	South Dakota	Tennessee
Alabama	Arizona	Arkansas	California																						
Delaware	District of Columbia	Idaho	Iowa																						
Kansas	Maine	Michigan	Minnesota																						
Missouri	Nebraska	Nevada	New Hampshire																						
New Mexico	North Carolina	Ohio	Oregon																						
Pennsylvania	South Carolina	South Dakota	Tennessee																						

	<table><tr><td>Texas</td><td>Utah</td><td>Vermont</td><td>Virginia</td></tr><tr><td>Washington</td><td>Wyoming</td><td></td><td></td></tr></table>	Texas	Utah	Vermont	Virginia	Washington	Wyoming		
Texas	Utah	Vermont	Virginia						
Washington	Wyoming								
Interested Party Contributions (IPCs)	<ul style="list-style-type: none"><li>Interested party contributions (IPC) may only be used for closing costs and prepaid expenses (financing concessions) and may never be applied to any portion of the down payment or used to meet borrower’s minimum financial contribution or reserve requirements</li><li>Both the appraised value and sales price must be reduced by the concession amount that exceeds the IPC limits referenced below</li></ul>								
TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS								
	<ul style="list-style-type: none"><li>IPC includes funds contributed by the property seller, builder, real estate agent, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction and are limited to the following: <ul style="list-style-type: none"><li>Up to 4% allowed for LTVs &gt; 80%</li><li>Up to 6% allowed for LTVs ≤ 80%</li></ul></li></ul>								
IRS Form 4506-C	<ul style="list-style-type: none"><li>When the IRS Form 4506-C is required to be executed, the form must be signed by the borrower and the transcript obtained and provided in the credit file.</li><li>If the transcript request is returned with a code 10 or the borrower is a victim of taxpayer identification theft, the following requirements must be met to validate income: <ul style="list-style-type: none"><li>Copy of the IRS rejection with a code of “Unable to Process” or “Limitation”</li><li>Record of Account from the IRS - Adjusted Gross Income and Taxable Income should match the borrower’s 1040s</li><li>Validation of prior tax year’s income (income for current year must be in line with prior years)</li></ul></li><li>In the current year filing time for taxes, FNMA will be followed for other acceptable verification of taxes when “No Record Found” results are returned; this includes verified e-filing and proof of payment for taxes or proof of refund to borrower, letter from employer or tax professional verifying the W-2 has been filed with the IRS, etc.</li></ul>								

<p><b>Lease with Option to Buy</b></p>	<ul style="list-style-type: none"> <li>• Lease with Option to Buy (also called Lease Option or Lease Option to Purchase) is an agreement to lease a property for a specified period at an agreed-upon monthly rent payment, in which a portion of the payments, in excess of market rents, is applied toward the down payment. Once the potential buyer has satisfied the terms of the down payment, he/she may execute the option to purchase the property at the sales price agreed upon in the Lease Option to Purchase Agreement.</li> <li>• Lease Option Stipulations - All Lease Option to Purchase transactions require all of the following: <ul style="list-style-type: none"> <li>○ All parties to the transaction must execute the agreement</li> <li>○ The agreement must disclose the time period of the option to purchase, amount of earnest money deposit/down payment, and the terms of the monthly rental payments</li> <li>○ The terms of the monthly rental payments must include a specific and reasonable amount (dollar amount or percentage) in excess of the monthly rent payments that will be credited toward the down payment via comparison to fair market rents (Single Family Comparable Rent Schedule <a href="#">Fannie Mae Form 1007</a>)</li> <li>○ Proof of the borrower's earnest money for down payment via a deposit (canceled check)</li> <li>○ Copy of canceled checks (front/back) for the monthly rent payment covering the most recent twelve (12) months</li> <li>○ Purchase Loan Estimate (LE) and Closing Disclosure (CD) (versus the Refinance version of these disclosures) must be provided</li> </ul> </li> <li>• LTV Calculation: <ul style="list-style-type: none"> <li>○ A Lease Option is always a purchase transaction; Lease Option LTV is calculated using the current reconciled market value in lieu of the purchase price</li> <li>○ The value used for calculating LTV is the lesser of the Purchase Price or Appraised Value if: <ul style="list-style-type: none"> <li>▪ The borrower's Earnest Money Deposit (EMD) is less than three percent (3%) of the sales price, or</li> <li>▪ The Lease Option Agreement was executed within the last twelve (12) months</li> </ul> </li> <li>○ The value for determining the LTV is the current Reconciled Market Value if: <ul style="list-style-type: none"> <li>▪ Borrower has occupied the subject property for the last twelve (12) months, and</li> </ul> </li> </ul> </li> </ul>
--	--

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<ul style="list-style-type: none"> <li>▪ Lease Option Agreement was executed more than twelve (12) months ago, and</li> <li>▪ The borrower has equal to or greater than three percent (3%) of the sales price invested by: <ul style="list-style-type: none"> <li>• EMD/Down Payment, or</li> <li>• The borrower provided property improvements with receipts for materials as well as a detailed list of all such improvements and time to complete</li> </ul> </li> <li>• Lease Option Restrictions: <ul style="list-style-type: none"> <li>○ Transactions that do not involve an EMD/Down Payment or property improvements including receipt(s) for materials and/or monthly rent in excess of proven market rents are not considered a Lease Option to Purchase and must comply with standard purchase transaction requirements</li> <li>○ Investment transactions are ineligible</li> </ul> </li> </ul>

<b>Minimum Loan Amount</b>	<ul style="list-style-type: none"> <li>One dollar (\$1) above the 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>Owner Occupied and Second Home - Up to 20 financed properties including the subject property are allowed. All properties the borrower(s) are personally liable for must be included in the DTI calculations (commercial real estate may be excluded)</li> <li>Investment – There is no limit to the number of financed properties.</li> <li>All financed properties, other than the subject property, require an additional two (2) months PITIA in reserves for each property <ul style="list-style-type: none"> <li>Reserves are based upon the PITIA of the subject property      Total</li> </ul> </li> <li>SWF's exposure to a single borrower shall not exceed \$5,000,000 (not to exceed \$10,000,000 in high-cost areas) in current unpaid principal balance or six (6) properties</li> </ul>
<b>Non-Arm's Length/ Interested Party Transactions</b>	<ul style="list-style-type: none"> <li>A non-arm's length transaction occurs when the borrower has a direct relationship or business affiliation with subject property Builder, Developer, or Seller.</li> <li>Purchase transactions where the seller is a corporation, partnership, or any other business entity, it must be ensured that the borrower is not one of the owners of the business entity selling the subject property</li> <li>Service providers cannot provide services on their own transactions (closing agent, title agent, appraiser, etc.). In the case of the Mortgage Lender, Loan Officer, or Real Estate Broker/Agent extra due diligence must be exercised. For example the seller's real estate agent for the subject property may not act as the loan officer for the borrower(s) purchasing the same subject property.</li> </ul>
<b>Non-Occupant Co-Borrowers</b>	<ul style="list-style-type: none"> <li>Primary residence only; second home and investment loans not allowed</li> <li>Eligible transactions limited to Purchase and Rate/Term refinance only</li> <li>Income of occupying borrower(s) must exceed the subject PITIA</li> <li>The non-occupant co-borrower cannot be considered the primary wage earner regarding credit</li> </ul>

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
<b>Payment Shock</b>	<ul style="list-style-type: none"> <li>Payment shock should not exceed 300% of the borrower's current housing payment unless DTI is less than or equal to 45%.</li> <li>If payment shock exceeds this limit the underwriter must provide justification of borrower's ability to handle the increased payment. If the loan purpose is debt consolidation, and the net tangible benefit test is met, a payment shock calculation is not required.</li> <li>NOTE: Refer to additional payment shock restrictions in the <a href="#">First Time Homebuyers</a> section of this guide.</li> <li>Payment Shock = (Proposed Housing Payment / Present Housing Payment) * 100</li> </ul>

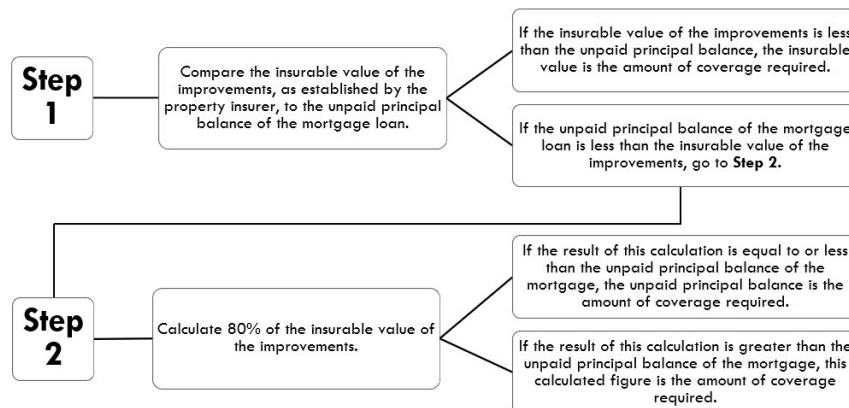
<b>Properties Listed for Sale</b>	<ul style="list-style-type: none"> <li>• <b>Rate and Term Refinance:</b> <ul style="list-style-type: none"> <li>○ Property must be delisted at least one day prior to application date</li> </ul> </li> <li>• <b>Cash-out Refinance:</b> <ul style="list-style-type: none"> <li>○ Twelve (12) months since the most recent mortgage transaction (timeframe is Note date of previous transaction to Note date of current transaction) is required</li> <li>○ LTV/CLTV is based upon the current appraised value</li> <li>○ Property must be delisted for at least 180 days (6 months)</li> <li>○ Seasoning is measured from the listing expiration date to the new loan application date</li> </ul> </li> </ul>
<b>Property Insurance</b>	<ul style="list-style-type: none"> <li>• Property insurance for loans must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.</li> <li>• Policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement are not acceptable.</li> <li>• Borrowers may not obtain property insurance policies that include such limitations or exclusions unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.</li> <li>• Additional insurance requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement. Please refer to Fannie Mae Selling Guide for more detailed information.</li> <li>• For insurance not addressed in this section, such as condo, walls-in, etc., defer to Fannie Mae requirement Section B.7-3 Property and Flood Insurance for requirements for property and flood insurance, including coverage types, amounts and evidence.</li> <li>• The insurance coverage must reflect one of the following: <ul style="list-style-type: none"> <li>○ 100% of the insurable value of the improvements, as established by the property insurer; or</li> <li>○ Determining the Amount of Required Property Insurance</li> </ul> </li> <li>• The following table describes how to calculate the amount of required property insurance coverage:</li> </ul>

TOPIC		UNDERWRITING AND DOCUMENTATION REQUIREMENTS	
	STEP	DESCRIPTION	
	1	Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.	

1A	If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required.
1B	If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, go to Step 2.
2	Calculate 80% of the insurable value of the improvements.
2A	If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.
2B	If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required.

**Examples**

Category	PROPERTY A	PROPERTY B	PROPERTY C
Insurable Value	\$90,000	\$100,000	\$100,000
Unpaid Principal Balance	\$95,000	\$ 90,000	\$ 75,000
80% Insurable Value	—	\$ 80,000	\$ 80,000
Required Coverage	\$90,000	\$ 90,000	\$ 80,000
Calculation Method	Step 1A	Step 2A	Step 2B



**TOPIC UNDERWRITING AND DOCUMENTATION REQUIREMENTS**



<p><b>Property Eligibility – Accessory Dwelling Units (ADU)</b></p>	<ul style="list-style-type: none"> <li>• <b>Accessory Dwelling Unit (ADU)</b> is generally an additional living area independent of the primary dwelling that may have been added to, created within, or detached from the primary dwelling.</li> <li>• <b>ADUs must:</b> <ul style="list-style-type: none"> <li>○ be subordinate in size to the subject property</li> <li>○ be on the same parcel</li> <li>○ may be either site constructed or modular. <ul style="list-style-type: none"> <li>▪ When giving value if modular, the dwelling must be on a permanent foundation</li> </ul> </li> </ul> </li> <li>• <b>Examples of ADUs include, but are not limited to:</b> <ul style="list-style-type: none"> <li>○ Living area over a garage</li> <li>○ Living area in a basement, must have outside access</li> <li>○ Small addition to the primary dwelling with outside access</li> <li>○ A modular home (legally classified as real property)</li> </ul> </li> <li>• <b>Whether a property is defined as a one-unit property with an ADU or a two- to fourunit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utility meter(s), a unique postal address, and whether the unit can be legally rented. The appraiser must determine compliance with this definition as part of the analysis in the Highest and Best Use section of the appraisal.</b></li> <li>• <b>The appraisal report:</b> <ul style="list-style-type: none"> <li>○ Must include a description of the ADU and analysis of any effect it has on the value or marketability of the subject property</li> <li>○ Demonstrate that the improvements are acceptable for the market. An agedsettled sale will qualify as a comparable, and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability.</li> <li>○ Living area of an ADU should not be included with the gross living area calculation of the primary dwelling and be reported and adjusted for on a separate line in the grid unless the ADU is contained within or part of the primary dwelling with interior access and above grade</li> <li>○ Standalone structures that do not meet the ADU minimum requirements should be treated as any other ancillary structure and included as a separate line item in the sales comparison approach then adjusted based on its contributory value to the subject property</li> </ul> </li> <li>• <b>Zoning for an ADU:</b> <ul style="list-style-type: none"> <li>○ If it is determined that the property contains an ADU that is not allowed under zoning (where an ADU is not allowed under any circumstance), the property is eligible under the following additional conditions: <ul style="list-style-type: none"> <li>▪ The lender/borrower confirms that the existence will not jeopardize any future property insurance claim that might need to be filed for the property</li> <li>▪ The illegal use conforms to the subject neighborhood and to the market</li> <li>▪ The property is appraised based upon its current use</li> <li>▪ The appraisal report states that the improvements represent a use that does not comply with zoning (“illegal” use)</li> <li>▪ The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least two comparable sales with the same non-compliant zoning use. Aged, settled sale(s) with the same noncompliant zoning use are acceptable if recent sales are not available. At a minimum, the appraisal report must include a total of three settled sales.</li> </ul> </li> </ul> </li> </ul>
<p><b>TOPIC</b></p>	<p><b>UNDERWRITING AND DOCUMENTATION REQUIREMENTS</b></p>

<p><b>Property Eligibility – Flip Transactions (HPML Appraisal Rule)</b></p>	<ul style="list-style-type: none"> <li>• On HPML transactions, properties that meet either definition below are considered flip transactions and require a second appraisal: <ul style="list-style-type: none"> <li>○ The seller acquired the property 90 or fewer days prior to the sales contract date and exceeds the seller’s acquisition price by more than 10 percent, or</li> <li>○ The seller acquired the property 91 to 180 days prior to the sales contract date and exceeds the seller’s acquisition price by more than 20 percent</li> </ul> </li> <li>• Second appraisals requirements: <ul style="list-style-type: none"> <li>○ Must be ordered in accordance with <a href="#">Appraisal Requirements</a></li> <li>○ Appraisal to be provided to the borrower adhering with HPML requirements, as applicable</li> <li>○ Must be dated prior to the closing date</li> <li>○ Property seller on the purchase contract must be the owner of record</li> <li>○ Increase in value should be documented with commentary from the appraiser and include recent comparable sales</li> <li>○ Documentation evidencing actual cost to construct or renovate (e.g., purchase contracts, plans and specifications, receipts, invoices, etc.) may be required by the underwriter if the appraisal is deemed deficient</li> <li>○ The borrower cannot be charged for the cost of the additional appraisal</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>Reserves Requirements</b>	<ul style="list-style-type: none"> <li>• Reserves must be sourced and documented per the <a href="#">Asset Requirements</a> section of these guidelines</li> <li>• Minimum six (6) months reserves required on all loans</li> <li>• Cash out proceeds may not be used to meet reserve requirements</li> <li>• Multiple Financed Properties – Additional reserves are required for each additional financed property <ul style="list-style-type: none"> <li>○ Each financed property in addition to the subject property, will increase the applicable reserve requirement by two (2) months PITIA on the subject property to a maximum requirement of 12 months</li> <li>○ Reserves are represented as a number equal to the fully amortizing payment, PITIA, for the relevant property, interest only loans are based on ITIA; PITIA/ITIA is the monthly payment obligation for all the following: <ul style="list-style-type: none"> <li>▪ Principal</li> <li>▪ Interest</li> <li>▪ Taxes – real estate taxes</li> <li>▪ Insurance – hazard, flood, mortgage insurance (as applicable)</li> <li>▪ 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> </ul> </li> <li>• Primary Residence and Second Home: ○ Reserve requirements are waived for Rate-and-Term Refinance transactions when the transaction results in a reduction to the monthly principal and interest payment of 5% or greater AND housing history is 1x30x12 or better (no housing history, unless the property is free and clear, is not allowed) • Unacceptable Reserves: ○ Assets that are not vested (such as non-vested stock options and non-vested restricted stock) <ul style="list-style-type: none"> <li>○ Asset Utilization: Any assets that are depleted and used and income are not eligible</li> <li>○ Cash on hand</li> </ul> </li> </ul>
------------------------------	--

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<ul style="list-style-type: none"> <li>○ Cash out proceeds</li> <li>○ Cryptocurrency/virtual currency, unless liquidated ○ Gift funds ○</li> <li>○ Proceeds from 1031 Exchange ○ Stocks held in an unlisted corporation ○</li> <li>○ Unsecured loans</li> </ul>
<b>Residual Income</b>	<ul style="list-style-type: none"> <li>• Residual Income is the amount of monthly income remaining once a borrower has paid all monthly debt obligations. Residual Income = Gross Monthly Income minus total monthly debt.</li> <li>• Must meet or exceed the family size residual income requirement: <ul style="list-style-type: none"> <li>○ Family size of 1 = \$1250/month, family size of 2= \$1,500/month, add \$125 for each additional family member</li> </ul> </li> </ul>

<b>Secondary Financing</b>	<ul style="list-style-type: none"> <li>• New and resubordinated secondary financing is allowed up to the maximum LT/CLTV based on loan type/program</li> <li>• Only institutional financing is permitted, seller carry backs are not allowed</li> <li>• Existing secondary financing must be subordinated and recorded or refinanced</li> <li>• For existing HELOC, CLTV must be calculated at the maximum available line amount unless the borrower can provide documentation the line of credit is past in its draw period</li> </ul>
<b>Solar</b>	<ul style="list-style-type: none"> <li>• Allowed, refer to <a href="#">Solar Requirements</a> for eligibility requirements</li> </ul>
<b>Tax Returns</b>	<p>The following applies when personal and/or business tax returns are used for to verify income:</p> <ul style="list-style-type: none"> <li>• Complete personal income and business tax returns with all schedules to be provided and signed and dated by each borrower. If tax transcripts confirm the information on the tax returns, signature and dates are not required.</li> <li>• The most recent year's tax returns, if filed on extension after the federal tax deadline, should be filed at least 60 days before the earlier of the application date or the credit report date</li> <li>• Amended tax returns must be filed at least 60 days before the earlier of the application date or the credit report date regardless of the current year federal tax deadline. When amended tax returns are provided, due diligence is to be used to determine if the amended tax return is acceptable. The following is to be provided in addition to the amended return: <ul style="list-style-type: none"> <li>○ Original tax return (for consistency comparison with previous filings)</li> <li>○ Letter of explanation regarding the reasons for the amendment</li> <li>○ Evidence of filing</li> <li>○ Proof of payment, if applicable</li> </ul> </li> <li>• If amended for income-related items documentation to support the increase in income</li> </ul>
<b>Title Vesting &amp; Ownership</b>	<ul style="list-style-type: none"> <li>• Ownership must be fee simple or leasehold, refer to Leasehold Properties below for eligibility requirements</li> <li>• On a refinance, prior to the application date, both the application and the preliminary title report must reflect at least one of the borrowers that plan to take title at closing. If a new spouse is being added, it can be done at the time of closing</li> <li>• If the property is vested in the name of the entity (Corporation, LLC, or Partnership), the borrower must be 100% owner of the entity if vesting is changing to borrower's name through the loan transaction</li> <li>• Acceptable forms of Vesting: <ul style="list-style-type: none"> <li>○ Individuals</li> <li>○ Inter-Vivos Revocable Trust</li> <li>○ Joint Tenants</li> </ul> </li> </ul>

<b>TOPIC</b>	<b>UNDERWRITING AND DOCUMENTATION REQUIREMENTS</b>
--------------	--

	<ul style="list-style-type: none"> <li>○ Tenants in common</li> <li>• Leasehold Properties are eligible with all the following: <ul style="list-style-type: none"> <li>○ Property is located in areas where leasehold properties are commonly accepted and documented within the appraisal</li> <li>○ Mortgage must be secured by the property improvement and borrower's leasehold interest in the land</li> <li>○ The leasehold properties and any improvements must constitute real property, be subject to the mortgage lien and be insured by the lender's title policy.</li> <li>○ Must meet all Fannie Mae eligibility requirements</li> <li>○ Single family residences only, condominiums and Indian leased land are not allowed</li> </ul> </li> </ul>
Temporary Buydown	<ul style="list-style-type: none"> <li>• Product Eligibility ○ 30 year fixed rate only <ul style="list-style-type: none"> <li>○ Primary Residence and Second Home eligible ○ Purchase transactions only ○ Single family residences, 2-4 Units, PUD and condos ○ Seller/Builder paid only</li> </ul> </li> <li>• Buydown Terms – 2:1 and 1:0 temporary buydowns allowed ○ 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> <li>• Underwriting Criteria ○ 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>

<p><b>Texas Transactions</b></p>	<ul style="list-style-type: none"> <li>• <b>Owner Occupied Purchase transactions</b> ○ All transactions require a valid survey ○ Power of attorney is not allowed</li> <li>• <b>Owner Occupied Rate/Term Refinances</b> are defined as the borrower receiving no cash in hand at closing. ○ All the necessary disclosures are to be provided to the borrower(s), existing loans must meet the seasoning requirements, and rescission time-periods are followed per the Texas Constitution in addition to meeting the standard eligibility criteria</li> <li>• <b>Texas Equity 50 (a)(6) Loans</b> are determined by Texas law ○ Loan may not close until 12 days after the latter of: <ul style="list-style-type: none"> <li>▪ The date the borrower signs a loan application, and</li> <li>▪ The date the customer signs the “Notice Concerning Extension of Credit” ○ The Borrower must be given a complete and accurate copy of the final HUD1/HUD-1A or Closing Disclosure (CD) no later than one business day prior to loan closing; borrowers must sign Borrower’s Certification of Receipt of Settlement Statement and the Accuracy Thereof at closing ○ Both spouses must execute the mortgage; however, both spouses are not required to be parties to the Promissory Note (all individuals on title and their</li> </ul> </li> </ul>
----------------------------------	--

<p><b>TOPIC</b></p>	<p><b>UNDERWRITING AND DOCUMENTATION REQUIREMENTS</b></p>
---------------------	---

	<p>spouses must sign all Texas Cash out Documents)</p> <ul style="list-style-type: none"> <li>○ Borrowers must be given a copy of all documents signed at closing and sign the Texas Home Equity Receipt of Copies; the documents may not contain blank spaces</li> <li>○ All loans must contain a Texas Home Equity Loan Closing Instructions Addendum ○ Loan must be closed by an attorney or Title Company or the Lender's office; closings by mail or phone are not permitted</li> <li>○ The following forms must be executed and included in the final funding package: <ul style="list-style-type: none"> <li>▪ Texas Home Equity Affidavit Agreement</li> <li>▪ Texas Home Equity Discount Point Acknowledgment, if applicable</li> <li>▪ Federal Notice of Right to Rescind</li> <li>▪ In addition to the borrower, the lender must sign the Acknowledgment of Fair Market Value of Homestead Property at closing with an appraisal attached to the Acknowledgment</li> <li>▪ Rural Homestead Affidavit, if the property is more than 10 acres</li> <li>▪ Notice of No Oral Agreements signed by lender and borrower</li> <li>▪ Texas Home Equity Receipt of Document Copies</li> <li>▪ Signed Affidavit Confirming Borrower Receipt of Final Itemized Disclosure of Fees ○ Use the following forms</li> </ul> </li> </ul> <p>at closing:</p> <ul style="list-style-type: none"> <li>▪ Texas Home Equity Security Instrument</li> <li>▪ Texas Home Equity Note</li> <li>▪ Texas Home Equity Condo Rider, if applicable</li> <li>▪ Texas Home Equity PUD Rider, if applicable ○ Title Policy must include T42 and T42.1</li> <li>○ Borrowers are legally permitted to obtain a Texas Cash Out Home Equity Loan one time per year, but 20% equity must always remain. 80% max LTV</li> <li>○ The Texas Constitution only regulates cash out home equity loan on a primary residence where there is a declared homestead as shown on title</li> <li>○ Reduced Fee Limitations: The Texas Constitution has reduced the fee limitation from 3% of the original principal amount of the loan to 2%, but exclude from the calculation of fees for an appraisal performed by a third party appraiser, fees incurred for a property survey performed by a state registered or licensed surveyor, and fees incurred for a state base premium for a loan policy of title insurance with endorsements established in accordance with state law or fees incurred for a title examination report if that cost is less than the state base premium for a loan policy of title insurance without endorsements established in accordance with state law. Refer to amended section 153.5 of Texas 50(a)(6) regulations.</li> <li>• Non-Texas Section 50 (a)(6) Loan – a seasoned Texas Section 50(a)(6) loan can be refinanced into a non-Texas Section 50(a)(6) loan and are eligible f provided the loan meets standard eligibility criteria and the requirements of the Texas Constitution as well as the following: <ul style="list-style-type: none"> <li>○ The refinanced loan is originated at least one (1) year after the initial Texas Equity 50(a)(6) loan closed ○ New loan amount only covers the actual cost of the refinancing, and does not provide the borrower with additional funds</li> <li>○ LTV/CLTV does not exceed 80 percent of the fair market value</li> <li>○ Borrower is provided with certain required disclosures per Texas Constitution within 3 business days of application and 12 or more days before the loan is closed</li> <li>○ Affidavit that conforms to Section 50(f-1) Article XVI of the Texas Constitution</li> </ul> </li> </ul>
--	--

TOPIC	UNDERWRITING AND DOCUMENTATION REQUIREMENTS
	<p>must be prepared and recorded</p> <ul style="list-style-type: none"> <li>• Second Home and Investment loans are not regulated by the Texas Constitution and the above rules and requirements do not apply</li> </ul>

Condominium Project Standards	
General Project Criteria	<ul style="list-style-type: none"> <li>• All Projects deemed Warrantable must meet the appropriate standards set in Fannie Mae B4-2.1 General Information on Project Standards and meet overlays below. Any projects not deemed Fannie Mae Warrantable or does not meet the Established or New Project criteria are ineligible.</li> <li>• Project Reviews: <ul style="list-style-type: none"> <li>○ Follow Fannie Mae guidelines</li> </ul> </li> <li>• Comparable Property Selection: <ul style="list-style-type: none"> <li>○ When the appraisal(s) use one or more comparable sales of units conveyed from the condo developer to private parties (or entities not controlled by the developer) then the appraiser must include additional comparables from competing condominium projects AND any unit owner resales of comparable units in the subject property project</li> <li>○ When the appraisal(s) use only sales reflecting unit owner resales of comparable units in the subject property then all sales comparables may come from the subject property project</li> </ul> </li> <li>• Two to Four Unit Condo: <ul style="list-style-type: none"> <li>○ Projects will not require a project review provided the following are met: <ul style="list-style-type: none"> <li>▪ The project is not a Condotel, houseboat, or timeshare or segmented ownership project</li> <li>▪ The priority of common expense assessments applies. The maximum number of months of common expense assessments allowed is 12 as shown in the condo cert or the CC&amp;Rs</li> <li>▪ The standard insurance requirements apply <ul style="list-style-type: none"> <li>○ Project has been created and exists in full compliance with applicable local jurisdiction, State and all other applicable laws and regulations</li> </ul> </li> </ul> </li> <li>○ Project meets all Fannie Mae Insurance requirements for property liability and fidelity coverage</li> <li>○ Borrower must carry H06 coverage for replacement of such items as flooring, wall covering, cabinets, fixtures, built-ins, and any improvements made to the unit unless "walls in" coverage with betterments and improvements is included in the Master Insurance policy</li> <li>○ Underwriter to confirm Project documents do not give a unit owner or any other party priority over the rights of the 1st mortgagee (Full Review only)</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>• <b>Condos in Florida:</b> <ul style="list-style-type: none"> <li>○ For loans secured by a condominium unit in the state of Florida, if the project is three (3) stories or more in height and is over 30 years old (or 25 if within 3 miles of the coast), a structural inspection is required per Florida statute 533.889 <ul style="list-style-type: none"> <li>▪ For projects not in compliance with this statute, financing is not eligible</li> <li>○ <b>High Rise</b> Condos must adhere to the following additional overlays: <ul style="list-style-type: none"> <li>▪ Sales comparables from within the neighborhood must support and reflect the same positive and negative location characteristics</li> <li>▪ High Rise projects are only eligible with one of the following:</li> </ul> </li> </ul> </li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>♦ Existing Fannie Mae PERS or HUD Review Approval Process (HRAP) full project approval OR</li> <li>♦ Internal approval subject to project meeting Full Condo review standards. (Full Review HOA Cert, Budget/Balance Sheet, CC&amp;Rs required at all LTVs.)</li> <li>○ Lender reserves the right to limit LTVs on condos in Florida when market conditions warrant</li> <li>• <b>Site Condos</b> <ul style="list-style-type: none"> <li>○ Site Condos meeting the FNMA definition are eligible (and follow guides as a single family dwelling) <ul style="list-style-type: none"> <li>○ Condo reviews are waived (appraisal needs to support single family residence)</li> </ul> </li> </ul> </li> <li>• <b>Single Owner/ Investor Entity Concentration</b> <ul style="list-style-type: none"> <li>○ Maximum of 25% of project owned by any Single Owner/Investor Entity</li> <li>○ Maximum of 2 units owned by any Single Owner/Investor Entity if the project has fewer than 10 units</li> </ul> </li> </ul>

<p><b>Established Project Requirements</b></p>	<ul style="list-style-type: none"> <li>• Established Projects, as defined by Fannie Mae, which meet all the following requirements are eligible for purchase. <ul style="list-style-type: none"> <li>○ Occupancy: <ul style="list-style-type: none"> <li>▪ For Investment property transactions, a minimum of 50% of the total number of units (Fannie Mae Warrantable) or 30% of the total number of units (Statewide Criteria) in the Project must be conveyed to owners who occupy their unit as a primary residence or second home. This requirement does not apply if the subject property is a primary residence or second home. <ul style="list-style-type: none"> <li>♦ The Project may not have delinquencies greater than 15%, and</li> <li>♦ The Project Reserve Fund must represent a minimum of 100% of Project's annual budget, and</li> <li>♦ Appraisal must support rental market</li> <li>♦ If project does not meet the above additional requirements investment property transactions must adhere to Fannie Mae Warrantable requirements (50% of the total units must be conveyed to primary residence or second home)</li> </ul> </li> </ul> </li> <li>○ Budget and Reserve Fund Balance: <ul style="list-style-type: none"> <li>▪ A minimum Reserve Fund balance of 30% of annual budget must be in place</li> <li>▪ A minimum of 10% of the association's annual budget should provide for funding of replacement reserves for capital expenditures and deferred maintenance; if not, a lower percentage of annual income may be considered if the appraisal notes no major repairs and Reserve Fund balance supports a lower allocation as follows: <ul style="list-style-type: none"> <li>♦ 7% to 9.99% requires a Reserve Fund balance of 50% of annual budget ♦ 5% to 6.99% requires a Reserve Fund balance of 75% of annual budget</li> <li>♦ 3% to 4.99% requires a Reserve Fund balance of 100% of annual budget.</li> </ul> </li> </ul> <p>Refer to the non-warrantable section in regard to the 3% exception</p> </li> <li>○ Delinquent Assessments: <ul style="list-style-type: none"> <li>▪ Delinquent assessments greater than 60 days may not exceed 15% of the total number of units in the project</li> <li>▪ 60-day delinquency up to 20% may be allowed as non-warrantable if HOA Reserve Fund represents 120% of its annual budgeted income</li> </ul> </li> </ul> </li> </ul>
--	--

	<ul style="list-style-type: none"> <li>○ <b>Commercial Space:</b> <ul style="list-style-type: none"> <li>▪ Limited to 50% of building space</li> <li>▪ Commercial entity cannot control HOA</li> </ul> </li> <li>• <b>Established Full Project Approval Documentation Requirements - &gt; 90% LTV Primary and &gt; 75% LTV NOO &amp; 2<sup>nd</sup> Home:</b> <ul style="list-style-type: none"> <li>○ Established Project Certification</li> <li>○ Current Annual Budget</li> <li>○ Current Balance sheet (dated within the last 60 days)</li> <li>○ Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines</li> </ul> </li> <li>• <b>Established Limited Project Approval Documentation Requirements - ≤ 90% LTV Primary and ≤ 75% LTV NOO &amp; 2<sup>nd</sup> Home:</b> <ul style="list-style-type: none"> <li>○ Established Project Certification</li> <li>○ Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines</li> </ul> </li> </ul> <p><b>NOTE: Limited Review HOA Certifications that identify special assessments for property repairs, budget issues or litigation on property defects or structural repair items will require full project approval documentation</b></p>
--	---

<b>New Project Requirements</b>	<ul style="list-style-type: none"> <li>• A Project is considered New if any of the following apply: <ul style="list-style-type: none"> <li>○ Project is not fully completed or is subject to additional phasing or annexation ○ Fewer than 90 percent of the total number of units in the project have been conveyed to owners other than the developer, or control of the homeowner's association has not been turned over to the unit owners</li> <li>○ Projects that have a Fannie Mae PERS approval (or show as Fannie Mae approved in CPM) for the subject property Building, Phase or Unit can close as "Warrantable" ○ NOTE: All units closed under this policy must have an unconditional Certificate of Occupancy (or local equivalent) • New Condominium Projects that meet all the following requirements are eligible: <ul style="list-style-type: none"> <li>○ Assessments: Developer must be responsible for assessments on unsold units built but not yet closed</li> <li>○ Budget: A minimum of 10% of the association's annual budget must provide for funding of replacement reserves for capital expenditures and deferred maintenance <ul style="list-style-type: none"> <li>▪ Budget must reflect adequate funding for insurance deductible ○ Commercial Space of up to 35% of building space is allowed when pre-sale exceeds 70%, otherwise limited to 25%; Commercial entity cannot control HOA</li> </ul> </li> <li>○ Delinquent Assessments: Delinquent assessments greater than 60 days cannot exceed 15% of the total number of units</li> <li>○ Occupancy: A minimum of 50% of the total number of units in the project are conveyed or under contract to purchaser other than developer or successor as Primary or second home OR a minimum of 50% of the units in subject phase plus all prior legal phases must have been conveyed or under contract as Primary or Second Home ○ Subject Legal Phase and any prior legal phases where units have been offered for sale are substantially complete, meaning that a certificate of occupancy or its equivalent has been issued and all units in the subject unit building are complete • New Project Approval Documentation Requirements: <ul style="list-style-type: none"> <li>○ Completed Condo Project Questionnaire and Developer/Builder Questionnaire, or similar ○ Current Annual Budget</li> <li>○ Current Balance sheet (dated within the last 60 days)</li> </ul> </li> </ul> </li> </ul> </li> </ul>
---------------------------------	--

	<ul style="list-style-type: none"> <li>○ Evidence of current HOA/Project Insurance in compliance with Fannie Mae guidelines</li> <li>○ Project legal documents: Declarations, Bylaws and any Amendments</li> </ul>
<b>Ineligible Projects</b>	<ul style="list-style-type: none"> <li>• Assisted living facilities or any project where unit owners' contract in advance for a lifetime commitment from the facility to care for them regardless of future health or housing needs</li> <li>• Common-interest Apartment ○ Project 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 unit in the building <ul style="list-style-type: none"> <li>○ The project or building is often owned by several owners as tenants in common or by a homeowners' association</li> </ul> </li> </ul>

- Condo Conversion completed less than two years
- Condominium hotel (condotel)
  - Condominium project in which any unit owner or the homeowner's association is a party to a revenue-sharing agreement with either the developer or another third-party entity
  - Condominium project where the unit is not the lessee's residence
  - Project that is managed and operated as a hotel or motel, even though the units are individually owned
  - Project with the names that include the words "hotel," "motel," "resort," or "lodge"
  - A project that includes registration services and offers rentals of units on a daily, weekly, or monthly basis
- Hotel or motel conversions regardless of length of time since conversion
- Fragmented or segmented ownership
  - Ownership is limited to a specific period on a recurring basis i.e. timeshare
- Houseboat project
- Manufactured Home project
- Multi-family units where single deed has ownership of more than one or all of the units
- Non-conforming zoning (cannot be rebuilt to current density)
- Project in litigation, arbitration, mediation, or other dispute regarding safety, soundness, or habitability
- Project in which a single entity owns more than 25% of the total number of units; for projects that have 5-19 units, one owner is allowed to own two units
- Project that is not well maintained or in poor physical or financial condition
  - Excessive special assessments, low reserves, neglected repairs
- Project that is subject to the rules and regulations of the U.S. Securities Exchange Commission
- Project that requires Private Transfer Fees as a part of the transaction and that fee does not benefit the association
- Project units sold with excessive seller contributions that may affect the value of the subject property
- Project with adverse environmental issue(s) involving safety, soundness, or habitability
- Project where more than 50% of total square footage in the project, or in the building that the project is located in, is used for non-residential purposes
- Project where the developer (or its affiliates) owns the common and/or limited elements and leases the elements back to the HOA
- Timeshare or project that restricts the owner's ability to occupy the unit

### Solar Requirements

<p><b>General</b></p>	<p>The ownership and debt financing structure commonly found with solar panels are essential to determining whether panels are personal property of the homeowner, third party owned or a fixture to the real estate. Common ownership or financing structures include:</p> <ul style="list-style-type: none"> <li>• Borrower owned panels</li> <li>• Financed solar panels where the panels serve as collateral for the debt separate from any existing mortgage</li> <li>• Lease agreements/power purchase agreements</li> </ul> <p>Properties with solar panels may be eligible. Due diligence to determine ownership and any financing structure of the subject property's solar panels is needed to determine initially if the property with solar panels is eligible and subsequently correctly underwrite the loan</p> <p>Underwriters must ensure all the following:</p> <ul style="list-style-type: none"> <li>• Borrower's credit report is reviewed for solar-related debt and all solar-related documentation provided</li> <li>• Title report is reviewed to determine if the related debt is reflected in the land records associated with the subject property</li> <li>• Appraiser has accurate information about the ownership structure of the solar panels</li> <li>• Appraisal appropriately addresses any impact to the property's value <ul style="list-style-type: none"> <li>○ Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report</li> </ul> </li> <li>• Where solar panels are eligible the property maintains access to an alternate source of electric power that meets community standards <ul style="list-style-type: none"> <li>○ If a full appraisal is required, the appraiser is to comment if the property is connected to a traditional electrical power source. <ul style="list-style-type: none"> <li>○ If a full appraisal is not required, other alternative documentation, such as an electric bill, evidencing the property is connected to a traditional electrical power source to be provided</li> </ul> </li> </ul> </li> </ul> <p>If insufficient documentation is not available and the ownership status is unclear, no value for the panels may be attributed to the property value on the appraisal unless a UCC "personal property" search is provided and confirms the solar panels are not claimed as collateral by any non-mortgage lender.</p> <p>A UCC financing statement that covers personal property and is not intended as a fixture filing* must be filed in the office identified in the relevant state's adopted version of the UCC.</p> <p><small>* A fixture filing is a UCC-1 financing statement authorized and made in accordance with the UCC adopted by each state in which the related real property is located. It covers property that is, or will be, affixed to improvements such as real property. It contains both a description of the collateral that is, or is to be, affixed to that property, and a description of the real property. It is filed in the same office that mortgages are recorded under the law of the state in which the real property is located. This filing in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture. If properly filed, the security interest in the described fixture has priority over the lien of a subsequently recorded mortgage.</small></p> <p>The sections below identify the additional specific requirements that must be followed based on the ownership or financing structure.</p>
-----------------------	--

## Solar Requirements

<p><b>Free and Clear or Included in the Home Purchase</b></p>	<p>Solar panels that were a cash purchase and owned free and clear without outstanding debt or were included in the home purchase price and secured by the existing first mortgage.</p> <ul style="list-style-type: none"> <li>• Properties with solar panels that meet the above definition are eligible and standard requirements must be followed (appraisal, insurance and title).</li> <li>• Appraiser to include the solar panels in the value of the property (based on standard appraisal requirements)</li> </ul>
<p><b>Financed and Collateralized (UCC on title)</b></p>	<p>Solar panels were purchased with financing. The solar panels are collateral for the separate debt used to purchase the panels and a UCC fixtured filing has been filed for the panel as evidenced on the title report.</p> <p>Properties with solar panels that meet the above definition are eligible when complying with the following requirements:</p> <ul style="list-style-type: none"> <li>• Credit report, title report, appraisal (if applicable) and related promissory note and security agreement that reflect the terms of the secure loan to be obtained and reviewed</li> <li>• Appraiser to include the solar panels in the value of the property (based on standard appraisal requirements) as long as the documents provided evidence the panels cannot be repossessed for default on the financing terms,</li> <li>• Debt obligation to be included in the debt-to-income ratio (DTI) calculation and LTV/CLTV because a UCC fixture filing is of record</li> <li>• The UCC filing must be subordinated with one of the following: <ul style="list-style-type: none"> <li>○ Subordination agreement</li> <li>○ UCC termination <ul style="list-style-type: none"> <li>▪ Debt obligation must be included in the DTI and LTV/CLTV unless evidenced the debt has been paid off in full (UCC termination is not evidence the debt has been paid in full.)</li> </ul> </li> </ul> </li> <li>• CLTA endorsement 150.06 is not allowed in lieu of a subordination agreement or UCC termination</li> </ul>
<p><b>Financed and Collateralized (UCC not on title)</b></p>	<p>The solar panels were purchased with financing and treated as personal property not affixed to the home. The UCC filing does not appear on the title report.</p> <p>Properties with solar panels that meet the above definition are eligible when complying with the following requirements:</p> <ul style="list-style-type: none"> <li>• Review documentation such as the credit report, title report, UCC financing statement, related promissory note or security agreement to confirm the terms of the secured loan</li> <li>• Debt obligation to be included in the debt-to-income (DTI) calculation</li> <li>• Confirm the appraiser did not include contributory value of the solar panels toward the appraised value</li> <li>• The loan secured by the solar panels is not to be included in the LTV/CLTV ratio</li> <li>• If a previously filed UCC was temporarily removed from title through a UCC termination, evidence must be provided that the UCC was paid in full <ul style="list-style-type: none"> <li>○ If the financed balance is not paid in full it must be included in the LTV/CLTV</li> </ul> </li> <li>• <b>Note:</b> a Notice of Independent Solar Energy Producer Contract on title is not to be treated as a UCC fixture filing.</li> </ul>

### Solar Requirements

<p>Financed with a PACE loan</p>	<p>Solar panels financed with a PACE loan paid through an assessment in their annual property tax bill.</p> <ul style="list-style-type: none"> <li>• Properties with solar panels financed with a PACE loan are ineligible unless paid in full at or prior to closing</li> <li>• If the property tax statement indicates a PACE loan the outstanding loan must be paid in full prior to or at closing ○ Proceeds from the second lien may be used to pay off the existing PACE loan</li> </ul> <p>Note: In some cases, PACE loans are also referred to as HERO loans and must adhere to PACE loan requirements.</p>
----------------------------------	---



<p><b>Leased or Covered by a Power Purchase Agreement</b></p>	<p>Solar panels are leased from or owned by a third party under a power purchase agreement or similar lease arrangement.</p> <p>Properties with solar panels that meet the above definition are eligible when complying with the following requirements:</p> <ul style="list-style-type: none"> <li>• Lease or power purchase agreement to be obtained and reviewed</li> <li>• Monthly payment must be included in the debt-to-income (DTI) calculation unless the lease/agreement is structured to: <ul style="list-style-type: none"> <li>○ Provide delivery of a specific amount of energy at a fixed payment during a given period, AND</li> <li>○ Have a production guarantee that compensates for the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease/agreement for that period</li> </ul> </li> <li>• Payments under the power purchase agreements where the payment is calculated solely based on the energy produced may be excluded from the DTI calculation</li> <li>• Confirm the appraiser did not include value of the solar panels in the appraised value</li> <li>• Value of the solar panels must not be included in the LTV/CLTV even if a precautionary UCC filing is recorded because the documented lease or power purchase agreement status takes priority <ul style="list-style-type: none"> <li>○ A “precautionary” UCC filing is one that lessors may file to put third parties on notice of their claimed ownership interest in the property described within the filing and is allowed when meeting all of the following: <ul style="list-style-type: none"> <li>▪ The only property described in the UCC filing as collateral is the solar equipment covered by the lease or power purchase agreement and not the underlying land</li> <li>▪ Loan is underwritten in accordance with “Leased or Covered by a Power Purchase Agreement” section of the guidelines</li> </ul> </li> </ul> </li> <li>• The lease or power purchase agreement must indicate the following: <ul style="list-style-type: none"> <li>○ Any damage that occurs as a result of installation, malfunction, manufacturing defect or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (such as sound and watertight conditions that are architecturally consistent with the home)</li> <li>○ The owner of the solar panels must agree not to be named as insured and/or loss payee on the property owner’s property insurance policy covering the residential structure on which the panels are attached. <ul style="list-style-type: none"> <li>▪ Acceptable alternative documentation is a current copy of the property owner’s property insurance policy verifying the owner of the solar panels is not currently named as the insured or loss payee.</li> </ul> </li> </ul> </li> </ul>
<p><b>Solar Requirements</b></p>	

	<ul style="list-style-type: none"> <li>In the event of a foreclosure, the lender or assignee has the right to: <ul style="list-style-type: none"> <li>○ Terminate the lease/agreement and require the third-party to remove the equipment, or</li> <li>○ Transfer, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party, or</li> <li>○ Enter into a new lease/agreement with the third party under terms no less favorable than the prior owner</li> <li>○ NOTE: If the required verbiage above is not present in the original lease/agreement a fully executed addendum to the lease/agreement identifying the requirements is acceptable</li> </ul> </li> <li>If a UCC filing is on record and will remain, the solar title endorsement is required</li> </ul>
--	--

## Exhibit A: Visa and EAD Eligibility Matrix

The Visa & Employment Authorization (EAD) Eligibility matrix is a list of eligible Visas and EADs for Non-QM loans with Non-Permanent Resident Alien borrowers. Any Visa or EAD category not listed would generally be ineligible.

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible<sup>1</sup></u>
A-1, A-2	Non-immigrant	Diplomat	N	Y
A-1, A-2	Non-immigrant	Diplomat spouse	C01	Y
A-3	Non-immigrant	Employee of A-1 or A-2	C17	Y
B-1,B-2	Non-immigrant	Business visitor	N	N
B-11, B-16	Family based	Unmarried son or daughter of US citizen	C09	N
B-12, B-17	Family based	Child of B-11 or B-16	C09	N
B31, B-32, B-33	Family based	Married son or daughter of US citizen (B-31), spouse of B-31 or child of B-31	C09	N
BC-1	Employment based	Broadcaster in the US employed by the International Broadcasting Bureau of the Broadcasting Board of Governors	N	N
BC-2, BC-3	Employment based	Spouse, child of BC-1	Y	N
BCC	Non-immigrant	Border Crossing Card	N	N
C-1, C-2, C-3, C-4, C-5	Non-immigrant	Transiting the U.S.	N	N
C-21, C-22, C-23, C-24, C-25	Family based	Spouse or child of permanent resident	C09	N
C-26	Non-immigrant	Spouse or child of H type	N	N
C-31, C-32, C-33	Family based	Spouse or child of US citizen	C09	N
C-5, C-51	Employment based	Employment creation	N	N
C-52, C-53	Employment based	Spouse or child of C-5 or C-51	C09	N
CR-1, CR-2, CR-5	Family based	Spouse or child of US citizen	C09	N
CX-1, CX-2, CX-3	Family based	Spouse, child or stepchild of lawful permanent resident	C09	N
D	Non-immigrant	Crew member	N	N
DV-1, DV-2, DV-3	Diversity	Diversity immigrant, spouse, child	N	N

E-1,2 or spouse of E1,2 (the spouse does not get a different	Employment based	Treaty/Trade investor or spouse	A17 (only needed for spouse of	Y
---	------------------	---------------------------------	-----------------------------------	---

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible<sup>1</sup></u>
number for this category)			E-1, E-2)	
E-3	Employment based	Specialty occupation- Australia	N	Y
E-11	Employment based	Person with extraordinary ability in the sciences, arts, education, business or athletics	N	N
E-12	Employment based	Outstanding professor or researcher	N	N
E-13	Employment based	Multinational executive or manager	N	N
E-14, E-15	Employment based	Spouse or child of E-11, E-12 or E-13	C09	N
E-21	Employment based	Professional holding advanced degree or alien of exceptional ability	N	N
E-22, E-23	Employment based	Spouse or child of E-21	C09	N
E-31	Employment based	Skilled worker	N	N
E-32	Employment based	Professional holding baccalaureate degree	N	N
E-34, E-35	Employment based	Spouse or child of E-31 or E-32	C09	N
EW-3	Employment based	Other worker	N	N
EW-4	Employment based	Spouse or child of EW-3	C09	N
F-2A, F-2B, F-3, F-4, F-11, F-12, F-21, F-22, F-23, F-24, F-25, F-31, F-33, F-41, F-42, F-43	Family based	Family members of permanent residents or US citizens	C09	N
F1	Non-immigrant	Student	C03	N
FX-1, FX-2, FX-3	Family based	Spouse or child of permanent resident or FX-1	Y	N
G-1, G-2, G-3, G-4	Employment based	Employees of international organizations and NATO; spouses and children	Y-spouses and children: C04	Y
G-5	Non-immigrant	Non-immigrant domestic workers	C17	Y

H1-B	Employment based	Foreign nationals working in the US in a specialty occupation	N	Y
H-2A, H-2B	Non-immigrant	Temporary workers	N	N
H-3	Non-immigrant	Temporary training	N	N
H-4	Non-immigrant	Spouse or child of H1-B	C09	Y
I-51	Employment based	Investor in pilot program	N	N
I-52, I-53	Employment based	Spouse or child of I-51	C09	N

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible<sup>1</sup></u>
IH-3, IH-4	Family based	Child adopted or to be adopted by US citizen	C09	N
IR-1, IR-2, IR-3, IR-4, IR-5	Family based	Spouse, child or child to be adopted of US citizen	C09	N
J	Non-immigrant	Cultural exchange visitor	C05	N
K-1, K-3, K-4	Family based	Fiancée of US citizen	A09	Y
L-1A, L-1B	Employment based	Intracompany transferees	N	Y
L-2, L-3	Employment based	Spouse or child of L-1	A18	Y
M-1, M-2, M-3	Non-immigrant	student seeking practical training after completing studies	C06	N
N-8, N-9	Non-immigrant	Parent or child of int'l org. employee granted permanent residence	A07	N
NATO- 1, NATO-2, NATO-3, NATO-4, NATO-5, NATO-6	Non-immigrant	NATO members, staffs and families for temporary stay	C07	N
O-1A, O-1B	Employment based	Extraordinary ability in science, education, the arts, business or athletics	N	Y
O-2	Employment based	Assistant to O-1	N	Y
O-3	Employment based	Spouse or child of O-1 or O-2	N	Y
P-1A	Employment based	Internationally recognized athlete	N	Y
P-1B	Employment based	Internationally recognized artist	N	Y
P-2	Employment based	Performer (artist)- reciprocal exchange program	N	N
P-3	Employment based	Entertainer (artist) - culturally unique program	N	N
P-4 <sup>1</sup>	Employment based	Spouse or child of P1A, P-1B, P-2, or P-3	C09	Y

Q	Non-immigrant	Cultural exchange program	N	N
R-5, R-51	Employment based	Investor in pilot program	N	N
R-52, R-53	Employment based	Spouse or child of R-51	C09	N
SD-1	Employment based	Religious workers	N	N
SD-2, SD-3	Employment based	Spouse or child of SD-1	C09	N
SE-1	Employment based	Employees or former employees of the US Gov't abroad	N	N
SE-2, SE-3	Employment based	Spouse or child of SE-1	C09	N

<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible<sup>1</sup></u>
SF-1	Employment based	Former employees of the Panama Canal Company or Canal Zone Gov't	N	N
SF-2	Employment based	Spouse or child of SF-1	C09	N
SG-1	Employment based	Former employees of the US gov't in the Panama Canal Zone	N	N
SG-2	Employment based	Spouse or child of SG-1	Y	N
SH-1	Employment based	Certain former employees of the Panama Canal Company or Canal Zone gov't on 4/1/79	N	N
SH-2	Employment based	Spouse or child of SH-1	C09	N
SI	Employment based	Interpreters	N	N
SJ-1	Employment based	Foreign medical graduate	N	N
SJ-2	Employment based	Spouse or child of SJ-1	C09	N
SK-1	Employment based	Retired international organization employee	N	N
SK-2	Employment based	Spouse of SK-1	C09	N
SK-3	Employment based	Unmarried child of an international organization employee	C09	N
SK-4	Employment based	Surviving spouse of deceased international organization employee	C09	N

SN-1	Employment based	Retired NATO-6 civilian	N	N
SN-2, SN-3	Employment based	Spouse of child of NATO-6 civilian employee	C09	N
SN-4	Employment based	Surviving spouse of deceased NATO6 civilian employee	C09	N
SQ	Employment based	Iraqi/Afghans who work on behalf of the US government	N	Y
SR-1	Employment based	Religious workers	N	N
SR2, SR3	Employment based	Spouse or child of SR-1	C09	N
T-1, T-2, T-3, T-4	Subject to extreme cruelty	Victim or spouse or child or parents of victim of human trafficking	A16 OR C25	Y
T-5, T-51	Employment based	Employment creation	N	Y
T-52, T-53	Employment based	Spouse or child of T-51	C09	Y
TN NAFTA, TC NAFTA	Employment based	Canadian or Mexican citizens working in the US	N	Y
TD NAFTA	Employment	Spouse or child of TN	N	Y
<u>Visa Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Valid EAD Card Required</u>	<u>Eligible<sup>1</sup></u>
	based			
U-1, U-2, U-3, U-4	Subject to extreme cruelty	Victim or family member of victim of criminal activity	A19 OR A20	Y
V-1, V-2, V-3	Family based	Married to or a child of a legal permanent resident and you have been waiting at least 3 yrs. for the approval of a petition for lawful permanent resident status	A15	Y

<sup>1</sup> Must be spouse or child of P1A or P-1B, spouse or child of P-2 or P-3 are ineligible

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible<sup>1</sup></u>
A02	Non-immigrant	Lawful temporary resident pursuant to sections 245a or 210 of the INA (temp. agricultural worker)	N	N
A03	Refugee	Refugee	Y	Y
A04	Cuban or Haitian entrant	Cuban or Haitian entrant paroled as a refugee	N	N

A05	Asylum granted	Asylum granted	Y	Y
A06	Non-immigrant	K-1, non-immigrant fiancé of US citizen or K-2 child of K-1	N	Y
A07	Non-immigrant	N-8 parent of international organization employee granted permanent residence or N-9 dependent child of international organization employee granted permanent residence	Y	N
A08	Non-immigrant	Citizens of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau admitted as a non-immigrant	Y	N
A09	Non-immigrant	K-3 non-immigrant spouse of US citizen or K-4 child of K-3	N	Y
A10	Non-immigrant	Granted withholding of Deportation or Removal	Y	N
A11	Non-immigrant	Deferred Enforced Departure (DED)	N	N
A12	Non-immigrant	Temporary Protected Status (TPS) granted under 8 CFR 244.12	Y	N
A13	Non-immigrant	IMMACT Family Unity beneficiary	N	N
A14	Non-immigrant	LIFE Act Family Unity beneficiary	N	N
A15	Non-immigrant	V-1 spouse of lawful permanent resident or V-2 minor unmarried child of lawful permanent resident	N	Y

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible<sup>1</sup></u>
		or V-3 minor unmarried child of V-1 or V-2		
A16	Non-immigrant	T-1 non-immigrant (victims of a severe form of trafficking)	N	Y
A17	Non-immigrant	Spouse of principal E nonimmigrant with an unexpired I-94 showing E (included in E-1S, E-2S, E-3S) non-immigrant status	Y	Y
A18	Non-immigrant	Spouse of principal L-1 nonimmigrant with an unexpired I-94 showing L-2 (including L-2S) nonimmigrant status	Y	Y



A19	Non-immigrant	U-1 non-immigrant (victims of certain criminal activity)	N	Y
A20	Non-immigrant	U-2 spouse of U-1 aliens or U-3 children of U-1 aliens (16 or under) or U-5 unmarried sibling under age 18 of U-1 alien under the age 21	N	Y
C01	Non-immigrant	Dependent of A-1 or A-2 foreign government official	N	Y
C02	Non-immigrant	Dependent of TECRO (Taipei Economic and Cultural Representative Office) E-11 nonimmigrant)	N	N
C03A	Non-immigrant	Pre-completion of OPT F-1 students	N	N
C03B	Non-immigrant	Post-completion of OPT F-1 students	N	N
C03C	Non-immigrant	24 month extension for Science, Technology, Engineering or Mathematics (STEM) OPT students	N	N
C03(ii)	Non-immigrant	F-1 student offered off-campus employment under the sponsorship of Qualifying International Organization	N	N
C03(iii)	Non-immigrant	F-1 student seeking off-campus employment due to severe economic hardship	N	N
C04	Non-immigrant	Spouse or unmarried dependent child of G-1, G-3 or G-4 nonimmigrant (Representative of International Organization and their dependents)	N	Y
C05	Non-immigrant	J-2 spouse or minor child of a J-1 exchange visitor	N	N
C06	Non-immigrant	M-1 student seeking practical training after completing studies	N	N

<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible<sup>1</sup></u>
C07	Non-immigrant	Dependent of NATO-1 through NATO-7 non-immigrant	N	N
C08	Non-immigrant	Asylum applicant, status pending	Y	N
C09	Non-immigrant	Pending adjustment of status under Section 245 of the Act	Y	Y
C10	Non-immigrant	Nicaraguan Adjustment & Central American Relief act	Y	N

C11	Non-immigrant	Alien paroled into the US for emergency, temporary reason	N	N
C12	Non-immigrant	Spouse of an E2 commonwealth of the Northern Mariana Islands investor, eligible for employment. In the CNMI only.	N	N
C14	Non-immigrant	Alien granted deferred action	N	N
C16	Non-immigrant	Registry applicant based on continuous residence since Jan 1, 1972	Y	N
C17(ii)	Non-immigrant	B-1 non-immigrant who is the personal or domestic servant of a non-immigrant employer	N	Y
C17(iii)	Non-immigrant	B-1 non-immigrant employed by a foreign airline	N	Y
C18	Non-immigrant	Alien with final order of deportation/supervision	N	N
C19	Non-immigrant	Temporary Protected status applicant under 8 CFR 244.5	Y	N
C20	Non-immigrant	Alien who filed legalization application for agricultural workers	Y	N
C22	Non-immigrant	Alien who filed legalization application under INA 245a	Y	N
C24	Non-immigrant	LIFE legalization applicant	Y	N
C25	Non-immigrant	T-2 spouse of T-1, the victim of trafficking or T-3 child or T-1 or T-4 parent of T-1 (if T-1 is < age 21)	N	Y
C26	Non-immigrant	Spouse of certain H-1B principal non-immigrants with an unexpired I-94 showing H-4 non-immigrant status	Y	N
C27	Non-immigrant	Abused spouse of an A nonimmigrant	N	N
C28	Non-immigrant	Abused spouse of an E-3 nonimmigrant	N	N
C29	Non-immigrant	Abused spouse of an G nonimmigrant	N	N
C30	Non-immigrant	Abused spouse of an H nonimmigrant	N	N
<u>EAD Category Code</u>	<u>Visa/Admission Category</u>	<u>Description</u>	<u>Automatic Extension</u>	<u>Eligible<sup>1</sup></u>

C31	Non-immigrant	Principal beneficiary or qualified child of approved VAWA self petition or Qualified child of a beneficiary of an approved VAWA self-petition	Y	Y
C33	DACA	An alien who has been granted Deferred Action for childhood arrivals (DACA)	N	Y
C35	Non-immigrant	Principal beneficiary of an approved employment based immigrant petition facing compelling circumstances	N	N
C36	Non-immigrant	Spouse of unmarried child of a principal beneficiary of an approved employment based immigrant petition facing compelling circumstances	N	N