



INVESTOR SERIES · LAUNCH

Corva Launch

Non-QM Program Product Suite Underwriting Guidelines v 1.1

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Table of Contents

Chapter 1: Introduction	8
Section 1.1: Underwriting Philosophy	8
Section 1.2: Guideline Overview	8
Chapter 2: Applicant Eligibility	9
Section 2.1: United States Citizens	9
Section 2.2: Non-US Citizens	9
Section 2.2.1: Permanent Resident Alien	9
Section 2.2.2: Non-Permanent Resident Alien-Visa Holders	9
Section 2.2.3: Non-Permanent Resident Alien-EAD Card Holders who do not have a Visa	10
Section 2.2.4: Asylees & Refugees	11
Section 2.2.5: ITIN	11
Section 2.3: First Time Home Buyer	13
Section 2.3.1: Full Documentation/Bank Statements/1099 Only/Asset Qualifier	13
Section 2.3.2: P&L Only Loans/WVOE Only Loans	14
Section 2.3.3: Investor Cash Flow	14
Section 2.4: Non-Occupant Co-Applicants	15
Section 2.4.1: Documentation Types other than Investor Cash Flow	15
Section 2.4.2: Investor Cash Flow	15
Section 2.5: Foreign Nationals	15
Section 2.6: Ineligible Applicants	15
Chapter 3: Eligible Transactions	16
Section 3.1: Purchase Money Transaction	16
Section 3.1.1: Non-Arm's Length Purchase	16
Section 3.2: Rate/Term Refinance Transaction	16
Section 3.2.1: Technical Refinance aka Delayed Financing	17
Section 3.3: Cash-Out Refinance Transaction	17
Section 3.4: CEMA	18
Section 3.5: Geographic Eligibility	19
Section 3.5.1: Texas Cash Out Refinances aka Texas Home Equity Loans	19
Section 3.5.2: Refinancing an Existing Texas Home Equity Loan	21
Chapter 4: Occupancy	22
Section 4.1: Primary Residence	22
Section 4.1.1: Owner Occupied	22
Section 4.1.2: Relative Occupied	22
Section 4.2: Second Home	22
Requirements	22
Section 4.3: Investment Property	22
Chapter 5: Income	23
Section 5.1: Full Documentation	23
Section 5.1.1: General Policy	23
Section 5.1.2: Salaried Applicants	23
Section 5.1.3: Self-Employed Applicants	27
Section 5.1.4: Asset Utilization	30
Section 5.1.5: Other Income Sources	31
Section 5.1.6: Unacceptable Sources of Income	39
Section 5.1.7: Tax Transcripts	39
Section 5.2: Bank Statements	40
Section 5.2.1: Product Eligibility	40
Section 5.2.2: Bank Statement Calculation Methods	42
Section 5.2.3: Non-Sufficient Funds (NSFs)	45
Section 5.2.4: Income Trend	45
Section 5.2.5: Co-Applicant Income	46

Section 5.2.6: Other Income Sources.....	46	
Section 5.3: 1099 Only Product.....	47	
Section 5.3.1: Product Eligibility.....	48	1
Section 5.3.2: Income Calculation Methods.....	49	
Section 5.3.3: Co-Applicant Income.....	49	
Section 5.3.4: Other Income Sources.....	49	2
Section 5.4: Profit and Loss Only Product.....	51	
Section 5.4.1: Income & Employment Requirements.....	51	3
Section 5.4.2: Credit Overlays.....	53	
Section 5.4.3: Asset Overlays.....	54	
Section 5.4.4: Underwriting Overlays.....	54	4
Section 5.5: Written Verification of Employment Only.....	54	
Section 5.5.1: Income & Employment Requirements.....	54	5
Section 5.5.2: Credit Overlays.....	56	
Section 5.5.3: Asset Overlays.....	57	
Section 5.5.4: Underwriting Overlays.....	57	6
Section 5.6: Asset Qualifier.....	57	
Section 5.6.1: Product Eligibility.....	57	
Section 5.6.2: Asset Calculations and Requirements.....	57	7
Section 5.7: Investor Cash Flow/DSCR.....	59	
Section 5.7.1: Product Eligibility.....	59	8
Section 5.7.2: Qualification.....	60	
Chapter 6: Assets.....	67	9
Section 6.1: Down Payment.....	67	
Section 6.2: Reserves.....	67	
Section 6.2.1: All Products (Except Asset Qualifier).....	67	10
Section 6.2.2: Additional Documentation Type Specific Adjustments.....	68	
Section 6.2.3: Asset Qualifier.....	68	11
Section 6.3: Asset Eligibility.....	68	
Annuities/Cash Value of Life Insurance.....	68	
Borrowed Funds – Secured.....	68	12
Business Assets.....	69	
Checking, Savings or Share Accounts.....	70	13
Proceeds from a Cash-Out Refinance.....	70	
Certificates of Deposit (CD).....	70	
Custodial Accounts for Children or Others.....	70	A
Cryptocurrency Assets.....	71	
Foreign Deposit.....	71	B
Gift Funds.....	72	
Gift of Equity.....	72	C
Marketable Bonds and Securities.....	73	
Non-Borrowing Titleholders.....	74	D
Stock Options – if Exercisable.....	74	
Proceeds from Sale of Real Estate.....	74	E
Proceeds from the Pending Sale of Real Estate.....	74	
Realtor Earned Real Estate Commission.....	75	F
Relocation Benefits.....	76	
Rental or Lease Credits.....	76	G
Repayment of a Loan.....	76	
Retirement Accounts.....	77	H
Tax Deferred Exchange (1031 exchange).....	77	
Trust Account Funds.....	77	
U.S. Savings Bonds.....	78	
Third Party Payment Provider Virtual Accounts.....	78	R
Section 6.4: Ineligible Asset Types.....	78	
Chapter 7: Credit Requirements.....	79	
Section 7.1: Trade Line Requirement.....	79	

Section 7.1.1: U.S. Citizen Living Overseas.....	79	
Section 7.1.2: Applicants with Insufficient Trade Lines.....	80	
Section 7.1.3: Unmarried Joint Applicants.....	80	1
Section 7.1.4: Applicants with one or no FICO scores.....	80	
Section 7.2: Credit Score Used for Underwriting.....	81	2
Section 7.3: Credit Inquiries.....	81	
Section 7.4: Housing Payment History.....	81	
Rental History.....	82	3
Mortgages/HELOCs.....	82	
Section 7.5: Significant Derogatory Credit Events.....	82	4
Mortgage Tradelines in Forbearance.....	84	
Non-Mortgage Trade Lines in Forbearance.....	84	
Section 7.6: Judgment/Tax Lien.....	84	5
Other Circumstances.....	84	
Repayment Agreement.....	84	
Section 7.7: Collections/Charge-Offs.....	85	6
Section 7.8: Disputed Accounts.....	85	
Section 7.9: Other Derogatory Credit.....	85	7
Section 7.10: Credit Counselling.....	85	
Section 7.11: Public Record Search.....	85	
Chapter 8: Liabilities.....	86	8
Section 8.1: Alimony/Child Support/Separate Maintenance.....	86	
Section 8.2: Installment Debt (including Mortgages).....	86	9
Section 8.3: Revolving Debt (including HELOC).....	87	
Section 8.4: Student Loans.....	87	10
Requirements.....	87	
Section 8.5: Business Debt in Applicant's Name.....	88	
Section 8.6: Court-Ordered Assignment of Debt.....	88	11
Section 8.7: Co-Signed Loans/Contingent Liabilities.....	88	
Section 8.8: Lease Payments.....	89	12
Section 8.9: Relocation Benefits.....	89	
Section 8.10: Deferred Installment Debt.....	89	
Section 8.11: Loans Secured by Financial Assets.....	89	13
Section 8.12: Sale of Departing Residence.....	89	
Properties under Non-Contingent contract.....	90	
Contingent Contract, Currently Listed for Sale, or To Be Listed for Sale within 90 Days of Closing.....	90	A
Chapter 9: Property.....	92	B
Section 9.1: Acceptable Property Types.....	92	
Section 9.1.1: Texas Home Equity Loans.....	92	C
Section 9.2: Unacceptable Property Types.....	93	
Section 9.3: Appraisal Requirements.....	94	D
Number of Appraisals Required.....	94	
Age of Appraisal.....	95	E
Determining Collateral Value.....	95	
Appraisal Review Requirements.....	96	F
Section 9.4: Condominiums.....	97	
Section 9.4.1: Non-Warrantable Condominiums.....	97	G
Section 9.4.2: Condotel/Condos with Hotel-Like Features.....	99	
Section 9.5: Cooperatives.....	99	H
Section 9.7: Manufactured Homes.....	99	
Section 9.7.1: Underwriting Requirements.....	100	R
Section 9.7.2: Additional Property Requirements.....	100	
Section 9.8: Allowable Acreage.....	101	
Section 9.9: Rurally Designated Properties.....	101	
Section 9.10: Seasonal Properties.....	101	
Appraisal Requirements.....	102	
Section 9.11: Log Homes.....	102	

Faux Log Homes.....	102	
True Log Homes.....	102	
Section 9.12: Unpermitted Additions.....	102	1
Section 9.13: Deferred Maintenance.....	102	
Section 9.14: Escrow Holdbacks.....	102	
Section 9.15: Properties with Security Bars.....	102	2
Section 9.16: Deed Restricted Properties.....	103	
Appraisal Requirements.....	103	3
Section 9.17: Leasehold Properties.....	103	
Section 9.18: Land Contracts.....	103	
Purchase Transaction Requirements.....	103	4
Refinance Transaction Requirements.....	104	
Section 9.19: Interested Third Party Contributions.....	104	5
Seller Credit/Financing Contributions.....	104	
Section 9.20: Properties Recently Listed for Sale.....	104	
Section 9.21: Declining Markets.....	105	6
Section 9.22: Solar Panels.....	105	
Section 9.23: Properties with Cesspools.....	105	
Section 9.24: Accessory Dwelling Units.....	105	7
Chapter 10: Underwriting Requirements.....	106	8
Section 10.1: ARM Features.....	106	
Section 10.2: Interest Only Loans.....	106	
Section 10.3: Loan Term.....	106	9
Section 10.4: Qualifying Ratios.....	107	
Fixed Rate Loans.....	107	
Amortizing ARM Loans.....	107	10
Interest Only Loans.....	107	
Section 10.5: Debt To Income Ratio (DTI).....	107	11
Residual Income Requirements.....	108	
Section 10.6: Loan To Value and Combined Loan To Value Calculations.....	108	
LTV Ratio.....	108	12
CLTV Ratio.....	108	
Section 10.7: Subordinate Financing.....	108	
Section 10.8: Limitations on Other Real Estate Owned.....	109	13
Section 10.9: Short Sale.....	110	
Short Sale Fee Documentation.....	110	A
Section 10.10: Power of Attorney.....	110	
Section 10.11: Prepayment Penalties.....	111	B
Section 10.12: Regulatory Requirements.....	111	
Higher Priced Mortgage Loan (HPML).....	111	
High-Cost Loans.....	111	C
Maximum Points and Fees.....	112	
Section 10.13: Exceptions.....	112	D
Section 10.14: Mortgage Insurance.....	112	
Section 10.15: Tax/Insurance Escrows & Escrow Waiver.....	112	E
Section 10.16: Minimum/Maximum Loan Amounts.....	112	
Standard Applicants.....	112	F
Foreign National Applicants.....	113	
Section 10.17: Temporary Buydowns.....	113	G
Chapter 11: Title Vesting.....	114	H
Section 11.1: Individual Names.....	114	
Section 11.2: Living Trust.....	114	
General Requirements.....	114	
Legal Requirements for Revocable Trusts.....	114	
Trusts Outside of FNMA Requirements.....	115	R
Section 11.3: Blind Trust.....	115	
Legal Requirements for Blind Trusts.....	115	

Required Verbiage for Blind Trusts.....	115
Section 11.4: Limited Liability Company (“LLC”).....	115
Eligibility Requirements.....	115
Documentation Requirements-Vested Entity (The entity on title).....	116
Documentation Requirements-Layered Entity (The entity which owns entity on title).....	116
Signature Requirements.....	116
Section 11.5: Partnerships and Corporations (not LLC’s).....	118
Eligibility Requirements.....	118
Documentation Requirements (Vested Entity-The entity on title).....	118
Documentation Requirements-Layered Entity (The entity which owns entity on title).....	119
Signature Requirements.....	119
Section 11.6 Ineligible Vesting.....	120
Chapter 12: Insurance.....	121
Section 12.1: Hazard Insurance.....	121
Rent Loss Coverage.....	121
Acceptable Terms.....	121
Lender Placed Coverage.....	121
Section 12.2: Flood Insurance.....	121
Section 12.3: Title Insurance.....	121
Required Information.....	122
Title Policy Requirements.....	122
Acceptable Title Exceptions.....	122
Survey Requirements.....	123
Section 12.4: Condominium Insurance Requirements.....	123
Chapter 13: Foreign National Applicants.....	124
Section 13.1: Visa Requirements.....	124
Section 13.2: Credit Requirements.....	124
Section 13.3: Income.....	125
Asset Qualifier.....	125
Investor Cash Flow.....	125
Ineligible Income Calculation Methods.....	125
Section 13.4: Liabilities.....	125
Section 13.5: Assets.....	125
Section 13.6: Know Your Customer.....	126
Section 13.7: Automated Clearing House (ACH) Requirement.....	126
Section 13.8: Translation Requirements.....	126
Section 13.9 Escrows.....	126
Section 13.10: Foreign Document Execution.....	126
Exhibit A: Acceptable Bank List for Foreign Assets.....	127
Exhibit B: LTV/CLTV/FICO/Loan Amount Matrices (Full Documentation/Bank Statement/1099 Only/Asset Qualifier).....	129
Exhibit B: Primary Residence.....	129
Exhibit B: Second Home.....	130
Exhibit B: Investment Property.....	131
Exhibit C: LTV/CLTV/FICO/Loan Amount Matrices (P&L or WVOE Only).....	133
Exhibit C: Primary Residence.....	133
Exhibit C: Second Home.....	133
Exhibit C: Investment Property.....	134
Exhibit D: LTV/CLTV/FICO/Loan Amount Matrices (Investor Cash Flow/DSCR).....	135
Exhibit E: LTV/CLTV/FICO/Loan Amount Matrices (Foreign National Applicants).....	136
Exhibit F: LTV/FICO Matrices-EAD/ITIN Applicants.....	137
Exhibit F: Full Documentation.....	137
Exhibit F: Full Documentation-Primary Residence.....	137

Exhibit F: Full Documentation-Second Home.....	138
Exhibit F: Full Documentation-Investment Property.....	139
Exhibit F: Bank Statement/1099 Only.....	140
Exhibit F: Bank Statement/1099 Only-Primary Residence.....	140
Exhibit F: Bank Statement/1099 Only-Second Home.....	141
Exhibit F: Bank Statement/1099 Only-Investment Property.....	142
Exhibit F: P&L Only.....	143
Exhibit F: P&L Only-Primary Residence.....	143
Exhibit F: P&L Only-Second Home.....	143
Exhibit F: P&L Only-Investment Property.....	144
Investor Cash Flow/DSCR.....	144
Exhibit G: Age of Documentation.....	146
Exhibit H: Version 1.1 Change Summary.....	147
Appendix A: External Reference Content.....	149
A. Hague Apostille Convention: Participating Countries.....	149
B. Financial Stability Board: 2017 List of Global Systemically Important Banks (G-SIBs).....	150
Appendix B: Prepayment Penalty Supplement.....	151



Chapter 1: Introduction

Section 1.1: Underwriting Philosophy

The Non-QM Program takes a commonsense approach to reviewing an Applicant's creditworthiness to determine both an Applicant's willingness and ability to repay the loan. Each Applicant has a different situation, and each loan is weighed on its own merits.

Our goal is to help Applicants who represent sound credit risks with their financing needs while mitigating risk for the company.

Sound credit decisions are made based on weighing the following factors (the four Cs of Credit):

- Cash/liquidity,
- Capacity/ability to manage the debt,
- Credit/history of repayment, and
- Collateral/property being secured.

The Non-QM Program suite consists of products that may fall outside of QM guidelines and may represent a higher level of risk.

The Non-QM Program will only originate loans for which the company, in its sole opinion, has a reasonable belief that the Applicant has the ability to repay the subject loan. This reasonable belief is based upon information provided by the Applicant(s) and/or independently verified by third party. Any irregularity in Applicant profile, documentation provided, or property used to support the debt may be cause for further due diligence and/or denial of the loan.

Section 1.2: Guideline Overview

Loans meeting the parameters outlined in these guidelines are consistent with the Dodd-Frank Wall Street Reform and Consumer Protection Act's requirement that an Applicant have the Ability-to-Repay the mortgage loan. Documentation standards are designed so that loans are made to Applicants who have demonstrated the ability and have the wherewithal to repay the debt. These programs require review and verification of documentation to ensure that the loan meets Ability-to-Repay (ATR) standards as defined in 12 CFR 1026.43. Regarding any underwriting criteria not specifically addressed in this document, Fannie Mae standards apply.

NOTE: Loans that are eligible for sale to a government-sponsored enterprise (GSE) – the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) – are only eligible for the Non-QM series programs if the Non-QM Program provides the most favorable terms to the Applicant.



Chapter 2: Applicant Eligibility

Section 2.1: United States Citizens

United States Citizens are individuals born in the United States, Puerto Rico, Guam, Northern Mariana Islands, Virgin Islands, American Samoa, or Swain's Island; and individuals granted citizenship status by Immigration and Naturalization Services (INS).

Section 2.2: Non-US Citizens

The following classifications of non-US Citizen Applicants are eligible.

Section 2.2.1: Permanent Resident Alien

A Permanent Resident Alien holds an I-551 Permanent Resident Card (a.k.a. "Green Card") issued by the Department of Homeland Security (DHS) U.S. Citizenship & Immigration Services (USCIS). This documents that the individual has been awarded permanent residency in the United States. The Applicant must present either an unexpired I-551 card or temporary I-551 stamp on an unexpired foreign passport.

Section 2.2.2: Non-Permanent Resident Alien-Visa Holders

Non-Permanent VISA holders have been granted a lawful presence through an issuing Agency based upon permissible purposes set forth by the VISA which they were issued. Investor Cash Flow loans to non-permanent resident aliens are limited to a maximum 80 LTV/CLTV. Holders of the following visas categories are eligible for financing:

- E
- G
- H
- L
- O
- P
- TN

Other classifications may be considered on an exception basis, provided the visa permits for the kind of activity represented in the loan application. The visa card must be valid as of the date of the note.

Non-Permanent Resident Alien Applicants must meet the following criteria in addition to complying with all other requirements.

Income/Employment

Applicants must have two years of US employment, and if qualifying on a full documentation basis two years of US tax returns are required.

Residence

Two years of US residence are required.

Credit/Social Security Requirements

Non-Permanent Resident Aliens generally must meet trade line requirements and have a two-year credit history. Applicants who do not meet the trade line requirements may still be eligible under the [No FICO or One FICO](#) standard program requirements.

Section 2.2.3: Non-Permanent Resident Alien-EAD Card Holders who do not have a Visa

Holders of an EAD card with code C09 or C09P are eligible for standard guidelines. Holders of an EAD card with code of C08 (Pending Asylum) or C33 (DACA) are eligible with the following limitations. Holders of an EAD card with code of C08 must also provide evidence of their current case status showing no adverse steps have been taken. The EAD card must be valid and unexpired as of the note date in all circumstances. Holders of other EAD card codes are considered on an exception basis.

Acceptable Transactions

The following details are the acceptable doc types, occupancies, LTV/CLTV limitations, and other considerations. The allowable LTV/CLTVs are detailed in [Exhibit F](#) of this guideline.

- Allowable document types
 - Full Documentation
 - Bank Statement
 - 1099 Only
 - P&L Only (limited to primary residence purchases only)
 - Investor Cash Flow (DSCR)
- Primary Residence
 - Purchase:
 - Full Doc: 90 LTV/CLTV
 - Bank Statement: 85 LTV/CLTV
 - 1099-Only: 85 LTV/CLTV
 - P&L Only: 70 LTV/CLTV
 - Rate/Term Refinance: 75 LTV/CLTV
 - Cash Out Refinance: 70 LTV/CLTV
- Second Homes
 - Purchase: 80 LTV/CLTV
 - Rate/Term Refinance: 75 LTV/CLTV
 - Cash Out Refinance: 70 LTV/CLTV
- Investment Properties
 - Purchase: 80 LTV/CLTV
 - Rate/Term Refinance: 75 LTV/CLTV
 - Cash Out Refinance: 70 LTV/CLTV
- Minimum DSCRs for Investor Cash Flow Loans
 - Purchase: 1.00 up to 75 LTV/CLTV, 1.10 for >75 LTV/CLTV up to 80 LTV/CLTV
 - Refinance (Any): 1.10 up to 75 LTV/CLTV

Additional Limitations

Income Overlays

- Income may be qualified as follows:

o Full documentation:

- Employed Applicants: provide a completed Written Verification of Employment (WVOE) and tax returns (1040s) covering the most recent two-year period must be provided.
 - o The WVOE should break out earnings from the most recent two years plus year to date.
 - o The income listed on tax returns should align to what is listed on the WVOE. 1040 transcripts will also be required.
- Self-Employed Applicants: Follow standard underwriting guidelines.
- All other Full Documentation income guidelines must be met.

o Bank Statements: Follow standard underwriting guidelines

o 1099 Only: Follow standard underwriting guidelines

o P&L Only: Follow standard underwriting guidelines

o Investor Cash Flow/DSCR:

- All Applicants must own their current primary residence
- All Applicants must have rental management experience
- For refinance transactions, the subject property must be fully leased

Asset Overlays

- Applicant must have a US bank account with at least two complete months of statements
- Gifted funds and gifts of equity are allowed for funds to close, but with a minimum contribution from Applicant's own funds of 10% of the purchase price.

Additional Overlays

- ACH from a US bank account must be set up at closing. Any information needed to complete the ACH must be provided.
- A valid, unexpired EAD card ID must be presented
- All other guideline requirements must be met, including credit trade line requirements. Applicants under this section are also eligible to utilize the [1 FICO or no FICO guidelines](#).

Section 2.2.4: Asylees & Refugees

Applicants with Approved Asylum

Applicants who have approved Asylum status are eligible under the same guidelines as Non-Permanent Resident Aliens. Evidence of the approval must be provided.

Asylee Applicants

Individuals who have applied for Asylum and have an unexpired EAD card with code C08 are eligible for financing. The requirements for these applicants are discussed [above](#).

Refugee Applicants

A Refugee applies for entrance into the United States before arrival and an I-94 Arrival / Departure record is issued upon arrival. A Refugee is required to apply for Permanent Residency after one year in the country. Absent a VISA, an EAD A03 is issued for work authorization. Refugees are only eligible on an exception basis.

Section 2.2.5: ITIN

A non-citizen residing in the US without a social security number may be eligible provided they hold a valid unexpired Individual Tax Identification Number (ITIN). Those Applicants are subject to the below limitations. Applicants applying under this guideline are subject to a pricing adjustment.

Acceptable Transactions

The following details are the acceptable doc types, occupancies, LTV/CLTV limitations, and other considerations. The allowable LTV/CLTVs are detailed in [Exhibit F](#) of this guideline.

- Allowable document types
 - Full Documentation
 - Bank Statement
 - 1099 Only
 - P&L Only (limited to primary residence purchases only)
 - Investor Cash Flow (DSCR)
- Primary Residence
 - Purchase:
 - Full Doc: 90 LTV/CLTV
 - Bank Statement: 85 LTV/CLTV
 - 1099-Only: 85 LTV/CLTV
 - P&L Only: 70 LTV/CLTV
 - Rate/Term Refinance: 75 LTV/CLTV
 - Cash Out Refinance: 70 LTV/CLTV
- Second Homes
 - Purchase: 80 LTV/CLTV
 - Rate/Term Refinance: 75 LTV/CLTV
 - Cash Out Refinance: 70 LTV/CLTV
- Investment Properties
 - Purchase: 80 LTV/CLTV
 - Rate/Term Refinance: 75 LTV/CLTV
 - Cash Out Refinance: 70 LTV/CLTV
- Minimum DSCRs for Investor Cash Flow Loans
 - Purchase: 1.00 up to 75 LTV/CLTV, 1.10 for >75 LTV/CLTV up to 80 LTV/CLTV
 - Refinance (Any): 1.10 up to 75 LTV/CLTV

Additional Limitations:

Income Overlays

Income may be qualified as follows:

- Full documentation:
 - Employed Applicants: provide a completed Written Verification of Employment (WVOE) and tax returns (1040s) covering the most recent two-year period must be provided.
 - The WVOE should break out earnings from the most recent two years plus year to date.
 - The income listed on tax returns should align to what is listed on the WVOE. 1040 transcripts will also be required.
 - Self-Employed Applicants: Follow standard underwriting guidelines.
 - All the other Full Documentation income guidelines must be met.
- Bank Statements: Follow standard underwriting guidelines
- 1099 Only: Follow standard underwriting guidelines
- P&L Only: Follow standard underwriting guidelines

- Investor Cash Flow/DSCR:
 - All Applicants must own their current primary residence
 - All Applicants must have rental management experience
 - For refinance transactions, the subject property must be fully leased

Asset Overlays

- Applicant must have a US bank account with at least two complete months of statements
- Gifted funds and gifts of equity are allowed for funds to close, but with a minimum contribution from Applicant's own funds of 10% of the purchase price.

Additional Overlays

- ACH from a US bank account must be set up at closing. Any information needed to complete the ACH must be provided.
- The ITIN must have been assigned to the Applicant prior to the loan's application date and must be unexpired as of the loan's note date
- A valid, unexpired photo ID must be presented
- All other guideline requirements must be met, including credit trade line requirements. ITIN Applicants are also eligible to utilize the [1 FICO or no FICO guidelines](#).

Section 2.3: First Time Home Buyer

A First Time Home Buyer is defined as an individual who has not had individual ownership interest in a residential property within the last five years. These guidelines only apply when all Applicants are First Time Home Buyers, except as otherwise specified. Applicants who own their current primary residence or another property free and clear are not considered First Time Home Buyers under these guidelines and are subject to standard provisions. First Time Home Buyers are eligible under the Non-QM program provided the following criteria is met.

Permissible Exception

A married Applicant who is not on title to their primary residence but is living with their spouse and provides evidence that the spouse is listed on title is also not considered as First Time Home Buyer. Max 75 LTV/CLTV on purchase transactions only.

Section 2.3.1: Full Documentation/Bank Statements/1099 Only/Asset Qualifier

FIRST-TIME HOMEBUYER	
With a complete 12-month Rental History	Documentation Requirements
Applicants with a <u>complete 12-month</u> rental history in the preceding five-year period.	• Rental payment history must be the most recent one available. Refer to the Housing Payment History Guidelines to determine when a VOR is necessary. • Loans where a VOR is not required (primary residences with an LTV/CLTV ≤75) may be presumed to have an acceptable payment history for the purposes of these guidelines.
	Eligibility and Limitations
	Eligible for standard guidelines, with the following limitations: • Payment shock may not exceed 350% when DTI >43% (if DTI calculated). ○ Waived IF LTV/CLTV ≤70 or an extra three month's reserves documented or a VOR is not required. • Any rent payment history provided must be 0x30.
Notes and Clarifications	

	FIRST-TIME HOMEBUYER
	An Applicant has a rental history for at least 12 months but cannot acceptably document the pay history is subject to the above limitations and requires exception approval.
WITHOUT a 12- month Rental History	Documentation Requirements
Applicants who cannot show a complete, consecutive 12- month rental payment history in preceding five-year period, which includes a partial rent payment history and no rent payment history	- Any rent payment history for which borrower had obligation in the most recent 12-month period must meet the housing payment history guidelines, and/or - Evidence of the borrower living rent free must be provided
	Eligibility and Limitations
	- Primary residence only - Max 80 LTV/CLTV - Applicants must contribute a minimum of 10% of the purchase price from their own funds. - No gift funds allowed for those living rent free with >70 LTV/CLTV and loan amount >\$1.5MM - Payment shock guidelines do not apply

Example 1: An Applicant has been living in a rental property for the past 18 months. They have not owned a property in the preceding five years. The Applicant must provide 12 months proof of rent showing paid as agreed based on the requirements outlined in the Housing Payment History guideline. They are also subject to the payment shock limitations described above. If proof of rent cannot be provided as outlined in guidelines or the payment history is not acceptable, the file must undergo exception review.

Example 2: An Applicant currently lives rent free but can provide a prior 12-month rental payment history. They have not owned a property in the preceding five years. The Applicant must provide 12 months proof of rent showing paid as agreed based on the requirements outlined in the Housing Payment History guideline. They are also subject to the payment shock limitations described above. If proof of rent cannot be provided as outlined in guidelines or the payment history is not acceptable, the file must undergo exception review.

Example 3: An Applicant is currently renting but only has rented for six months. They have not owned a property in the preceding five years. The Applicant must provide the six-month rent payment history meeting the requirements of the Housing Payment History guideline. They are also subject to the limitations described for Applicants without a 12-month rental history above such as Primary Residence Only, max 80 LTV/CLTV, and minimum contribution requirements. If they cannot, the file must undergo exception review.

Example 4: An Applicant currently lives rent free but owns another property. They are not a first time home buyer and thus not subject to the above limitations.

Section 2.3.2: P&L Only Loans/WVOE Only Loans

In addition to the above overlays, P&L Only loans where all Applicants are First Time Home Buyers, are limited to 80 LTV/CLTV on primary residence, 75 LTV/CLTV on second home and 70 LTV/CLTV on investment property.

WVOE Only loans where all Applicants are First Time Home Buyers are limited to a maximum 70 LTV/CLTV. Additionally, WVOE Only loans for First Time Home Buyers may not utilize gifted funds.

First Time Home Buyers who cannot evidence a 12-month rental payment history in the preceding 5- year period showing 0x30 are ineligible for P&L / WVOE Only Programs.

Section 2.3.3: Investor Cash Flow

Instances where all Applicants are First Time Home Buyers are considered on an exception basis only and are not eligible by guidelines. In instances where one or more Applicants is a first-time home buyer, at least one applicant

must have a 12-month history of managing rental properties within the three years preceding the loan's application date. See [Income](#) section for more detail.

Section 2.4: Non-Occupant Co-Applicants

Loans with non-occupant co-Applicants are eligible for financing under the Non-QM Program product suite. A non-occupant co-Applicant is defined as an individual who provides additional financial strength and stability to an Applicant who is unable to qualify on their own based on the underwriting guidelines. They may, but are not required to, take title to the subject property along with the occupant Applicant. All Applicants must meet credit requirements outlined in the [Credit](#) section. The product specific requirements for a non-occupant co-Applicant are as follows:

Section 2.4.1: Documentation Types other than Investor Cash Flow

- **Method One** | Reduce LTV/CLTV by 5% (max 75). Fully blend income and assets, or
- **Method Two** | Front end ratio is not to exceed 60% HTI. This limitation applies to purchase and refinance transactions. Occupant Applicant contributes 5% of their own funds to transaction if a purchase. No reduction to LTV/CLTV. Blend income to determine back-end ratio, non-occupant co-Applicant may contribute remaining funds to close and reserves.

Section 2.4.2: Investor Cash Flow

Not applicable

Section 2.5: Foreign Nationals

Foreign National Applicants are eligible, see the relevant [section](#) for details and requirements.

Section 2.6: Ineligible Applicants

- Irrevocable Trusts
- Diplomatic immunity
- Applicants with any ownership in a business that is Federally illegal, regardless of whether the income or assets are being used for qualifying, are not eligible by guidelines. They may be considered on an exception basis.
- Politically exposed person
- Individual subject to OFAC sanctions
- Any Applicant who does not fit into any of the aforementioned categories
- Anyone who is under the age of 18 or unable to enter into a contract



Chapter 3: Eligible Transactions

The eligible transactions are defined as follows.

Section 3.1: Purchase Money Transaction

For a mortgage loan to be considered a Purchase Money Transaction, the proceeds from the mortgage loan must be used to finance the acquisition of the subject property or to pay off the outstanding balance of a land contract or contract for deed. Proceeds from the mortgage loan may not be used to give the Applicant cash back other than an amount representing reimbursement for the Applicant's overpayment of fees and/or a legitimate pro-rated insurance premiums and real estate tax credit in locales where real estate taxes are paid in arrears, if any. A "drop down" closing whereby the purchaser acquires the ownership interest in an entity which holds title to the subject property but does not convey the deed is ineligible.

A purchase transaction where there is no defined relationship between the buyer and the seller is deemed to be arm's length in nature.

The Non-QM Program will allow an Applicant to have a purchase contract assigned to them. The purchase price to be utilized to underwrite will be the original purchase price of the property per the purchase agreement, any assignment fees must be paid by the Applicant. A "back-to-back" contract closing where a property is purchased and immediately resold to our borrower, will be underwritten based on the property seller's original acquisition cost, rather than the resale price.

Section 3.1.1: Non-Arm's Length Purchase

A Non-Arm's Length transaction is one in which there is a direct personal or financial relationship amongst the parties, including but not limited to the buyer, the seller, the real estate agent, the appraiser, the realtor, the mortgage loan originator and/or the originating entity.

Generally, the following transactions are typically considered to be "Arm's Length" in nature even though they are between relative, such as –

- Spousal buyout due to divorce,
- Interest buyout of an inherited property,
- Gift of down payment when the source is from a relative's equity in the sale of the subject property.

The Applicant may not have multiple roles in the transaction. For example, they may not be both the builder of the property and the Applicant on the transaction.

An eligible [gift of equity](#) is acceptable as a source of funds to close.

- The Applicant must state their relationship to the seller.
- If the seller is a relative, any mortgages on the subject property must be current as of the loan's application date and closing date.

Additionally, there must not be any evidence of default on any loan secured by the subject property in the 12 months preceding the loan's application date. See [Gifts](#) for additional information on this section.

Section 3.2: Rate/Term Refinance Transaction

A Rate/Term Refinance Transaction is utilized to pay off an existing first mortgage plus any junior lien loans against the subject property by obtaining a new first mortgage loan secured by the same property.

All refinances must meet any, and all, Net Tangible Benefit requirements in accordance with applicable state and federal regulation, as determined by underwriting.

Title Seasoning

There is no title seasoning requirement for a rate and term refinance, however except as otherwise specified, at least one Applicant must be on title (directly or indirectly) at the time of loan application.

Eligible Transactions

A transaction which meets one of the criteria below may be deemed a Rate/Term Refinance Transaction:

- Paying off the unpaid principal balance of the existing first mortgage loan including closing costs, prepaid items, and points,
- Paying off any subordinate lien(s) used to purchase the property may also be included and paid off with proceeds from the new mortgage loan,
- Paying off any subordinate lien or subordinate home equity line of credit (HELOC) seasoned more than 6 months that has not had draws > \$5,000 in the past 12 months,
- The maximum cash out cannot exceed the greater of 1% of the balance of the new refinance mortgage loan or \$5,000,
- Buying out a co-owner or beneficiary pursuant to an agreement acceptable in its form to underwriting.
 - A stipulation of settlement and/or divorce decree is acceptable to meet this requirement. The Applicant does not need to be a signer on the current note.

Section 3.2.1: Technical Refinance aka Delayed Financing

Recoupment of funds expended to purchase a property acquired for cash within the 6 months prior to application date is considered to be a Technical Refinance. An exemption from the six-month seasoning requirement is allowed provided the criteria here are met. The Applicant may also exceed the max cash back limit, provided the proceeds from the refinance do not exceed their documented investment. The following guidelines must be met:

Eligibility Limitations

- The original purchase transaction must have been an arm's length transaction.
- The closing statement evidencing a cash sale must be provided and evidence of the source of funds used to purchase must be documented as the Applicant's own. Any assets utilized to purchase the property which will be reimbursed as part of the subject transaction must be eligible assets per these [underwriting guidelines](#). Recoupment of gift funds is not allowed under this guideline.
- If the property was purchased with an unsecured loan or a loan secured by an asset other than subject property must be repaid. A settlement statement must show that all cash-out proceeds are used to pay off or pay down the loan used to purchase the property.
- Max proceeds not to exceed the Applicant's documented investment.
- The value utilized for LTV/CLTV calculation will be the lower of the purchase price plus the documented cost of improvements or appraised value.
- Refinances falling under this guideline are also exempt from the max cash out limit provided guidelines, are otherwise met.
- Technical Refinances are priced and underwritten as a Rate/Term Refinance.

Section 3.3: Cash-Out Refinance Transaction

If the proceeds to the Applicant exceed the greater of \$5,000 or 1% of the new mortgage loan balance, OR if the transaction does not meet the rate/term criteria above, it is considered a cash-out refinance.

Eligibility Limitations

Cash out refinances are subject to the following guidelines:

- Maximum amount of cash out limits:
 - o LTV/CLTV up to 75: No limit
 - o LTV/CLTV above 75: \$500k
- Limitations:
 - o Amounts used to pay off an unseasoned subordinate lien are considered cash out regardless of amount of cash in hand.
 - o The maximum amount of cash out is \$200,000 on transactions where the property was owned less than six months as of the loan's application date and where the current appraised value is being utilized to determine LTV.

Title Seasoning

There is no waiting period to complete a cash out refinance, however the Applicant must hold beneficial interest at the time of loan application, either in their own names, as the current beneficiary of a trust, or $\geq 50\%$ owner of the entity on title. Ownership by a non-profit is not considered the Applicant's beneficial interest regardless of Applicant's participation.

If the sole Applicant(s) on a transaction was added to title through means other than through a purchase transaction (i.e. they were quitclaimed on in addition to pre-existing parties or received the property as a gift for nominal or no consideration) less than three months prior to the loan's application date, then the cash out proceeds will be limited to the Applicant's documented investment in the subject property, unless otherwise further restricted.

The assets must have come from a source acceptable to these underwriting guidelines. This limitation does not apply to an instance where an Applicant was legally awarded the property through a divorce, inheritance, or similar situation.

No waiting period is required when documentation shows the Applicant acquired the property through inheritance or was legally awarded the property as part of a divorce, separation, or dissolution of a domestic partnership. If inherited or was legally awarded before the application date but title has not yet transferred, the change in vesting may be completed at closing.

If the Applicant has been on title for less than three months as of the application date whether added as a spouse, added as an unrelated party, or as a gifted property at no value transfer, provide proof that Applicant has been making payments on the existing loan for the period where the Applicant had beneficial ownership interest in the property for up to the most recent 12 month period.

See the [Determining Collateral Value](#) for determination of value used for underwriting purposes.

All refinances must meet all Net Tangible Benefit requirements in accordance with applicable state and federal regulation.

Section 3.4: CEMA

New York Consolidation, Extension & Modification Agreement (CEMA)

For all the Non-QM Program products, property located in the state of New York may be structured as a Consolidation, Extension, and Modification Agreement (CEMA) transaction. The most current version of Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) must be used. The following documentation must be provided:

- NY Consolidation, Extension and Modification Agreement (Form 3172)
- Original Note(s) – Original documents signed by the Applicant
- Gap Note and Gap Mortgage, if applicable

- Consolidated Note – Original documents signed by the Applicant
- Exhibit A – Listing of all Notes & Mortgages being consolidated, extended, and modified
- Exhibit B – Legal description of the subject property
- Exhibit C – Copy of the consolidated Note
- Exhibit D – Copy of the consolidated Mortgage

Lost Note Affidavits are not acceptable.

It is in the end investor's sole discretion to determine the acceptability of the CEMA and related documents.

Section 3.5: Geographic Eligibility

Eligibility is based on the originator's licensure in the 50 states and Washington, DC. Puerto Rico and other US territories are not eligible at this time. See below for [Texas Cash Out Loans](#).

Loans that fall under the definition of New York Subprime Home Loan are eligible provided the loan's APR as calculated based on the regulation is not more than 2.75% above the applicable benchmark rate. Said differently, the loan's APR may not exceed the threshold rate for a loan being considered NY subprime by more than 1.00%. NY Subprime is defined as a primary residence where the loan amount is under the county's conforming limit (high balance if a high-cost county, standard if not) where the APR is more than 1.75% above the comparable rate based on the Average Prime Offer Rate in the case of an ARM loan or the Freddie Mac Mortgage Survey in the case of an FRM loan. This applies to all documentation types other than Investor Cash Flow. All regulatory requirements for a New York Subprime loan must be met. See NY Banking Law §6-M for additional information. In the event of a conflict between the regulation and the details contained in these guidelines, the former shall govern.

Section 3.5.1: Texas Cash Out Refinances aka Texas Home Equity Loans

Texas Cash Out Refinances are eligible. Any loan which falls under the scope of Section XVI, Article 50 must meet all applicable state law requirements, see the applicable statutes for additional information. The following requirements also apply for loans under the scope of Section 50(a)(6). In the event of conflict between these guidelines and applicable state law, state law shall govern. Transactions falling under this guideline may in some cases be underwritten as rate/term refinances rather than cash out refinances, but to the extent a loan falls under the scope of Section 50(a)(6) it must comply with this section and all state law requirements.

- Max LTV/CLTV: 80 (existing subordinate financing may be resubordinated except for a HELOC or reverse mortgage, which must be paid off)
- Max Points/Fees: 2% (see statutes for exclusions)
- All Applicants must be on title/occupy the subject property
- All closing documents must be reviewed by a licensed Texas attorney
- Interest Only not allowed on 50(a)(6) loans
- The property must be residential in nature. See [Property](#) for additional information
- A survey must be completed confirming the following:
 - Lot size
 - Evidence homestead property and any adjacent land are separate
 - Evidence of homestead and property is a separately platted and subdivided lot for which full ingress/egress is available
 - Properties must be served by municipal utilities, fire, and police protection
 - Homestead must be a separate parcel within permissible acreage
- A title insurance policy written on Texas Land Title Association (standard or short) including T42 and T42.1 endorsements. For self-employed Applicants operating a business from the homestead property, the title

company must issue a T42.1 endorsement without exception or deletion. The title policy may not include language that:

- Excludes coverage for a title defect that arises because financed origination expenses are held not to be “reasonable costs necessary to refinance”; or
- Defines the “reasonable costs necessary to refinance” requirement as a “consumer credit protection” law since the standard title policy excludes coverage when lien validity is questioned due to a failure to comply with consumer credit protection laws.
- The loan must be closed in a Texas title company’s office or attorney’s office. Mobile notaries are NOT permitted.
- All title holders must execute the loan application and Texas Home Equity Notice
- Non-Borrowing Spouses must execute the following:
 - Notice Concerning Extension of Credit
 - Security Instrument (including any Riders)
 - Federal Truth-in-Lending (TIL) Disclosure Statement
 - Right of Rescission Notice
 - Discount Point Disclosure
 - Acknowledgment of Fair Market Value
 - Premium Pricing Disclosure
 - Notice of Presentment of CD One Day Before Closing
 - Texas Home Equity Affidavit and Agreement
 - Owner’s Affidavit of Compliance
 - Receipt of Copies of Documents
 - Certificate of Non-Cancellation of Loan

Underwriting must be able to certify that with respect to all of the Texas Section 50(a)(6) mortgages delivered to the end investor:

- All Texas Section 50(a)(6) mortgages were (or will be) originated pursuant to written processes and procedures that comply with the provisions of the Texas Constitution applicable to mortgage loans authorized by Section 50(a)(6), Article XVI of the Texas Constitution, as amended from time to time.
- There is in place a specific process for the receipt, handling, and monitoring of notices from borrowers that seller failed to comply with the provisions of the law applicable to Texas Section 50(a) (6) mortgages. Such a process must be adequate to ensure that the seller will correct the failure to comply by one of the authorized means no later than the 60th day after the date the seller is notified of the failure to comply by the borrower.
- An attorney familiar with the provisions of Section 50(a)(6), Article XVI of the Texas Constitution was consulted (or will be consulted prior to origination of the Texas Section 50(a)(6) mortgages) in connection with the development and implementation of the processes and procedures used for the origination of the Texas Section 50(a)(6) mortgages.
- To ensure ongoing compliance with the law applicable to mortgage loans authorized by Section 50(a) (6), Article XVI of the Texas Constitution, the processes and procedures used for the origination of the Texas Section 50(a)(6) mortgages will be reviewed by the seller regularly and will be updated and revised, as appropriate pursuant to clarifications of the law, on a regular and continual basis.
- The company certifies that it is lawfully authorized to make loans described by Section 50(a)(6), Article XVI, of the Texas Constitution.
- The matters certified herein are representations and warranties of the company given to the end investor in connection with each Texas Section 50(a)(6) mortgage, with the same meaning as representations and warranties in the Mortgage Loan Purchase and Sales Agreement.

Closed Loan Documentation Requirements

The following additional Texas Home Equity specific documents must be included in the closing package:

- Notice Concerning Extension of Credit Defined by Section 50(a)(6) (signed by each owner of the property and each spouse of an owner)
- Acknowledgment of Fair Market Value of Homestead Property (borrower and seller must sign at closing with an appraisal attached to the Acknowledgment)
- Notice of Right to Cancel (signed by each owner of the property and each spouse of an owner)
- Texas Home Equity Security Instrument (Form 3044.1)
- Texas Home Equity Note (Form 3244.1)
- Texas Home Equity Affidavit and Agreement (Form 3185)
- Texas Home Equity Condo Rider (Form 3140.44), if applicable
- Texas Home Equity PUD Rider (Form 3150.44), if applicable
- Texas Home Equity Certificate from Originating Lender Regarding Compliance with Section 50(a)(6) Article XVI of the Texas Constitution signed by the Seller's Attorney
- Texas Home Equity Discount Point Acknowledgment, if applicable
- Affidavit of non-Homestead for all other dwellings, if borrower owns more than one
- Detailed closing instruction letter acknowledged by title company (Compliance Requirements for Texas Home Equity Loans)
- Note for any re-subordinating second (cannot be an (a)(6) Note, a new loan or a HELOC with subordination agreement, if applicable)

Section 3.5.2: Refinancing an Existing Texas Home Equity Loan

An existing Home Equity Loan may be refinanced as a non-home equity loan and secured with a loan against the subject property when the following conditions are met:

- The refinance occurs at least a year after the Home Equity Loan was closed.
- The additional loan amount covers only costs of refinancing and does not provide the Applicant with cash proceeds.
- The LTV/CLTV does not exceed 80.
- Seller provides all titleholders with the written notices required under Section (f)(2)(D) on a separate document no later than the third business day after the date the loan application is submitted and not less than 12 days before closing of the refinance.



Chapter 4: Occupancy

Section 4.1: Primary Residence

A Primary Residence is defined as: the property occupied (or intended to be occupied) the majority of the year by the Applicant, usually located in the same general area as the Applicant's income source, and typically, this is also the address of record used in filing the Applicant's Individual Income Tax Return Form 1040.

Section 4.1.1: Owner Occupied

Applicant(s) are limited to one (1) Primary Residence.

Section 4.1.2: Relative Occupied

Despite an Applicant being limited to one primary residence, there is an instance which allows for the Purchase of a second primary residence with no intention of residing. Follow the Fannie Mae Selling Guide requirements for instances where parents or legal guardian wanting to provide housing for their handicapped or disabled adult child or children wanting to provide housing for parents. For instances where income must be documented to comply with Fannie Mae Selling Guide requirements, that verification must be provided in the form of tax returns.

Section 4.2: Second Home

A Second Home is defined as a residence the owner uses in addition to his/her/their primary residence. Second Homes are most commonly utilized as vacation home, or as a secondary property located in a central city when the primary home is in a suburb, but the owner works in the city.

Generally, the property should be in a natural second home market typically located at least 50 miles from the Applicant's primary residence.

Note that an Applicant may have more than one second home, so long as each is in a separate geographic area and meets the below requirements.

Requirements

- Property may not be leased, rented, or intended for lease or rental, other than on an occasional basis,
- The property must generally be suitable for year-round residence, except as detailed below.
 - Properties which are not suitable for year-round residence may be acceptable at a maximum 65 LTV/CLTV, see the [property](#) section for additional details.
- Property should be in a typical second home area, otherwise satisfactorily justified by the Applicants as a second home,
- Second Homes are not allowed on 2 - 4 multifamily property types, and
- No rental income can be used to qualify the Applicant.

Section 4.3: Investment Property

Properties that do not meet the definition of Primary Residence or Second Home are considered Investment Properties. The Non-QM Program provides financing for Investment Properties.

Chapter 5: Income

Section 5.1: Full Documentation

Acceptable income documentation and calculation methods are described herein.

Section 5.1.1: General Policy

The income of each Applicant who will be obligated for the mortgage debt and for whom income documentation is supplied must be analyzed to determine whether their income level can be reasonably expected to continue through at least the first three years of the mortgage loan. Income from other sources can be considered when properly verified and documented. A two-year history is generally required. Document likelihood of continuance, and stable or increasing trends, unless otherwise justified. Income may be considered with 12-24 months of receipt when stability, continuance, and trend analysis support its inclusion and when the Seller provides sound justification.

All sources of income included in the loan qualification must be stable, with a reasonable expectation that at least the same level of income will continue for a minimum of three years.

Note: In no case will income be used for qualifications if there is any knowledge or documentation indicating that the income will terminate within the first three years of the loan.

Section 5.1.2: Salaried Applicants

For purposes of this section, salaried Applicants are defined as those who own less than 25% of the business which is their primary income source.

Employment History & Stability Requirements

Applicants must generally have a two-year history in their line of work. If an Applicant has less than 2 years' experience in their line of work, training or education in the same field is considered an acceptable substitute.

Gaps of employment greater than 90 days must be explained in writing by the Applicant. Gaps of employment greater than 6 months require an explanation from the Applicant which will be acceptable in its form to underwriting must be provided and a minimum two-year history in the line of work prior to the gap documented.

Job changes within the same line of work are not considered adverse factors so long as income is stable or increasing and gaps are addressed. Applicants who work for marijuana dispensaries as W-2 employees with no ownership interest are eligible, provided the business is permissible in the state where it is located.

Minimum Documentation Requirements

The following two methods are utilized for evaluating W-2 employment income.

WVOE Only Option

- A Written Verification of Employment (WVOE) breaking out base income and any variable income sources from the previous two calendar years and year to date may be utilized in lieu of paystubs and W-2s.
- W-2 transcripts will still be obtained, and the W-2 income listed on the transcripts from the Applicant's employer must be within 25% of the total income listed for each of the two calendar years on the WVOE.
- If the most recent year's W-2 transcripts are not available, then an additional preceding year's WVOE and W-2 transcript must be obtained.

Loans utilizing this option are priced and underwritten as full documentation.

Standard Documentation Option

The following documentation must be present in the file to make a determination of a salaried Applicant's income:

- 30 consecutive days of paystubs, the most recent one dated within 120 calendar days of the note date, including year-to-date income and which support income used to qualify
- Last one or two years' W-2s (as necessary based on income documentation utilized)
- Written VOE (as necessary to determine any variable income sources)

For either documentation option, a Verbal VOE (dated within 10 days of the note date) must be completed prior to closing.

Note that underwriting reserves the right to request tax returns and/or other documentation on any Applicant if, in its discretion, they are required to make an accurate determination of the Applicant's income.

Age of Documents

Paystubs, Written VOE: 120 days

Verbal VOE: 10 days

Treatment of Income Sources

Base Income

- Use 30 days' worth of paystubs to develop an average of income.
- Compare with year-to-date income and address any discrepancies.
- Paystubs current through the loan's funding are necessary to the extent they are required to support the Applicant's income.
- Applicants who are subject to a temporary salary reduction must be able to qualify on the most recently documented income in file as of the closing date.

Bonus Income

Generally, an Applicant must have two-year history of bonus income from the same employer to consider the bonus as part of the qualifying income. If an Applicant has one to two years of earning bonus income, it may be considered qualifying if all the following conditions are met:

- Bonus income must be separately documented and calculated
- Employers must confirm that the income is expected to continue
- Prior bonus history in the same field supports stability (even with job changes)
- YTD bonus aligns with or exceeds the average used
- The Seller must provide a clear rationale explaining why income received for less than 24 months is reasonable to use and likely to continue

For example, an Applicant who switched jobs within the same line of work and has received one bonus from their current employer may be acceptable provided the Applicant can document a likelihood of continuance of bonus income at the new employer. An Applicant who has a history of receiving bonuses and switches within the same line of work may have their previous bonus considered qualifying income if the new employer provides documentation on an expectation of bonus at the new job.

Overtime Income

Overtime income can be used to qualify the Applicant if he/she has received this income for the past two years, and it will likely continue. If the employment verification states that the overtime income is unlikely to continue, it may not be used in qualifying.

- Develop an average of overtime income for the past two years.
- Document receipt of year-to-date overtime income in line with or greater than the average being used to qualify.

- Justification for the use of overtime income received less than two years must be documented in the file in a form acceptable to underwriting.

Commission Income

A commissioned Applicant is one who receives more than 25 percent of his/her annual income from commissions. Commission income may fluctuate from year to year and therefore, an average of the last two years of income should be used in qualifying the Applicant.

To include commission income as qualifying income, the Applicant must have:

- A consecutive and most recent two-year history of receipt in the same field and
- The commission income must be determined and separately stated for the two-year period.
- Annual earnings should be level or increasing from one year to the next.
- If the trend for the commission earnings shows a decline, an explanation must be provided by the Applicant, and it may be disqualified from consideration.
- Exceptions may be made to situations in which the Applicant's compensation was changed from salary to commission within a similar position with the same employer. Document receipt of year-to-date commission income in line with or greater than the average being used to qualify. Refer to the table below for additional details.

Length of Time Commission Income Received	Recommended Action
Earned > 12 months and < 24 months	May be considered favorable. Seller must be able to document the likelihood of continuance and soundly rationalize accepting the commission income.
Earned < 12 months	Not considered effective income.

Restricted Stock Units

Restricted stock units are shares offered by an Applicant's employer to an Applicant as an additional form of compensation. The shares typically vest over a period of time. Once vested the Applicant may then liquidate them at any time. Restricted stock units are acceptable as a form of income provided:

- The Applicant has a two-year history of receipt,
- A three-year expectation of vesting continuance, and
- The stock must be publicly traded.

Stock Options

Corporate stock options are frequently used by an employer as an incentive to attract new hires or to compensate employees with a more direct interest in the success of the company. Stock options may be utilized as income if a two-year history of vesting and exercise can be documented and with a three-year expectation of continuance. The underlying stock must be publicly traded.

Partial Year Paid Applicants

Certain Applicants (such as teachers or forest fire fighters) may be paid for only part of the year. The Seller must ensure that the monthly qualifying income calculation incorporates this partial-year employment. To determine a partial year paid Applicant's qualifying income, the monthly salary is multiplied by the number of months the Applicant is paid and divided by 12.

Part-time or Second-job Income

For qualifying purposes, "part-time" income refers to employment taken to supplement the Applicant's income from regular employment. Part-time employment is not a primary job, and it is generally worked for less than 40 hours.

- Part-time and second-job income can be used to qualify the Applicant if it is documented that the Applicant has worked the part-time job consistently for the past two years and plans to continue.
- The Applicant must have maintained any part time or second job income for the most recent 12 consecutive months to utilize the income to qualify.
- Part-time and second-job income can be used to qualify the Applicant if it is documented that the Applicant part-time income received for less than two years may be included as qualifying income, provided that the Seller justifies and documents that the income is likely to continue.

Part-time or second-job income, not meeting these requirements may not be used in qualifying.

Gratuities and Tips

Gratuities and tips can only be included in qualifying income if they have been included in the prior two years of taxable income. This income source is usually found on W-2s or 1040s. The income should be reported to the IRS and averaged, unless declining. The current receipt of tip income must be verified and be consistent with the tip income received in the previous two years.

Seasonal Income

To use seasonal job income (i.e., income based on annually recurring but temporary circumstance) as qualifying income, the income should have a two-year historical record and be verified via the Applicant's most recent pay stub and previous year's W2s. Examples of seasonal employment include umpiring baseball games in the summer; or working at a department store during the holiday shopping season. Seasonal income is considered uninterrupted, and may be used to qualify the Applicant, if it can be documented that the Applicant has worked the same job for the past two years and expects to be rehired the next season. Additionally, if an Applicant has a history of seasonal employment and seasonal unemployment income, the unemployment income may be considered effective income per the requirements listed in the [Unemployment Compensation](#) section.

Employment Contracts/Raises

An employment contract is a legally enforceable written document executed jointly by the employer and employee. Employment agreements and offer letters are additional forms of acceptable employment documentation, provided they are fully executed by all parties and afford the same information as previously described. The contract (including employment agreements and offer letters) should define pertinent employment details including employment start date, the Applicant's length of employment and salary. The contract terms should be reasonable relative to the role. The Applicant must also meet employment stability standards as outlined above. Guaranteed performance raises and bonuses from an Applicant's current employer may also be considered under this section. Qualify an Applicant utilizing the income documented in the employment contract as defined provided:

- The employment contract is fully executed by the employer and employee and does not contain contingencies, and
- The Applicant will start employment or begin receipt of the income (as applicable) within 60 days of closing.

Family-Owned Business

An Applicant who is employed by a family-owned business (but is not self-employed) or employed by an interested party to the property sale, purchase, or financing transaction may represent a less predictable source of income.

In addition to normal employment verification, an Applicant employed by a family-owned business is required to provide evidence that he/she is not an owner of the business, which may include copies of signed personal federal tax returns or a signed copy of the corporate federal tax return showing ownership percentage.

Recent Conversion from W-2 to 1099

An Applicant who has converted from a W-2 employee to a 1099 contractor and does not yet have filed tax returns available may be considered under this program provided the following:

- They are in the same or a similar role in a contractor position as they were in a W-2 employee,
- They are in the same industry, and

- They can provide a contract(s) which are customary to their industry stating their updated terms of employment.

When these conditions are met, the Seller may consider the income stable. The Applicant must provide:

- Their last two years' tax returns in all cases
- Year-end and/or year-to-date profit and loss statement (as applicable).

The new 1099 income should be similar to or greater than their previous W-2 income. The Seller should utilize the Applicant's last two years' W-2 income less 2106 expenses claimed to develop an average of income which the profit and loss statements should support. Expenses claimed on the profit and loss statement should be reasonable to the Applicant's line of work, provided they are not reimbursed per the Applicant's contract. Two years' employment in the same line of work prior to the conversion should also be verified.

An Applicant may set up a pass-through entity (LLC, S-Corp, etc.) and still be eligible under these guidelines.

Applicants Recently Converted to K-1

An Applicant who has recently been made a partner in their employer (typically but not necessarily a law firm, accounting firm, etc.) may also have their income considered stable. Applicants must provide:

- Their most recent two years' tax returns with all supporting documents, and
- A copy of their partnership agreement.

Income shall be calculated based on the most recent two years' W-2 income compared with any guaranteed payments they are to receive under their new compensation structure.

- Guaranteed payments due under the partnership agreement must meet or exceed previous W-2 income.
- A minimum of two years with the same employer must be verified. The Applicant's ownership percentage must be <25%.

Section 5.1.3: Self-Employed Applicants

For purposes of this section, an Applicant is deemed to be self-employed when their primary income source is from a business that they have an ownership interest in which is 25% or greater.

Employment History & Stability Requirements

- Applicants must generally have a two-year history in their line of work.
 - If an Applicant has less than 2 years' self-employment, a lesser history with a general minimum of one year may be acceptable provided the Applicant has a minimum 2-year previous history in the same line of work.
- Gaps of employment greater than 90 days must be explained in writing by the Applicant.
- Gaps of employment greater than 6 months require an explanation from the Applicant and a minimum two-year history in the line of work prior to the gap.
- A CPA, EA, or licensed tax preparer letter used to verify self-employment addressed to a "To Whom It May Concern" is acceptable.
 - The letter may be re-verified either verbally or in writing by Seller prior to closing.
 - The reverification shall be good for 30 days from the date it was completed.

Minimum Documentation Requirements

The following documentation must be present in the file to make a determination of a self-employed Applicant's income:

- Most recent one or two years personal federal tax returns (depending on the below),
- Any K-1s relating to self-employment listed on personal federal tax return(s) provided,
- Most recent one- or two-years business federal tax returns (depending on the below) for primary business(s) relied upon for qualifying, and

- Year end and/or year to date profit and loss statement for primary business(es) relied upon for qualifying, if the note date of the file will be more than 120 days removed from the end date of the most recent tax returns provided.
- Tax [transcripts](#) are required for the one or two years of income provided.

Age of Documents

- Paystubs (if utilized): 120 days.
- Profit and loss statement: 120 days
- CPA letter or equivalent: 120 days

Treatment of Income Sources

Method One | One Year's Returns

Applicant provides the most recently filed one (1) year of personal and business federal tax returns along with an Applicant prepared profit and loss statement. Income is generally calculated based on the tax return and compared to the trend on the profit and loss. See below for instances where the income listed on the profit and loss statement may be included with qualifying income. The income trend should be stable or positive. If not, two years of returns must be provided. The tax returns provided should cover a 12-month period of self-employment.

Method Two | Two Years' Returns

Applicants provide the most recently filed two (2) years of personal and business federal tax returns. Income is generally calculated based on a 24-month average of the tax returns provided if income is increasing and a 12-month average of the most recent year's returns if income is decreasing. See below for instances where the income listed on the profit and loss statement may be included with qualifying income. If the income is decreasing, an explanation and/or additional documentation may be required. A year end and/or year to date profit and loss statement prepared by the Applicant may be required.

For either method of documenting self-employed income, the following may be added back to the Applicant's income calculation:

- Depreciation
- Amortization
- Pension contributions directly contributed to Applicant.
- Any expense(s) that can be documented to be one time and non-recurring
- Net operating loss carryforwards from years prior to the tax returns provided
- Business expenses for debts already included in the DTI
- Business Use of Home
- Mileage (Depreciation portion)

Use of Interim Financials to Determine Qualifying Income

A self-employed Applicant may include either year-end or year-to-date financials prepared in accordance with either Method One or Method Two above as part of their qualifying income.

- Income will be averaged over the period of the tax returns and the profit and loss statements provided.
- The Applicant must provide their bank statements from the account utilized for their business for the period covered by the P&L and their bank statements must show deposits which:
 - o a.) Are part of the Applicant's income stream, and
 - o b.) Total at least 90% of the gross receipts listed on the P&L.

Business Income not Used to Qualify

Underwriting does not require an Applicant to provide corporate/partnership tax return(s) or interim financials if the income generated by the entity is not considered to qualify.

- The Seller must ensure that there are no losses from businesses that are not being considered.
- K-1s reflecting income on the tax return(s) which are not being used to qualify the Applicant, and which do not reflect losses do not need to be provided.
- K-1's with losses reflecting on the tax return years provided must be furnished by the Applicant, and if a K-1 indicates 25% or greater ownership interest, entity tax returns and interim financial statements must be provided.

Types of Business Structures

There are four basic types of business structures:

- Sole proprietorships
- Corporations
- Limited liability or "S" corporations
- Partnerships

Sole Proprietor

A sole proprietor generally files a Schedule C with their personal tax returns which reflects their business' income.

Partnership

Partnership income is generally shown on Schedule K-1 and is filed with the Applicant's personal federal tax returns as well as with the partnership returns. If the Applicant or Applicants combined controls 25% or more of the business entity, the Applicant(s) will need to provide the entity tax returns.

Corporation

If the Applicant or Applicants combined, control 25% or more of the business entity, the Applicant(s) will need to provide the entity tax returns.

USE OF PROFITS FROM A CORPORATION

In addition to the self-employed income or salary paid to the Applicant(s) by the Corporation, net income from the corporation may be considered as additional qualifying income. To use business "net profits" from a corporation as a qualifying income source, the Applicant(s) on the loan application must document receipt of the income during the time period of tax returns the Applicant provides. Additionally, the following requirements must also be met:

- The Applicant(s) must have a legal right to the additional income by obtaining a corporate resolution or other comparable document that establishes that right,
- Verification from the accountant for the company indicating that the business can support the ongoing distribution of the corporate profits at the same or increasing level,
- Seller's analysis of the business must also support that the business can provide the Applicant(s) with the additional income.

Note that these requirements do not apply to an "S" Corp. Receipt of net income for those businesses is sufficiently documented by the K-1 the Applicant(s) receive.

Limited Liability Company (LLC)

Limited Liability Companies file taxes using partnership tax returns. The partnership tax return requirements listed above apply to these companies.

Section 5.1.4: Asset Utilization

Distributions from Non-Retirement Accounts

Non-retirement assets may be set up for regular distribution payments and used as qualifying income. Regular distributions from non-retirement assets must be set up and one month's distribution is received prior to closing. The following requirements must be met:

- Applicants can provide supporting documentation verifying that they have had ownership of financial assets for a minimum of 12 months and that they have unrestricted access. Any deposits >10% of the face value of the account as of the most recent statement must be sourced and documented. Gift funds or other unacceptable deposits will be deducted from the total assets available.
- Distribution income cannot be used for qualifications if there is any knowledge or documentation indicating that the distribution will terminate within the next three years.
- Assets accounts utilized to derive income (distributions) cannot be used for reserves or down payment, nor may income generated from the accounts (i.e., interest, dividends, capital gains) be used for qualifying in addition to distributions.
- Distribution income from financial assets must be verified by providing all the following:
 - Year-end statements for most recent year to evidence ownership and value of the assets,
 - Written verification from the financial institution managing the assets to evidence that regular monthly distributions have been set up. It must provide amount, frequency, and duration of the distributions, and
 - Most recent two months' statements for account(s) utilized for distribution.

QUALIFYING BALANCES

- Checking/Savings: 100%
- Marketable securities: 90%
- Retirement assets: See Below

Calculation Method

Any distribution set up must have 84 months of continuance. If distribution is <50% of qualifying income, then 60 months of continuance is allowed. Example: an Applicant has \$700,000 in qualified assets after application of discount and distribution is >50% of qualifying income. The maximum distribution that can be utilized would be \$8,333 per month (\$100,000 per year). If distribution is <50% of qualifying income, the maximum distribution that can be utilized would instead be \$11,666 per month (\$140,000 per year). Account balances must be verified within 120 days of the note date, via statements or other verification of the account balance, unless more recent is required based on the Seller's discretion.

Distributions from Retirement Accounts

Retirement assets may be set up for regular distribution payments and used as qualifying income. Regular distributions from retirement assets must be set up and one month's distribution received prior to closing. The distribution must have at least 3 years' worth of continuance at the time of closing based on qualifying balance. Utilize 90% of the vested value to determine the qualifying balance. The Applicant utilizing this income must be of retirement age. Account balances must be verified within 120 days of the note date, via statements of other verification of the account balance, unless more recent is required based on Seller's discretion.

Passive Asset Utilization

Applicants with accumulated liquid assets who do not wish to set up asset distributions may be qualified by utilizing their assets imputed into an income stream. Divide the assets by 84 and add to the file's income calculation.

To determine the assets available under this guideline, calculate the qualified liquid assets available to the Applicant(s) less the funds needed for the transaction's funds to close and reserves. Utilize the haircuts calculated under the Asset section of this Underwriting Guideline. Assets utilized must be financial assets (cash/cash

equivalents, marketable securities, retirement assets, etc.). Cash out proceeds from the subject property may constitute up to 10% of the total assets utilized for Passive Asset Utilization. Accounts utilized for Passive Asset Utilization may not be used for dividends, interest, capital gains, or other income sources. Account balances must be verified within 120 days of the note date, via statements of other verification of the account balance, unless more recent is required based on Seller's discretion. [Technical Refinance](#) funds can be used as eligible assets and the maximum cash out limits do not apply. Business assets and unliquidated cryptocurrency are not eligible for Passive Asset Utilization.

Section 5.1.5: Other Income Sources

Annuity

Annuity income is acceptable with a copy of the annuity contract or letters from the organization providing the income. The income must continue for three years from the closing date. Provide one of the following evidencing receipt of the income:

- The most recent year's W-2s, 1099s, or Federal Income Tax Returns, or
- 12 months' bank statements reflecting regular deposits of the annuity income.

Capital Gains

If capital gains income is customary for Applicant's occupation and/or the Applicant has a constant turnover of assets resulting in gains or losses, capital gains may be considered as qualifying income.

A two-year history of capital gains income/losses must be documented by:

- Obtaining copies of the Applicant's signed federal income tax returns (Schedule D) to determine earning trend.
- If trend results in a gain, it may be added as effective income, or consistently shows a loss, it must be deducted from the total income.
- The Seller must be able to document that the Applicant has an "inventory" of assets to continue to sell to generate gains in the future.
- The assets in the "inventory" must be of the same class as the assets which were generating the gain(s) being utilized to qualify.

Example: Underwriting can consider the capital gains for an individual who purchases old houses, remodels them, and sells them for profit.

Interest/Dividends

Investment income may be used as stable monthly income. When markets are stable, documented earnings may generally be used.

During periods of volatility or when verified earnings do not appear to be supported by current market conditions, the Seller may use an earnings rate of 3%. To include interest or dividend income from cash or marketable securities in qualifying income, the following guidelines will be used:

- The income has been received for the past two years as verified by tax returns.
- Verification that the underlying cash deposits and/or securities still exist must be obtained within 30 days of closing, and
- Any required funds necessary for closing on the subject transaction must be subtracted prior to the calculation of interest/dividend income.
- If using the accounts for funds to close, impute a 3% return on the remaining assets with no amortization of the account balance.

Additionally:

- Year-to-date interest and dividend income should be averaged with the last two years as verified by the Applicants' tax returns, unless declining,
- Year-to-date earnings can be imputed by applying a realistic market rate of interest to the account balances and averaging over the number of months,
- Do not include margined securities in the calculation of interest/dividend income.
- Interest from pass-through tax entities (partnerships and S corporations) may be included provided the Applicant can document they still own the interest producing the income in question.

K-1 Income

An Applicant who is relying on K-1 income from an entity as part of their qualifying income does not need to document a history of receipt of distributions from said entity to utilize the income to qualify.

Notes Receivable Income

Principal and Interest income from a note receivable can be used to qualify. The note must evidence continuance for at least three years. To include notes receivable income to qualify an Applicant, he/she must provide:

- A copy of the note to establish the amount and length of payment (minimum three years), and
- Evidence that these payments have been consistently received for the last 12 months through tax returns and deposit slips and/or cancelled checks.

If the Applicant is not the original payee on the note, it must be established that the Applicant is now a holder in due course and able to enforce the note.

Rental/Investment Property Income

Rental income can be utilized as qualifying income by Applicants who own investment properties. The following are the acceptable methods of calculation.

Generally, the Applicant does not need a history of managing properties to rely on rental income, except as otherwise specified.

The Applicant may not use short term rental income if the property is in an area which restricts the Applicant's ability to rent the property on a short-term basis.

The following are the acceptable methods of calculation:

Method One | Tax Returns

- Utilize the net figure on schedule E page 1 of most recent year's tax return, adding back the following expenses claimed and then divided by 12:
 - Depreciation,
 - Amortization and
 - Interest claimed.
- Deduct the principal and interest component of the mortgage payment(s) tied to the property (if any) to calculate net rental income. Current property tax, property insurance and homeowner's association dues expenses do not need to be documented. For purposes of determining PITIA on non- subject rental properties owned to calculate reserves, 1/12th of expenses claimed on the 1040's may be used. If less than 365 days of rental service appear on the tax returns, annualize the figure appearing on the 1040 before dividing by 12.

Method Two | Lease

- Use 75% of the current lease less documented PITIA (principal, interest, taxes, insurance, and homeowner's association dues).
- For properties that were owned during the period covered by the Applicant's most recently filed tax returns, the tax returns must be provided.

- If the lease is materially greater than income listed on tax return(s), then the Applicant must provide supporting explanation/documentation to justify the increase.
- An expired lease which has been converted month to month is acceptable for this purpose.
- In the event the tenancy is at will with no formal lease agreement in place, a letter from the Applicant outlining terms may be accepted.
- Document current receipt of the lease income within 60 calendar days of the note date with the most recent one month's check in all cases where a lease is utilized
- Any long-term leases provided must have a minimum initial 12-month term.
- For properties that are rented on a short-term basis, provide evidence of short-term rents covering the most recent 12-month period preceding the application date.
 - Short term rents will be averaged over the most recent 12-month period, even for properties owned less than 12 months.
 - Gaps are acceptable; however, the rents received will still be averaged over a 12-month period.
- In the event the subject transaction is a purchase transaction, and an executed lease is not available, monthly rental income can be obtained from Comparable Rent Schedule less 25% for vacancy factor.
- If relying upon either leases or the appraiser's opinion of market rents, the lower of the two figures must be used (if a lease is provided) and a 25% vacancy factor must be applied to the gross rents.

Rental Income from Applicant Occupied Property

The rent for a multiple unit property when the Applicant resides in one or more units and charges rent to tenants of other units, may be used for qualifying purposes. Projected rent for the tenant-occupied units only may be considered gross income, only after deducting vacancy and maintenance factors, and not to be used as a direct offset to the mortgage payment. Calculate as described in the preceding section. No management history is required.

Income from Roommates in a Single-Family Property

Income from roommates in a single-family property occupied as the Applicant's primary residence is not acceptable. Rental income from boarders, however, is acceptable if the boarders are related by blood, marriage, or law.

- The rental income may be considered effective if shown on the Applicant's tax return.
- If not on tax return, rental income paid by the boarder may not be used in qualifying.
- If relying on a lease for qualification, document receipt of rents within 60 calendar days of the note date.

Accessory Unit Rental Income

Rental income from an accessory unit may be utilized towards qualifying income.

- On a purchase transaction, 75% of the appraiser's opinion of market rent may be utilized.
- On a refinance transaction, the rental income must be listed on the Applicant's tax returns AND supported by a lease, unless the Seller can justify reliance upon a lease alone in which case 75% of the rents may be utilized.
- Verify receipt of rents within 60 calendar days of the note date if relying on a lease for qualification.
- When used on the subject property, the appraiser must be able to verify with the building department that the accessory unit is
 - a.) Legal and
 - b.) May legally be rented.

Principal Residence Being Vacated by an Applicant

When an Applicant vacates a principal residence in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor, may be considered in the underwriting analysis.

- 75% of the monthly gross rental income less the property's PITIA is utilized for qualification.

- A properly executed lease agreement (that is, a lease signed by the Applicant and the lessee) of at least one year's duration after the loan is closed is required.
- Evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner must also be provided.
- If the property is not leased, 50% of the appraiser's opinion of market rents may be utilized to offset the PITIA of the vacated property. If the resulting figure is positive, no positive rents may be utilized for income calculation purposes.

Royalty/Lease Income (Other than Real Estate)

Underwriting must carefully consider the source and method in quantifying this type of income and develop comfort as to its reasonableness and continuity.

Royalty/lease income is found on Schedule E of the personal tax return. To use royalty or lease income:

- The income should have a two-year minimum history being received,
- A two-year average of the income should be used, unless declining,
- Copies of the contracts or leases should be obtained,
- The payers of the leases/contracts should be identified, and
- Evidence of at least three (3) year continuance is required.

Trust Income

Trust income is an acceptable source of income and can be verified via the following documentation:

- K-1 Statements, Schedule B, Schedule D or Schedule E of the personal federal tax return, (depending on the composition of the trust assets).
- Trust income documentation includes a copy of the Trust Agreement or other trustee statement.
- Six months of income for trust distributions if the trust set up is related to a business sale. Applicants must have unrestricted access to and control over the trust along with being a beneficiary.

Income from trusts may be used if guaranteed and if constant payments will continue for at least the first three years of the mortgage term, evidenced by confirming the following. The trustee statement must come from a disinterested party.

- The amount of the trust,
- Frequency of distribution, and
- Duration of payments.

Trust account funds may be used for the required cash investment if the Applicant provides adequate documentation that the withdrawal of funds will not negatively affect income.

Newly commenced distributions from trusts where the Applicant is the trustee may be utilized under the Asset Distribution guidelines.

Alimony, Child Support, and Separate Maintenance Income

Generally, underwriting requires proof of payment obligation for the past 6 months as evidenced by the divorce decree, a signed separation agreement, or a notarized agreement signed as is dictated by local custom. There must be an expectation of continuance for at least three years from the closing date to utilize the income.

Alimony, child support, or maintenance income may be considered effective, if the following are met:

- Payments are likely to be received consistently for the first three years of the mortgage,
- The Applicant provides the required documentation, which includes one of the following:
 - Final divorce decree,
 - Legal separation agreement,

- Court order, or
- Voluntary payment agreement
- The Applicant can provide acceptable evidence that payments have been received during the last 6 months, such as:
 - Cancelled checks,
 - Deposit slips,
 - Tax returns, or
 - Court records.

Notes:

- *Child support and non-taxable Alimony may be “grossed up” under the same provisions as non-taxable income sources.*

Automobile Allowance and Expense Account Payments

An automobile allowance may be included in qualifying income provided evidence of receipt for two years is verified via either a written verification received from Applicant’s employer or paystubs reflecting receipt.

- The Applicant’s employer must confirm the payments will continue.
- The full amount of the allowance is added to the Applicant’s monthly income and the full amount of the lease/loan payment is added to liabilities.

Disability Income

Disability income may be included as qualifying income provided the Applicant’s current eligibility, including the amount and terms of the disability payment income verified through a copy of the awards letter, or other verification provided by the employer, insurance company or government agency (e.g., Social Security Administration, Department of Veterans Affairs). The Seller may not request any medical documentation or make any inquiry regarding the nature of the disability or its duration. Any discussion regarding an Applicant’s disability should be limited to a request for the above-required documentation.

Foster Care Income

Foster care income may be included as qualifying income provided:

- Proof of receipt for the previous 24 months is verified by copies of checks or contracts/agreements with the governmental agency, and
- The income for providing foster parent care services to foster children is paid to the Applicant by a governmental agency.

Foreign Earned Income

Foreign income is income that is earned by an Applicant who is employed by a foreign corporation or a foreign government and is paid in foreign currency. Applicants may use foreign income to qualify if the following requirements are met:

- Foreign income must be reflected in the Applicant’s most recent two years federal tax returns, which must be supplied for review, and
- The Applicant must satisfy the standard documentation requirements based on the source and type of income. All documents of a foreign origin must be completed in English or translated. Any income listed must be documented in accordance with the requirements of these guidelines.

Housing Allowance

In some cases, Applicants may be able to use certain housing allowances (such as military and clergy) as qualifying income provided:

- The housing allowance has a history of being a part of the historical salary,
- The amount of the allowance must be verified in writing by the employer, and
- There is proof of receipt of the income for the most recent 12 months. This requirement is only for non-military housing allowance.

In some instances, this income is non-taxable (such as clergy). If documented as non-taxable via most recent two years tax returns, the non-taxable portion may be grossed up by 125% for qualification purposes.

Government Assistance Programs

Income received from government assistance programs is acceptable if the income has been received for the previous 24 months and the paying agency provides documentation indicating that the income is expected to continue for at least three years. Copies of checks, award letters, or grant statements are acceptable documentation.

Mortgage Credit Certificates

If a government entity subsidizes the mortgage payments either through direct payments or tax rebates, these payments may be considered as acceptable income. Either type of subsidy may be added to gross income, or used directly to offset the mortgage payment, before calculating the Qualifying Ratios.

Homeownership Subsidies

A monthly subsidy may be treated as income if an Applicant is receiving subsidies under the housing choice voucher home ownership option from a public housing agency (PHA). Although continuation of the homeownership voucher subsidy beyond the first year is subject to Congressional appropriation, for the purposes of underwriting, the subsidy will be assumed to continue for at least three years, and apply the following:

- If the Applicant is receiving the subsidy directly, the amount received is treated as income. The amount received may also be treated as nontaxable income and be “grossed up” by 25 percent, which means that the amount of the subsidy, plus 25 percent of that subsidy may be added to the Applicant’s income from employment and/or other sources.
- The Seller may treat this subsidy as an “offset” to the monthly mortgage payment (that is, reduce the monthly mortgage payment by the amount of the home ownership assistance payment before dividing by the monthly income to determine the payment-to-income and debt-to-income ratios). The subsidy payment must not pass through the Applicant’s hands.
- The assistance payment must be:
 - o Paid directly to the servicing creditor, or
 - o Placed in an account that only the servicing creditor may access.

Note: Assistance payments made directly to the Applicant must be treated as income.

Retirement/Pension Income

Retirement income must be verified from the former employer, custodian of the assets, or from federal tax returns. If any retirement income ceases within the first full three years of the mortgage loan, it may not be used in qualifying.

Retirement income and/or pension income must be verified using at least one of the following options:

- Written verification from the financial institution holding the assets/organization/company supplying the income,
- Copy of most recent award letter,
- Copies of the most recent 3 months check stubs evidencing consistent receipt of the income,
- Copies of the most recent 3 months bank statements that verify receipt of the direct deposit,
- Most recent 2 years 1099 tax forms, or
- Most recent 2 years personal tax returns.

Structured distributions from retirement accounts follow the [Asset Utilization](#) guidelines.

Social Security Income

Social Security income must be verified with the Social Security Administration or on Federal tax returns. If any benefits expire within the first full three years of the loan, the income source may not be used in qualifying. Any portion of the Social Security Income which is non-taxable can be grossed up by 25%. Social Security income can be used as qualifying income provided the income is verified via one of the following:

- A copy of the Social Security Administration Award Letter,
- 3 months bank statements that verify receipt of the benefits via direct deposit,
- 3 months most recent check stubs,
- Most recent 2 year's 1099 tax forms, or
- Most recent 2 years' personal tax returns. Social Security income is found on the front page of the personal tax return.

The following suffixes to the social security number will indicate what type of social security benefit is being received:

Suffix	Description
A	Disability or retirement benefit
B	The person is still alive, and the spouse is receiving the benefit
C	Child Beneficiary
D	The person is deceased, and the surviving spouse is receiving the benefit

Supplemental Security Income

Supplemental Security Income may be included as qualifying income provided verification can be obtained by one of the following:

- A copy of the awards letter,
- 3 months bank statements that verify receipt of the benefits via direct deposit, or
- 3 months most recent monthly disbursement checks.
- Continuance of at least three years for Supplemental Social Security Income for "child beneficiary" must be evidenced.

If any benefits expire within the first full three years of the loan, the income source may not be used in qualifying.

Unemployment Compensation

Unemployment compensation (such as that received by seasonal workers) may be considered as acceptable stable income provided it is properly documented, has been received for the past two years and is predictable and likely to continue. Unemployment income is found on the front page of the personal tax return and IRS reported in a 1099-G.

Veterans Benefits

Veterans' benefits, other than educational assistance, can be included as qualifying income provided the income is verified via one of the following:

- A letter or distribution form or
- A Statement of Earnings from the Department of Veterans Affairs (VA).

Direct compensation for service-related disabilities from the Department of Veterans Affairs (VA) is acceptable, if documentation is issued from the VA.

Education benefits used to offset education expenses are not acceptable.

If any benefits expire within the first full three years of the loan, the income source may not be used in qualifying.

Temporary Leave Income

Temporary leave from work is short in duration and for reasons of maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or the Applicant's employer.

Applicants on temporary leave may or may not be paid during their absence from work. If the Seller is made aware that an Applicant will be on temporary leave at the time of closing of the mortgage loan and that Applicant's income is needed to qualify for the loan, the Seller must determine allowable income and confirm employment as described below:

- The Applicant's employment and income history must meet standard eligibility requirements as described above.
- The Applicant must provide written confirmation of his or her intent to return to work.
- Document the Applicant's agreed-upon date of return by obtaining verification either from the Applicant or directly from the employer (or a designee of the employer when the employer is using the services of a third party to administer employee leave). See FNMA's Selling Guide for examples of acceptable documentation. This documentation does not have to comply with the Allowable Age of Credit Documents policy.
- The Seller must receive no evidence or information from the Applicant's employer indicating that the Applicant does not have the right to return to work after the leave period.
- The Seller must obtain a verbal verification of employment. If the employer confirms the Applicant is currently on temporary leave, the Seller must consider the Applicant employed.
- The Seller must verify the Applicant's income in accordance with the other provisions of this guide.
- The Seller must obtain the amount and duration of the Applicant's "temporary leave income," which may require multiple documents or sources depending on the type and duration of the leave period and "regular employment income." The latter may include but is not limited to, the income the Applicant receives from employment on a regular basis that is eligible for qualifying purposes (for example, base pay, commissions, and bonus).

Note: Income verification may be provided by the Applicant, by the Applicant's employer or by a third-party employment verification vendor.

Requirements for Calculating Income Used for Qualifying

If the Applicant returns to work as of the first mortgage payment date, the Seller can consider the Applicant's regular employment income in qualifying.

If the Applicant will not return to work as of the first mortgage payment date, the Seller must use the lesser of the Applicant's temporary leave income (if any) or regular employment income.

If the Applicant's temporary leave income is less than his or her regular employment income, the Seller may supplement the temporary leave income with available liquid financial reserves.

Note that these reserves would be in addition to any other reserves required under this guide.

"Supplemental income" calculation method

Supplemental income amount = available liquid reserves divided by the number of months of supplemental income

Total qualifying income = supplemental income plus the temporary leave income

Available liquid reserves = subtract any funds needed to complete the transaction (down payment, closing costs, other required debt payoff, escrows, and minimum required reserves) from the total verified liquid asset amount.

Number of months of supplemental income: the number of months from the first mortgage payment date to the date the Applicant will begin receiving his or her regular employment income, rounded up to the next whole number.

After determining the supplemental income, the Seller must calculate the total qualifying income. The total qualifying income that results may not exceed the Applicant's regular employment income.

The same assets utilized to meet the liquid reserve requirement for this section may not be used for asset distribution.

Other Income

Other income sources, whether taxable or non-taxable, must be verified and further validated. Non-taxable income should be distinguished from non-reported income as non-taxable income sources are not taxed, the "value" to the Applicant is greater. Unless otherwise noted, all non-taxable income sources may be grossed up by a factor of 25% provided the non-taxable status of the income is verified.

All sources of income included in the loan qualification must be stable, with a reasonable expectation that at least the same level of income will continue to be received for a minimum of three years. Provided there is no evidence that the income source will cease within the next three years, it can be assumed that the income will continue.

In no case can income be used for qualifications if there is any knowledge or documentation indicating that the income will terminate within the next three years.

Section 5.1.6: Unacceptable Sources of Income

Examples include, but are not limited to, the following:

- Temporary or non-recurring income
- Retained Earnings
- Educational Benefits
- Trailing Spouse/Co-Applicant income
- The income that cannot be verified is not stable or will not continue.
- Non-reported income (also known as undocumented income) **cannot** be used as a qualifying income source.
- Gift income, even if received on a regular and on-going basis, is **not** eligible income.
- Any income sources that are illegal under local, state law and/or federal law
- Gains from trading Cryptocurrency

Section 5.1.7: Tax Transcripts

The W-2's, 1099's, and tax returns provided by an Applicant must be verified by the IRS. In the event the most recent year's information cannot be verified due to a recent filing, the income may be considered in accordance with the Full Documentation guidelines with the following documentation:

- Previous year's W-2's, 1099's, and or tax returns/tax transcripts, AND

In the cases of tax return tax transcripts for most recent years not being available:	• Proof of electronic filing or stamped copy showing received by the IRS • Proof of payment of any liability due • If a substantial increase in income is sought to be utilized for qualifying the Applicant, an explanation must be provided. The Seller will perform additional due diligence on the loan and may require additional documentation to substantiate the income shown on the returns.
When Applicant is relying on W-2 income to qualify, and W-2 transcripts are not yet available	• A WVOE or year-end paystub is required to be provided in support of the W-2, based on Seller's discretion.

Transcripts are required for the broadest category of documentation provided.

If an Applicant provides solely W-2's or 1099's, those documents need to be validated.

If an Applicant provides 1040's in addition to W-2's or 1099's, then only the 1040's needs to be validated

Note: If transcripts are not available, we will require record of attempt to pull. (i.e., document showing no record found).

Section 5.2: Bank Statements

Section 5.2.1: Product Eligibility

To be eligible for the Bank Statements product, at least one Applicant on the file must derive their primary income source from a self-employed activity.

Self-Employed

Self-employed is defined as *ownership interest of 25% or greater*. Co-Applicants who are not self-employed may provide supplemental income from other income sources.

Applicants must have been self-employed in the same business for at least two years. For the purposes of these guidelines, "the same business" refers to the entity that generates income for the borrower. If an Applicant restructures their business while maintaining key operations such as retaining the same clients, location, employees, or other relevant operations, they will not be considered to have discontinued their business when calculating the length of self-employment. However, if the Applicant closes their business and starts a completely new one (e.g., a new location, different name, different employees, different business line, etc.), this would not be considered consecutive self-employment. The following table and limitations apply.

Length of Self Employment	Eligibility
2 years or more of self-employment in the same business as of the note date	Standard guideline eligibility
18 months or more and up to 2 years in the same business as of the note date	The following restrictions apply: • Max 80 LTV/CLTV • Additional six months PITIA reserves • Two previous years of employment in the same line of work, with no gap before commencing self-employment • The deposit trend must be stable
At least 12 months and less than 18 months in the same business as of the note date	Only considered on an exception basis, provided the bank statements reflect a minimum of 12 months of self-employed activity.
Less than 12 months in the same business as of the note date	Not eligible

Self-Employment verification must be provided for any Applicant relying on bank statements for qualification (with the one exception detailed further below). A CPA, EA, or licensed tax preparer letter will generally address this purpose, but third-party documentation constituting an equivalent verifying self-employment must be provided in all cases. A completed Self-Employed Business Narrative Form (discussed below) completed by a CPA, EA, or licensed tax preparer, or licensed attorney may also be provided in lieu of a letter. The letter is valid for 120 days. The letter shall state:

- The name of the business (if there is one),
- The Applicant's percentage ownership,
- The length of self-employment, and
- That the business/Applicant are active and/or in good standing as may be the case per state reporting.

Note: The letter or alternate documentation must cover all the above points.

Example of Alternate Documentation: For a Limited Liability Corporation (LLC), an operating agreement and Secretary of State Printout would meet the above requirements.

- Proof of existence of the business must be verified prior to closing and may be re-verified prior to closing.
- A letter addressed To Whom it May Concern is acceptable.
 - The letter may be re-verified either verbally or in writing by underwriting prior to closing, in its discretion.
 - The reverification shall be good for 60 days from its effective date.
- At Seller's discretion, the business' operations and revenues may be re-verified prior to closing to show consistency with the historic average shown on the bank statements used to underwrite the loan.
- The newest bank statements in the file must be no more than 120 calendar days old as of the note date, based on the end date of the statement.

Passive Income

An Applicant who is not truly self-employed but receives income from investments that they own (i.e., interest, dividends, trusts, distributions from partnerships where the Applicant is a limited partner, rental real estate, etc.) may be eligible for this program.

- There should not be evidence of significant employment income for the Applicant who is seeking eligibility for the bank statement program.
- Significant employment income appearing on the bank statements should only be from a Co- Applicant.
 - An Applicant who falls under this guideline may only utilize personal bank statements and are not subject to an expense ratio except as otherwise described.
- A CPA letter is not required to validate self-employment.
- 24 months of bank statements are required for this guideline.
- The Applicant must be able to document the source of their investments to show continuance of income. The below represents acceptable documentation:
 - If the Applicant's income is derived primarily from dividends, interest, or capital gains, the Applicant should provide brokerage account statements confirming ownership of the assets,
 - If the Applicant's income is derived primarily through trust income, provide the trust agreement and/or trustee's statements,
 - If the Applicant's income is derived through other sources such as passive investments in partnerships, the Applicant should provide a detailed narrative on their income stream and a CPA's letter or other documentation confirming that the Applicant owns the assets generating the income.
 - If relying on residential rental income, see [Rental Income](#) section for calculation purposes.
 - Ownership of commercial properties would not fall under this guideline and instead utilize personal or business bank statements, as appropriate.
- All the other above requirements must still be provided, including 24 months of personal bank statements.

Bank Statement Income Limitations

For either Self-Employed or Passive Income, the following limitations apply:

- Gift income is not eligible as a source of income under this product.
- Participation in a non-profit entity is not considered self-employment under these guidelines.
- Income calculated based on foreign bank statements is not eligible.
- Any income sources that are illegal under local, state and/or federal law are not eligible under this product.

1099 Contractor

An Applicant who is an independent contractor or receives multiple 1099s, may be eligible for this Bank Statement program with confirmation from a CPA, EA, or Licensed Tax Preparer that the Applicant is a 1099 contractor and

files Schedule C or Schedule E with the IRS (personal tax returns). If an Applicant receives some W-2 income as part of their independent contractor employment, that income may be considered, provided a CPA, EA, or Licensed Tax Preparer confirms it is part of their self-employed income.

Service & Tip Industry

Due to the cash nature of the service and tip industry, Applicants employed therein may participate in the Bank Statements program.

- Employment must be verified through traditional means.
- Base salary is verified with pay stubs and W2s.
- Qualified tips are averaged over time.
- Utilize the bank statement analysis to determine tip income, with the additional limitations
 - At least two corporate reference letters or WVOEs are required.
 - 12 (or 24) months' bank statement deposits will be utilized to calculate tip income.
 - Neither a P&L nor a business license is required.
 - Current receipt of tip income must be verified prior to closing.

Section 5.2.2: Bank Statement Calculation Methods

Personal

- Provide 3 months of business statements to verify that income is coming from Applicant's business, and the business is providing positive cash flow.
 - If an Applicant does not document a separate business account from which the utilized deposits originate, the account will be underwritten as a business account per the [Comingled Account](#) guidelines.
- The most recent 12 months of statements available at the application date are generally required, but older may be allowed at UW's discretion provided the most recent statement is not more than 120 days old as of the note date.
- Transfers from a business account to an Applicant's personal account may be utilized in the income calculation provided they meet the other requirements of this section.
- Evaluate deposits to verify that they are part of the Applicant's income stream.
 - Eligible deposits may be provided in the form of transfers from the business account, checks from the business account, or payroll.
 - If paychecks are utilized, the pre-tax amount may be utilized to qualify.
 - Any deposits that are abnormal to the Applicant's typical deposits must be sourced and documented to be considered as part of income.
- Total all eligible deposits and divided by 12 to determine monthly income.
 - Transfers coming from only one (1) business may be utilized to qualify
 - Transfers between personal accounts are not considered as part of an Applicant's income stream.
- Significant and/or repeated transfers from an Applicant's personal account to their business account should be scrutinized as they may be indicators of poor financial health.
- Updated statements through funding may be required at Seller's discretion.

24 months of statements may also be provided. Where 24 months are provided, complete the analysis described over a 24-month period.

Business

- The most recent 12 months of statements available at the application date are generally required, but older may be allowed at UW's discretion provided the most recent statement is not more than 120 days old as of the note date.

o Updated statements through funding may be required at Seller's discretion.

- The Applicant(s) combined must own 25% or more of the business to utilize business bank statements.
- Three options for evaluating business bank statements are available.
- Multiple accounts may be utilized for calculating the business' cash flow; however, the same method must be applied to all accounts for each business.
- Multiple businesses may also be used to determine qualifications provided each is separately verified in accordance with these underwriting guidelines.
- Evaluate deposits to verify that they are part of the business' revenue stream.
- Transfers between an Applicant's business accounts are generally not considered eligible deposits, however in instances where an Applicant has a layered ownership structure to their business and where transfers from one company to another company are considered an expense to the transferring company and income to the receiving company, recurring transfers may be used as income.
 - o Three months' statements from each account where transfers originate are required (which must reflect activity that provides support for the transfers with the amount being transferred) and,
 - o a CPA/EA/licensed tax preparer letter detailing the nature of the business structure and confirming that the company receiving the transfers recognizes the transfers as revenue.
- Any abnormal deposits will need to be sourced and documented if included in the business' revenue stream.
- Abnormal deposits will typically be those that are greater than 50% of the average monthly eligible deposits and that are out of the ordinary in form, amount, or frequency.

24 months of statements may also be provided. Where 24 months are provided, complete the analysis described below over a 24-month period.

Example: a business typically receives deposits in the form of mobile deposits. There are typically 3-5 deposits a month. The average monthly deposit amount is \$15,000. One month the business receives a wire for \$100,000. That wire would be more than 50% of the average deposits and out of the ordinary in both form and amount. That wire would need to be sourced as business income to be utilized towards qualification.

Method One | Tiered Expense Ratio

All eligible deposits will be summed up and then multiplied by a 50% expense ratio to account for operating expenses. The resulting figure will then be multiplied by the Applicant's ownership percentage and then divided by the number of months of statements provided. If the expense ratio is reasonable to the Applicant's line of work, then no further information is required.

Service Business Expense Ratio Tiers

For Applicants who are in a service business, a Self-Employed Business Narrative Form (the "Form") completed by a CPA, EA, licensed tax preparer, or licensed attorney may be provided to support an expense ratio lower than 50% in some cases. A service business is one where the Applicant's revenue is generated based on the provision of services such as an attorney, accountant, financial planner, insurance sales, or other business line where the primary driver of the business's expense is labor and the business does not need to acquire materials in order to sell goods or products. The Form must be completed by one of the aforementioned third parties to utilize an expense ratio that is less than 50%. If the Applicant completes the Form, then expense ratio utilized will remain floored at 50% provided that the expense ratio is reasonable to the Applicant's line of work. Additionally, any Applicant who is a product business, meaning that where the Applicant's business' primary revenue stream is the acquisition of or manufacture of materials into goods or products for sale, may not utilize the tiered expense ratio option for service businesses.

The Form discusses the nature of the Applicant's business, what line of work they are in, and the number of employees and independent contractors that they currently have on staff or contract with. Based on the answers to these questions, an expense ratio will be determined following the below table. The expense ratio will then be applied against the deposits shown on the business bank statements supplied for to calculate net income, which

will then be multiplied by the Applicant's ownership percentage and divided by the number of months of statements provided to determine monthly income. A Form completed by an acceptable third party may also be relied upon as evidence of self-employment. A Form completed by the Applicant would still require third party evidence of self-employment.

Type of Business	Number of Employees/Independent Contractors		
Service Business (Offers Services and DOES NOT Sell Goods)	0	1-5	>5
Examples of Service Businesses include but are not limited to: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, Information Technology	15% Expense Factor	30% Expense Factor	50% Expense Factor
Product Business (Sells Goods)	0	1-5	>5
Examples of Product Businesses include but are not limited to:	50% Expense Factor		
Retail, Food Services, Restaurant, Manufacturing, Contracting, Construction			
A business which involves ownership and management of commercial or residential real estate may not qualify with an expense ratio below 50%.			

If this expense ratio is reasonable to the Applicant's line of work and the Applicant qualifies, no further information is required.

Example One: A Marketing Consulting business with no employees or independent contractors generating \$100,000 per year in revenues. A 15% expense factor would be utilized to determine income: Expenses = \$100,000 X 15% = \$15,000. Income = \$100,000 - \$15,000 = \$85,000 per year / 12 = \$7,083.33 per month.

Example Two: A Food Truck business with three employees or independent contractors generating \$250,000 per year in revenues. A 50% expense factor would be utilized to determine income: Expenses = \$250,000 X 50% = \$125,000. Income = \$250,000 - \$125,000 = \$125,000 per year / 12 = \$10,416.67 per month.

Method Two | Profit and Loss Statement

- Provide a CPA, EA, or licensed tax preparer prepared profit and loss statement covering the most recent 12-month period.
- If the deposits on the business statements support at least 75% of the gross receipts listed on the P&L, use the P&L for qualifying based on the Applicant's pro-rate share of ownership.

The resulting income should be reasonable to the Applicant's line of work.

Method Three | CPA Letter for Expense Ratio

- Provide a CPA, EA, or licensed tax preparer letter stating the business' expense ratio based on the most recent year's filed tax return.
- The letter may not include any exculpatory language.
- The calculation is as follows:
 - Expense ratio multiplied the business' total deposits over the 12-month period shown on bank statements.
 - Total from above – the total deposits.
 - Net deposits multiplied by the Applicant's pro-rata ownership percentage ÷ 12.

The resulting income should be reasonable to the Applicant's line of work.

Comingled Accounts

Comingled accounts refer to Applicants who do not maintain separate business and personal accounts. These accounts will be treated as business accounts for purposes of determining income. Utilize one of the above methods to calculate income.

Section 5.2.3: Non-Sufficient Funds (NSFs)

Applicants whose bank statements, personal or business, disclose an excessive number of instances of the account being overdrawn or NSF charges will be subject to scrutiny. The determination of what makes up an excessive amount will be based on the Seller's discretion dependent on the specifics of the file, the pattern of overdrafts/NSFs and cure period, and the Applicant's line of work.

An LOE outlines the reasoning behind the overdrafts/NSFs as well as an action plan will be required in the event the NSFs are deemed excessive, and the file will be escalated for review by credit management.

Section 5.2.4: Income Trend

Bank statements should show a stable or increasing trend of deposits.

If the trend is declining and/or irregular, additional documentation should be provided to support the stability of the Applicant's income.

Acceptable Variance Levels

- If 12 months of statements are provided, the Seller must carefully review the deposit trend.
- There is no set maximum decline six months over six months as each business is different, but stability of income must be rationalized and justified.
 - If it cannot be, an additional 12 months of statements or documentation supporting future revenues and stabilization of business trends must be provided.
- To the extent necessary, the Applicant should provide a narrative on the details.
- If 24 months of bank statements are utilized to determine the Applicant's income, variances year over year are likely to occur.
 - If the deposit trend is increasing or stable, no additional review is required.
 - If the eligible deposits are declining, it should be addressed as per below.
 - If the decline of deposits is greater than 10% year over year, then the account is ineligible for use in the income calculation.

Evaluation of Trends

The deposit trend is measured by calculating the percent change from year one (months 13-24 on the worksheet, previous year) to year two (months 1-12 on the worksheet, most recent year).

Eligible deposits from year one should be subtracted from year two, and the difference is divided by year one's eligible deposits to determine the change.

For example, if year one eligible deposits are \$100,000 and year two eligible deposits are \$80,000, the percentage change would be a 20% decline $(\$80,000 - \$100,000 / \$100,000) = -20\%$

If 24 months of statements are provided, a declining deposit trend should be underwritten as follows:

Scenario	Requirement
Eligible deposits declined year over year by up to 5%	Utilize a 24-month average
Eligible deposits declined by more than 5% and up to 10%	Utilize most recent 12-month average of deposits

Scenario	Requirement
Eligible deposits declined year over year more than 10%	The account is ineligible.
Evaluation: The Applicant must provide a written explanation for a decline of >5% in year-over-year eligible deposits. The explanation must address the reason for the decline and whether this event will continue.	

Section 5.2.5: Co-Applicant Income

Full documentation from a co-Applicant who is not self-employed may be used to supplement bank statement income.

- See full documentation guidelines for additional information on acceptable sources and requirements.
- Taxable income is counted on a “gross” amount regardless of the net deposit shown on bank statements.
- Deposits resulting from these income sources should be deducted from the bank statement analysis.
- Non-Taxable income may be grossed-up by 25%. Tax returns for Applicant must not be provided, otherwise the loan will have to be underwritten based on Full Documentation.

Section 5.2.6: Other Income Sources

Rental Income

The Applicant may not use short term rental income if the property is in an area which restricts the Applicant’s ability to rent the property on a short-term basis.

Purchase

Utilize the appraiser’s opinion of market rent to determine rental income. Utilize a 25% vacancy factor to determine gross rental income. No lease is required, however if a lease is in place after purchase, then utilize the lesser of the lease or the appraiser’s opinion of market rent. If the property is a primary residence (i.e., 2–4-unit property), add the rental income to gross income and do not offset the PITIA. If the property is an investment property, calculate the subject property’s rental income on a net basis. No rental management history is required. Rental income may not be utilized on a second home.

Subject Property Refinance

Utilize 75% of the current lease income. Do not include rental deposits as part of the income stream. If the property is a primary residence (i.e., 2–4-unit property), add the rental income to gross income and do not offset the PITIA. If the property is an investment property, calculate the subject property’s rental income on a net basis. No rental management history is required except as otherwise specified; however, the property must be currently leased to utilize the income. A lease that has expired and converted to month to month is acceptable for this purpose. In the event the tenancy is at will with no formal lease agreement in place, a letter from the Applicant outlining terms may be accepted. The Applicant must document one month’s receipt of rental income in all cases, dated within 60 calendar days of the note date. Properties that have historically been rented on a short-term basis will have their rents basis are subject to case-by-case review to utilize the income. If allowed, income would be averaged over the most recent 12-month period. Gaps are acceptable however the leases will still be averaged over a 12-month period. A 25% vacancy factor still applies.

Non-Subject Property

Utilize 75% of the current rental income less documented PITIA to qualify. Do not include rental deposits as part of the income stream. No rental management history is required; however, the property must be currently leased to utilize the income. A lease that has expired and converted to month to month is acceptable for this purpose. In the event the tenancy is at will with no formal lease agreement in place, a letter the Applicant outlining terms may be

accepted. The Applicant must document the most recent one months' receipt of rental income in all cases within 60 days of the note date. Rental income may not be utilized on a second home.

Properties that have historically been rented on a short-term basis will have their rents averaged over the most recent 12-month period, even for properties owned less than 12 months. Gaps are acceptable however the leases will still be averaged over a 12-month period. A 25% vacancy factor still applies.

Income from Roommate in a Single-Family Residence

See [Full Documentation](#) guidelines for guidance. Note that the tax return requirement listed in that section does not apply. Show 12 months' receipt of boarder income to consider it effective income.

Accessory Unit Rental Income

Rental income from an accessory unit may be utilized towards qualifying income. 75% of the rents may be utilized. On a purchase transaction, the appraiser's opinion of market rent may be utilized. On a refinance transaction, the rental income must be documented by a lease, and proof of receipt of most recent one month's rental income dated within 60 calendar days of the note date. If being utilized on the subject property, the appraiser must be able to verify with the building department that the accessory unit is a.) legal and b.) may legally be rented.

Principal Residence Being Vacated by an Applicant (a/k/a Departing Residence)

When an Applicant vacates a principal residence in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor, may be considered in the underwriting analysis.

75% of the monthly gross rental income less the property's PITIA is utilized for qualification.

The following are required:

- A properly executed lease agreement (that is, a lease signed by the Applicant and the lessee) of at least one year's duration after the loan is closed
- If the lease agreement is utilized, evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner must also be provided.
- If a lease is not available, an appraiser's comparable rent schedule may be utilized in lieu of actual lease agreement with a 50% expense factor. No positive rental income may be used in an instance without an actual lease.

Full Documentation Supplemental Income Sources

Applicants relying on bank statements to calculate DTI may supplement their income with the following sources:

- Social Security,
- Pension,
- Asset Utilization/Distribution,
- Alimony,
- Child Support, and
- Second Job income.

Utilize the full documentation guidelines for eligibility, documentation requirements, and calculation methods.

Provide W-2's and 1099's as applicable, but do not provide tax returns. If other income sources are used to qualify the Applicant, the Applicant's primary income source (>50%) must be the income calculated based on the bank statements less expense ratio if applicable.

Section 5.3: 1099 Only Product

The 1099 Only product is designed for Applicants who receive compensation either in the form of commission or on an independent contractor basis and receive an IRS form 1099 at year end. This is the ideal program for income earners paid via a 1099-NEC as a driving force bringing a consumer and provider of goods and services to a

meeting point or having a special skill which is beneficial at a jointure. An Applicant is not eligible for this program solely based on receiving income on Form 1099, they must earn income on a commission or independent contractor basis. For example, a 1099 issued from a credit card processing company for a store owned by the borrower would not be eligible for use on this program.

Section 5.3.1: Product Eligibility

To be eligible for the 1099 Only product, the Applicant's primary income source (>50% of qualifying income) must be income as calculated on 1099(s) as detailed above provided less an applicable expense ratio. Supplemental income is allowed; however, the primary source of income is required to be 1099 income.

Required Documentation

- One or Two years of 1099's. Note that the 1099s must generally cover a complete calendar year.
- Evidence of 2 or more years spent in activity generating 1099 income, documented on the 1099s provided or elsewhere in the file. Further validation of history by obtaining a written VOE, CPA's letter, or other third party generated documentation relevant to the Applicant's circumstances.
- If the note date is 120 calendar days or more from the end of the previous calendar year, documentation of receipt of year-to-date income within 120 calendar days of the note date is required via one of the following. If the note is less than 120 calendar days into a year, follow standard income documentation guidelines.
 - A check stub or checks showing receipt of YTD income, or
 - Bank statements showing history of receipt of YTD income
- Transcripts of the 1099s/W-2's must also be provided
 - If 1099 transcripts are not available, provide documentation of attempted unsuccessful transcript order and provide one of the following:
 - Obtain bank statements showing at least 90% gross receipt of income that was shown as paid to Applicant or Applicant's LLC, OR
 - Provide a written verification of employment, payroll ledger, or equivalent direct from the issuer of the 1099s. If utilizing this option, the payer of the 1099 must be locatable online, must be a recognizable employer i.e. a real estate agency or a wealth advisor with verifiable presence, and may not be a relative (or owned by a relative) of the Applicant.
 - If the 1099s are issued to an entity, documentation of an attempted pull is not required.

Additional Information

- In the event the Applicant converted from previously receiving a W-2 to now receiving a 1099, the [W-2 to 1099](#) guidelines should be followed.
- An Applicant who is an independent contractor and receives a portion of their independent contractor income as W-2 may have the W-2 income included in the qualifying income, provided a CPA/EA/licensed tax preparer letter is provided verifying the W-2 income is not the result of employment income.
 - All verification letters will be good for 60 days.
 - A letter addressed "To Whom it May Concern" is acceptable, provided the information is verbally verifiable through a phone number which is obtained from public sources.
 - The re-verification will be good for 60 days.
- The 1099 income used to qualify may not come from a source owned by any of the Applicants on the loan file, or from a family-owned business.
- If 1099(s) are issued to an entity, the borrower's ownership interest in this entity must be 100% as documented via a CPA/EA/tax preparer letter or equivalent documentation.

Any income sources that are illegal under local, state and/or federal law are not eligible under this product.

Section 5.3.2: Income Calculation Methods

Standard Income Calculation Method

- Qualifying income is based on the 1099(s) provided less a 10% expense ratio.
- In the event two years of 1099s are provided, a 24-month average of net income shall be utilized in the event of stable or increasing gross receipts.
- A 12-month average of net income shall be utilized in the event of declining gross receipts.
- If required, year-to-date gross receipts should support the 1099s supplied and relied upon to qualify. If year to date gross receipts is not required, underwriting should not have any evidence of interruption of cash flow.
- Uber or Lyft (or similar services) must also provide their tax statements, and the expense factor will be applied after deductions to calculate income.

Section 5.3.3: Co-Applicant Income

Full documentation from a Co-Applicant who does not rely on 1099s may be used to supplement the 1099 income. See full documentation guidelines for additional information on acceptable sources and requirements. Taxable income is counted on a “gross” amount.

Non-Taxable income may be grossed-up by 25%.

Section 5.3.4: Other Income Sources

Rental Income

The Applicant may not use short term rental income if the property is in an area which restricts the Applicant’s ability to rent the property on a short-term basis.

Subject Property Purchase

- Utilize the appraiser’s opinion of market rent to determine rental income.
- Utilize a 25% vacancy factor to determine gross rental income.
- No lease is required, however if a lease is in place, then utilize the lesser of the lease or the appraiser’s opinion of market rent.
- If the property is a primary residence (i.e., 2–4-unit property), add the rental income to income and do not offset the PITIA.
- If the property is an investment property, calculate the subject property’s rental income on a net basis.
- No rental management history is required.
- Rental income may not be utilized on a second home.

Subject Property Refinance

- Utilize 75% of the current lease income.
 - Do not include rental deposits as part of the income stream.
- If the property is a primary residence (i.e., 2–4-unit property), add the rental income to income and do not offset the PITIA.
- If the property is an investment property, calculate the subject property’s rental income on a net basis.
 - No rental management history is required; however, the property must be currently leased to utilize the income.
 - Rental income may not be utilized on a second home.
 - A lease that has expired and converted to month to month is acceptable for this purpose. In the event the tenancy is at will with no formal lease agreement in place, a letter from the borrower outlining terms may be accepted.

- The Applicant must document one month's receipt of rental income, dated within 60 calendar days of the note date in all cases.
 - Properties that have historically been rented on a short-term basis will have their rents averaged over the most recent 12-month period and reduced by 25%.
- If there is less than 12 months history, income can be reviewed as an exception.
 - Gaps are acceptable however the leases will still be averaged over a 12-month period.

Non-Subject Property

- Utilize 75% of the current rental income less documented PITIA to qualify.
 - Do not include rental deposits as part of the income stream.
 - No rental management history is required; however, the property must be currently leased to utilize the income.
 - Rental income may not be utilized on a second home.
 - A lease that has expired and converted to month to month is acceptable for this purpose.
 - In the event the tenancy is at will with no formal lease agreement in place, a letter from the borrower outlining terms may be accepted.
- The Applicant must document one month's receipt of rental income, dated within 60 calendar days of the note date in all cases.
 - Properties that have historically been rented on a short-term basis will have their rents averaged over the most recent 12-month period.
 - Gaps are acceptable however the leases will still be averaged over a 12-month period.

Principal Residence Being Vacated by an Applicant (a/k/a Departing Residence)

When an Applicant vacates a principal residence in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor, may be considered in the underwriting analysis.

75% of the monthly gross rental income less the property's PITIA is utilized for qualification.

The following are required:

- A properly executed lease agreement (that is, a lease signed by the Applicant and the lessee) of at least one year's duration after the loan is closed. Evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner must also be provided.
- If a lease is not available, an appraiser's comparable rent schedule may be utilized in lieu of actual lease agreement with a 50% expense factor. No positive rental income may be used in an instance without an actual lease.

Income from Roommate in a Single-Family Residence

See [Full Documentation](#) guidelines for guidance.

- Note that the tax return requirement listed in that section does not apply.
- Show 12 months' receipt of boarder income to consider it effective income.

Accessory Unit Rental Income

Rental income from an accessory unit may be utilized towards qualifying income.

PURCHASE

On a purchase transaction, the appraiser's opinion of market rent may be utilized.

REFINANCE

On a refinance transaction, the rental income must be documented by a lease, and proof of receipt of the most recent one month's rental income, dated within 60 calendar days of the note date.

Other Income Sources

Applicants relying on 1099s less applicable expense ratio to calculate DTI may supplement their income with the following sources:

- Social Security,
- Pension,
- Asset Utilization/Distribution,
- Alimony,
- Child Support, and
- Second Job income.

Utilize the full documentation guidelines for eligibility, documentation requirements and calculation methods. Provide W-2's and 1099's as applicable, but do not provide tax returns.

- The Applicant must verify these alternative income sources without providing tax documents other than W-2's/1099's, and they must derive their primary income source from self-employed activity calculated based on the 1099(s) less the applicable expense ratio.

Section 5.4: Profit and Loss Only Product

Self-Employed Applicants (those who own 25% or more of the business that represents their primary income source) may provide a Profit and Loss statement ("P&L") completed by a third party as a means of documenting their self-employed income, in lieu of providing bank statements or 1099s.

Section 5.4.1: Income & Employment Requirements

Employment Requirements

The Applicant providing the P&L must have been self-employed for the most recent two-year period. They must own 25% or more of the business providing their primary income source.

Income Limitations

The following limitations apply:

- Gift income is not eligible as a source of income under this product.
- Participation in a non-profit entity is not considered self-employment under these guidelines.
- Income calculated based on foreign businesses is not eligible.
- Any income sources that are illegal under local, state and/or federal law are not eligible under this product.

Documentation Requirements

Applicants relying on this program must provide the following documentation:

- A P&L must be completed by a CPA, EA, or CTEC. They must also have filed the Applicants most recent year's personal and business returns (as applicable). They cannot be a signor on note or a family member. For the sake of clarity, a P&L completed by a person holding a PTIN designation who does not also hold either a CPA, EA, or CTEC designation is not acceptable.
- The P&L must be on letterhead and cover a 12- or 24-month period, with an end date not more than 120 days from the note date.
- A letter from the individual who completed the P&L dated with 120 days of the note date and confirming:
 - The name of the Applicant's business
 - The business's start date
 - The percentage of the business that the Applicant owns

- That the business is still active and/or in good standing based on applicable state reporting requirements
- That they have reviewed and analyzed the business' financial statements
- That they filed the Applicant's most recent year's personal (and business, as applicable) tax returns
- Validation that the individual who completed the P&L maintains a license that is in good standing.

Income Calculation

Income will be calculated based on taking the net income on the P&L, adding back depreciation, amortization, depletion, and any casualty losses that are listed on the P&L. Take the result, divide by the number of months covered by the P&L, and multiply by the Applicant's ownership share in the business. If the Applicant pays themselves a W-2 salary which is claimed as a line-item deduction, the gross W-2 pay may be added back into the income calculation attributable to the Applicant. W-2s and paystubs must be provided as necessary to document the amounts paid to the Applicant.

Additional Income Sources

Applicants relying on income documented via a P&L to calculate DTI may supplement their income with the following sources:

- Social Security,
- Pension,
- Asset Utilization/Distribution,
- Alimony,
- Child Support, and
- Second Job income.

Utilize the full documentation guidelines for eligibility, documentation requirements and calculation methods. Provide W-2's and 1099's as applicable, but do not provide tax returns. The Applicant must verify these alternative income sources without providing tax documents other than W-2's/1099's, and they must derive their primary income source from self-employed activity calculated based on the P&L.

Rental Income

The Applicant may not use short term rental income if the property is in an area which restricts the Applicant's ability to rent the property on a short-term basis.

PURCHASE

Utilize the appraiser's opinion of market rent to determine rental income. Utilize a 25% vacancy factor to determine gross rental income. No lease is required, however if a lease is in place, then utilize the lesser of the lease or the appraiser's opinion of market rent. If the property is a primary residence (i.e., 2–4-unit property), add the rental income to income and do not offset the PITIA. If the property is an investment property, calculate the subject property's rental income on a net basis. No rental management history is required. Rental income may not be utilized on a second home.

SUBJECT PROPERTY REFINANCE

Utilize 75% of the current lease income. If the property is a primary residence (i.e., 2–4-unit property), add the rental income to income and do not offset the PITIA. If the property is an investment property, calculate the subject property's rental income on a net basis. No rental management history is required; however, the property must be currently leased to utilize the income. Rental income may not be utilized on a second home. A lease that has expired and converted to month to month is acceptable for this purpose. In the event the tenancy is at will with no formal lease agreement in place, a letter from the borrower outlining terms may be accepted. The Applicant must document one months' receipt of rental income, dated within 60 calendar days of the note date in all cases. Rental income may not be utilized on a second home.

Properties that have historically been rented on a short-term basis will have their rents averaged over the most recent 12-month period and reduced by 25%. If less than 12 months can be reviewed as an exception. Gaps are acceptable however the leases will still be averaged over a 12-month period.

NON-SUBJECT PROPERTY

Utilize 75% of the current rental income less documented PITIA to qualify. No rental management history is required; however, the property must be currently leased to utilize the income. Rental income may not be utilized on a second home. A lease that has expired and converted to month to month is acceptable for this purpose. In the event the tenancy is at will with no formal lease agreement in place, a letter from the borrower outlining terms may be accepted. The Applicant must document one months' receipt of rental income, dated within 60 calendar days of the note date in all cases. Rental income may not be utilized on a second home. Properties that have historically been rented on a short-term basis will have their rents averaged over the most recent 12-month period. Gaps are acceptable however the leases will still be averaged over a 12-month period.

PRINCIPAL RESIDENCE BEING VACATED BY AN APPLICANT (A/K/A DEPARTING RESIDENCE)

When an Applicant vacates a principal residence in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor, may be considered in the underwriting analysis.

75% of the monthly gross rental income less the property's PITIA is utilized for qualification.

The following are required:

- A properly executed lease agreement (that is, a lease signed by the Applicant and the lessee) of at least one year's duration after the loan is closed. Evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner must also be provided.
- If a lease is not available, an appraiser's comparable rent schedule may be utilized in lieu of actual lease agreement with a 50% expense factor. No positive rental income may be used in an instance without an actual lease.

INCOME FROM ROOMMATE IN A SINGLE-FAMILY RESIDENCE

See [Full Documentation](#) guidelines for guidance. Note that the tax return requirement listed in that section does not apply. Show 12 months' receipt of boarder income to consider it effective income.

ACCESSORY UNIT RENTAL INCOME

Rental income from an accessory unit may be utilized towards qualifying income. On a purchase transaction, the appraiser's opinion of market rent may be utilized. On a refinance transaction, the rental income must be documented by a lease, and proof of receipt of the most recent one month's rental income, dated within 60 calendar days of the note date. When used on the subject property, the appraiser must be able to verify with the building department that the accessory unit is a.) legal and b.) may legally be rented.

Co-Applicant Income

Full documentation from a Co-Applicant who does not rely on P&L for income documentation may be used to supplement the P&L income. See full documentation guidelines for additional information on acceptable sources and requirements. Taxable income is counted on a "gross" amount. Non-Taxable income may be grossed up by 25%.

Section 5.4.2: Credit Overlays

The following credit overlays apply to this product:

- The housing payment history must be 0x30x12.
- The Applicants must not have had any Significant Derogatory Credit Events in the last four years.
- The minimum FICO score is 680.

Section 5.4.3: Asset Overlays

Any purchase transaction involving gifted funds or a gift of equity must have a minimum 5% contribution from the Applicants' own funds, unless base guidelines require a higher amount.

Section 5.4.4: Underwriting Overlays

The following underwriting overlays apply this product:

- Maximum loan amount: \$2,000,000
- Loans where all Applicants are First Time Home Buyers are limited to 75 LTV/CLTV on Second Homes and 70 LTV/CLTV on Investment Properties. If one or more Applicant is not a First Time Home Buyer, then standard LTVs/CLTVs for this product apply.
- Allowable LTVs/CLTVs/FICOs/Loan Amounts are as detailed in [Exhibit C](#)
- The loan will be priced as an alternative documentation loan and may include some additional LLPAs.

Section 5.5: Written Verification of Employment Only

Salaried Applicants may provide a Written Verification of Employment form (WVOE", Fannie Mae Form 1005 or equivalent) as the means of documenting their income may do so under this guideline.

Section 5.5.1: Income & Employment Requirements

Employment Requirements

The Applicant relying on the WVOE must have been employed with the same employer for at least a two-year period without any interruptions

The Applicant may NOT be employed by a family member or relative.

Documentation Requirements

- A WVOE or equivalent document must be provided.
- The form must be completed by the HR department, payroll department, or corporate officer of the Applicant's employer.
- It may NOT touch the Applicant's hands during the time while it is being completed.

Additionally, the following documentation must be provided:

- Most recent two-month bank statements prior to the Application date reflecting at least 60% of the wage/salary line item listed on the WVOE.
 - If the Applicant has any variable income sources whose payment is not reflected on the bank statements and which are needed to qualify, additional statements or other evidence of receipt will be required.
- An internet search for business evidencing it has active operations.
- Verbal VOE is required within 10 days prior to closing.

W-2s and tax returns should not be provided for this program. Income that cannot be documented consistent with the above requirements may not be utilized to qualify.

Income Calculation

Income will be calculated in compliance with the Salaried Applicant section.

Additional Income Sources

Applicants relying on income documented via a WVOE to calculate DTI may supplement their income with the following sources:

- Social Security,

- Pension,
- Asset Utilization/Distribution,
- Alimony,
- Child Support, and
- Second Job income

Additional Income Eligibility, Documentation and Calculations

Utilize the full documentation guidelines for eligibility, documentation requirements and calculation methods. Provide W-2's and 1099's as applicable, but do not provide tax returns.

Rental Income

Subject Property Purchase

- Utilize the appraiser's opinion of market rent to determine rental income.
- Utilize a 25% vacancy factor to determine gross rental income.
 - No lease is required, however if a lease is in place, then utilize the lesser of the lease or the appraiser's opinion of market rent.
- If the property is a primary residence (i.e., 2–4-unit property), add the rental income to income and do not offset the PITIA.
- If the property is an investment property, calculate the subject property's rental income on a net basis.
- No rental management history is required.
- Rental income may not be utilized on a second home.

Subject Property Refinance

- Utilize 75% of the current lease income.
 - Do not include rental deposits as part of the income stream.
- If the property is a primary residence (i.e., 2–4-unit property), add the rental income to income and do not offset the PITIA.
- If the property is an investment property, calculate the subject property's rental income on a net basis.
 - No rental management history is required; however, the property must be currently leased to utilize the income.
 - Rental income may not be utilized on a second home.
 - A lease that has expired and converted to month to month is acceptable for this purpose. In the event the tenancy is at will with no formal lease agreement in place, a letter from the borrower outlining terms may be accepted.
- The Applicant must document one months' receipt of rental income, dated within 60 calendar days of the note date in all cases.
 - Properties that have historically been rented on a short-term basis will have their rents averaged over the most recent 12-month period and reduced by 25%.
 - Gaps are acceptable however the leases will still be averaged over a 12-month period.
 - If less than 12 months history, income can be reviewed as an exception.
 - Gaps are acceptable however the leases will still be averaged over a 12-month period.

Non-Subject Property

- Utilize 75% of the current rental income less documented PITIA to qualify.
 - Do not include rental deposits as part of the income stream.
 - No rental management history is required; however, the property must be currently leased to utilize the income.

- Rental income may not be utilized on a second home.
- A lease that has expired and converted to month to month is acceptable for this purpose.
- In the event the tenancy is at will with no formal lease agreement in place, a letter from the borrower outlining terms may be accepted.
- The Applicant must document one months' receipt of rental income, dated within 60 calendar days of the note date in all cases.
 - Properties that have historically been rented on a short-term basis will have their rents averaged over the most recent 12-month period.
 - Gaps are acceptable however the leases will still be averaged over a 12-month period.

Principal Residence Being Vacated by an Applicant (a/k/a Departing Residence)

When an Applicant vacates a principal residence in favor of another principal residence, the rental income, reduced by the appropriate vacancy factor, may be considered in the underwriting analysis.

75% of the monthly gross rental income less the property's PITIA is utilized for qualification. The following are required:

- A properly executed lease agreement (that is, a lease signed by the Applicant and the lessee) of at least one year's duration after the loan is closed. Evidence of the security deposit and/or evidence the first month's rent was paid to the homeowner must also be provided.
- If a lease is not available, an appraiser's comparable rent schedule may be utilized in lieu of actual lease agreement with a 50% expense factor. No positive rental income may be used in an instance without an actual lease.

Income from Roommate in a Single-Family Residence

See [Full Documentation](#) guidelines for guidance.

- Note that the tax return requirement listed in that section does not apply.
- Show 12 months' receipt of boarder income to consider it effective income.

Accessory Unit Rental Income

Rental income from an accessory unit may be utilized towards qualifying income.

When used on the subject property, the appraiser must be able to verify with the building department that the accessory unit is:

- a.) Legal and
- b.) May legally be rented.

PURCHASE

On a purchase transaction, the appraiser's opinion of market rent may be utilized.

REFINANCE

On a refinance transaction, the rental income must be documented by a lease, and proof of receipt of the most recent one month's rental income, dated within sixty calendar days of the note date.

Co-Applicant Income

Full documentation from a Co-Applicant who does not rely on a WVOE for income documentation may be used to supplement the WVOE income. See full documentation guidelines for additional information on acceptable sources and requirements. Taxable income is counted on a "gross" amount. Non-Taxable income may be grossed up by 25%.

Section 5.5.2: Credit Overlays

The following credit overlays apply to this product:

- The housing payment history must be 0x30x24.
- The Applicants must not have had any [Significant Derogatory Credit Events](#) in the last four years.
- The minimum FICO score is 680.

Section 5.5.3: Asset Overlays

Gifted funds may not be utilized on a transaction where all Applicants are First Time Home Buyers.

Section 5.5.4: Underwriting Overlays

The following underwriting overlays apply this product:

- Maximum loan amount: \$2,000,000
- Loans where all Applicants are First Time Home Buyers are limited to 70 LTV/CLTV.
- If one or more Applicant is not a First Time Home Buyer, then standard LTVs/CLTVs for this product apply.
- Allowable LTVs/CLTVs/FICOs/Loan Amounts are as detailed in [Exhibit C](#).
- The loan will be priced as an alternative documentation loan and may include some additional LLPAs.

If a loan utilizes the WVOE option in the [Full Documentation](#) section, then it would not be subject to the limitations in this section.

Section 5.6: Asset Qualifier

Section 5.6.1: Product Eligibility

Qualification is determined solely based on the Applicant's assets which are liquid or may be liquidated without restriction.

- No income or employment needs to be verified.
- No DTI is developed for this program.
- Total post-closing assets must meet one of the three requirements below.
- Funds to close must be documented in accordance with guideline requirements.

Section 5.6.2: Asset Calculations and Requirements

Calculation Methods

Method One | Mortgage Only

- Total post-closing assets must equal 125% of the balance of all outstanding mortgages (including any secured lines of credit) for which the Applicant has personal liability, including the subject loan.
- Any mortgage debt which an Applicant may document in compliance with Sections [8.5](#) or [8.7](#) may be omitted from this calculation.
- A departing property may be excluded from the debt service requirements provided that the Applicant documents sufficient assets for all other properties owned (exclusive of the departing residence) in addition to the assets required in the Departing Residence guidelines.

Method Two | Simplified

- Total post-closing assets must equal 110% of the proposed subject loan amount on the subject property plus 25% of the balance of all other outstanding debt (mortgage and consumer).
- Any debt which an Applicant may document in compliance with Sections [8.5](#) or [8.7](#) may be omitted from this calculation.

- A departing property may be excluded from the debt service requirements provided that the Applicant documents sufficient assets for all other properties owned (exclusive of the departing residence) in addition to the assets required in the Departing Residence guidelines.

Method Three | Traditional

- 100% of loan amount
- 36 months of total of other debt service, as determined by the liability section of this guideline.
- Do not include PITIA on rental properties, as that is addressed separately. Do not include PITIA on the subject property.
- 36 months of net loss on rental real estate properties as determined below in this section. Do not include the subject property's PITIA.
- A departing property may be excluded from the debt service requirements provided that the Applicant documents sufficient assets for all other properties owned (exclusive of the departing residence) in addition to the assets required in the Departing Residence guidelines.

Eligible Asset Types

Assets are determined based on the calculation below:

- Cash and cash equivalents: 100% of face value
- Marketable securities (excludes unvested RSUs and Stock options): 90%
- Funds to close must be liquidated in advance of closing and an updated value provided for purposes of determining available post-closing assets.
- Retirement funds: 80% unless if Applicant is of retirement age, then use 90%. If utilizing retirement account, document the Applicant's ability to access the funds.
- Cash surrender value of an annuity or life insurance contract: 100%
- Cryptocurrency: Allowable Cryptocurrencies must be liquidated to be utilized.
- See [Cryptocurrency Assets](#) for full requirements.
 - 100% of liquidated proceeds from Allowable Cryptocurrencies may be utilized provided guideline requirements are met.
- To meet asset requirements up to 10% of the assets utilized may come from cash out proceeds (this is only allowable in Methods 2 and 3)
- The proceeds from any documentable sale of home or business by borrower over the prior 6 months
- [Technical Refinance](#) funds can be used as eligible assets and maximum cash out limits do not apply
- The balance of any loan secured against financial assets being used for asset qualifications will be netted against the asset's value before application of discount, without regard to the total amount that may be drawn.
- The Applicant(s) may only use their proportionate share of any accounts jointly held with parties who are not on the loan application. If no specified percentage of ownership is listed, it will be assumed the account is divided evenly amongst the account holders.
- Foreign Assets meeting the [Foreign Deposit](#) guidelines may be utilized
- Trust assets are eligible provided the underlying assets meet the requirements of these sections. If utilizing trust assets, the Applicant must be a current beneficiary, any proportional beneficial interests must be accounted for, and the Applicant must have immediate and unrestricted access to the funds.

Documentation Requirements

- The most recent 6 full months of statements must be provided for any account that will be utilized for asset qualification.
 - Asset balances must be verified within 120 days of the note date via statements or other verification of the account balance, unless more recent required based on the Seller's discretion.

- The statements must be analyzed for deposit activity.
- Any deposit greater than 10% of the face value of the account of the most recent statement must be sourced and documented.
- Business accounts or other accounts used solely for funds to close should follow standard asset requirements.
- Any deposits which cannot be sourced will be deducted from the end value of the account.

Note: Taxes, insurance, and HOA/common charges on non-subject properties do not need to be documented if utilizing Methods 1 or 2.

Residual Income

The residual income for the Asset Qualifier product must meet or exceed \$1,500 per month. Follow the directions in the [Residual Income Requirements](#) section for details, requirements, and calculations.

Ineligible Asset Types

- Business funds (may be used for funds to close)
- Gifted Funds (may be used for funds to close)
- Non-liquid assets (automobiles, artwork, business net worth etc.)
- Face value of life insurance. Cash value of a vested life insurance policy is allowed at 100%.
 - When used for reserves the cash value must be documented but does not need to be liquidated or received by Applicant.
- Unvested restricted stock
- Stock options, unless exercised
- Securities that are not publicly traded
- Unliquidated Cryptocurrency
- Unallowable Cryptocurrency – see [Cryptocurrency Assets](#) for allowable assets and requirements

Rental Property Calculation (Method Three Only)

Rental properties are counted on a net basis based on 75% of lease less PITIA to determine impact on debt service. Other REO (including any rental properties) require additional reserves. Document at least 3 months receipt of rental income. If no rent can be documented for the property, include the full PITIA in its debt service.

Section 5.7: Investor Cash Flow/DSCR

Section 5.7.1: Product Eligibility

Qualification is determined solely based the debt service coverage ratio (DSCR) of the subject property only, as defined by rents divided by proposed PITIA (based on the qualifying rate and payment) unless the [interest only payment](#) is utilized, see [Qualifying Ratios](#) for more detail.

Must meet the following:

- The loan must be made for and be eligible for treatment as a business purpose loan.
 - This is required due to the exemption a business purpose loan has from consumer regulations such as TILA.
 - This means that neither the Applicant, titleholder nor a family member (including beneficial owners of properties where title is vested in an entity) may currently or intend in the future to reside on the property.
- Some investment occupancies may still be considered a consumer purpose.

For example, a purchase of an investment property which will be occupied by a family member or a cash out refinance where the intended use of the cash out proceeds is to pay personal debt or purchase a new primary residence or second home would be a consumer purpose loan.

Neither of those instances, nor any other instance of a consumer purpose loan, is eligible for this program.

Requirements

- At least one Applicant on the file must have at least a 12-month history of owning and managing rental properties in the three-year period preceding the loan's application date. Ownership may be documented with mortgage history on credit, property profile, or other third-party documentation. See [below](#) for criteria to waive this requirement.
- Ownership/management of commercial properties is acceptable for this requirement provided the borrower was the majority owner of the property.
- No income or employment is verified for this product.
- No DTI is developed.
- Each Applicant's primary residence, regardless of whether owned, rented or resided in, must be superior in some manner to the subject property.

Section 5.7.2: Qualification

The debt service coverage ratio is subject to the following requirements. The DSCR is a precise figure and may not be rounded up for purposes of qualification.

LTV/CLTV, FICO, AND MINIMUM DSCR Requirements

LTV/CLTV	FICO SCORE	PURCHASE	REFINANCE (ANY)
>75%	Any	1.00	1.00
>70% to 75%	>=720	NO MIN DSCR*	1.00
	>=680 and <720	.75	1.00
	<680	1.00	1.00
<=70%	>=680	NO MIN DSCR	.75
	<680	1.00	1.00

***If DSCR is <.750, minimum loan amount is \$250,000**

Example:

- Rents of \$1,000 and PITIA of \$800. $DSCR = \$1,000 / \$800 = 1.25$. This would be eligible for the product.
- Rents of \$800 and PITIA of \$1,200. $DSCR = \$800 / \$1,200 = .66$. This would be eligible for the product provided LTV/CLTV, FICO, and reserve requirements are met.

Additional DSCR Notes

- Certain DSCR levels i.e. <1.00 may be subject to [guideline limitations](#) or pricing adjustments.
- Investor Cash Flow Loans with a DSCR <1.00 and LTV/CLTV >70 must have at least a one-year PPP.
- Certain Applicants have higher DSCR requirements such as [Foreign Nationals](#) and [ITIN/DACA Applicants](#) than the table outlined above
- Please refer to [Exhibit D](#) for allowable LTV/CLTV, FICO, and Loan Amounts.
- All Applicants must own their primary residence for any loan with a DSCR <.75.
- The primary residence(s) must be superior in type or location to the subject property.
- Any property rented on a short-term basis must have a DSCR >=1.00.

- Loans >80 LTV/CLTV or below 1.00 require additional post closing reserves.
- Any property evidenced to be rented on a short-term basis must have a minimum 1.00 DSCR.

Interest Only Payment Qualification

The interest only payment on a loan with an interest only payment feature may be used in lieu of an amortizing payment to calculate the Qualifying Payment and the DSCR, provided the LTV/CLTV does not exceed 75 and the FICO score on the file is not less than 700. In addition, the interest only payment may not be used where fully amortizing payment, i.e. landlord waiver and foreign national, is required. The amortizing payment described in the Qualifying Payment section must be used on loans which do not meet the criteria laid out here.

The taxes, insurance, homeowner's association dues, and any other payments included in the "TIA" of the PITIA must still be calculated in the DSCR.

Landlord History Waiver

- Applicants who meet all the below criteria are not required to document a previous 12-month history of owning and managing rental properties in the three years preceding the loan's application date.
- Underwriting may, in its discretion, request a motivation letter or other information as necessary to establish the loan as a business purpose loan.
- In instances where there are multiple Applicants and all Applicants do not meet the below requirements; the file is subject to additional due diligence to verify it will be a business purpose loan.

Properties Subject to a Management Agreement

Landlord history may be waived if property is under a management agreement with a licensed property management company as of closing. The Seller must provide evidence of a license in the file. Applicant must meet the following requirements:

- Minimum 700 FICO
- Maximum 70 LTV/CLTV
- Minimum DSCR as follows:
 - ≥ 740 FICO: .750
 - < 740 FICO: 1.00
- 0x30x12 on housing payments
- All other guideline requirements must be met

Other Instances

Landlord history may also be waived if the loan meets the following minimum requirements:

- 680 FICO
- 1.00 DSCR based on a 30-year amortizing payment
- 0x30x12 on all housing trade lines as of the application date
- No mortgage forbearances with a missed payment in the most recent 12 months prior to the application date
- All Applicants must own their current primary residence
- Max 80 LTV/CLTV
- For refinance transactions, the subject property must have been acquired in the previous 12 months. Additionally, the following must be provided:
 - At least 3 consecutive months' receipt of rent are provided prior to application date.
 - On Multi-Unit Properties (for requirements above) only 1 unit is required to be verified
- Minimum DSCR must meet the following table

Purchase Transactions		
FICO	≤70 LTV/CLTV	>70 LTV/CLTV
≥740 FICO	.75	1.00
<740 FICO	1.00	1.00
Refinance Transactions		
FICO	≤70 LTV/CLTV	>70 LTV/CLTV
Any	1.00	1.00

Determination of Rents

Purchase

Scenario	Income Calculation
Purchase Transaction-Lease in Place as Of Closing (or within 60 days of closing)	
If a lease is in place and will continue after closing	The lesser of actual or market rents will generally be utilized, however if actual rents exceed market rents actual rents may be utilized subject to the figure calculated not exceeding 110% of market rents. Amounts exceeding 110% of market rents are disregarded. Example: - Lease agreement = \$1200 - Market rent = \$1000 - Max rent allowed to be used = \$1000 x 1.10 = \$1100
If current tenant will remain in the property, but the Applicant intends to increase the rent to a market level after closing	Up to 25% above the current lease, in place not to exceed market rents, may be utilized subject to all the following: - Max 70 LTV/CLTV - Additional 6 months' reserves beyond the required reserves applicable for the transaction - Provide evidence there are no regulatory restrictions precluding the increase in rents for the subject property area - A letter of explanation addressing proposed increase in rents, including market support for the intended figure
	Executed copy of current lease agreement. If a current lease is not available, provide evidence of the current tenancy arrangement i.e. purchase agreement or estoppel certificate.
If a property is subject to an at will tenancy without a written lease agreement which will continue after closing and where the Applicant has not stated intent to increase rents as detailed above.	Utilize the lesser of market or actual rents. Documentation from the seller of the property outlining the terms of the lease will be acceptable as a lease agreement provided it includes: - the tenant's name, - address, and - monthly rent
If an Applicant has a tenant in place on a lease which will commence within 60 days of the note date	Lease may be included within the determination of the subject property's cash flow as the current rents with the following: - The lesser of actual or market rents will be used - Applicant must provide the executed lease AND - Proof of receipt of 1st month's rent and/or security deposit due per the terms of the lease
If a lease is currently in place which will expire within 60 days after closing and the tenant will vacate	Allow the use of fair market rent as determined by Appraiser when an acceptable Notice to Quit/Non-Renewal is agreed to by the tenant in writing. The rental figure utilized may not be more than 25% above the amount of the lease in place at time of closing.
Purchase Transaction-Property to be Delivered Vacant (Short Term Rental Properties May be Subject to a Price Adjustment)	
If a lease is in place but the	If the subject property is qualified on long term rents, use 100% of market rents as

Scenario	Income Calculation
subject will be vacant as of the closing date	determined by the appraiser on form 1007. If the subject property is qualified on short term rents, use 80% of either i.) market rents as determined by the appraiser on form 1007 or ii.) AirDNA. If utilizing AirDNA, the following criteria must also be met: - The projected occupancy rate listed on the report must be > 50% - At least 5 comparable properties must exist within the subject properties market area, which must be similar to the subject in size, room count, amenities, availability, and occupancy - Annual rents will be divided by 12 - The minimum DSCR using this calculation is 1.00 for LTV/CLTV up to 75 and 1.15 for LTV/CLTV up to 80.
	- The Applicant may waive rental management experience - The Applicant may not use short term rental income if the property is in an area which restricts the Applicant's ability to rent the property on a short-term basis In either case, the subject property must be vacant at time of closing and the rents utilized must be annualized and inclusive of any applicable vacancy factor.
If subject is currently vacant and will be vacant as of the closing date	If the subject property is qualified on long term rents, use 100% of market rents as determined by the appraiser on form 1007. If the subject property is qualified on short term rents, use 80% of either i.) market rents as determined by the appraiser on form 1007 or ii.) AirDNA. If utilizing AirDNA, the following criteria must also be met: - The projected occupancy rate listed on the report must be > 50% - At least 5 comparable properties must exist within the subject property's market area, which must be similar to the subject in size, room count, amenities, availability, and occupancy - Annual rents per the AirDNA will be divided by 12 - The minimum DSCR using this calculation is 1.00 for LTV/CLTV up to 75 and 1.15 for LTV/CLTV up to 80. - The Applicant may waive rental management experience - The Applicant may not use short term rental income if the property is in an area which restricts the Applicant's ability to rent the property on a short-term basis In either case, the subject property must be vacant at time of closing and the rents utilized must be annualized and inclusive of any applicable vacancy factor.
If the subject property will be short-term rented and using AirDNA to qualify	For properties that are in short term rental areas, AirDNA's Rentalizer report may be used to calculate the gross rents, in lieu of an appraiser's opinion of market rents subject to the following limitations must be met: - The forecast period relied upon must cover at least 12 months from the note date - The projected occupancy rate listed on the Rentalizer report must be > 50% - At least 5 comparable properties must exist within the subject property's marketplace, which must be similar to the subject in size, room count, amenities, availability, and occupancy - Annual rents per the Rentalizer report will be divided by 12 - The gross rents will be reduced by a 20% expense factor
	- The minimum DSCR using this calculation is 1.00 - The maximum LTV/CLTV is 80. LTV/CLTV >75 requires a minimum 1.15 DSCR for use of AirDNA - The Applicant may waive rental management experience - The Applicant may not use short term rental income if the property is in an area which restricts the Applicant's ability to rent the property on a short-term basis - The subject property must be vacant at time of closing - The appraiser's opinion of market rents must still be obtained and evaluated as part of the underwriting review.

Refinance

- Applicants must provide leases in place. If the property has been rented on a short-term basis in the preceding 12-month period, proof of the rents received must also be provided.

- o An expired lease which is converted month to month is acceptable.

VACANT PROPERTIES

Properties which are vacant (as defined below) require a 5% LTV/CLTV reduction with a maximum of 70 LTV/CLTV on a rate and term refinance and a 10% LTV/CLTV reduction on a cash out refinance, in addition to any other requirements. This shall not apply to rate/term refinances of properties that have just completed renovations and are being newly exposed to the rental market as evidenced by the appraisal.

- One Unit Property: Subject is unleased.
- Two Unit Property: Either unit in subject property is unleased.
- Three Unit Property: Two or more units in the subject property are unleased.
- Four Unit Property: Two or more units in the subject property are unleased.

Follow the below table for additional guidance on specific scenarios, including those which may require an LTV/CLTV reduction:

Refinance-Property Will be Subject to a Long-Term Lease as of Closing	
Scenario	Requirements
Property is subject to a long-term lease	The lesser of actual or market rents will generally be utilized.
If the property is subject to an at will tenancy without a written lease agreement	The lesser of actual or market rents will be utilized. Obtain a letter from the Applicant outlining terms of lease will be acceptable as a lease agreement with proof of the most recent month's rental income provided the letter includes:
	• The tenant's name, • Address, • Monthly rent, AND • How long the lease has been active.
If an Applicant has a tenant in place on a lease which will commence within 60 days of the note date	The lease may be included within the determination of the subject property's cash flow as the current rents with the following: • The lesser of actual or market rents will be used • Applicants must provide the executed lease, AND • Proof of receipt of 1st month's rent and/or security deposit due per the terms of the lease
If the unit is subject to a long-term lease agreement the additional rents are used to qualify	The lease may be used to calculate the DSCR provided: • The lease will continue for at least six months after the note date AND • Two months of rents due prior to the application date are documented as received timely.
If the unit is currently vacant-long term rental	• Utilize 100% of the market rent shown on the comparable rent schedule, • If there is any evidence the subject property is rented for a short-term basis, the minimum DSCR is 1.00, and • The property is subject to the vacant property guidelines.
Refinance-Property Will be Subject to Short Term Leases (Short Term Rental Properties May be Subject to a Price Adjustment)	
Scenario	Requirements
If properties rented on a short-term basis where the actual rents exceed the market rents may use the actual rents.	Actual rents may be utilized provided the following are met: • Receipt of rents will be averaged over the 12-month period preceding the application. Properties owned less than 12 months will still have their rents averaged over 12 months, • The gross rents may not be declining more than 10% 6 months over 6 months, • 5% LTV/CLTV reduction is required, with maximum LTV/CLTV 70%, • The minimum DSCR is 1.00, AND • The Applicant may not use short term rental income if the property is in an area which restricts the Applicant's ability to rent the property on a short-term basis.

Refinance-Property Will be Subject to a Long-Term Lease as of Closing	
	Market rents must still be obtained using either form 1007 or AirDNA.
If properties rented on a short-term basis where the actual rents are less than or equal to market rents	- Receipt of rents will be averaged over the 12-month period preceding the application. Properties owned less than 12 months will still have their rents averaged over the period where the property was in rental service, provided the rental service spans at least the most recent six-month period. If there are less than six months in service, then follow unleased property guidelines below, 5% LTV/CLTV reduction is required, with maximum LTV/CLTV 70%, - The minimum DSCR is 1.00, AND - The Applicant may not use short term rental income if the property is in an area which restricts the Applicant's ability to rent the property on a short-term basis. - Market rents must still be obtained using either form 1007, CCM's STR Form, or AirDNA.
If the unit is currently unleased-short term rental and a Form 1007 will be utilized	For properties that are in short-term rental areas, use 80% of short term market rents as determined by the appraiser on form 1007. The subject property may not be subject to a long-term tenancy as of closing and any rents utilized must be annualized and inclusive of any applicable vacancy factor. A minimum 1.0 DSCR must be met.
If the unit is currently unleased and AirDNA will be utilized	For properties that are in short-term rental areas, AirDNA's Rentalizer report is used to calculate the gross rents, in lieu of an appraiser's opinion of market rents subject to the following limitations must be met: - If the property has been rented for short term basis resulting in a lower figure, evidence of rents for the last 12 months is required, and use of this guideline requires justification and support to ignore the history. - The forecast period relied upon must cover at least 12 months from the note date - The projected occupancy rate listed on the Rentalizer report must be => 50% - At least 5 comparable properties must exist within the subject property's market area, which must be similar to the subject in size, room count, amenities, availability, and occupancy - Annual rents per the Rentalizer report will be divided by 12 - The gross rents will be reduced by a 20% expense factor - The minimum DSCR using this calculation is 1.00 - Loans will be subject to vacant property guidelines, which generally requires a 5% LTV/CLTV reduction with max 70 LTV/CLTV on a rate and term refinance and a 10% LTV/CLTV reduction on a cash out refinance with max 65 LTV/CLTV - The Applicant may waive rental management experience
	- The Applicant may not use short term rental income if the property is in an area which restricts the Applicant's ability to rent the property on a short-term basis - The subject property must be vacant at time of closing - The appraiser's opinion of market rents must still be obtained and evaluated as part of the underwriting review.

Multi-Year Lease

In the event an Applicant has a multi-year lease, an increase coming within 12 months, and which will continue for 12 months after the adjustment may be utilized to calculate the DSCR. The increased rents utilized to underwrite under this section may not exceed the appraiser's opinion market rent of the unit(s) in question.

Accessory Unit Rental Income

Rental income from an accessory unit may be utilized towards qualifying income. On a purchase transaction, the appraiser's opinion of market rent may be utilized. On a refinance transaction, the rental income may rely on the appraiser's opinion of market rent if vacant, otherwise rely upon the lesser of the lease or appraiser's opinion of market rent. In all cases, the appraiser must be able to verify with the building department that the accessory unit is a.) legal and b.) may legally be rented.

Documentation for Other Owned Properties

Mortgage statements and other documentation related to the carrying costs of other properties owned such as the property tax bills, homeowner's insurance bills, and/or homeowner's association dues statements are not required. Underwriting may, however, request if needed to make determinations on pay history or occupancy.

Please refer to the [Housing Payment History](#) section for requirements to document mortgage payment histories.

Please refer to the [Limitations on other REO](#) section for requirements to include properties on the URLA.

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Chapter 6: Assets

The accumulation and availability of liquid assets are a strong factor indicating a sound credit risk. Asset documentation is required to evidence funds needed to cover down payment and other related closing costs as well as satisfy the reserve requirements per program guidelines. Not all asset types are acceptable for each program's reserve requirement. Assets statements are generally valid for 120 days. Asset statements provided must cover at least 60 days.

Section 6.1: Down Payment

On purchase transactions, Applicants must make the down payment with funds from their own resources. Generally, the earnest money deposits must be fully documented including the source of the down-payment from the Applicant's account(s) and the evidence of transfer to the closing agent. If the Applicant cannot document the source of the earnest money deposit but has sufficient assets for funds to close and reserves without inclusion of the earned money deposit, it does not need to be documented and may remain on the CD. Gift funds may be utilized towards down payment requirements subject to the gift section below.

Section 6.2: Reserves

Reserves are those assets which are liquid or may be liquidated and are available to Applicant(s) post-closing of the mortgage loan. Reserves include cash and other assets that are easily and readily convertible to cash by the Applicant. Reserves are calculated using the qualifying payment (see [Qualifying Ratios](#) for details) and are measured by the number of months of monthly housing expense (PITIA- Principal, Interest, Taxes, Insurance, Association dues/Special assessments) that an Applicant could pay using his or her financial assets. PITIA includes:

- Principal and Interest
- Real Estate Taxes
- Homeowner's Insurance (Hazard, Flood, etc.)
- Ground Rent
- Special Assessments
- Owner's Association Fees
- Cooperative monthly fees
- Payments for Subordinate Financing

The requirements for reserves for each program are as follows.

Section 6.2.1: All Products (Except Asset Qualifier)

The requirements for reserves for each program are as follows.

Requirements	
Loan amount up to \$1.0MM***	4 months PITIA
Loan amount above \$1.0MM and up to \$2MM***	6 months PITIA
Loan amount above \$2MM and up to \$4MM***	12 months PITIA
Other real estate owned* (see below)	2 months of each property's PITIA
FTHB Payment shock >350% waiver	3 months PITIA
LTV/CLTV >80**	Additional 2 months PITIA

Section 6.2.2: Additional Documentation Type Specific Adjustments

Requirements	
Full Documentation	
DTI >50 and increased residual income not met	Additional 6 months PITIA
Bank Statement	
18 months to 2 years self-employed	Additional 6 months PITIA
Investor Cash Flow	
LTV/CLTV > 80	Additional 6 months PITIA
DSCR < 1.00	Additional 3 months PITIA
Purchase Transaction Where Rents Are to be Increased After Closing and Used to Calculate the DSCR	Additional 6 months PITIA
Foreign National (Investor Cash Flow Only)	
DSCR < 1.00	Additional 3 months PITIA
Loan amount up to \$2MM	6 months PITIA
Loan amount above \$2MM and up to \$3MM	12 months PITIA

*In the event Method One is utilized to calculate rental income on a non-subject rental property, 1/12th of the expenses claimed may be utilized to calculate the “TIA” of the “PITIA”. The mortgage statement(s) must still be provided, the taxes, insurance, and HOA statements do not.

*No reserves for other REO required for Investor Cash Flow loans.

**Does not apply to Investor Cash Flow loans

***Foreign National DSCR loans follow what is detailed in Section 6.2.2

Section 6.2.3: Asset Qualifier

No separate reserves required-see [Section 5.6.2](#) for post-closing asset requirements.

Section 6.3: Asset Eligibility

The following provides a list of assets and when they can be utilized for down payment and/or reserves. Items not identified on this list may be acceptable if pre-approved. Note that this section relates solely to the utilization of assets to meet the funds to close or reserve requirements. In the instance of a conflict between this section and the [Asset Utilization](#) or [Asset Qualifier](#) guideline sections, the latter shall apply.

Annuities/Cash Value of Life Insurance

The cash value of an annuity or a whole life insurance policy is an acceptable source for funds needed to close or for reserves and is defined as 100% of the cash surrender value of the annuity/life insurance contract, net of any loans. If being used for funds to close, document the liquidation. If penalties for failure to repay the loan are limited to the surrender of the policy/contract, payments on a loan secured by the cash value of an Applicant’s life insurance policy do not have to be considered in the total debt- to-income ratio.

Borrowed Funds – Secured

Borrowed Funds from a secured loan may be used as a source of closing funds or reserves. To utilize Borrowed Funds:

- The loan must be secured by an asset already owned by the Applicant (e.g., CDs, marketable securities, other real estate, life insurance policies and retirement accounts),
- The terms of repayment for the loan and the secured nature of the loan must be verified by obtaining a copy of the note. If the loan is secured against an asset that is not a financial asset with sufficient balance to repay the loan, then a payment must be determined. If there is no monthly payment, then include .5% of the loan amount per month, and
- The value of the remaining assets must be reduced by the amount of the secured loan balance.

Business Assets

General Acceptability

Cash from a business account may be acceptable, provided the funds are not required to service the business' current liabilities.

Minimum Ownership Requirements

The Applicant(s) on the loan must own a combined 50% or greater interest of the business for the funds to be utilized. If an Applicant's non-borrowing spouse is also a business owner, their proportionate share of the business assets may be used for purposes of calculating the business ownership with receipt of a joint access letter.

Attribution of Assets

Utilize the Applicant's proportionate ownership of the Business Assets for calculation purposes. Except as detailed below, any amount which represents a greater percentage than the ownership reflects will require an exception and if approved additional co-owner authorization.

If, on an investment property loan, the subject property is being purchased in the name of an entity, 100% of the business' assets may be utilized under the following limitations:

- The Applicant(s) on the loan must own 50% or more of the business. A spouse's interest may not be used to clear the 50% ownership threshold.
- The business' activity must be limited to ownership of rental real estate and anything related thereto.
- The other business owners must provide a join access letter.

Documentation Required

Evidence of the Applicant's ownership interest in the business must be provided in all cases. Additionally, one of the following must be provided in all instances where business assets are utilized for any purpose (funds to close or reserves):

- A CPA, EA, or licensed tax preparer's letter stating that the use of the funds in the transaction will not have a material adverse impact on the business' operations OR
- Complete a Cash Flow Analysis based on the following utilizing the Non-QM Program Business Asset Cash Flow Worksheet:
 - Review the most recent three months of business account statement for activity. Total the deposits and withdrawals over that period. Withdrawals that can clearly be shown to be income to the Applicant may be excluded.
 - Subtract the withdrawals from the deposits to determine the net cash inflow/outflow. Divide by three to determine the monthly amount.
 - If the net monthly cash inflow/outflow is positive (i.e. $\geq \$0$), the entire business account balance may be utilized.
 - If the net monthly cash inflow/outflow is negative (i.e. $< \$0$), deduct six months' worth of the net monthly inflow/outflow. The remaining balance may be utilized.

When business income is not being considered in qualification and the business is not an operating business (i.e. a partnership or LLC that exists to hold investments) or if the business entity is limited to acquisition and ownership of rental real estate, analysis of the business for access to funds will not be required. Ownership will still need to be validated.

In addition, funds which have been transferred into personal accounts prior to application date must be sourced but may be utilized without restrictions based on the Applicant's ownership.

Personal assets which have been moved into an Applicant's business and then back out can be utilized without restriction provided the transfer in/deposit can be sourced and the withdrawal tied to the initial transfer.

Sourcing of Large Deposits

Any large deposits that are greater than 50% of the Applicant's qualifying income (or in the case of a bank statement loan, 50% of the average monthly deposits), must be sourced to be able to be utilized unless it is plainly evident that the deposit represents ordinary business activity. If a deposit is identified as a business loan, it must be excluded from qualifying income and cash flow calculations. For Investor Cash Flow/DSCR loans, any single deposit that exceeds 35% of the loan amount must be sourced in order to be included.

Checking, Savings or Share Accounts

Funds held in checking, savings, or share (credit unions) accounts may be used for the down payment, closing costs, and financial reserves.

The Seller must investigate any indication of borrowed funds such as recently opened accounts, recent large deposits or account balances that are considerably greater than the average balance over the previous few months. For DSCR loans, large deposits are deposits equal to or greater than 35% of loan amount and must be sourced to be utilized.

- Underwriting will require a written explanation of the source of funds from the Applicant and must verify the source of funds.
- The funds must be U.S. dollar deposits in institutions located in the U.S.
- A joint access letter is not needed to use 100% of the assets held in an account held jointly with non-borrowing account holders.

Proceeds from a Cash-Out Refinance

Cash-out proceeds from a subject property refinance may be used as closing costs or source of debt pay down/off for all products and for post-closing reserves on a loan with an LTV/CLTV up to 75. Cash-out proceeds are eligible for Passive Asset Utilization, or Asset Qualification under the Asset Qualifier product. Proceeds from a Technical Refinance or a refinance where borrower is solely recouping documented expenditures (see [Rate/Term Refinance](#) for definition), which represent the Applicant's own funds being recouped, may be used as reserves and towards [Asset Utilization](#) and [Asset Qualifier](#) requirements. If loan is closing with a prepayment penalty, see [prepayment penalty section](#) for additional requirements.

Certificates of Deposit (CD)

Certificates of Deposit are an acceptable source of funds for down payment, closing costs and reserves. Funds must be U.S. dollar deposits in institutions located in the U.S. Utilize 100% of the face value of the account.

Custodial Accounts for Children or Others

Custodial accounts for children or others are an acceptable source of funds for down payment, closing costs and reserves. 529 Accounts are **not** acceptable. Document the Applicant's ability to access the funds to utilize them. If the funds are held in an account where the Applicant may not access or utilize them or if the assets have been irrevocably gifted to another party, then the asset may not be utilized.

Cryptocurrency Assets

Applicants with cryptocurrency assets may utilize the assets for funds to close and for reserves.

Cryptocurrency liquidated for Cash Required to Close

- Assets must be liquidated and deposited into a cash depository account prior to closing (except as detailed below) with same documented.
- Unliquidated Bitcoin and Ethereum held in Coinbase may be utilized as reserves based on 50% of the face value. A current valuation within 30 days of the note date must be provided in addition to all other required asset documentation.

Documentation Requirements

- The most recent 6 full months of statements must be provided for any account that will be utilized for qualifying use of assets.
 - The statements must be analyzed for deposit activity.
 - Any large deposits must be sourced
- Asset balances must be verified within 120 days of the note date via statements or other verification of the account balance, unless more recent required based on the Seller's discretion.

Unliquidated Cryptocurrency may not be utilized for [Asset Utilization](#).

The following represents the acceptable list of Cryptocurrencies (symbols) whose liquidation represents an acceptable source of assets:

- Bitcoin (BTC)
- Ethereum (ETH)
- Tether USDt (USDT)
- BNB (BNB)
- XRP (XRP)
- USD Coin (USDC)
- Dogecoin (DOGE)
- Cardano (ADA)
- Solana (SOL)
- TRON (TRX)

Foreign Deposit

Funds that are on deposit in institutions located outside the United States or non-U.S. denominated funds in a deposit institution located in the U.S are considered foreign deposits. These deposits can be subject to exchange-rate risk and country risk. The use of foreign deposits for down payment, closing funds and reserves requires that:

- Proof the transferred funds belonged to Applicant(s) for 60 Days prior to transfer,
- Funds must be transferred into a U.S. bank/deposit account, and
- Proof of wire transfer must be documented in the file.

Alternatively, the Applicant Account Holder may directly wire funds from an approved institution (refer to [Exhibit A](#)) to the Title Company holding Escrow. The following is required for foreign currency:

- Proof the transferred funds belonged to Applicant(s) for 60 Days prior to transfer,
- Funds must be transferred into a U.S. bank/deposit account, and
- Proof of wire transfer must be documented in the file.

When the source of those funds originates from assets located outside of the U.S. and its territories, those assets require:

- Verification of the funds in U.S. dollars equivalent prior to the transfer
- Provide any gaps in Asset documentation
- Proof of funds clearing account in amount matching wire received

Assets which are held in an approved institution may be used for post-closing reserves and may remain in the foreign country. Refer to [Exhibit A](#) for the approved list.

Gift Funds

An Applicant for a mortgage loan may use funds received as a personal gift from an acceptable donor as a source of funds to close, closing costs, and funds to pay down debts. The gift donor must meet FNMA eligibility requirements and must be a natural person. Gifted funds may not be used for reserves.

The table below details minimum required investment by the Applicant.

MINIMUM CONTRIBUTION REQUIREMENTS-LOAN ATTRIBUTES-MOST RESTRICTIVE REQUIREMENT APPLIES								
LTV/CLTV/Loan Amount	Primary Residence	Second Home	Investment Property	FTHB Without Housing History	ITIN	P&L Only	WVOE Only & FTHB	Foreign National
Up to 80%	None	5%	5%	10%	10%	5%	No gift allowed	10%
Above 80%	5%	5%	10%	N/A	10%	5%	No gift allowed	10%
Above 70% and loan amount above \$1.5mm	None	5%	5%	No gift allowed	10%	5%	No gift allowed	10%

Gifts funds are eligible under the following guidelines:

- The gift donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.
- The gift funds must be transferred to the Applicant or title. Documentation such as one of the following is required to evidence gift funds are either in the donor's account or have been transferred from the donor's account to the Applicant:
 - A copy of the donor's check and the Applicant's deposit slip
 - A copy of the donor's withdrawal slips and the Applicant's deposit slip
 - A copy of the donor's check to the closing agent, or
 - A settlement statement showing receipt of the donor's check
- Information related to the donor and gift are provided in an executed "gift letter" provided by the donor that specifies:
 - The name and address of the receiving party
 - The name and address of the donor party
 - The donor's relationship with the Applicant/receiving party
 - The dollar amount of the gift
 - A statement from the donor that no repayment is expected
 - The property being financed
 - The date the funds were (or will be) transferred

Gift of Equity

Gift of Equity refers to a gift received from the seller of the property. The seller must be a relative of the Applicants. A Gift of Equity represents a portion of the seller's equity in the property which is transferred to the buyer as credit in

the transaction. The loan to value is limited to the lower of 75% or the product guidelines on files with a Gift of Equity. The Gift of Equity must be referenced in the purchase agreement and in the settlement statement. A fully executed gift letter must also be provided. Gifts of Equity are allowed on primary and second homes only and allowed on all products, subject to the above gift requirements. For a primary residence or second home, an Applicant contribution is not required. Gifts of Equity are not allowed on investment properties. Gifted funds on [ITIN](#) or [DACA Applicants](#) require a 10% own funds contribution. Note that [P&L Only](#) and [WVOE Only](#) loans have limitations on gifted funds for First Time Home Buyers.

Marketable Bonds and Securities

Marketable Securities such as stocks, government bonds and mutual funds (net of margin) are acceptable sources of funds for down payment, closing costs, and reserves provided their value can be verified. Marketable Securities must be traded on a major market exchange (e.g., NYSE, AMEX, and NASDAQ) where market activity and valuation can be readily determined.

Marketable Securities can be used for down payment and closing funds provided they are liquidated. Unliquidated marketable securities are eligible for reserves at 90% of face value after the reduction of the balance of any margin loans.

If, prior to liquidation, the Applicant has >20% of the required funds to close and reserves after reduction of margin loan balances and application of haircut, then the liquidation requirement for funds to close is waived. Otherwise, evidence of the borrower's actual receipt and conversion into liquid cash deposits must be documented.

Note: A 90% factor is used due to being an asset with a value based on market fluctuation.

Calculating the unliquidated cash balance requirement

Example

- Funds to close total: \$325,000
- The required reserves total: \$18,500
- Total required (sum of the above): \$343,500
- Applicant's available marketable securities: \$417,000
- Other liquid funds available: \$15,000
- margin loan balance outstanding: \$10,000

Calculate the Equivalent Value of Assets by applying the factor:

Amount required to avoid liquidation: $$(343,500 - 15,000) * 120\% = \$394,200$

Marketable Securities after application of discount and deduction of margin loan: $($417,000 - \$10,000) * 90\% = \$366,300$

Result: insufficient funds to avoid liquidation, provide evidence of liquidated funds.

Requirements for the Use of Marketable Securities

The following are required to utilize Securities as Assets

Ownership of Accounts

All accounts used for qualifying assets must be:

- Owned by the Applicant
- Applicants can access for use when jointly owned with a non-borrower
- Accounts held in the name of a Living Trust are considered to be owned by the Applicant (taking into account any proportional beneficial interest) when the Borrower is the Settlor of the Living Trust.

Note: A joint access letter is not needed to use 100% of the assets held in an account held jointly with non-borrowing account holders.

Non-Borrowing Titleholders

Funds from a non-borrowing spouse who is/will be a titleholder may be utilized towards fulfillment of funds to close and up to 50% of the required reserves to a primary residence or second home. These funds will not be considered as gifted funds for purposes of determining minimum contribution requirements.

Document Requirements

- Two months' asset statements must be provided
- Large deposits are sourced/documented, acceptable to Seller.

Stock Options – if Exercisable

Vested Stock Options are an acceptable source of funds for down payment and closing costs if they are immediately available to the Applicant. Vested Stock Options are acceptable for reserves at 70% of the current market value limited to the strike price value. The value of vested Stock Options can be documented by referencing a statement that lists the number of options and the option price and using the current stock price to determine the gain that would be realized from exercise of an option and the sale of the optioned stock.

If the brokerage firm or fiduciary that negotiated the execution of the Stock Options did not deduct income taxes from the net proceeds, Seller must ensure that the Applicant will not suffer severe cash flow or liquidity problems when the taxes come due.

Non-vested Stock Options are **not** an acceptable source of funds for the down payment, closing costs, or reserves.

Proceeds from Sale of Real Estate

Proceeds from the sale of real estate are an acceptable source of funds for funds to close and reserves. The closing of the other real estate transaction must take place prior to or simultaneously with the subject closing and the net proceeds to the Applicant must be verified via a fully executed Closing Settlement Statement or equivalent settlement statement.

Proceeds from the Pending Sale of Real Estate

In instances where an Applicant owns real property that is under contract to sell but will not close prior to the consummation of the subject transaction, the equity in the property in question may be used towards post-closing reserves. For an Applicant to be eligible under this guideline, the following criteria must be met:

- The transaction in question must be subject to a bona fide arm's length purchase and sales contract, listing the seller as either the owner individually or through an entity created for their benefit,
- The transaction in question must have a contracted closing date within 90 days of the closing of the subject transaction. An "on or about" date is acceptable for this purpose,
- The transaction in question may not be subject to any outstanding financing contingencies. If there were any financing contingencies in the purchase and sales contract, then there must be evidence in the loan file that the contingencies have been cleared,
- The Applicant must provide an estimated settlement statement drawn up by the attorney or closing agent representing them in the transaction in question confirming the estimated proceeds, net of any seller closing costs and/or lien payoffs, and
- The Applicant must provide a letter attesting to the number and amount of outstanding liens on the property that is involved in the transaction in question.

If all these parameters are met, up to 50% of the Applicant's documented share of the proceeds may be utilized towards the post-closing reserve requirement. This guideline may not be combined with the Sale of Departing Residence guidelines.

Realtor Earned Real Estate Commission

It is a customary practice for a property Seller to pay commissions to the Buyer and Seller agents on the sale of a property where one or more agents are involved. Commission paid on the Sale of a Property is typically paid to a Real Estate Broker under terms which a Selling/Listing agent negotiates with the Property Owner/Seller.

Seller pays Buyer Agent Realtor Fee

When a Seller agrees on the Property listing Contract to pay the Buyer's agent fee:

An Applicant that is acting as their own **Buyer's real estate agent** in the Purchase of the Subject Property may **use their earned real estate commission** as an eligible source of funds for down payment and closing costs provided:

- The Applicant possesses any required licenses in the subject property's state,
- The Buyer's Real Estate Agent will receive a sales commission from the subject transaction,
- The Settlement statement reflects the commission earned by the Applicant,
- The earned commission amount must be credited towards the Applicant's funds to close.

When a Seller has not agreed on the Property listing Contract to pay the Buyer's agent fee, and instead provides Seller credit, the Applicant is technically responsible for paying their own commission to the Employing Broker and the funds to close calculation must also include the commission.

Review the Sales Contract for any conditional terms and identify the Applicant's role in the transaction.

- If the Applicant's role is Buyer's Agent and is not employed by the same Broker as Listing Broker, follow Standard Method of Documentation below.
- If the Applicant's role is both the Buyer's and Seller's agent, or the Buyers and Sellers agent are from the same Brokerage, follow the Additional Validation requirements before the Standard requirements.
- Review the Sales Contract for any standard underwriting conditions to be addressed.
 - A Sales Contract which was subsequently assigned to a Buyers or Sellers agent typically would not be considered acceptable. This would be subject to exception review.

Standard Method of Documentation

Follow these procedures as a standard validation procedure after determining the responsibility for the payment of Buyers Agent Commission.

- The commission due to the Applicant should be listed as an asset on the URLA and identified appropriately
- Ensure the preliminary CD from title/closing agent lists the Commission paid to Buyer's Agent Broker.
- Request verification direct from the Applicant Employer the following:
 - Applicant has been and is currently an Agent of Employing Brokerage, has been licensed throughout the transaction, and is not under any disciplinary action or supervision
 - Applicant has earned compensation in the role of "Buyers Agent" and the employing Brokerage allows for Self-Representation in a Purchase transaction.
 - The Applicant, in the capacity of Buyers Agent in the Purchase of the subject property with an anticipated closing date of "date", will be paid the amount of "\$X" at the time of settlement.
 - The amount received should be broken down as the amount due based on employment terms, that this is part of the income that will be reported on the year-end tax statements issued to the Applicant, and that no repayment is required.

- Review preliminary CD to agree with the derived information from Employing Broker and receive any documentation from title further documenting Earnest Money on earned commissions for file.

Additional Required Verifications

When a Seller's Listing Agent is also the Buyer's Agent, additional requirements are necessary to document all Borrower minimum requirements and standards are met.

Dual Agency occurs when the same Real Estate Agent represents the Buyer and Seller. This can cause conflict on the level of representation an Agent provides to one, or both parties in a transaction. This is further impacted when the Buyer is the Dual Agent, which can create a situation where the Agent's own interest may affect the representation provided to the Seller. Commissions earned from an instance where the Applicant is acting as the Seller's real estate agent may only be used as an asset on an exception basis.

Relocation Benefits

When the Applicant's employer assumes responsibility for paying off the existing mortgage in connection with a corporate relocation plan, underwriting will require a copy of the executed buyout agreement to document the source of funds. To utilize Relocation Benefits paid by an employer to an Applicant for funds to close each of the following must be met:

- A copy of the executed buy-out agreement to purchase the existing residence must be provided,
- Any closing costs and points that may be included in the relocation package may be used, however, the Applicant must provide funds for prepaid items unless specifically stated in the relocation package,
- At closing, a copy of the fully executed settlement statement must be provided as evidence of sale and release from liability.

If the conditions above are met, the PITIA on the existing residence can be eliminated from the debt-to-income ratio analysis.

Rental or Lease Credits

Rent credit for the option to purchase is an acceptable source of funds toward the down payment. Applicants are not required to make a minimum Applicant contribution from their own funds for the rental payments to be credited toward the down payment. Credit for the down payment is determined by calculating the difference between the market rent and the actual rent paid for the last 12 months. The market rent is determined by the appraiser in the appraisal for the subject property. Only the portion of the rental payment that exceeds the fair-market rent can be applied to the down payment or closing costs.

To use credits granted to an Applicant from a rent with an option to buy lease arrangement as closing funds, the following guidelines **should** be followed:

- The lease agreement must state how the credit will be accrued, and
- The Applicant must provide:
 - Copies of canceled checks/money orders to evidence a history of a minimum of 12 months, and
 - Copy of rental/purchase agreement evidencing a minimum original term of 12 months
- The appraiser must provide: Fannie Mae Form 1007 single-family comparable rent schedule for the property
- Rental or lease credits **cannot** be used to calculate reserve requirements.

Repayment of a Loan

A lump sum repayment of a loan can be used as an asset for down payment, closing costs and reserves provided the initial loan, and the repayment can be verified and documented.

Retirement Accounts

Vested funds from Individual Retirement Accounts, Annuities, (IRA/Keogh accounts) and tax-favored retirement savings accounts (401(k) accounts) are acceptable sources of funds for down payment, closing costs, and reserves.

Verify the ownership of the accounts and the Applicant's actual receipt of the funds realized from the liquidation of the assets, if needed to complete the transaction. When funds from retirement accounts are used for reserves, we do not require the funds to be withdrawn from the account(s). If the Retirement Account only allows withdrawal based on the Applicant's employment termination, retirement (unless the Applicant is of retirement age), or death, underwriting will **not** consider the vested funds as effective reserves.

Eligible Retirement Accounts without restrictions for withdrawal may be included in the reserves or funds to close requirements as indicated above. For reserve purposes utilize the vested balance amount minus any outstanding loans and/or funds liquidated to complete the transaction at 80% of net value if Applicant is not of retirement age. If the Applicant is of retirement age, utilize 90%.

If, prior to liquidation, the Applicant has >20% of the required funds to close and reserves after reduction of any secured loan balances and application of haircut, then the liquidation requirement for funds to close is waived. Otherwise, evidence of the Applicant's actual receipt and conversion into liquid cash deposits must be documented.

Tax Deferred Exchange (1031 exchange)

Transactions involving 1031 exchange are permitted for investment properties. The Internal Revenue Code provides that a taxpayer may sell an asset (personal property or real property) and defer payment of capital gains tax, if that taxpayer uses the proceeds to acquire a like-kind replacement asset. Funds are controlled by a Qualified Intermediary (QI) or Accommodator or Facilitator, an individual or business entity that is sanctioned as a safe harbor by the IRS and provides the following functions/services in a 1031 exchange:

- Acquires the relinquished property from the Exchanger and causes it to be transferred to the buyer,
- Holds the exchange proceeds to avoid exchanger's actual or constructive receipt of funds, and
- Acquires the replacement property and causes it to be transferred to the exchanger.

The QI/Accommodator/Facilitator cannot be the taxpayer, a related party, or an agent of the taxpayers. Provide the sales contract for the property sold along with the 1031 exchange agreement in addition to any other documents required under standard requirements in this guideline. Title can be held in an entity, please follow the respective requirements in the [Title Vesting](#) section of the Underwriting Guidelines

Transactions involving 1031 Exchange must meet the following criteria to be eligible for financing:

- The exchanged property must be identified within 45 days from the date of sale of the relinquished property
- All 1031 proceeds of the initial sale must be controlled by Qualified Intermediary (QI), Accommodator or Facilitator, with supporting documentation provided, and
- All 1031 proceeds of the initial sale must be re-invested in the like-kind property within 180 days of that sale.
- Reverse 1031 Exchanges are not acceptable.

When exchanging property, replacement property must be "like-kind" property. Example: Real property must be exchanged with real property, not personal property. Should exchange funds be used to provide earnest money deposit, the taxpayer must sign an Assignment of Purchase and Sale Agreement with the QI/Accommodator/Facilitator prior to the disbursement.

Trust Account Funds

Funds from an Applicant's Trust Account are an acceptable source for the down payment, closing costs, and reserves provided the Applicant has immediate access to the funds. Written documentation of the value of the Trust Account from either the trust manager or the trustee and document the conditions under which the Applicant

has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the Applicant for the mortgage. The trust agreement or trust certificate also should be provided.

U.S. Savings Bonds

U.S. Savings Bonds are an acceptable source of funds for down payment, closing costs and reserves. To use U.S. Savings Bonds for closing funds and cash reserves calculations, the Applicant should provide a list of amounts, serial numbers, and maturity dates of the bonds. Photocopies should **not** be made.

U. S. Savings Bonds should be based on their purchase price unless the redemption value can be documented.

Third Party Payment Provider Virtual Accounts

The use of Bank Accounts, which are connected to third-party service provider platforms for the payment of e-commerce transactions (such as PayPal), coupled with linked virtual debit cards, which allow for the use of the account as a debit account, are acceptable when they provide a statement with the following:

- Account Owners full name or Full legal Business Entity Name
- Account Owner Address
- Statement Page Numbers
- A Starting Balance and Ending Balance on Specific Dates
- Identification of all individual daily debits and credits
- Itemization of Aggregate Deposits
- Source documentation for each deposited item
- Ability to deposit and withdraw funds

Section 6.4: Ineligible Asset Types

Examples include, but are not limited to, the following:

- **Unsecured Borrowed Funds:** Unsecured loans, unsecured credit lines, advances against overdraft protection or advances against credit cards or lines are not acceptable sources for funds needed to close or for reserve requirements.
- **Cash on Hand**
- **Non-marketable Securities:** Non-marketable Securities are not traded on a major stock market exchange, and their valuation and market value cannot readily be obtained. Non-marketable.
- **Sweat Equity (Work Equity):** Sweat equity is not an acceptable source of funds for the down payment, closing costs, or reserves, since it is difficult to accurately assess the contributory value of sweat equity work.
- **Restricted Securities:** Restricted Securities are not an acceptable source of funds. Restricted Securities cannot be readily traded due to Rule 144 and Security and Exchange Commission (SEC) regulations.
- Assets generated from activity that is illegal on a local, state, and/or federal level.
- Cryptocurrency outside of the [Cryptocurrency Assets](#) requirements



Chapter 7: Credit Requirements

Utilization and timely repayment of credit is a strong positive factor in determining an Applicant's credit risk profile. This chapter of the guideline addresses requirements for Applicant's credit profile.

A merged credit report is required from all Applicants containing information from all three credit bureaus. A report for any Applicant containing only two bureaus is acceptable to the extent that it is the complete summary of the information available on said Applicant.

Applicants with less than two bureaus reporting are not acceptable, except as described [below](#). The following details are acceptable criteria for credit reports.

- An Applicant may have one credit bureau frozen provided they have scores from the other two bureaus.
- The credit report is good for 120 days from report date to note date.
- A soft pull dated within 10 calendar days of funding or undisclosed monitoring through the funding date must be provided with the closed loan package for loans other than DSCR loans.
 - Any new inquiries, accounts, or derogatory information must be acceptably explained and documented as necessary by the Applicant.
 - An inquiry letter is not required for an Investor Cash Flow loan, nor is a soft pull/undisclosed monitoring.
 - Underwriting should, however, take care if mortgage inquiries appear and borrowers have limited post-closing assets.

Section 7.1: Trade Line Requirement

Each Applicant contributing income (in the case of a Full Documentation, Bank Statement, P&L Only, WVOE Only, or 1099 Only loan) and all Applicants on an Asset Qualifier or DSCR loan must have three trade lines and a credit history covering 24 months preceding the application date. One trade line must have been active within the last 6 months. At least one trade line must be seasoned for 24 months. The same trade line may be used to cover both the 24-month history and active requirement. If an Applicant's spouse is the only co-Applicant listed, only one Applicant is required to meet this guideline. Authorized user accounts may not be utilized to satisfy this requirement. The trade lines do not need to be open. The following represents permissible exceptions to this requirement.

Section 7.1.1: U.S. Citizen Living Overseas

An Applicant who is a US citizen but currently living overseas and does not meet the trade line requirements may utilize one of the below options to meet this requirement. To utilize this guideline, the Applicant must have at least one credit score reporting.

Method One | Financial Institution Letter

The Applicant may provide one (1) reference letter from a financial institution with whom the Applicant has a deposit relationship (minimum two-year relationship preceding note date). The letter must outline contact information for the institution, Applicant's name, and account number(s), and detail the types and lengths of the institution's relationship with the Applicant. The letter should also state whether the Applicant is in good standing. The institution providing the letter must be an institution approved by underwriting. See [Exhibit A](#).

Method Two | Foreign Credit Reference Letters

The Applicant may provide three (3) reference letters from creditors in the Applicant's country of residence. Credit reference letters must be on institution letterhead and reflect telephone number, address, and website. The reference letters must in combination meet the Trade Line Requirement of the Underwriting Guidelines.

Section 7.1.2: Applicants with Insufficient Trade Lines

Alternate credit which would be acceptable to FNMA may be used to bridge a credit trade line gap in the following circumstances. 12 months of statements showing payments or a Verification of Liability (VOL) from an institutional lender are acceptable to document the alternative trade lines. Follow Fannie Mae Selling Guide to determine which alternative trade lines need to be included in the DTI.

- An Applicant who has three trade lines on their credit report but does not meet one or more of the requirements for a 24-month history, 24-month seasoned trade line, or active trade line in the last 6 months preceding the application date:
 - Provide one additional trade line showing 0x30x12. One of the trade lines on credit or the alternative must be a housing line showing 0x30x12, or
 - Provide two additional trade lines showing 0x30x12
- An Applicant who has two trade lines, regardless of other trade line requirements:
 - Provide two additional trade lines showing 0x30x12. One of the trade lines on credit or one of the alternative trade lines must be a housing line showing 0x30x12, OR
 - Provide three additional trade lines showing 0x30x12

Section 7.1.3: Unmarried Joint Applicants

Unmarried joint Applicants who meet at least two of the three below criteria may be treated as spouses for determining compliance with the trade line requirements (within the meaning of Section 7.1)

- Reside together for at least two years,
- Hold at least one joint trade line, and
- Jointly hold asset accounts.

Section 7.1.4: Applicants with one or no FICO scores

Applicants with 1 FICO score or no FICO score due solely to a lack of history may be eligible subject to the following limitations:

- Allowable LTV/CLTVs and Income Documentation types as follows:
 - Full documentation: 75 LTV/CLTV
 - Bank Statement or P&L Only: 70 LTV/CLTV
- Primary residences only
- Purchase or rate/term refinances only
- Maximum 36 DTI
- Must be able to document 12 months' rent payment history or a minimum 12-month reserves
- Must document 3 non-traditional trade lines covering 12 months
- Applicants with no FICO scores will be subject to the no FICO LLPA. Utilize 999 as the FICO score for input purposes.
- Maximum \$1MM loan size

Instances with multiple Applicants but one or more of the Applicants providing income are subject to the above requirements. If all Applicants providing income have two or more FICO scores, then the loan is not subject to the

above limitations. If the primary income earner has a FICO and another Applicant has no FICO score, then the primary income earner FICO is utilized and priced without the no FICO LLPA.

Section 7.2: Credit Score Used for Underwriting

Program	Requirements
Full Documentation, Bank Statement, 1099 Only, P&L Only, and WVOE Only	- Use the middle score of the primary income earner. - An Applicant's documented income may not be excluded to determine the primary income earner on a loan - If only two scores are available, utilize the lower score to determine an Applicant's qualifying score - If there is no primary earner (i.e., both Applicants have the same income) then lowest middle score should be used
Asset Qualifier	Generally, use the lowest middle score on the loan.
	- If one Applicant is providing 75% or more of the assets for the subject transaction, including funds to close and all post-closing reserve requirements, in accounts that are either solely in their name or jointly with persons who are not Applicants on the transaction, then they are deemed to be the primary asset contributor, and their FICO may be used for guideline purposes. - If only two scores are available, utilize the lower score to determine an Applicant's qualifying score
Investor Cash Flow	- Use the highest middle score amongst all Applicants on the loan. - If only two scores are available, utilize the lower score to determine an Applicant's qualifying score

Section 7.3: Credit Inquiries

Careful consideration must be given to determine if numerous inquiries reported on the credit report require an explanation from the Applicant and/or an investigation to uncover if any new credit obligations resulted from the inquiries.

- A letter of explanation must be requested for inquiries appearing in the credit report when there is not a recently established trade line reflected in the file.
 - If a new account resulted from the inquiry, it must be verified, and the obligation included in the qualifying debt ratio calculation.
 - A credit inquiry letter is not required on an Investor Cash Flow/DSCR loan. The Seller should, however, take care if mortgage inquiries appear and borrower has limited post-closing assets.

Section 7.4: Housing Payment History

The housing references provided or listed on credit may not exceed 1x30x12 in the aggregate in the 12 months preceding the note date, however, note that 1x30x12 may have an associated pricing adjustment and is limited to max 80 LTV/CLTV.

If an Applicant has a rolling 30-day housing late, the lates will be treated as one late provided the period with the rolling lates does not exceed 3 months, nor does the delinquency reach 60 days. Note that [P&L Only](#) and [WVOE Only](#) loans have stricter requirements.

Example: The Applicant misses their February payment. They then make a payment in March, April and May. In May, they realize they missed their February payment and make an additional payment to bring the loan current. Since the three 30-day late payments are consecutive (February, March, and April) and the delinquency did not go beyond 30 days, this is considered one 30-day late payment for pricing and eligibility purposes. If the Applicant subsequently made their June payment more than 30 days late, this would be considered a second late payment

and ineligible. Similarly, if the mortgage delinquency rolled to a fourth month the loan would also be ineligible for guidelines.

A borrower who is currently rent free or living without a housing payment history is eligible per guidelines. A First Time Home Buyer is subject to the limitations in that [section](#). Their current lack of housing payment must be verified by rent free letter, deed of ownership, and/or any other supporting documentation that can prove status. Also, any housing payments they had responsibility for in the preceding 12-month period from application date must be documented.

Rental History

If an Applicant rents from a professional management company, a fully completed and signed VOR may be utilized. If an Applicant rents from a private landlord, the most recent 12 months' consecutive cancelled checks (front and back) or housing payment from Zelle, Venmo, bank statements, or equivalent proof of payment from third party records, along with a copy of the lease must be provided. A standalone VOR from a non-institutional lender may not be utilized.

On primary residence transactions when the LTV/CLTV is equal to or less than 75% LTV/CLTV, a Verification of Rent / Housing History is not required.

Mortgages/HELOCs

If an Applicant has a mortgage from an institutional lender not reporting on credit, a fully signed and completed VOM may be utilized. If an Applicant has a private mortgage, the most recent 12 months' consecutive cancelled checks (front and back) or equivalent proof of payment from third party along with a copy of the note must be provided. A standalone VOM from a non-institutional lender may not be utilized. Note that timeshare debt is considered installment debt not mortgage debt for purposes of these guidelines.

For Investor Cash Flow/DSCR loans, non-subject mortgages not appearing on credit which are not attached to the Applicant's primary residence do not need to be verified provided a public record search performed as part of the underwriting review shows no public records related to mortgage payment delinquency such as a Notice of Default or a Lis Pendens filed by a lender on any property where borrower had direct or indirect ownership in the 24 months preceding the loan application. If any appear, then all mortgage payments must be verified and evaluated against guidelines.

Section 7.5: Significant Derogatory Credit Events

Applicants who have completed any of the below within the four years preceding the note date are subject to additional guideline requirements based on length removed from the event completion date or discharge/dismissal date to the note date. All events must be completed prior to the application date.

- Foreclosure
- Short Sale
- Deed in Lieu of Foreclosure
- Short Payoff
- Bankruptcy (any chapter, either dismissed or discharged and includes Applicants currently in bankruptcy proceedings)
 - o Note: Any Applicants who are in active Bankruptcy (any chapter) are not eligible
- Modifications:
 - o Loan where original terms were modified. Note: A modification directly related to the resolution of a COVID related forbearance is allowed. A COVID related modification would not be considered a significant derogatory credit event. The forbearance guidance would apply in these circumstances and 3 payments following the end of the forbearance period would be needed

- o A modification from forbearance exit is not a significant credit event
- o A modification that extends the maturity date of a loan and is not the result of a financial hardship is not considered a recent credit event.

Note: Active NOD or Lis Pendens not allowed. An historic NOD or Lis Pendens is not against guidelines; however, the underlying event will be evaluated against the Significant Credit Event and Housing Payment History requirements guidelines.

Credit Events (Other than Foreclosure)

Time Removed from a Completed Credit Event	Program and Guideline Limitations
0-12 Months Removed from a Credit Event	• Eligible Credit Events: Bankruptcy (Any Chapter) • Eligible Transaction Type: Purchase, Primary Residence Only • Eligible Occupancy: Primary Residence • Eligible Documentation Types: Doc Types Allowed: Full Documentation, Bank Statement, 1099 Only, Asset Qualifier • Maximum LTV/CLTV: 70 • Maximum loan size: \$1MM
	Notes: No credit events other than bankruptcy allowed.
13-24 Months Removed from Credit Event	• Eligible Credit Events: Any other than Foreclosure • Eligible Transaction Type: Purchase • Eligible Occupancy: Primary Residence • Eligible Documentation Types: Full Documentation, Bank Statement, 1099 Only, Asset Qualifier • Maximum LTV/CLTV: 70 • Maximum loan size: \$1MM
2-4 Years Removed from Credit Event	• Doc Types Allowed: All other than P&L Only and WVOE Only • Maximum LTV/CLTV: 75 • Max \$1.5MM loan size Note: Exactly 2 years removed from a credit event considered under this category
>4 Years Removed from Credit Event	Standard Guidelines apply

Foreclosure:

Length of Time	Program allowed
0-12 months Removed from Credit Event	• Not Eligible
13-24 Months Removed from Credit Event	• Eligible Transaction Type: Purchase • Eligible Occupancy: Primary Residence • Eligible Documentation Types: Full Documentation, Bank Statement, 1099 Only, Asset Qualifier • Maximum LTV/CLTV: 70 • Maximum loan size: \$1MM
2-4 Years Removed from Credit Event	• Doc Types Allowed: All other than P&L Only and WVOE Only • Maximum LTV/CLTV: 70
	• Max \$1.5MM loan size Note: Exactly 2 years removed from a credit event considered under this category
>4 Years Removed from Credit Event	Standard Guidelines apply

Mortgage Tradelines in Forbearance

Applicants who have one or more mortgage trade lines placed in forbearance must meet one of the requirements below:

Payment History	Requirement
If all payments are made as originally scheduled during the forbearance period with no payments missed	The account(s) in question must be reinstated prior to application but there is no waiting period.
If one or more payments on one or more accounts are missed due to forbearance	• Then the account in question must be reinstated, AND • Three monthly payments must be made as scheduled after completion of the forbearance period and prior to the application date Note: An Applicant may have missed more than three payments during the forbearance period and/or have the missed payments be added onto the loan's unpaid principal balance and still be eligible under this guideline, provided the requirements listed here are met

Non-Mortgage Trade Lines in Forbearance

Any non-mortgage trade line in forbearance may remain in forbearance, however the payment must be included in the Applicant's DTI/Debt Service.

Section 7.6: Judgment/Tax Lien

Any outstanding judgments or tax liens may remain open under the following conditions:

Other Circumstances

- The aggregate balance of the outstanding judgments and liens is $\leq$ \$25k. Judgments and liens may be paid off to bring the total outstanding amount at or below this threshold, and
- Any remaining judgment or lien is confirmed by title as not able to currently affect title to the subject property.
- Notes:
 - Any income tax liens that may affect title but for the fact that they have not yet been properly recorded (example: IRS liens recorded in another jurisdiction) may not remain open
 - Any judgement or lien that was recorded and which has expired without being renewed may be excluded from the allowable outstanding judgment/lien dollar amount calculation. The following documentation must be provided in support:
 - A copy of the judgment or lien filing evidencing the date it was filed,
 - Evidence of the relevant state statute showing the effective duration of a judgment or lien
 - Evidence that an action to renew the judgment or lien has not commenced or been completed, to be shown by a court lookup showing the same parties and no pending or completed action, and
 - Confirmation from the title company that the lien does not currently affect title to the subject property.
 - Any judgment for an eviction that does not have an attached dollar amount would not need to be resolved. Housing payment history guidelines must be met.

If the conditions above are not met, the judgment or tax lien must be paid off prior to or at closing. Cash out proceeds may be utilized for this purpose. If borrower has tax deferred liability which is not a lien, refer to Fannie Mae guidelines.

Repayment Agreement

- An approved repayment plan must be in place and a copy provided for review,

- Document the most recent 6 months' payments, preceding the application date, are made as agreed and in a timely manner,
- Include payment in the DTI or debt service, and
- If the judgment or tax lien is recorded against the property, it must be subordinated

Section 7.7: Collections/Charge-Offs

Open adverse credit must generally be paid off prior to or at closing, however if an individual account balance is under \$2,500 and the aggregate of accounts outstanding is under \$10,000 it may remain open. Any collections or charge-offs greater than this amount may remain open provided they do not and may not affect the title. Otherwise, they must be paid off. Medical collections may remain open regardless of amount.

Charge offs/Collections that are delinquent but assigned to someone else (i.e., after divorce). See [Court Ordered Assignment of Debt](#)

Section 7.8: Disputed Accounts

Any disputed accounts on an Applicant's credit report require additional due diligence. When an account in dispute is a collection or charge-off account and the balance is less than or equal to \$1,000, or disputed account is greater than one year old, the dispute may remain open. Otherwise, the following guidelines must be adhered to:

Account Status	Requirement
Account with no derogatory information in the two years preceding the credit report date	• No action required
Account with derogatory information in the two years preceding the credit report date including collections and charge offs with open balances not excluded above. The Applicant has the option to provide documentation supporting the validity of the dispute. If provided, underwriting must use their discretion to determine acceptability of the Applicants explanation for the dispute. If acceptable, the trade line may remain in dispute.	• Remove and pull new credit report

Note: A credit supplement is not allowed to document disputed accounts. A new report must be pulled.

Section 7.9: Other Derogatory Credit

Any derogatory credit on an Applicant's credit report in the last 12 months preceding application date not otherwise addressed must be acceptably explained by the Applicant. Any patterns of delinquent credit outside of the 12-month period must be explained by the Applicant.

Section 7.10: Credit Counselling

Applicants who have experienced credit or financial management problems in the past may have elected to participate in consumer counseling sessions to learn how to correct or avoid such problems in the future. Whether Applicants have or have not completed participation in the sessions before closing on the mortgage transaction is not relevant since it is the Applicant's credit history that is of primary importance. The existence of credit counselling on a file does not preclude financing under standard terms.

Section 7.11: Public Record Search

The Seller is responsible for verifying all existing public records to ensure that there are no outstanding judgements or liens against all Applicants. The Seller needs to include its public record search findings along with documentation to clear any alerts raised in its file.



Chapter 8: Liabilities

The liabilities of all Applicants must be accurately documented and considered to make a sound credit risk decision. This chapter of the guideline generally does not apply to the Investor Cash Flow/DSCR product as the product qualifies on the debt service coverage ratio of the subject property only.

For each liability, underwriting must determine the unpaid principal balance, the terms of repayment, the Applicant's payment history, and verify any other liability that is not shown on a credit report by obtaining documentation from the Applicant or creditor. If the credit bureau report does not contain a reference for each significant open debt shown on the loan application, including outstanding mortgage debt, bank, student, or credit union loans, the Seller must document separate credit verification.

If a current liability appears on the credit bureau report that is not shown on the loan application, the Applicant will be required to provide a reasonable explanation for the undisclosed debt. Documentation may be required to support the Applicant's explanation. If the Applicant discloses or Seller discovers additional liabilities after the underwriting decision has been made, up to and concurrent with the closing, the Seller must recalculate the Applicant's debt-to-income ratio for loan closing qualification.

Deferred debt payments must be included as anticipated monthly obligations during the underwriting analysis. Balloon payment notes that come due within one year of loan closing must be considered in the underwriting analysis by verifying sufficient liquid assets available to the Applicant to cover the amount due, in addition to all other requirements.

Section 8.1: Alimony/Child Support/Separate Maintenance

For Full Documentation, Bank Statements, 1099 Only, P&L Only, and WVOE Only loans, alimony may be deducted from income rather than included as a liability provided that the alimony payments are tax deductible to the payor. If not, the payments must be included as a liability. For Asset Qualifier, it is included as part of the debt service.

Child support and separate maintenance must be included as a liability on all applicable product types. The terms of the payments must be documented via the divorce decree, separation agreement, court order, or notarized agreement signed by all parties and their attorneys.

For Asset Qualifier, it is included as part of the debt service.

Section 8.2: Installment Debt (including Mortgages)

Installment loans (i.e., car loan, student loan, etc.) must be included in the DTI/Debt Service. Timeshares are considered installment debt rather than mortgage debt. Utilize the payment listed on the credit report for qualifying. Installment debt with less than 10 months remaining may be excluded from DTI/Debt Service, if the Applicant has the assets to make the remaining payments. Installment debt may be paid off with proceeds from a cash out refinance. Applicants may pay down the debt to less than 10 months to exclude the payment, the assets used must be sourced. Applicants may also pay off the balance on installment debt to exclude the payment from the DTI/Debt Service. Source the funds utilized. If there is no payment listed, obtain documentation of the current payment. If the payment on an account is subject to imminent change (i.e., an ARM or Interest Only loan that is near adjustment) document what the new payment will be and utilize that payment in determining the DTI/Debt Service. An authorized user account may be removed via supplement, and omitted from DTI/debt service, provided there is no evidence in the file the Applicant is paying the account in question. The following additional requirements apply on a TX 50(A)(6) loan:

- The payoff of debt is a condition of qualification, the payoff(s) must be included on the closing statement and disbursed directly to the creditor by the title company.

- Seller may not require any other Seller-owned debt to be paid off as a part of the transaction as a condition of loan approval.

Section 8.3: Revolving Debt (including HELOC)

Use actual payment on credit report, unless the Applicant can document a lower payment. If no payment can be documented, use 5% of the outstanding balance (except for a HELOC, in which case use 1%). If there is no balance, no payment needs to be included. Deduct 30-day charge accounts from available liquid assets or use 5% of the balance as payment. 30-day charge accounts do not need to be considered on the Investor Cash Flow product. Revolving debt may be paid off prior to or at closing to have the payment excluded from the DTI/Debt Service. The account(s) do not need to be closed. When the Applicant pays off an account prior to closing, document the funds used for payoff. If paid at closing on a purchase or rate and term refinance transaction, document the Applicant brought the funds to closing necessary to pay off the account(s). If on a refinance loan proceeds will be used to pay off revolving debt, the transaction will be deemed cash out. An authorized user account may be removed via supplement, and omitted from DTI/debt service, provided there is no evidence in the file the Applicant is paying the account in question. The following additional requirements apply on a TX 50(A)(6) loan:

- The payoff of debt is a condition of qualification, the payoff(s) must be included on the closing statement and disbursed directly to the creditor by the title company.
- Seller may not require any other Seller-owned debt to be paid off as a part of the transaction as a condition of loan approval.

Section 8.4: Student Loans

Adhere to the following guidance regarding the treatment of Student Loans. The proper treatment of student loans facilitates compliance with the Ability to Repay requirements.

Requirements

In all cases, except for loans with ten or less payments remaining, a payment must be considered for a student loan monthly payment tradeline.

Required Repayment	Student Loan Requirements
Deferment	Obtain proof of current deferment terms: • Date deferment ends • Next payment date • Payment amount after deferment end. If the payment after the end of the deferment period cannot be documented, utilize 1% of the outstanding balance as a payment.
Forbearance	Obtain proof of forbearance terms: • Date forbearance entered • Date forbearance ends • Copy of agreement • Payment amount after forbearance end date. If the payment after the end of the deferment period cannot be documented, utilize 1% of the outstanding balance as a payment.
Repayment & Income-Driven Repayment	• If Repayment is not Income Driven, provide proof of payment terms. • In an instance where repayment is Income Driven; the Income Driven payment may be utilized even if the payment is \$0. • If payment terms are not on credit and cannot be documented, then utilize 1% of the outstanding balance as a payment.
Loans not expected to be Repaid	The student loan payment may be excluded from the monthly DTI or Debt Service provided

evidence has been provided that

- There is documentation in the file which indicates forgiveness,
- No conditions are open to satisfy to obtain forgiveness, and
- No balance is outstanding.

Section 8.5: Business Debt in Applicant's Name

When a self-employed Applicant claims that a monthly obligation that appears on his or her personal credit report is being paid by the Applicant's business, the Seller must confirm that it verified the obligation was actually paid out of company funds and that this was considered in its cash flow analysis of the Applicant's business.

The account payment does not need to be considered as part of the Applicant's individual recurring monthly debt obligations if:

- The account in question does not have any delinquencies in the 24 months preceding the application date,
- The business provides acceptable evidence that the obligation was paid out of company funds (such as 6 months of canceled company checks), and
- The Seller's analysis of the business took payment of the obligation into consideration.

The account payment does need to be considered as part of the Applicant's individual recurring monthly debt obligations in any of the following situations:

- If the business does not provide sufficient evidence that the obligation was paid out of company funds,
- The debt in question is purely personal in nature, even if the debt is paid by a business. For example: an installment payment on a personal IRS tax liability or lien does not ordinarily represent a business expense and may not be omitted from DTI solely based on payment out of a business account.
- If the business provides acceptable evidence of its payment of the obligation but the Seller's analysis of the business does not reflect a sufficient amount of business expense related to said obligation, it is reasonable to assume that the obligation has not been accounted for in the Seller's analysis, or
- If the account in question has delinquencies in the time period described above.

To ensure that the obligation is counted only once, the Seller should adjust the net income of the business by the amount of interest, taxes, or insurance expense, if any, that relates to the account in question.

Section 8.6: Court-Ordered Assignment of Debt

When an Applicant has outstanding debt that was assigned to another party by court order (such as under a divorce decree or separation agreement) the Liability does not need to be considered as part of the Applicant's recurring monthly debt obligation. Verify through an executed copy of Divorce Decree and/or Settlement Agreement that the debt is assigned to another party who is fully responsible for repayment of that debt.

Section 8.7: Co-Signed Loans/Contingent Liabilities

When an Applicant is obligated for a debt but can provide satisfactory proof that another party is obligated on the loan and making the payment, the liability does not need to be considered as part of the Applicant's recurring monthly debt obligations. The Seller must be able to verify a history of documented payments on the debt made by another party and ascertain that there is not a history of delinquent payments for that debt (since this could be an indication that the other party might have to assume the obligation at some point in the future).

Generally, the other party should have been making payments on the debt for at least 12 months. The liability does need to be considered as part of the Applicant's recurring monthly debt obligations if:

- The payment history by the other party cannot be sufficiently documented, or

- There are any delinquencies on the account in question in the 24 months preceding the loan application.

For purposes of excluding a mortgage or HELOC, the co-signor may or may not be on title to the property tied to the loan in question.

Section 8.8: Lease Payments

Lease Payments must be included regardless of the remaining term. At the end of the lease term, the Applicant will be faced with either a buyout of the lease (purchase of the car) or a new lease contract obligation.

Section 8.9: Relocation Benefits

The PITIA on the existing residence can be eliminated from the debt-to-income ratio analysis in a relocation situation if all the following conditions are met:

- A copy of the offer to purchase the existing residence must be provided,
- Any closing costs and points that may be included in the relocation package can be used as closing funds. However, the Applicant must provide funds for prepaid items unless specifically stated in the relocation package, and
- At loan closing, a copy of the equity advance, or a settlement statement must be provided as evidence of sale and release from liability.

Section 8.10: Deferred Installment Debt

Deferred Installment Debts, such as deferred student loans, must be included as part of the Applicant's recurring monthly debt obligations. If the Applicant's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, the Applicant must obtain copies of the payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the Applicant's total monthly obligations. If a payment cannot be determined, utilize 1% of the outstanding balance of the debt.

Section 8.11: Loans Secured by Financial Assets

When an Applicant uses his or her financial assets, such as life insurance policies, 401(k) accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc. as security for a loan, the Applicant has a contingent liability. The Seller is not required to include this contingent liability as part of the Applicant's recurring monthly debt obligations provided that the Seller obtains a copy of the applicable loan instrument that shows the Applicant's financial asset as collateral for the loan. If the Applicant intends to use the same asset to satisfy financial reserve requirements, the Seller must reduce the value of the asset (the account balance, in most cases) by the proceeds from the secured loan and any related fees to determine whether the Applicant has sufficient reserves.

Payments on loans that are secured by an Applicant's specific liquid financial assets may be excluded from the DTI/debt service calculation in those circumstances where the repayment of the loan rebuilds the financial asset and the current verified balance in the account (or value of the financial asset) is sufficient to fully payoff the loan. Payments on loans secured by real estate or other personal property must always be included in the DTI ratio/debt service.

Section 8.12: Sale of Departing Residence

Applicants whose current primary residence is either listed for sale or under contract may omit that property from their DTI/Debt Service under the following criteria:

Properties under Non-Contingent contract

If the Applicant is under a non-contingent contract to sell a property, the DTI/debt service can be calculated excluding the prior housing expenses (PITIA) if an additional 6 months of PITIA for the home to be sold is verified. If the contract originally contains contingencies for financing or appraisal, obtain written confirmation that the contingencies have been cleared.

If the Applicant is under a non-contingent contract to sell a property that was not the primary departing residence, the DTI/debt service can be calculated by excluding the current property PITIA from ratios if an additional 6 months of PITIA is verifiable.

Contingent Contract, Currently Listed for Sale, or To Be Listed for Sale within 90 Days of Closing

Departing Primary Residence

If the Applicant's departing primary residence is to be listed for sale, is currently listed for sale, or is currently under a contingent contract for sale, at the time of closing, the Applicant may have the associated property payment excluded from the DTI/debt service with all the following present:

- Either the listing agreement for properties listed for sale or a letter of intent from the Applicant confirming they will list the property for sale within 90 days of the note date,
 - If utilizing a CCM bridge loan for funds to close or to pay down/pay off debt, then the departing property must be either listed for sale or under agreement to have the payment omitted. The payment is calculated based on .5% of the loan balance as detailed in the Secured Borrowed Funds section. A letter of intent to list the departing property is not sufficient.
- One of the following valuation methods to show that the Applicant has at least 20% equity in the departing property,
 - A full appraisal
 - An exterior only appraisal
 - A Broker Price Opinion (BPO), OR
 - An Automated Valuation Model (AVM), and
- Additional reserves for the departing property, above and beyond all other requirements, are as follows:
 - If utilizing a full or exterior only appraisal which indicates a marketing time of less than or equal to six months: 6 months PITIA
 - If utilizing a full or exterior only appraisal which indicates a marketing time of greater than six months: 18 months PITIA
 - If utilizing an AVM or BPO: 18 months PITIA.
 - If the departing residence is owned free and clear: 12 months
 - Note:
 - CCM Bridge loan proceeds may not be utilized to calculate the file's post-closing reserve requirement
 - The imputed payment for the CCM Bridge Loan must be included in the departing property's PITIA calculation for reserve determination purposes
 - The added reserves here are in addition to any other reserve requirements noted in these guidelines.

If the Applicant does not fit the above requirements, the prior departing home will be treated as an investment property and standard underwriting guidelines apply. The debt for the prior home will be included in DTI/debt service under appropriate guidelines specific to the situation.

Second Home/Investment Property

If the Applicant's Second Home or Investment Property is currently under a contingent contract for sale, at the time of closing, the Applicant may have the associated property payment excluded from the DTI/debt service with all the following present:

- A copy of the fully executed contingent contract
- Either i.) a copy of the listing agreement for properties listed for sale or ii.) proof of receipt of the Earnest Money Deposit listed in the agreement that will have been due as of the loan's closing date. A contract with no EMD due will not satisfy this requirement.
- A full or exterior only appraisal evidencing the parting residence has at least 20% equity after deduction of all liens outstanding against the property, and
- Additional reserves for the departing property, above and beyond all other requirements, are as follows:
 - If appraisal indicates a marketing time of six months or less: 6 months PITIA
 - If appraisal indicates a marketing time of more than six months: 18 months PITIA

An Automated Valuation Model (AVM) or Broker Price Opinion may be utilized in lieu of an appraisal report to document equity in a property. If utilizing this option, 18 months of the departing residence's PITIA is required.

If the property is owned free and clear, no valuation is necessary and 12 months "TIA" of the subject is required.

If the Applicant does not fit the above requirements, the properties will be treated as investment property and standard underwriting guidelines apply. The debt for the prior home will be included in DTI/debt service under appropriate guidelines specific to the situation.



Chapter 9: Property

This section of the guideline addresses requirements related to the property to be encumbered by the mortgage.

Section 9.1: Acceptable Property Types

The following property types are acceptable:

- 1-4 unit attached and detached properties. Single Family Residences with ADUs are acceptable subject to [limitations](#).
- Modular homes which assume the characteristics of stick-built homes
- Attached and detached PUDs
- Attached and detached Condos which are warrantable under Fannie Mae or Freddie Mac criteria
- Non-Warrantable condos with one non-warrantable feature-see [below](#). Max 80 LTV/CLTV. Pricing adjustments apply.
- Condotels or Condos with hotel-like features-see [below](#). Max 75 LTV/CLTV. These properties will price as a Non-Warrantable condo.
- Cooperative Units-see [below](#)
- Manufactured Housing-see [below](#)
- Certain Seasonal Properties – see [below](#)
- Certain log homes - see [below](#)

Section 9.1.1: Texas Home Equity Loans

The following additional requirements apply to [Texas Home Equity Loans](#) which are subject to Article 16, Section 50(a)(6). See the relevant [guideline section](#) for additional information.

- The property must be residential in nature. Properties used for agricultural purposes are not allowed.
- Single Family Residences Only
- The property's tax certification and exemptions must be reviewed and confirm the following:
 - Property must be borrower's homestead in the state of Texas. Agriculturally designated homesteads are eligible with a 5% reduction to the LTV/CLTV.
 - All separate structures must be included in the homestead exemption
 - Only the parcel designated as the homestead parcel may secure the loan allowed (property may have to be surveyed out prior to the appraisal being ordered)
 - The homestead parcel, as identified on the county appraisal district records, must include ingress/egress to a properly identified public road
 - The new lien may only be secured by the homestead parcel and the market value for LTV/CLTV calculation can only be assessed on that parcel
- Properties deemed to be urban may not exceed 10 acres. Properties deemed to be rural may not exceed 20 acres, and those that exceed 10 acres must be common and customary to area with highest and best use as residential.
 - Urban properties are defined as follows:
 - Not more than 10 acres,
 - Property must be located within municipal boundaries, a municipality's extraterritorial jurisdiction, or a platted subdivision,

- Served by police and paid or volunteer fire protection, and
- Have at least three of the following services provided by a municipality or under contract to a municipality:
 - Electric
 - Natural Gas
 - Sewer
 - Storm Sewer
 - Water
- Rural properties are defined as follows:
 - Not more than 20 acres, those that exceed 10 acres must be shown to be common/customary and highest and best use,
 - Property is not located within municipal boundaries or a municipality's extraterritorial jurisdiction, or, if the property is located within one of those areas it is not served by police protection or fire protection provided by the municipality or under contract to a municipality, and
 - The municipality provides directly or under contract less than three (3) of the following services:
 - Electric
 - Natural Gas
 - Sewer
 - Storm Sewer
 - Water

Section 9.2: Unacceptable Property Types

The following property types are unacceptable:

- Acreage greater than 50 acres
- Agricultural zoned property that is greater than 50 acres. See [here](#) for properties not greater than 50 acres.
- Multi-Unit Properties with ADUs (considered on an exception basis)
- Non-residential income producing properties
- Properties subject to oil and/or gas leases
- Unique properties
- Working farms, ranches, or orchards
- Properties with a condition rating of C5 or C6
- Condo Conversion that does not meet FNMA requirements
- Raw Land
- Commercial Properties
- Earth/Burm Homes
- Environmental Conditions
- Dwellings with >4 units
- Lagoons
- Properties that are places of worship
- Timeshares
- Rooming/Boarding Houses
- Properties not readily accessible by roads that meet local standards
- Assisted living facilities

- Homes on Native American Land (Reservations)
- Houseboats
- Fractional ownership
- Rural property outside of the [below allowances](#)
- Tenants-in-Common projects (TICs)
- Model Home Leasebacks
- Properties located in areas where a valid security interest in the property cannot be obtained
- Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant
- Legal non-conforming properties which cannot be rebuilt to current density. Confirmation from the appraiser or municipal department confirming the availability or likelihood of a variance to rebuild shall be acceptable to confirm ability to rebuild.

Section 9.3: Appraisal Requirements

All loans shall have an appraisal performed by an independent unbiased appraiser as part of the credit decision making process. All real estate appraisals must be performed according to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation. Appraisals must be completed using the appropriate form and include proper documentation, and legible exterior / interior photos including but not limited to all bedrooms and bathrooms. Changes or alterations made to an appraisal (including value estimate) must be completed by the original appraiser. The appraisal must be ordered in a manner compliant with Dodd-Frank's AIR requirements and with the seller as intended user.

Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to the Applicant promptly upon completion, or three (3) business days before consummation, whichever is earlier. Any other appraisal delivery requirements, i.e. HPML, must also be followed.

Number of Appraisals Required

The table below addresses the number of appraisals for a file. Any requirements by regulation (such as HPML) supersede this requirement.

Purchases

Loan Amount	Appraisal Requirement
≤ \$2,000,000	One Full Appraisal
> \$2,000,000	Two Full Appraisals
HPML Loan with a Flipped Property	Two Full Appraisals

Refinances

Loan Amount & LTV/CLTV	Appraisal Requirement
≤ \$1,500,000	One Full Appraisal
>\$1,500,000 to \$2,000,000 and ≤70 LTV/CLTV	One Full Appraisal
>\$1,500,000 to \$2,000,000 and >70 LTV/CLTV	Two Full Appraisals
> \$2,000,000	Two Full Appraisals
HPML Loan with a Flipped Property	Two Full Appraisals

Age of Appraisal

As of the note date, the appraisal report(s) may not be more than 120 days old. A recertification of value is acceptable to extend the expiration date of the report provided the original report is not more than 180 days old as of the date of closing.

Determining Collateral Value

Collateral valuations impact the determination of the loan-to-value ratios, as well as approval and identification of exceptions. Loans wherein the best usage is as a “tear down and replace” are not eligible. The methods for determining collateral value are different for purchase versus refinance transactions (see below). In instances where two full appraisals are completed, utilize the lower of the two.

Purchase Transaction

The collateral value is based upon the lesser of the sales price (minus concessions or excess contributions) or the appraised value.

Refinance Transactions

Generally, collateral value is calculated from the new appraised value.

Rate/Term Refinances

The current appraised value may be utilized to qualify. For properties owned less than 12 months, any significant increases in value from time of purchase must have commentary on the appraisal report addressing the increase in value.

Technical Refinances/Delayed Financing

Use lesser of original purchase price or appraised value. See [Technical Refinance](#) section for details.

Cash Out Refinances

PROPERTIES OWNED LESS THAN SIX MONTHS AS OF THE APPLICATION DATE

Properties owned less than six months as of the loan’s application date may utilize the current appraised value if all of the following requirements are met:

- Single Family Residences/detached PUD Only
- The property may not be utilized as or qualified as a Short-Term Rental. Any rental income utilized must be calculated on a long-term basis.
- Any Investor Cash Flow/DSCR Loans must have a minimum DSCR of 1.10 based on how calculated in [applicable guidelines](#)
- No appraisal transfers may be utilized
- Maximum cash in hand: \$200,000

Any transactions which do not fit the above must utilize the lesser of the purchase price plus documented improvements or the current appraised value.

PROPERTIES OWNED AT LEAST SIX MONTHS BUT LESS THAN 12 MONTHS AS OF THE APPLICATION DATE

For properties owned at least six months as of the application, the current value may be utilized in the event it exceeds the purchase price plus documented improvements provided the increase in value over that time is justified and supported. If the appraised value exceeds 125% of the purchase price plus the documented improvements, the Applicant must provide a detailed letter of explanation regarding the circumstances, which must include how the property was located and any relationship the Applicant has with the previous owner. A Clear Capital Collateral Desktop Analysis (“CDA”) or Consolidated Analytics Consolidated Collateral Analysis CCA XP (“CCA”) must also be obtained which supports the appraised value. If the explanation is not acceptable or the CDA

or CCA does not support value, the lesser of the purchase price plus documented improvements or the current appraised value must be used.

PROPERTIES OWNED AT LEAST 12 MONTHS AS OF THE APPLICATION DATE

Properties owned for more than 12 months may utilize the current appraised value without additional restrictions, provided the appraisal is supported as detailed in these guidelines.

Appraisal Review Requirements

In instances where one appraisal is required, the CU score must be reviewed. If the CU score is less than or equal to 2.5, no additional appraisal review products are required unless otherwise specified. If the CU score exceeds 2.5 or there is no CU score, a CDA or CCA with a variance less than 10% is required. If the variance between the CDA or CCA and the appraisal is greater than 10%, perform a field review. If the value of the field review is within 5% of the value of the appraisal, utilize the lower of the two. If the value is outside of 5% of the appraised value, complete a second full appraisal. Loan amounts above \$1.5MM and up to \$2MM may not utilize the CU score in lieu of obtaining a CDA or CCA. In the event of two appraisals, the lower of the two values will be utilized and a CDA or CCA is not required unless otherwise specified in these guidelines. A CDA or CCA is required if LTV/CLTV >80 regardless of CU score.

Transferred Appraisals

Generally, all appraisals must be completed by a Company approved Appraisal Management Company (AMC). In instances when the Applicant has already had an appraisal completed for another lender, underwriting will consider utilizing the previously completed report(s) provided all other requirements of this section including regulatory compliance are met. The ultimate decision on acceptance of an appraisal report completed for another lender will be made by Credit Risk Management. At a minimum, the following documentation will be required for each transferred appraisal:

- Copy of appraiser's license
- Copy of appraiser's E&O insurance declaration page
- AIR Certification from the appraisal management company who facilitated the order
- Assignment letter from previous lender
- A CDA or CCA with variance between 0 and positive 10%, inclusive

Transferred appraisals may not be utilized on transactions where the property was owned less than six months as of the loan's application date and where the current appraised value is being utilized to determine LTV.

Disaster Area Requirements

If a property is in an area with a FEMA declared disaster, the following guidelines shall be followed:

Properties Appraised Prior to Disaster

- When the loan has not yet closed: Provide a Fannie Mae 1004D including interior inspection, completed by the original appraiser if possible, commenting if there was any damage and whether there are any changes to the marketability or market value of the subject property.
- When loan is closed but not yet sold: Provide either a PDI from Clear Capital or a Fannie Mae 1004D based on exterior inspection with commentary/certification that there is no damage or change to value.

Properties Appraised Post Disaster

Any appraisal completed within 120 days of a declared disaster must comment that there is no adverse effect on the subject property or its marketability because of the disaster.

Section 9.4: Condominiums

A condominium is a form of property ownership where the Applicant has title to their individual unit along with an undivided share of the condo's common elements.

Condominium applications submitted should be warrantable to Fannie Mae or Freddie Mac's Project Review criteria. The following documentation must be provided for condo submissions:

- Condo questionnaire
 - Project review waiver may be applicable if project meets waiver requirements
- Master insurance certificate including all required coverages-See [Insurance](#)
- Current Budget (when utilizing a full review)
- Recorded declarations/CC&R's and by-laws (to the extent necessary to complete review)
- Other documentation as required by underwriting to complete project review.

Project Limited Review is eligible based on the table below.

Limited Review-Established Condo Projects	
Occupancy Type	Maximum LTV/CLTV/HCLTV
Principal residence	90/90/90
Second home	80/80/80
Investment property	80/80/80

Note: Limited review is eligible for established projects only.

Detached and 2–4-unit condos follow Fannie Mae or Freddie Mac guidelines.

Projects exceeding 4 units are subject to [concentration limits](#)

All others must undergo a full review. Non-Warrantable condos are subject to the [Non-warrantable condo](#) criteria and will be subject to a pricing adjustment.

Section 9.4.1: Non-Warrantable Condominiums

Condo projects which do not meet Fannie Mae warrantability criteria may be acceptable under the Non-QM Program, depending on the reason it is not warrantable. Non-warrantable condominiums must undergo a full review, unless detailed otherwise.

Evaluation of Non-Warrantable Features

Condos which are otherwise warrantable, but ineligible due to one of the following criteria may be considered. A maximum LTV/CLTV of 80 is permitted for a loan with a non-warrantable feature described as eligible here, except as otherwise detailed.

Owner Occupancy Requirement on Investment Property/Investor Concentration

An investment condo unit situated in a project which meets Fannie Mae's presale requirements for number of units sold, but does not meet Fannie Mae's owner occupancy requirement, is eligible under the Non-QM Program. The investor concentration may be up to 75%.

Insufficient Budgeted Reserves

A condominium project assessed to have 7% of annual assessments budgeted for reserves may be found to be acceptable.

Additional Documentation Requirements:

- Request from the Management Company or HOA, in writing, their intent to fund future capital improvements, and
- Provide the prior 2-year financials (audited, if available).

Commercial Space

A condominium project comprised of up to 40% commercial space is acceptable, provided:

- It is common and customary to the area (deemed by Appraiser) and
- It does not have an adverse impact on marketability (deemed by Appraiser) and
- Single entity ownership allowed up to 20% of the units in the project (excludes sponsor in an initial marketing phase, where this cap does not apply).

Single Entity Ownership

A condominium project where a single entity (excluding the sponsor in the initial marketing phase) owns more than the permissible agency amount is eligible provided the entity in question does not own more than 30% of the units. Loans which are non-warrantable solely due to this feature may follow a limited review, provided i.) a balance sheet is received to address the above and ii.) the unit owner delinquency is considered as part of the condo's review. No more than 15% of unit owners may be 60 days or more past due on the common expenses (HOA dues or assessments).

Recreational Leases/Mandatory Club Membership

Properties that require owners to participate in Recreational Leases and Mandatory Club Memberships are allowed. Properties which are subject to a recreational lease require the remaining term of the lease to extend five (5) years beyond the term of the mortgage and that the lease be subordinate to mortgage liens. Copy of the Recreational Leases and Mandatory Club Memberships must be provided. A full review is required to ensure financial stability and no negative financial impact. Appraisal must include commentary on any marketability and value impacts. Loans with this non-warrantable condo feature are subject to a maximum 75 LTV/CLTV on a purchase and 70 LTV/CLTV on a refinance.

Projects Requiring a PERS Review

A condo which requires and has not yet received a PERS Review for Fannie Mae eligibility but would otherwise meet Fannie Mae's full review criteria are eligible as a non-warrantable condo.

Insurance Deductible Exceeding Agency Requirements

A condominium Master Insurance Policy with a deductible for a named Peril exceeding the allowable amount under Agency requirements may be eligible. The following criteria will be reviewed:

- HOA current balance sheet review required.
- Determine the deductible cash requirement regarding the insurance.
 - If the dollar amount of the deductible is greater than the condo's available cash on hand, any shortage of cash on hand will be assumed to be assessed to unit owners.
 - The assessment will be assumed to run over a 10-year period.
 - The share of the assessment assigned to the subject unit based on share of common elements may not increase more than 50%.
 - The deductible may not exceed 10% in any event.
 - Loans which are non-warrantable solely due to this feature may follow a limited review, provided i.) a balance sheet is received to address the above and ii.) the unit owner delinquency is considered as part of the condo's review. No more than 15% of unit owners may be 60 days or more past due to the common expenses (HOA dues)

For example, a 100-unit project may not have more than 15 units that are 60 days or more past due.

This ratio is calculated by dividing the number of units with common expense assessments that are past due by 60 or more days by the total number of units in the project.

Section 9.4.2: Condotel/Condos with Hotel-Like Features

A condo project with hotel-like features is eligible for financing, provided a.) the hotel-like features do not adversely impact the marketability and b.) are common and customary to the area. Condotels or condos with hotel-like features which make the condo non-warrantable are subject to the non-warrantable condo pricing adjustment. Condo units located in condotel, or hotel-like projects, are subject to the following guidelines:

- Max 75 LTV/CLTV
- Unit must have a minimum of 500 square feet with at least one separate bedroom and a fully functioning kitchen with stove (cooktop only not permissible)
- Must be in a resort area or metropolitan area
- Must be an established condo project as defined by Fannie Mae (notwithstanding any condotel features)
- No fractional ownership permitted (including timeshare)
- Mandatory rental pools and/or rental requirements are not permitted. Borrower must have exclusive use of the unit
- Commercial space limit may be increased to 40% (Parking not included in calculation)
- Occupancy restrictions or black-out dates not permitting year-round owner occupancy are not permitted

The condo project is not to subject any owner occupancy requirements. 100% of the units may be non-owner occupied.

Section 9.5: Cooperatives

Loans secured by cooperative units are eligible under the Non-QM Program guidelines. The following requirements would apply.

- The cooperative project must meet Fannie Mae requirements
- All occupancy types and documentation types acceptable
- Minimum FICO: 720
- Max 75 LTV/CLTV on purchase/rate and term refinance transaction and 70 LTV/CLTV on cash out refinances
- Eligible in 5 boroughs of New York City (New York, Kings, Queens, Bronx, and Richmond counties), Nassau County (NY), Westchester County (NY), and Bergen County (NJ) only
- If any rental income is used for qualifications (including actual or projected market rents on a DSCR loan) the by-laws of the cooperative corporation must affirmatively allow subletting without restrictions on length of rental service.

Section 9.7: Manufactured Homes

Manufactured Homes are eligible for the Non-QM Program Product Suite.

A Manufactured Home chassis must be permanently affixed to a foundation system for eligibility. Properties must have a HUD Data Plate and HUD Certification Label(s) as applicable. The home must have been built in compliance with the Federal Manufactured Home Construction and Safety Standards were established June 15, 1976, as amended from time to time and as applicable at the time of the home's construction. All additional requirements that appear in HUD regulations at 24 C.F.R. Part 3280 must also be followed.

Compliance with these standards will be evidenced by the presence of either a HUD Data Plate or HUD Certification Label(s) for each section of the home for existing construction. If the original or alternative documentation cannot be obtained for either of these, the property is not eligible.

The HUD Data Plate is a paper document located on the interior of the subject unit that contains the manufacturer's name and trade/model number among other things. The Data Plate also includes pertinent information about the unit including a list of factory-installed equipment. The HUD Certification Label(s), also known as HUD "seal or "tag", is a metal plate located on the exterior of each section of the home. The Manufactured Home Appraisal Report (Form 1004C) must have photos of either the Data Plate or the Certification Labels.

Section 9.7.1: Underwriting Requirements

The following underwriting loan limitations apply:

MANUFACTURED HOME LTV/CLTV and FICO REQUIREMENTS						
	PRIMARY RESIDENCE		SECOND HOME		INVESTMENT	
	PURCHASE	RATE TERM REFINANCE	PURCHASE	RATE TERM REFINANCE	PURCHASE	RATE TERM REFINANCE
MINIMUM FICO	680	680	680	680	680	680
MAXIMUM LTV/CLTV	75	70	65	60	65	60

Section 9.7.2: Additional Property Requirements

The following requirements must also be met:

- Single-Wide Manufactured Homes are ineligible.
- Fannie Mae requirements for the manufactured home must be met, including value to be used to calculate the LTV/CLTV.
- Manufactured homes may not have an ADU
- Condo, coop, and PUD projects consisting of manufactured homes are ineligible.
- Properties located in a Special Flood Hazard area must either obtain a LOMA or LOMR that removes the property from the SFHA or obtain an elevation certificate that shows the finished grade beneath the manufactured home is at or above the 100-year return frequency flood elevation and flood insurance is obtained.
- The unit must not have been previously installed or occupied at any site or location, except for the manufacturer or dealer's lot as a new unit.
- The manufactured home must be a one-unit dwelling that is legally classified as real property and may not include an accessory dwelling unit.
- The towing hitch, wheels, and axles must be removed. The dwelling must assume the characteristics of site-built housing.
- The borrower must own the land on which the manufactured home is situated in fee simple. Manufactured homes located on leasehold estates are not eligible.
- A manufactured home may be located on an individual lot.
- A manufactured home cannot be rural or located on agricultural zoning.
- The manufactured home must be at least 12 feet wide and have a minimum of 1500 square feet of gross living area.
- Site preparation for delivery of the manufactured home must be completed.
- The manufactured home must be attached to a permanent foundation system in accordance with the manufacturer's requirements for anchoring, support, stability, and maintenance. The foundation system must be appropriate for the soil conditions for the site and meet local and state codes.
- The manufactured home must be permanently connected to a septic tank or sewage system, and to other utilities in accordance with local and state requirements.

- If the property is not situated on a publicly dedicated and maintained street, then it must be situated on a street that is community owned and maintained or privately owned and maintained. There must be adequate vehicular access and there must be an adequate and legally enforceable agreement for vehicular access and maintenance.
- Mortgages secured by existing manufactured homes that have incomplete items, such as a partially completed addition or renovation, or defects or needed repairs that affect safety, soundness, or structural integrity, are not eligible until the necessary work is completed.
- Manufactured homes that have an addition or have had a structural modification are eligible under certain conditions. If the state in which the property is located requires inspection by a state agency to approve modifications to the property, then the lender is required to confirm that the property has met the requirement. However, if the state does not have this requirement, then the structural modification must be inspected and be deemed structurally sound by a third party who is regulated by the state and is qualified to make the determination. In all cases, the satisfactory inspection report must be retained in the mortgage loan file.

Section 9.8: Allowable Acreage

Properties which include up to 50 acres are eligible for consideration. Properties which are situated on more than 20 acres are limited to 70 LTV/CLTV, primary residences, and purchase transactions. The predominant value on an appraisal must be attributed to the dwelling improvements.

Typically, the Appraiser would identify the comparable sales and listings with similar acreage which will represent property in highest and best use, with little to no additional value given to surplus. Properties on acres must have like in kind comparable sales with minimal attribution of the land to the subject property. Acreage exceeding these amounts may be considered on an exception basis.

The appraiser must confirm no adverse impact on marketability and no active agricultural use. All other standard appraisal and property conditions considerations must be followed.

Section 9.9: Rurally Designated Properties

Any property designated as rural by the appraiser is subject to the following limitations:

- Primary Residence or Second Home Max 80 LTV/CLTV
- Investment properties:
 - Purchase: Max 75 LTV/CLTV
 - Rate & Term Refinance: Max 65 LTV/CLTV
 - Cash out Refinance: not allowed.
 - Rural investment property is not eligible on Investor Cash Flow/DSCR program.
 - Property to be tenant occupied or operated as a short-term rental evidenced with receipt of short-term rents for the most recent 12-month period. Property not currently rented may be considered on an exception basis.

For all occupancies, the appraiser must provide like in-kind comps and comment on any adverse impacts to marketability because of the rural nature of the property. Any properties with adverse impacts are subject to exception review.

Section 9.10: Seasonal Properties

Properties which are not used year-round may be eligible for Second home and Investment Purchase and Refinance transactions. Maximum LTV/CLTV is 65%.

- The property does not need to be suitable for year-round occupancy
- Single Family Residence only (does not include Manufactured Homes)

- Timeshares or cooperative ownership forms are not acceptable
- A heating source is not required
- Public Road access is maintained by local or state road departments
- Any shared wells require a maintenance agreement. Community wells owned by an HOA are not acceptable
- Year-round access to utility services

Appraisal Requirements

- There must be acceptable comparable sales.
- Sites should have similar characteristics private vs public utilities, access roads, lot size, and zoning.

Section 9.11: Log Homes

Faux Log Homes

Properties which have a faux log exterior are eligible for the Non-QM Program Product Suite. The appraisal report must provide at least two comparable sales with similar faux log features and a commentary demonstrating the marketability of the subject property. The allowable LTV/CLTVs are as detailed below:

- Primary Residence or Second Home: 80 LTV/CLTV
- Investment Property: 75 LTV/CLTV
- Cash Out Refinance (any occupancy): 70 LTV/CLTV

True Log Homes

True Log Homes are also eligible for the Non-QM Program Product Suite. The maximum LTV/CLTV is 70 and these properties are limited primary residences and second homes. The appraisal report must provide comparable sales and commentary demonstrating the marketability of the subject property.

Section 9.12: Unpermitted Additions

Unpermitted additions are allowed on a case-by-case basis at the Seller's discretion. Properties with unpermitted additions will be subject to the following:

- The appraiser must comment that the addition was completed in a workmanlike manner, and
- Demonstrate that the addition does not have any adverse impact on marketability.

Section 9.13: Deferred Maintenance

Minor items of deferred maintenance are acceptable, provided the appraiser does not state that they represent a health and safety hazard. If appraisal is marked as "subject to" rather than "as is" then the required work must be completed prior to closing.

Section 9.14: Escrow Holdbacks

Not allowed

Section 9.15: Properties with Security Bars

Security Bars on windows are a potential safety issue that must be addressed prior to closing. Security bars must comply with local fire codes and meet one of the following conditions:

- There must be a “Quick Release” on at least one window in each bedroom. The appraiser must comment on whether security bars meet local codes and whether there are safety release latches installed and provide photos of the release latches, or
- All bedrooms must have adequate egress to the exterior of the home. Appraiser must provide comments.

Section 9.16: Deed Restricted Properties

For a property which has deed restrictions to be considered eligible for financing, there are additional requirements that must be addressed and included in appraisal. The Applicant must meet all requirements of the deed restriction. If the subject property is an investment property, then any rental restrictions must be reviewed and accounted for, both in how they impact loan purpose and rental income calculation.

Appraisal Requirements

The appraiser must be made aware of the resale restrictions and should advise the appraiser that they must include the following statement in the appraisal report.

In cases where the resale restrictions terminate automatically upon foreclosure (or the expiration of any applicable redemption period), or upon recordation of a deed-in-lieu of foreclosure, the appraisal should reflect the market value of the property without resale restrictions:

"This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure."

In cases where the resale restrictions survive foreclosure or a deed-in-lieu of foreclosure, the appraisal must reflect the impact the restrictions have on value and be supported by comparable sales with similar restrictions.

The appraisal report must note the existence of the resale restrictions and comment on any impact the resale restrictions have on the property's value and marketability.

Section 9.17: Leasehold Properties

Generally, leasehold property is a property type whereby the property owner possesses (owns) the improvements, and the land is owned by another individual who leases the land to the property owner. Leasehold properties are eligible provided the lease complies with Fannie Mae requirements.

Section 9.18: Land Contracts

A mortgage in which the proceeds are used to pay the outstanding balance under a recorded land contract or contract for deed may be considered either a purchase transaction or a rate and term refinance, as described below. A copy of the executed land contract or contract for deed is required.

Purchase Transaction Requirements

- The land contract or contract for deed must have been executed less than 12 months prior to the loan application interview date.
- All the loan proceeds must be used to pay the outstanding balance under the land contract or contract for deed, and no loan proceeds may be disbursed to the Applicant.
- The LTV/CLTV must be calculated using the lesser of the following:
 - The current appraised value, or
 - The total acquisition cost (the purchase price indicated in the original land contract or contract for deed, plus any cost the Applicant has expended for rehabilitation, renovation, refurbishment, or energy

conservation improvements). The Mortgage file must contain sufficient documentation on which to calculate the total acquisition cost.

Refinance Transaction Requirements

- The land contract or contract for deed must have been executed at least 12 months prior to the loan application interview date,
- The LTV/CLTV must be calculated using the current appraised value,
- Third-party documentation evidencing no late payments in accordance with the land contract or contract for deed for the most recent 12-month period must be provided, and
- The transaction must meet the requirements for a rate and term (“no cash out”) refinance.

Section 9.19: Interested Third Party Contributions

Interested Third Party Contributions are the cost of items normally paid by the Applicant, but which are paid by the seller, or another interested third party to the transaction. Interested parties generally include the builder, the developer, the seller of the property, the real estate agent, etc. Examples of sales incentives include commission paid to a realtor, a program developed by a seller or third party (e.g., a property management company, a builder, an investment group, a marketing company, etc.) to entice a buyer to purchase the property or a finder’s fee or bonus paid to a realtor or a third party.

Generally, underwriting does not consider contributions that are from a person related to the Applicant, the Applicant’s employer, a municipality, or a non-profit organization as interested party contributions.

Interested party contributions must be:

- Disclosed in the sales contract,
- Documented in the Mortgage file,
- Clearly shown on the Closing Disclosure, and
- Paid to the appropriate vendor by the Title Insurance Company or Closing Attorney.

Seller Credit/Financing Contributions

Funds originating from an interested third party and paid to the appropriate vendor are acceptable when they are used to permanently reduce the interest rate on the mortgage or pay related mortgage financing costs, closing costs, required prepaids, and escrow costs. The total financing contributions may not exceed the lesser of the total of the closing costs and prepaids or the LTV/CLTV described in the guideline below.

Maximum Financing Contributions

All Products

On a primary or second home: 9% up to 75 LTV/CLTV and 6% to 90 LTV/CLTV.

Investment property, all LTVs/CLTVs: 6%.

Section 9.20: Properties Recently Listed for Sale

On a refinance where the property has been listed for sale in the last 6 months, the property must be delisted prior to application, and the Applicant must provide an acceptable motivation letter on their intent to retain the property going forwards. Extra due diligence shall be performed in the case of a cash out refinance. To the extent that a property has been listed for sale by the current owner (either directly or indirectly), then the lesser of the lowest list price during that timeframe or the appraised value will be utilized to determine the subject property’s value.

Section 9.21: Declining Markets

In the event an appraisal indicates a property is in a declining market, the file will be subject to further review by underwriting.

Section 9.22: Solar Panels

Follow FNMA requirements.

Section 9.23: Properties with Cesspools

The appraiser must confirm that the cesspool is common in the marketplace and does not adversely impact marketability. Follow FNMA for any additional requirements.

Section 9.24: Accessory Dwelling Units

Single Family Residences with up to 2 ADUs is allowed. The ADUs may be manufactured homes, however a manufactured home ADU must meet the Additional Property Requirements spelled out in the Manufactured Home section.

The appraisal report must include comparable sales with similar ADU features to demonstrate the acceptance of the ADU(s) in the market and zoning does not prohibit an ADU as an illegal use. Value may be attributed by the appraiser to each ADU.

Manufactured home should not have ADU. If ADU exists on a Manufactured Home, value will be given only to the Manufactured home and the property would need to be considered on an exception basis.

The ADUs individually should be subordinate in size to the primary dwelling. Multi-Family Properties with ADUs are considered on an exception basis.



Chapter 10: Underwriting Requirements

The Non-QM Program takes a commonsense approach to credit policy to ensure simplicity in the underwriting process. We recognize that not every loan falls within our credit guidelines and may deserve further consideration. The Non-QM Program will originate 1-4 family mortgage loans that follow the Dodd-Frank Ability to Repay (ATR) rule as defined in 12 CFR 1026.43 unless exempt. The Non-QM Program will comply with all state and federal guidelines regarding points and fees.

The General ATR Option consists of eight minimum underwriting considerations as defined below and requirements for verifying the information used to underwrite the loan. The considerations are:

- The consumer's current or reasonably expected income or assets, other than the value of the dwelling, including any real property attached to the dwelling, that secures the loan;
- If the creditor relies on income from the consumer's employment in determining repayment ability, the consumer's current employment status;
- The consumer's monthly payment on the covered transaction, calculated in accordance with these guidelines;
- The consumer's monthly payment on any simultaneous loan that the creditor knows or has reason to know will be made, calculated in accordance with these guidelines;
- The consumer's monthly payment for mortgage-related obligations;
- The consumer's current debt obligations, alimony, and child support;
- The consumer's monthly debt-to-income ratio or residual income determined in accordance with these guidelines; and
- The consumer's credit history.

Section 10.1: ARM Features

- Cap structure: 2/1/5
- Index: 30 Day Average of SOFR
- Floor Rate: Note Rate
- Adjustment Period: 6 Months
- Margin:
 - Full Documentation: 4.000%
 - Bank Statements/1099 Only/Asset Qualifier/P&L Only/WVOE Only: 4.250%
 - Investor Cash Flow: 4.500%

Note: ARM loans may be assumable after fixed rate period expires

Section 10.2: Interest Only Loans

Interest only loans must have a minimum 680 FICO score and may not exceed LTV/CLTV of 80.

Section 10.3: Loan Term

The standard loan term under the Non-QM Program product is 15 or 30 years. 40-year term loans are eligible for loans with an interest only payment feature, a maximum LTV/CLTV of 80, minimum FICO 680, and on all doc types other than Investor Cash Flow. 40-year term loans are also not available on 5/6 ARM products.

Section 10.4: Qualifying Ratios

Note that these requirements are superseded by any regulatory requirements such as HPML, unless exempt.

Fixed Rate Loans

Fixed rate loans are qualified at the note rate.

Amortizing ARM Loans

Full Documentation, Bank Statements, 1099 Only, P&L Only, WVOE Only, and Asset Qualifier

Amortizing ARM Loans qualify at the greater of the start or the Fully Indexed Rate (index + margin) amortized over the life of the loan.

Investor Cash Flow

Qualify the Applicant at the start rate.

Interest Only Loans

Full Documentation, Bank Statements, 1099 Only, P&L Only, WVOE Only, and Asset Qualifier

Qualify at the applicable FRM/ARM rate (see above) based on the amortizing term of the loan.

The following amortization terms would be used for qualifying on a 30-year term loan. As interest only term is 10 years.

- 5/6 IO ARM: 20 years
- 7/6 IO ARM: 20 years
- 10/6 IO ARM: 20 years
- 30 FRM w/ IO: 20 years

The following amortization terms would be used for qualifying on a 40-year term loan. As interest only term is 10 years. (The 40-year term option is not available on a 5/6 ARM product.)

- 7/6 IO ARM: 30 years
- 10/6 IO ARM: 30 years
- 40 FRM w/ IO: 30 years

Note: Interest Only is not allowed on [Texas Home Equity Loans](#) which fall under section 50(a)(6).

Investor Cash Flow

Qualify the Applicant at the start rate based on a 30-year term, unless the loan qualifies to utilize the Interest Only payment to calculate the DSCR.

Section 10.5: Debt To Income Ratio (DTI)

To determine the DTI on a file (when applicable) divide the gross monthly expenses by the gross monthly income. Note that the DTI figure is a precise calculation and may not be rounded down to determine qualification. The standard maximum DTI on Full Doc, Bank Statement, 1099 Only, P&L Only, and WVOE Only is as follows:

- LTV/CLTV up to 85: 50.000
- LTV/CLTV above 85: 43.000

For Full Doc loans only, the maximum allowable DTI may be increased to 55.000 when the following requirements are met:

- Min FICO: 680
- Max LTV/CLTV: 70

- Eligible Transactions: Purchase or Rate and Term Refinance
- Minimum Residual Income: greater of .5% of the loan amount or \$2k.

Residual Income Requirements

In instances where a file has a DTI >50.000, the monthly residual income is tested to determine the post-closing reserve requirement. If the Applicant has the greater of \$2k per month or .5% of the loan amount in monthly residual income, then no additional reserves are necessary and standard requirements are followed. If the Applicant does not meet this requirement, they must have an additional 6 months PITIA on the subject property above and beyond all standard requirements. In no case may the residual income be below \$1,500 per month. Utilize the Non-QM Program Residual Income Calculator to determine any residual income requirement.

No DTI is developed for either Asset Qualifier or Investor Cash Flow products.

The residual income for the Asset Qualifier product must meet or exceed \$1,500 per month. For purposes of the product, gross income is determined by taking assets to be utilized for Asset Qualification and dividing by 48 months and then deducting monthly liabilities. Do not impute tax deductions when determining residual income. Example: Applicant has \$480,000 in post-closing assets after applicable haircuts. "Gross Monthly Income" is \$10,000 (\$480,000/48). Liabilities are \$4,000 per month. Residual income is \$6,000 per month (\$10,000-\$4,000 = \$6,000). In the instance that property taxes, homeowner's insurance, and homeowner's association dues are not documented on a file, the following values may be utilized for monthly expenses in their stead:

- Property taxes: 1.250% of the property's estimated value /12
- Homeowner's insurance: .250% of the property's estimated value /12
- Homeowner's association dues: .500% of the property's estimated value/12

Section 10.6: Loan To Value and Combined Loan To Value Calculations

The Seller must determine if the loan meets the LTV and CLTV eligibility requirements for the specific loan being reviewed. LTV and CLTV calculations are below.

LTV Ratio

The LTV of a property is the relationship of the mortgage amount(s) to the property's value. For this calculation the property value is the lower of the sales price, documented cost or the current appraised value. LTV plays an important role in the overall analysis of the loan request and final disposition. Unless otherwise noted in the Guidelines, the LTV ratio calculation depends on whether the transaction is a purchase or refinance transaction.

- **Purchase Money Transactions:** Loan Amount /Lower of sales price or appraisal value
- **Refinance Transaction:** Loan Amount/Value utilized for underwriting

CLTV Ratio

Where the Applicant has subordinate financing, the combined or total LTV (CLTV/TLTV) of the junior liens and first lien must be considered in determining if the loan request falls within the product or program parameters. The CLTV ratio is calculated by dividing the total of all liens (First Mortgage Loan Amount + all subordinate financing, including the credit limit of any Home Equity Lines of Credit regardless of amount drawn) by the value to be utilized for the transaction.

See [Determining Collateral Value](#) for additional information.

Section 10.7: Subordinate Financing

Subordinate financing is eligible for this product. See the liabilities section of this guide for payments to be utilized. The CLTV (as calculated above) must follow the product guidelines. New and existing subordinate financing is

permitted. Subordinate financing does not need to be institutional in nature, but it must comply with the guidelines below:

- Variable payment mortgages that comply with the details below.
- Mortgages with regular payments that cover at least the interest due so that negative amortization does not occur.
- Mortgages with deferred payments only in connection with employer subordinate financing (see below).
- Mortgage terms that require interest at a market rate. If the note does not contain a rate of interest (i.e., a seller held second), impute a market rate of interest with an interest only payment calculation.

The following are unacceptable subordinate financing features:

- May not contain negative amortization
- Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than five years after the note date of the new first mortgage (except for employer subordinate financing that has deferred payments).

Subordinate financing with either of the last two features may be acceptable when the amount of the debt relative to the Applicant's financial assets and credit profile is of minimal impact.

Section 10.8: Limitations on Other Real Estate Owned

Loan/Property restrictions per Applicant are as follows:

- Applicants are collectively limited to ten (10) loans either issued or purchased by the end investor not to exceed \$10,000,000.
- Applicants with > 15 financed properties are not eligible for any 2nd home or investment property transaction (purchase, rate/term, or cash-out). This is aggregate based on all Applicants.
 - There is no limit on the maximum number of financed properties on the Investor Cash Flow/DSCR product.
- Applicants for Investor Cash Flow loans only need to include the following properties on their schedule of Real Estate Owned:
 - The subject property (if a refinance), and
 - Their primary residence.
 - Additionally, any owned properties which are financed with a mortgage loan listed on the Applicant's credit report must be either listed on the URLA or detailed on a separate schedule of real estate owned addressing the below points:
 - Property address,
 - Estimated value,
 - Outstanding loan amount, and
 - Monthly mortgage payments.
 - Tax/insurance/HOA dues which are paid separate from the mortgage payment do not need to be documented or included.
- Limitations on financing in a condo project:
 - Projects >10 units: Applicants may have Non-QM Program financing on a maximum of 10% of the units in a PUD or condominium project.
 - Projects 5-10 units: Applicants may have Non-QM Program financing on a maximum of 2 units are allowed.
 - For projects with less than 5 units, no restriction or limitations apply to the number of units in a condo project a single Applicant may own and finance with Corva Lending.

The Non-QM Program financing is limited to a maximum overall concentration of 20% in any Florida condominium project, excluding any 2–4-unit project. This limitation is per project and not per Applicant.

Section 10.9: Short Sale

Homes purchased through a short sale may be eligible for financing. The Seller must diligently review purchase transactions for possible red flags that could indicate suspicious activity related to the short sale and that would subsequently render the loan ineligible.

Short Sale Fee Documentation

The following documentation is required in the mortgage loan application file:

- Written details provided to the Applicant outlining the additional fees or payments and the additional necessary funds to complete the transaction.
- The servicer who agrees to the short sale must provide confirmation that they have the option of renegotiating the payoff amount to release its lien.
- All parties (buyer, seller, and servicer) must provide their written agreement to the final details of the transaction, including the additional fees or payments. This can be accomplished by using the Request for Approval of Short Sale form or any alternative form or addendum that clearly indicates that all parties (buyer, seller, and servicer) agree to the final details of the transaction, including any additional fees.
- The Closing Settlement Statement must include all fees and payment included in the transaction.

Section 10.10: Power of Attorney

A power of attorney is allowed. Except as otherwise required by applicable law, or unless they are the Applicant's relative (or a person who is a fiancé, fiancée, or domestic partner of the Applicant), none of the following persons connected to the transaction shall sign the security instrument or note as the attorney-in-fact or agent under a power of attorney:

- The Seller,
- Any affiliate of the Seller,
- Any employee of the Seller or any other affiliate of the Seller,
- The loan originator,
- The employer of the loan originator,
- Any employee of the employer of the loan originator,
- The title insurance company providing the title insurance policy or any affiliate of such title insurance company (including, but not limited to, the title agency closing the loan), or any employee of either such title insurance company or any such affiliate, or
- Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent.

A Power of Attorney (POA) is ineligible for cash-out refinance loans in all cases. Additionally:

- Loans where title will be vested in a trust may not be closed using a POA.
- A POA may only be utilized on loans where title will be vested in the name of an LLC/Partnership/Corporation if all entity members, owners, managers, directors, officers, and shareholders are a.) natural persons and b.) Applicants. In this instance, the POA will only be utilized to sign the promissory note in an Applicant's individual capacity. A fully executed corporate resolution will be utilized for any corporate signatures.

In the event there is only one Applicant on the loan, the appointed individual signing on behalf of the Applicant must be either a relative or their attorney at law.

Section 10.11: Prepayment Penalties

Prepayment penalties may be placed on investment properties (all documentation types) where allowed and to the extent permitted by state and federal law. Refer to the [Prepayment Penalty Supplement](#) for details along with any state requirements.

Any loan which has a prepayment penalty must be a business purpose loan as defined in 12 CFR 1026.3(a). To that end, proper documentation of the loan's business purpose must be provided. Depending on the specifics of the file, this may include but is not limited to a certification of business purpose, a cash out LOE from Applicant confirming intended use of loan proceeds as being for a business purpose, or some other relevant documentation. Any loans that are consumer purpose based on either intended occupancy or purpose of loan proceeds including cash out proceeds may not close with a prepayment penalty and is not eligible to close as a business purpose loan.

For example, a purchase of an investment property which will be occupied by a family member would be a consumer purpose loan. A cash out refinance where the intended use of the cash out proceeds is to pay personal debt would be a consumer purpose loan.

Investor Cash Flow Loans with a DSCR <1.00 and LTV/CLTV >70 must have at least a one-year PPP.

Section 10.12: Regulatory Requirements

Any regulatory requirements that apply supersede the requirements of this guideline.

Higher Priced Mortgage Loan (HPML)

A Higher Priced Mortgage Loan (HPML, better defined in 12 CFR 1026.35) is a loan secured by an Applicant's principal residence where the Annual Percentage Rate (APR) exceeds the Average Prime Offer Rate (APOR) by 1.5% or more for a loan whose principal balance under or equal to maximum amount loan amount that would be purchased by Freddie Mac based on the property's type and location or where the APR exceeds the APOR by 2.5% or more for loan balances greater than those which would be purchased by Freddie Mac based on the property's type and location.

The following requirements apply (these are examples and not an exhaustive list of requirements)

- Compliance with ATR must be fully documented
- Escrows are mandatory for a minimum of 5 years
- No prepayment penalties allowed
- A second appraisal is required if the seller of a property acquired the property less than 90 days prior to the new contract date and there is an increase in purchase price of 10% or more; OR if the seller acquired less than 180 days ago and there is an increase in purchase price of 20% or more.

In the event of any conflict between these guidelines and/or state and federal regulations, those regulations shall govern.

High-Cost Loans

Loans which are deemed High-Cost Loans are not eligible for this program. Please refer to applicable Federal, State, and Local law for the definition and scope of High Cost.

High-Cost Loans	• APR exceeds APOR by more than 6.5% • Total lender/broker points and fees exceed 5% of total loan amount ○ Includes but not limited to: origination fee, broker fee, processing fee, underwriting fee, document preparation fee, wire fee, and loan servicing set up fee.
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Maximum Points and Fees

The maximum points and fees allowed on a loan is 5%. Calculate points and fees based on the amount financed in compliance with 12 CFR 1026.32. Loans secured by investment properties which i.) are deemed business purpose loans and ii.) close with a prepayment penalty may exceed the 5% allowable point and fees limit. The point and fee limit may be exceeded by the maximum amount of the prepayment penalty that can be assessed on the loan. In the event of an applicable state or local regulation which is more restrictive, the most restrictive will apply.

Section 10.13: Exceptions

If the approval of a loan constitutes a deviation from the Underwriting Guidelines, the deviation will be classified as an exception. The exception should be requested prior to submission of the file, if possible. The exception approval should be maintained with the file.

Exceptions will be considered based on the file's individual facts and circumstances. Understanding that there are very well qualified Applicants who fall outside of the detailed underwriting guidelines, exceptions are reviewed based on the overall loan attributes and the loan's overall risk profile. An Applicant must demonstrate compensating factors to have the request considered. All exceptions are reviewed in compliance with fair lending regulations.

A list of common compensating factors is detailed below, though an individual file may have compensating factors not detailed here:

- The requested loan LTV/CLTV is 10% or more below the maximum LTV/CLTV for Credit Score
- Applicant FICO score is 20 points above requirement for requested LTV/CLTV
- The Debt-to-Income Ratio is at least 10 points below the allowable limit
- Reserves of 12 months or more than the required minimum
- Residual income \$3,000 a month or more
- Long term employment greater than five years in the same job/operating the same business
- Minimal consumer debt
- Long term home ownership greater than five years
- Reduction in monthly housing or payments and
- 24 months of bank statements provided on a bank statement loan

To file a request for an Exception, complete the Non-QM Program Exception Request form.

If the details of the file should change adversely from the original exception, the exception must be re- approved prior to closing.

Section 10.14: Mortgage Insurance

Mortgage Insurance is not required.

Section 10.15: Tax/Insurance Escrows & Escrow Waiver

Tax and insurance escrows are required on all loans greater than 80% (89.99% in CA).

Unless required by applicable state law, escrow waivers are permitted. Flood insurance premiums are required to be escrowed on mortgages made, increased, extended or renewed.

Section 10.16: Minimum/Maximum Loan Amounts

Standard Applicants

- Minimum Loan Amount: \$100,000

- Maximum Loan Amount: \$4,000,000

Higher loan amounts may be considered on a case-by-case basis.

Foreign National Applicants

Minimum Loan Amount: \$100,000

Maximum Loan Amount:

- Purchase or Rate/Term Refinances: \$3,000,000
- Cash Out Refinance: \$2,500,000

Section 10.17: Temporary Buydowns

Temporary buydowns are permitted on the Non-QM Program product. The following limitations and guidelines apply:

- Eligible for primary residences and second homes (all LTVs/CLTVs), and investment properties (max 75 LTV/CLTV with a FICO of 740 or greater, otherwise max 70 LTV/CLTV)
- Eligible on purchase transactions
- Allowed on amortizing and interest only transactions
- Eligible on all documentation types
- Buyer/borrower/lender funded temporary buydowns are not allowed
- The buydown period may not exceed 36 months
- The rate used to calculate the borrower's payments may not increase more than 1% per year
- The following buydowns options are available:
 - 3% year 1-2% year 2-1% year 3
 - 2% year 1-1% year 2
 - 1% year 1-1% year 2
 - 1% year 1
- All loans will be subject to a temporary buydown agreement that will outline the terms
- The application, note, loan estimates and closing disclosures all will reflect the final interest rate after the expiration of the buydown
- The loan will be qualified at the note rate not the buydown rate
- Seller funded buydown amounts will be considered in the interested party contribution total
- Any eligible Interested Party Contributor may provide funds towards the buydowns

Chapter 11: Title Vesting

Generally, titles must be held in fee simple absolute. Leasehold estates will be permitted if they strictly comply with Fannie Mae requirements. The following forms of title vesting are eligible for this product:

Section 11.1: Individual Names

Applicants may take title to the property in the individual names as tenants in common, joint tenants, tenancy by the entirety, or community property (with or without survivorship). Not all Applicants need to be on title so long as at least one is, unless required by the manner of title or state law.

Section 11.2: Living Trust

An inter vivos revocable (living) trust is created by a written legal document that transfers legal title to property from an individual to a trust, usually for estate planning or privacy purposes. The individual or individuals that create the trust (often referred to as “creators,” “settlers,” “grantors,” or “donors”) are usually named as trustees within the trust and have full control over the property. If the trust is revocable, the individual or individuals setting up the trust have the right to revoke or alter the trust.

General Requirements

The inter vivos revocable trust must be established by one or more natural persons, solely or jointly. The primary beneficiary of the trust must be the individual(s) 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. The trustee(s) must include either:

- The individual establishing the trust (or at least one of the individuals, if there are two or more), or
- An institutional trustee that customarily performs trust functions and is authorized to act as trustee under the laws of the applicable state.

The trustee(s) must have the power to mortgage the property for the purpose of securing a loan to the party (or parties) who are the Applicant(s) under the mortgage or deed of trust note.

For loans that close in the name of a trust, the name, physical address of the trustee and the identifying number of the trust (trustor’s social security number) must be obtained as part of the trust review process and retained in the permanent loan file.

Irrevocable Trusts are **not** eligible for financing.

Legal Requirements for Revocable Trusts

The *inter vivos* revocable or living trust must comply with the following legal requirements:

- The trust document names one or more trustees to hold legal title to and manage the property in trust and the trustee must have the power to mortgage the property for the creator of the trust,
- The title policy must specifically indicate that title is vested in the trustees of the *inter vivos* trust or such other manner as is customary in the jurisdiction for living trusts,
- Loan documents are to be executed to ensure full recourse against the underlying creators/Applicant. The creator/Applicant will sign the Note individually as guarantor(s),
- The trust complies with all applicable state and local laws and regulations, and
- The trust meets the requirements of Fannie Mae

Underwriting will accept a fully executed Trust Certificate in lieu of the complete trust agreement in states where it is customary to do so.

Trusts Outside of FNMA Requirements

Trusts that do not meet FNMA requirements solely due to the fact that the Applicant is not the trustee are eligible provided:

- The trust meets FNMA requirements in all other respects, and
- The trustee of the trust may not take any action with regard to the trust or its assets absent the explicit direction of the Applicant.

Section 11.3: Blind Trust

A blind trust is a trust in which the trustee(s) or those to whom power of attorney has been given, have full discretion over the assets, and the trust beneficiaries have no knowledge of the holdings of the trust and no right to intervene in their handling. Blind trusts are used when a settlor (sometimes called a trustor or donor) wishes to keep the beneficiary unaware of the specific assets in the trust, such as to avoid conflict of interest between the beneficiary and the investments. The trust document must be approved by underwriting.

Legal Requirements for Blind Trusts

- The Blind Trust must be set up as revocable trust,
- Loan documents are to be executed to ensure recourse against the underlying creators/Applicant. The creator/Applicant will sign the Note individually as guarantor(s), and
- The trust complies with all applicable state and local laws and regulations,

An attorney opinion letter should be provided.

Required Verbiage for Blind Trusts

The governing Trust document must be amended to include the following language.

REPAYMENT OF LOAN

Anything contained herein to the contrary notwithstanding, with regards to that certain loan dated [date], between Grantor and [Seller] or its successor in interest or any subsequent purchaser or assignee of said loan as collateralized by the note and mortgage assigned to this trust ("Loan"), said Loan, plus any interest and penalties related thereto shall be repaid upon the death of Grantor prior to any distribution made to any beneficiary under this trust or any amendment and/or restatement thereto.

Section 11.4: Limited Liability Company ("LLC")

An LLC is a non-corporate business whose owners actively participate in the organization's management and are protected against personal liability for the organization's debts and obligations. LLCs formed in the US are eligible subject to the requirements below. All Applicants will sign the note individually. Any non-borrowing member of the LLC must sign the note and mortgage/deed of trust in their capacity as member of the LLC.

Eligibility Requirements

- Must be legal in the state in which the LLC is being formed.
- LLC must be formed in the same state where property is located.
 - Out of state LLCs are permitted provided the LLC registers in the state where the subject property is located as a foreign entity.
 - The preceding limitation only applies to an LLC which holds title to the subject property.
 - Any entity involved in the ownership structure must be formed in the United States.

- The operating agreement must provide the term of the LLC and the members/managers authorized to encumber the LLC.
- Maximum four (4) members who may be natural persons or another entity. The manager of the LLC must be an Applicant, or an entity or trust owned by the Applicant. A natural person is not a trust or other entity. For instances where the entity is owned by a trust, the trust must meet Fannie Mae requirements.
 - For instances where an LLC is owned by another entity, the following limitations apply:
 - A maximum of two entities may be involved in the ownership structure.
 - The resolution and consent from the parent entity must authorize the subordinate entity to proceed with the loan.
 - The beneficial ownership requirements outlined here must still be met.
 - The parent entity does not need to be registered in the subject property's state as a foreign entity.
- At least one member of the LLC is required to qualify for the loan and individually sign the note.
- Additionally, the Applicants on the loan must combine to own 50% or more of the LLC. If all members of the LLC are not Applicants on the loan, then a six-month lookback will be completed as of the application date and any members whose ownership has been reduced below 50% during this period would need to be added to the application. If the LLC was formed less than six months ago, the lookback period will be measured from LLC creation date to application date.
- LLCs are acceptable in all lending areas and all occupancies.

Documentation Requirements-Vested Entity (The entity on title)

- Articles of Organization
- Operating Agreement
- Unanimous Consent & Resolution to Borrow, which must include lender name, loan amount, and property address. Note that the execution of a Unanimous Consent & Resolution to Borrow does not relieve any non-borrowing LLC member from their obligation to execute documents except as detailed below.
- SS-4 Form or equivalent listing federal tax ID Number
- Certificate of Good Standing from the applicable Secretary of State's office, dated within 60 days of the note date. If LLC formed in a state other than that where subject property located, a Certificate of Good Standing is needed from both the state of incorporation and the state where the subject property is located.

Documentation Requirements-Layered Entity (The entity which owns entity on title)

- Articles of Organization
- Operating Agreement
- Unanimous Consent & Resolution to Borrow, which must include lender name, loan amount, and property address. Note following:
 - The resolution must authorize the Vested Entity to take out the loan
 - The execution of a Unanimous Consent & Resolution to Borrow does not relieve any non-borrowing LLC member from their obligation to execute documents.
- Certificate of Good Standing from the Secretary of State's office from its state of incorporation, dated within 60 days of the note date.

The LLC must be approved by underwriting.

Signature Requirements

Party	Required Signatures
Members who are Applicants	• Must sign note individually.

Party	Required Signatures
	Must sign note and security instrument as member of LLC.
Members who are not Applicants	Must sign note and security instrument as member of LLC.

Signature by Corporate Resolution

In instances where all members and managers of the LLC on title are a.) Applicants on the loan and b.) natural persons, closing documents may be executed by one person on behalf of the members of the LLC. The person executing the documents may, but is not required to be, a member or manager of the LLC. A corporate resolution must be provided which must specifically identify the person authorized to sign on behalf of the LLC, in addition to the requirements identified above.

Signature Examples

Example-Non-Layered Entity

Applicant: John Smith

LLC Name: ABC, LLC

LLC Members: John Smith and Jane Smith

Note:

John Smith

John Smith, as member of ABC, LLC

Jane Smith, as member of ABC, LLC

Mortgage/deed of trust:

John Smith, as member of ABC, LLC

Jane Smith, as member of ABC, LLC

Example-Layered Entity

Applicant: John Smith

Vested LLC Name: Vested Entity, LLC

Vested LLC Members: Layered Entity, LLC

Layered LLC Name: Layered Entity, LLC

Layered LLC Members: John Smith and Jane Smith

Note:

John Smith

Vested Entity, LLC, by Layered Entity, LLC, by John Smith, its member

Vested Entity, LLC, by Layered Entity, LLC, by Jane Smith, its member

Mortgage/deed of trust:

Vested Entity, LLC, by Layered Entity, LLC, by John Smith, its member

Vested Entity, LLC, by Layered Entity, LLC, by Jane Smith, its member

Section 11.5: Partnerships and Corporations (not LLC's)

Eligibility Requirements

Vesting in the name of a partnership or corporation is acceptable. The following eligibility requirements apply:

- The entity must be legally formed and exist in the state where the property is located.
- Out-of-state Corporations are permitted provided the LLC registers in the state where the subject property is located as a foreign entity.
- At least one shareholder/partner/member must be an Applicant and meet underwriting criteria.
- Additionally, the Applicants on the loan must combined to own 50% or more of the entity. If all shareholders/partners/members of the entity are not Applicants on the loan, then a six-month lookback will be completed as of the application date and any shareholders/partners/members whose ownership has been reduced below 50% during this time period would need to be added to the application. If the entity was formed less than 6 months ago, the lookback period will be measured from entity creation date to application date.
- Max four shareholders/partners/members, all of whom must be natural persons or may be another entity.
- For instances where the entity is owned by a trust, the trust must meet Fannie Mae requirements. For instances where an entity is owned by another entity, the following limitations apply:
 - A maximum of two entities may be involved in the ownership structure.
 - The beneficial ownership requirements outlined here must still be met
 - The resolution and consent from the parent entity must authorize the subordinate entity to proceed with the loan.

Documentation Requirements (Vested Entity-The entity on title)

- Articles of incorporation
- Partnership agreement, by-laws, or equivalent
- Share certificate reflecting Applicant(s) ownership interest
- SS-4 Form listing tax ID Number
- Certificate of Good Standing from the Applicable Sec of State Office, dated within 60 days of the note date.
- If the entity was formed in a state other than that were subject property located, a Certificate of Good Standing is needed from both the state of incorporation and the state where the subject property is located confirming registered and in good standing as a non-domestic entity
- Unanimous Consent & Resolution to Borrow, which must include lender name, loan amount, and property address. The execution of a consent and resolution does not relieve the signature requirements from non-borrowing shareholders/partners.

Documentation Requirements-Layered Entity (The entity which owns entity on title)

- Articles of incorporation
- Partnership agreement, by-laws, or equivalent
- Share certificate reflecting Applicant(s) ownership interest
- Unanimous Consent & Resolution to Borrow, which must include lender name, loan amount, and property address. Note following:
 - The resolution must authorize the Vested Entity to take out the loan
 - The execution of a Unanimous Consent & Resolution to Borrow does not relieve any non- borrowing LLC member from their obligation to execute documents.
- Certificate of Good Standing from the Secretary of State's office from its state of incorporation, dated within 60 days of the note date.

The Corporation/Partnership must be approved by underwriting.

Signature Requirements

Party	Required Signatures
Members/partners/shareholders/directors who are Applicants	• Must sign note individually. • Must sign note and security instrument as owner of entity.
Members/partners/shareholders/directors who are not Applicants	Must sign note and security instrument as owner of entity.

Signature by Corporate Resolution

In instances where all partners, directors, shareholders, and officers (as applicable) of the entity on title are a.) Applicants on the loan and b.) natural persons, closing documents may be executed by one person on behalf of the entity. The person executing the documents may, but is not required to be, a partner, director, shareholder, or officer of the entity. A corporate resolution must be provided which must specifically identify the person authorized to sign on behalf of the entity, in addition to the requirements identified above.

Signature Examples

Example:

Example-Non-Layered Entity

Applicant: John Smith

Corporation Name: ABC, inc.

Corporation Shareholders/Directors: John Smith and Jane Smith

Note:

John Smith

John Smith, as shareholder/director of ABC, inc.

Jane Smith, as shareholder/director of ABC, inc.

Mortgage/deed of trust:

John Smith, as shareholder/director of ABC, inc.

Jane Smith, as shareholder/director of ABC, inc.

Example-Layered Entity

Applicant: John Smith

Vested Corporation Name: Vested Entity, inc.

Vested Corporation Shareholder: Layered Entity, inc.

Vested Corporation Directors: John Smith and Jane Smith

Layered Corporation Name: Layered Entity, inc.

Layered Corporation Directors/Shareholders: John Smith and Jane Smith

Note:

John Smith

Vested Entity, inc., by John Smith, its director and shareholder/director of Layered Entity, inc.

Vested Entity, inc., by Jane Smith, its director and shareholder/director of Layered Entity, inc.

Mortgage/deed of trust:

Vested Entity, inc., by John Smith, its director and shareholder/director of Layered Entity, inc.

Vested Entity, inc., by Jane Smith, its director and shareholder/director of Layered Entity, inc.

Section 11.6 Ineligible Vesting

- Land trusts
- Irrevocable trusts
- Life estates
- IRAs
- LLC, Partnership, or Corporation whose owners or managers/directors/partners are other entities or trusts, except as described above.
- Non-profit entities or any other entity type where the Applicant neither owns the entity nor where there are any restrictions on ability to transfer title, legal or otherwise.



Chapter 12: Insurance

Section 12.1: Hazard Insurance

The subject property must be protected (including when vacant) against loss or damage from fire and other perils with a Homeowners/Master Casualty Policy, through a company which has an acceptable rating to the end investor. Hazard Insurance is required for all 1-4 unit attached and detached properties. An individual Homeowners policy is acceptable for 2-4-unit properties. Follow Fannie Mae or Freddie Mac's insurance requirements except as otherwise specified here.

Rent Loss Coverage

For 2-4-unit principal residence and 1-4-unit investment properties rental loss insurance is not required.

Acceptable Terms

Hazard policies may have a term of one year or life of loan.

Lender Placed Coverage

The end investor will force place insurance (at Applicant's expense) on any collateral where the Applicant's act of omission or commission nullifies the required insurance coverage.

Section 12.2: Flood Insurance

Flood insurance is required for any property located within any area designated by the Federal Emergency Management Agency (FEMA) as an Area of Special Flood Hazard. This is typically denoted as Flood Zone A or Zone V (coastal areas). Properties in Flood Zone A or V must be in a community which participates in the FEMA program to be eligible for financing. Flood insurance is required to be escrowed. Follow Fannie Mae or Freddie Mac's flood insurance guidelines. Additional requirements for [manufactured homes](#) apply.

Section 12.3: Title Insurance

The subject property must be covered by a title insurance policy or other approved form of title evidence issued by a title insurer acceptable to Fannie Mae/Freddie Mac or Corva Lending. The title insurer must be qualified to do business in the state where the subject property is located. The title insurance policy must be a current standard form of the American Land Title Association (ALTA) Policy. If applicable in the subject property state, an attorney's opinion letter may be submitted. The title report/commitment/certification is valid for 90 days. See [Texas Home Equity Loans](#) for additional information that may be needed.

The title insurance policy must ensure and protect the mortgagee of the loan and all successors and assigns against:

- Unrecorded mechanic's liens,
- Unrecorded physical easements,
- Facts that a physical survey would reveal, and,
 - Water and mineral rights, and/or
 - Rights of parties in possession (Vesting).
 - Tenants under unrecorded instruments;
 - Buyers under unrecorded instruments.
- Additional issues which may be covered by attached Endorsements,

- o Environmental Protection Lien Endorsement which is required for all loans (Forms: ALTA 8 or 8.1; or CLTA 110.8 or 110.9),
- o Comprehensive Endorsement and a Location Endorsement required for all loans without surveys (CLTA Form 100 and Form 116),
- o ARM endorsement,
- o PUD endorsement,
- o Condominium Endorsement,
- o Mineral rights endorsement insuring against loss due to surface entry (CLTA Form 100.29), and
- o Leasehold Endorsement is required for all leasehold properties.

Required Information

All files are to contain a 24-month title history from an acceptable source. Transfer date, price, and buyer and seller names on any title transfers that occurred within the previous 24 months must be listed.

Title Policy Requirements

All loans must be covered by a title insurance policy or other approved form of title evidence that is paid in full, and is valid, binding and remains in full force and effect.

- The lien(s) must be insured in the designated position of the most recent holder of the collateral,
- The amount of coverage must be equal to the face value of the loan amount,
- An ALTA insurance company must issue all title commitments and/or policies with Endorsements. Copies of documents verifying proof of satisfaction or release to eliminate any items on title are retained with the title work, and
- Real estate taxes must reflect “not yet due and payable” upon closing. On condominiums and single- family dwellings taxes can only be assessable against the subject unit and it undivided interest in the common areas, and not the project.

Acceptable Title Exceptions

- Customary public utility subsurface easements, the location of which are fixed and can be verified. The exercise of rights of easement will not interfere with the use and enjoyment of any present improvement of the subject property or proposed improvements upon which the appraisal or loan is based,
- Above-surface public utility easements that extend along one or more property lines for distribution purposes or along the rear property line for drainage, provided they do not extend more than 12 feet from the subject property lines and do not interfere with any of the buildings or improvements, or with the use of the subject property; restrictions, provided their violation will not result in the forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the fair market value of the subject property,
- Mutual easement agreements that establish joint driveways or party walls constructed on the subject property and on an adjoining property, provided all future owners have unlimited and unrestricted use of them,
- Encroachments on one (1) foot or less on adjoining property by eaves or other overhanging projections or by driveways provided there is at least a ten (10) foot clearance between the buildings on the subject property and the property line affected by the encroachments,
- Encroachments on the subject property by improvements on adjoining property provided these encroachments extend one (1) foot or less over the property line of the subject property, have a total area of 50 square feet or less, do not touch any buildings, and do not interfere with the use of any improvements on the subject property or the use of the subject property not occupied by improvements,
- Encroachments on adjoining properties by hedges or removable fences, and
- Liens for real estate or ad valorem taxes and assessments are not yet due and payable.

Survey Requirements

If not insured against loss by title insurance, a survey will be provided to the title agent for review and removal of the survey exception. Surveys must be certified, dated, and signed by the licensed civil engineer or registered surveyor performing the survey. The survey must conform to Fannie Mae/Freddie Mac guidelines. A survey is required for a [Texas Home Equity Loan](#).

Section 12.4: Condominium Insurance Requirements

Follow Fannie Mae or Freddie Mac's insurance requirements based on condo warranty.

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Chapter 13: Foreign National Applicants

Foreign Nationals are defined as Applicants who are not U.S. citizens and are not lawful permanent or non-permanent residents of the United States. Foreign Nationals are eligible under the Non-QM Program product series to purchase second homes or to purchase or refinance investment properties. First Time Home Buyer guidelines do not apply. Foreign Nationals may purchase property in an entity, subject to the entity section. All other underwriting requirements must be met. See [Exhibit E](#) for LTV/CLTV/FICO/Loan Amount matrices.

An IRS form W-8BEN, Certificate of Foreign Status must be filed with the IRS (all Applicants). A copy of the Certificate must be retained in the file.

Any documentation provided from an Applicant's home country must be provided in its original language listing that country's currency, as applicable. A certified translation must also be provided.

Section 13.1: Visa Requirements

Applicants must provide a legible, valid foreign passport AND visa. The visa must evidence that the Applicant has legally entered the US, though no defined length of stay is required. The passport and visa should contain all necessary information on the Applicant and include a photograph and signature. Eligible Visa types include:

- B1, B2, E, G, H, L, O, P, and TN visa

Applicants who are citizens of Canada do not need to present a visa. Applicants who are from countries on the State Department's Visa Waiver Program do not need to present a Visa, however they must present their passport, and the applicable paperwork related to the visa waiver program. Applicants who are citizens of Mexico may provide one of the following to meet the visa requirements:

- A laser visa card: it is both a border crossing card and a B1/B2 visa, or
- A NAFTA treaty visa (TN, TC, E1 & E2)

Note: Applicants with diplomatic immunity are ineligible for this program.

Section 13.2: Credit Requirements

A credit report and credit score are not required. However, if an Applicant on the loan has a social security number, a credit report must be obtained and reviewed. Applicants that have established credit in the U.S. and do not meet the standard trade line requirement may not have their credit history disregarded. The credit history (i.e., combination of credit report and supplemental credit references), including payment history and any derogatory credit, must comply with the requirements listed in this Underwriting Guideline, however Foreign National Applicants with US credit are not required to supplement their US credit with either domestic or foreign credit. Foreign credit does not need to be provided, documented, or verified. If there are multiple Applicants where one or more Applicants has a US FICO score and one or more Applicants does not, no LTV/CLTV /FICO LLPA shall be applied.

US Credit Score	Requirement
Applicants with a US credit score	• Must use their score for pricing and eligibility purposes
Applicants without a US credit score	• Will be underwritten utilizing a 999 FICO score, but no LTV/CLTV /FICO LLPA shall be utilized, either positive or negative.

Section 13.3: Income

Asset Qualifier

The Applicant must document 150% of the subject mortgage amount as post-closing liquidity. As with all other documents, the statements must be provided both in their original form and as a certified translation. A currency conversion must be completed by the Seller. Any deposits >10% of the face value of the end account must be sourced and documented.

Funds to be utilized for funds to close must be moved into the U.S. prior to closing.

Assets that will be utilized for reserves or asset qualification purposes may remain in a foreign account provided that the institution which is custodian of the funds is on the *Acceptable Institution List* ([Exhibit A](#)). Otherwise, funds must be moved to an account in the US prior to closing.

Investor Cash Flow

Applicants utilizing the Investor Cash Flow method may be qualified under the same requirements and methodology as standard Applicants. Rental management experience does not need to be documented. Foreign national loans are eligible to use AirDNA on purchase transactions following [standard guidelines](#). The interest only payment may NOT be utilized to calculate the DSCR on a loan with an interest only feature. See [Investor Cash Flow](#) section for full requirements. The DSCR limits are as follows. Any Applicants who have a US Credit Score will also be subject to the FICO score requirements for DSCR levels below 1.0:

- Purchase Transaction:
 - LTV/CLTV up to 70: No Minimum DSCR
 - LTV/CLTV above 70 and up to 75: Minimum .75 DSCR
- Refinance Transaction: Minimum .75 DSCR

Ineligible Income Calculation Methods

- Full Documentation
- Bank Statements
- 1099 Only
- P&L Only
- WVOE Only

Section 13.4: Liabilities

Applicants must provide a complete schedule of real estate owned in the United States listing property type, property value, rental income (if any), mortgage amount (if any), mortgage payment (if any), and taxes, insurance, and common charges (if any). The Applicant's primary residence must also be listed on the schedule of real estate owned, even if in a foreign country. Any US liabilities must be considered. Foreign liabilities, including carrying costs on foreign properties, do not need to be documented or included in the underwriting analysis of the file.

Section 13.5: Assets

Applicants must document transfer of funds that will be used for closing to a US account prior to closing. They must also source funds used for the transaction for the most recent 60-day period. Any foreign asset statements provided must be presented both in original format (home country language and currency) as well as certified translated into English. See [Section 13.8](#).

The Applicant must contribute 10% of the purchase price from their own funds. Asset types and questions not directly addressed here should be underwritten in accordance with the [Assets](#) section of this guide.

Business funds are eligible under standard Applicant requirements.

Assets that will be utilized for reserves or asset qualification purposes may remain in a foreign account provided that the institution which is custodian of the funds is on the *Acceptable Institution List* ([Exhibit A](#)). Otherwise, funds must be moved to an account in the US prior to closing.

Refer to [Section 6.2](#) for any reserve requirements.

The Applicant must contribute 10% of the purchase price from their own funds. Asset types and questions not directly addressed here should be underwritten in accordance with the [Assets](#) section of this guide.

Section 13.6: Know Your Customer

All foreign Applicants will undergo a Know Your Customer (KYC) check to be completed by Underwriting. Any alerts that arise must be acceptably addressed before final approval may be granted. If an Applicant cannot clear the KYC check, they will be ineligible for financing.

Section 13.7: Automated Clearing House (ACH) Requirement

Any loan made to a Foreign National must have an ACH agreement signed at the closing table. Any information needed to complete the ACH must be provided. The ACH must be set to draw from a US bank account. The Applicant shall provide proof that a US bank account is opened in their name (or in the name of the entity which owns the property, if applicable) and that the account is funded with the first month's payment.

Section 13.8: Translation Requirements

Any foreign documentation provided must be provided in its original form. The documentation must also be translated by a certified translator or by appropriate Seller personnel. Underwriting will vet the Applicant selected translator for acceptability.

Section 13.9 Escrows

Escrows/impounds for taxes and all insurance coverage is mandatory.

Section 13.10: Foreign Document Execution

Closing documents may be executed utilizing an Apostille stamp provided the country where documents are executed is a participant in the Hague Convention.

<https://www.hcch.net/en/instruments/conventions/authorities1/?cid=41>. If the country is not a participant, then documents executed outside of the US would need to be executed at a US embassy or consulate.

EXHIBIT A

Exhibit A: Acceptable Bank List for Foreign Assets

(Globally Systemically Important Financial Institutions¹)

Agricultural Bank of China*

Banco Bradesco

Banco do Brasil

Bank of America*

Bank of China*

Bank of Montreal

Bank of New York Mellon*

Barclays*

BBVA*

BNP Paribas*

BTG Pactual

Caixa Econômica Federal (CEF)

CIBC (Canadian Imperial Bank of Commerce)

Citigroup*

Credit Suisse*

Deutsche Bank*

First International Bank of Israel

Goldman Sachs*

Groupe BPCE

Group Crédit Agricole

HDFC Bank

HSBC*

IA Wealth Management

Industrial and Commercial Bank of China Limited

ING Bank*

Itau Unibanco

JP Morgan Chase*

Kotak Mahindra Bank

Lloyd's Banking Group & subsidiaries

Mitsubishi UFJ FG

Mizuho FG

Morgan Stanley*

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Nordea

Royal Bank of Scotland

Royal Bank of Canada (RBC Bank)

Santander*

Scotiabank

Société Générale

Standard Chartered*

State Street*

Sumitomo Mitsui FG

TD Bank*

UBS*

Unicredit Group

XP Investimentos

Wells Fargo*

(* denotes branch located in the U.S.)

1 <http://www.fsb.org/wp-content/uploads/P211117-1.pdf>

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EXHIBIT B

Exhibit B: LTV/CLTV/FICO/Loan Amount Matrices (Full Documentation/Bank Statement/1099 Only/Asset Qualifier)

Exhibit B: Primary Residence

PURCHASE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI*
740	90%	90%	\$2,000,000	43
720	60%	60%	\$4,000,000	50
	70%	70%	\$3,500,000	50
	80%	80%	\$3,000,000	50
	85%	85%	\$2,000,000	50
	90%	90%	\$1,500,000	43
	90%	90%	\$1,000,000	43
700	85%	85%	\$1,500,000	50
	90%	90%	\$1,000,000	43
680	75%	75%	\$3,000,000	50
	80%	80%	\$2,000,000	50
	85%	85%	\$1,000,000	50
660	80%	80%	\$1,500,000	50
640	70%	70%	\$2,000,000	50
620	65%	65%	\$1,500,000	50
	75%	75%	\$1,000,000	50
600	65%	65%	\$1,000,000	40

*DTI may be increased to 55 with specified compensating factors-see Underwriting Guidelines

Asset Qualifier: DTI=NA, max loan amount \$3MM

*DTI may be increased to 55 with specified compensating factors-see [guidelines](#)

RATE & TERM REFINANCE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI*
740	85%	85%	\$1,000,000	50
720	70%	70%	\$3,500,000	50
	80%	80%	\$3,000,000	50
680	75%	75%	\$3,000,000	50
	80%	80%	\$2,000,000	50
660	80%	80%	\$1,500,000	50
640	70%	70%	\$2,000,000	50
620	65%	65%	\$1,500,000	50
	75%	75%	\$1,000,000	50

Asset Qualifier: DTI=NA, max loan amount \$3MM

*DTI may be increased to 55 with specified compensating factors-see [guidelines](#)

CASH-OUT REFINANCE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$3,500,000	50
	70%	70%	\$3,000,000	50
	75%	75%	\$2,000,000	50
	80%	80%	\$1,500,000	50
680	65%	65%	\$3,000,000	50
	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50
660	65%	65%	\$2,000,000	50
	70%	70%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

Asset Qualifier: DTI=NA, max loan amount \$3MM

Max CO Proceeds: No limit up to 75 LTV/CLTV, \$500k above 75 LTV/CLTV

Exhibit B: Second Home

PURCHASE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI*
720	60%	60%	\$4,000,000	50
	70%	70%	\$3,500,000	50
	75%	75%	\$3,000,000	50
	85%	85%	\$1,000,000	50
680	70%	70%	\$3,000,000	50
	80%	80%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	80%	80%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

Asset Qualifier: DTI=NA, max loan amount \$3MM

*DTI may be increased to 55 with specified compensating factors-see applicable [guidelines](#)

RATE & TERM REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI*
720	65%	65%	\$3,500,000	50
	75%	75%	\$3,000,000	50

RATE & TERM REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI*
680	70%	70%	\$3,000,000	50
	80%	80%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	80%	80%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

Asset Qualifier: DTI=NA, max loan amount \$3MM

*DTI may be increased to 55 with specified compensating factors-see applicable [guidelines](#)

CASH-OUT REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$3,500,000	50
	70%	70%	\$3,000,000	50
	75%	75%	\$2,000,000	50
700	75%	75%	\$1,500,000	50
680	65%	65%	\$3,000,000	50
	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50
660	65%	65%	\$2,000,000	50
	70%	70%	\$1,000,000	50
620	65%	65%	\$1,000,000	50

Asset Qualifier: DTI=NA, max loan amount \$3MM

Max CO Proceeds: No limit up to 75 LTV/CLTV, \$500k above 75 LTV/CLTV

Exhibit B: Investment Property

PURCHASE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI*
720	50%	50%	\$4,000,000	50
	60%	60%	\$3,500,000	50
	75%	75%	\$3,000,000	50
	85%	85%	\$1,000,000	50
680	70%	70%	\$3,000,000	50
	80%	80%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	80%	80%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

Asset Qualifier: DTI=NA, max loan amount \$3MM

*DTI may be increased to 55 with specified compensating factors-see applicable [guidelines](#)

RATE & TERM REFINANCE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI*
720	65%	65%	\$3,500,000	50
	75%	75%	\$3,000,000	50
680	70%	70%	\$3,000,000	50
	80%	80%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	80%	80%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

Asset Qualifier: DTI=NA, max loan amount \$3MM

*DTI may be increased to 55 with specified compensating factors-see applicable [guidelines](#)

CASH-OUT REFINANCE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$3,500,000	50
	70%	70%	\$3,000,000	50
	75%	75%	\$2,000,000	50
700	75%	75%	\$1,500,000	50
680	65%	65%	\$3,000,000	50
	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50
660	65%	65%	\$2,000,000	50
	70%	70%	\$1,000,000	50
620	65%	65%	\$1,000,000	50

Asset Qualifier: DTI=NA, max loan amount \$3MM

Max CO Proceeds: No limit up to 75 LTV/CLTV, \$500k above 75 LTV/CLTV

EXHIBIT C

Exhibit C: LTV/CLTV/FICO/Loan Amount Matrices (P&L or WVOE Only)

Exhibit C: Primary Residence

PURCHASE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
680	80%	80%	\$2,000,000	50

RATE & TERM REFINANCE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
680	75%	75%	\$2,000,000	50

CASH OUT REFINANCE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
720	75%	75%	\$2,000,000	50
680	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50

Max CO Proceeds: No limit

Exhibit C: Second Home

PURCHASE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
680	80%	80%	\$2,000,000	50

RATE & TERM REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
680	75%	75%	\$2,000,000	50

CASH OUT REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
720	75%	75%	\$2,000,000	50
680	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50

Max CO Proceeds: No limit

Exhibit C: Investment Property

PURCHASE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
680	80%	80%	\$2,000,000	50

RATE & TERM REFINANCE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
680	75%	75%	\$2,000,000	50

CASH OUT REFINANCE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
720	75%	75%	\$2,000,000	50
680	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50

Max CO Proceeds: No limit

EXHIBIT D

Exhibit D: LTV/CLTV/FICO/Loan Amount Matrices (Investor Cash Flow/DSCR)

PURCHASE			
Investment Property			
FICO	LTV	CLTV	Loan Amount
720	80%	80%	\$1,500,000
	60%	60%	\$3,500,000
700	65%	65%	\$3,000,000
	75%	75%	\$2,500,000
	80%	80%	\$1,500,000
680	75%	75%	\$1,500,000
	80%	80%	\$1,000,000
660	70%	70%	\$2,000,000
	75%	75%	\$1,000,000
620	60%	60%	\$1,500,000
	65%	65%	\$1,000,000

RATE & TERM REFINANCE			
Investment Property			
FICO	LTV	CLTV	Loan Amount
700	65%	65%	\$3,000,000
	75%	75%	\$2,500,000
	80%	80%	\$1,500,000
680	75%	75%	\$1,500,000
	80%	80%	\$1,000,000
660	70%	70%	\$2,000,000
	75%	75%	\$1,000,000
620	60%	60%	\$1,500,000
	65%	65%	\$1,000,000

CASH-OUT REFINANCE			
Investment Property			
FICO	LTV	CLTV	Loan Amount
700	60%	60%	\$3,000,000
	75%	75%	\$1,500,000
680	70%	70%	\$1,500,000
	75%	75%	\$1,000,000
660	65%	65%	\$2,000,000
	70%	70%	\$1,000,000
620	65%	65%	\$1,000,000

EXHIBIT E

Exhibit E: LTV/CLTV/FICO/Loan Amount Matrices (Foreign National Applicants)

PURCHASE/RATE & TERM REFINANCE			
Foreign National			
FICO	LTV	CLTV	Loan Amount
680/999	65%	65%	\$3,000,000
	70%	70%	\$2,000,000
	75%*	75%*	\$1,000,000
660	65%	65%	\$2,000,000
	70%	70%	\$1,000,000
620	55%	55%	\$2,000,000
	60%	60%	\$1,000,000

If no US FICO, use 999 FICO for guideline purposes

*Rate/Term Refinance: Max 70 CLTV

CASH-OUT REFINANCE			
Foreign National			
FICO	LTV	CLTV	Loan Amount
680/999	60%	60%	\$2,500,000
	65%	65%	\$2,000,000
660	60%	60%	\$2,000,000
	65%	65%	\$1,000,000
620	50%	50%	\$2,000,000
	55%	55%	\$1,000,000

If no US FICO, use 999 FICO for guideline purposes

Max CO Proceeds: No limit

EXHIBIT F

Exhibit F: LTV/FICO Matrices-EAD/ITIN Applicants

Exhibit F: Full Documentation

Exhibit F: Full Documentation-Primary Residence

PURCHASE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI*
740	90%	90%	\$2,000,000	43
720	60%	60%	\$4,000,000	50
	70%	70%	\$3,500,000	50
	80%	80%	\$3,000,000	50
	85%	85%	\$2,000,000	50
	90%	90%	\$1,500,000	50
700	85%	85%	\$1,500,000	50
	90%	90%	\$1,000,000	43
680	75%	75%	\$3,000,000	50
	80%	80%	\$2,000,000	50
	85%	85%	\$1,000,000	50
660	80%	80%	\$1,500,000	50
640	70%	70%	\$2,000,000	50
620	65%	65%	\$1,500,000	50
	75%	75%	\$1,000,000	50
600	65%	65%	\$1,000,000	40

*DTI may be increased to 55 with specified compensating factors-see [guidelines](#)

RATE & TERM REFINANCE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI*
720	65%	65%	\$3,500,000	50
680	75%	75%	\$3,000,000	50
660	75%	75%	\$1,500,000	50
640	70%	70%	\$2,000,000	50
620	65%	65%	\$1,500,000	50
	75%	75%	\$1,000,000	50

*DTI may be increased to 55 with specified compensating factors-see [guidelines](#)

CASH-OUT REFINANCE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$3,500,000	50
	70%	70%	\$3,000,000	50
680	65%	65%	\$3,000,000	50
	70%	70%	\$2,000,000	50
660	65%	65%	\$2,000,000	50
	70%	70%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

Max CO Proceeds: No limit

Exhibit F: Full Documentation-Second Home

PURCHASE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI*
720	60%	60%	\$4,000,000	50
	70%	70%	\$3,500,000	50
	75%	75%	\$3,000,000	50
680	70%	70%	\$3,000,000	50
	80%	80%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	80%	80%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

*DTI may be increased to 55 with specified compensating factors-see [guidelines](#)

RATE & TERM REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI*
720	65%	65%	\$3,500,000	50
	75%	75%	\$3,000,000	50
680	70%	70%	\$3,000,000	50
	75%	75%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

*DTI may be increased to 55 with specified compensating factors-see [guidelines](#)

CASH-OUT REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$3,500,000	50
	70%	70%	\$3,000,000	50
680	65%	65%	\$3,000,000	50
	70%	70%	\$2,000,000	50
660	65%	65%	\$2,000,000	50
	70%	70%	\$1,000,000	50
620	65%	65%	\$1,000,000	50

Max CO Proceeds: No limit

Exhibit F: Full Documentation-Investment Property

PURCHASE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI*
720	50%	50%	\$4,000,000	50
	60%	60%	\$3,500,000	50
	75%	75%	\$3,000,000	50
700	80%	80%	\$2,000,000	50
680	70%	70%	\$3,000,000	50
	75%	75%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

*DTI may be increased to 55 with specified compensating factors-see [guidelines](#)

RATE & TERM REFINANCE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI*
720	65%	65%	\$3,500,000	50
	75%	75%	\$3,000,000	50
680	70%	70%	\$3,000,000	50
	75%	75%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

*DTI may be increased to 55 with specified compensating factors-see [guidelines](#)

CASH-OUT REFINANCE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$3,500,000	50
	70%	70%	\$3,000,000	50
680	65%	65%	\$3,000,000	50
	70%	70%	\$2,000,000	50
660	65%	65%	\$2,000,000	50
	70%	70%	\$1,000,000	50
620	65%	65%	\$1,000,000	50

Max CO Proceeds: No limit

Exhibit F: Bank Statement/1099 Only

Exhibit F: Bank Statement/1099 Only-Primary Residence

PURCHASE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$4,000,000	50
	70%	70%	\$3,500,000	50
	80%	80%	\$3,000,000	50
700	85%	85%	\$1,500,000	50
680	75%	75%	\$3,000,000	50
	80%	80%	\$2,000,000	50
	85%	85%	\$1,000,000	50
660	80%	80%	\$1,500,000	50
640	70%	70%	\$2,000,000	50
620	65%	65%	\$1,500,000	50
	75%	75%	\$1,000,000	50
600	65%	65%	\$1,000,000	40

RATE & TERM REFINANCE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
720	65%	65%	\$3,500,000	50
680	75%	75%	\$3,000,000	50
660	75%	75%	\$1,500,000	50
640	70%	70%	\$2,000,000	50
620	65%	65%	\$1,500,000	50
	75%	75%	\$1,000,000	50

CASH-OUT REFINANCE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$3,500,000	50
	70%	70%	\$3,000,000	50
680	65%	65%	\$3,000,000	50
	70%	70%	\$2,000,000	50
660	65%	65%	\$2,000,000	50
	70%	70%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

Max CO Proceeds: No limit

Exhibit F: Bank Statement/1099 Only-Second Home

PURCHASE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$4,000,000	50
	70%	70%	\$3,500,000	50
	75%	75%	\$3,000,000	50
680	70%	70%	\$3,000,000	50
	80%	80%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	80%	80%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

RATE & TERM REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
720	65%	65%	\$3,500,000	50
	75%	75%	\$3,000,000	50
680	70%	70%	\$3,000,000	50
	75%	75%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

CASH-OUT REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$3,500,000	50
	70%	70%	\$3,000,000	50
680	65%	65%	\$3,000,000	50
	70%	70%	\$2,000,000	50
660	65%	65%	\$2,000,000	50
	70%	70%	\$1,000,000	50
620	65%	65%	\$1,000,000	50

Max CO Proceeds: No limit

Exhibit F: Bank Statement/1099 Only-Investment Property

PURCHASE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
720	50%	50%	\$4,000,000	50
	60%	60%	\$3,500,000	50
	75%	75%	\$3,000,000	50
700	80%	80%	\$2,000,000	50
680	70%	70%	\$3,000,000	50
	75%	75%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

RATE & TERM REFINANCE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
720	65%	65%	\$3,500,000	50
	75%	75%	\$3,000,000	50
680	70%	70%	\$3,000,000	50
	75%	75%	\$2,000,000	50
660	70%	70%	\$2,000,000	50
	75%	75%	\$1,000,000	50
620	60%	60%	\$1,500,000	50
	65%	65%	\$1,000,000	50

CASH-OUT REFINANCE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
720	60%	60%	\$3,500,000	50
	70%	70%	\$3,000,000	50
680	65%	65%	\$3,000,000	50
	70%	70%	\$2,000,000	50
660	65%	65%	\$2,000,000	50
	70%	70%	\$1,000,000	50
620	65%	65%	\$1,000,000	50

Max CO Proceeds: No limit

Exhibit F: P&L Only

Exhibit F: P&L Only-Primary Residence

PURCHASE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
680	70%	70%	\$2,000,000	50

RATE & TERM REFINANCE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
Not Eligible				

CASH OUT REFINANCE				
Primary Residence				
FICO	LTV	CLTV	Loan Amount	DTI
Not Eligible				

Exhibit F: P&L Only-Second Home

PURCHASE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
Not Eligible				

RATE & TERM REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
Not Eligible				

CASH OUT REFINANCE				
Second Home				
FICO	LTV	CLTV	Loan Amount	DTI
Not Eligible				

Exhibit F: P&L Only-Investment Property

PURCHASE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
Not Eligible				

RATE & TERM REFINANCE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
Not Eligible				

CASH OUT REFINANCE				
Investment Property				
FICO	LTV	CLTV	Loan Amount	DTI
Not Eligible				

Investor Cash Flow/DSCR

PURCHASE			
Investment Property			
FICO	LTV	CLTV	Loan Amount
720	60%	60%	\$3,500,000
700	65%	65%	\$3,000,000
	75%	75%	\$2,500,000
	80%	80%	\$1,500,000
680	75%	75%	\$1,500,000
660	70%	70%	\$2,000,000
	75%	75%	\$1,000,000
620	60%	60%	\$1,500,000
	65%	65%	\$1,000,000

RATE & TERM REFINANCE			
Investment Property			
FICO	LTV	CLTV	Loan Amount
700	65%	65%	\$3,000,000
	75%	75%	\$2,500,000

RATE & TERM REFINANCE			
Investment Property			
FICO	LTV	CLTV	Loan Amount
680	75%	75%	\$1,500,000
660	70%	70%	\$2,000,000
	75%	75%	\$1,000,000
620	60%	60%	\$1,500,000
	65%	65%	\$1,000,000

CASH-OUT REFINANCE			
Investment Property			
FICO	LTV	CLTV	Loan Amount
700	60%	60%	\$3,000,000
680	70%	70%	\$1,500,000
660	65%	65%	\$2,000,000
	70%	70%	\$1,000,000
620	65%	65%	\$1,000,000

Max CO Proceeds: No limit

EXHIBIT G

Exhibit G: Age of Documentation

Document Type	Allowable Age
Paystub	Maximum 120 Days prior to Note Date
Written VOE	Maximum 120 Days prior to Note Date*
Verbal VOE	Maximum 10 Days prior to the Note date*
Profit and Loss Statement	Maximum 120 Days prior to Note Date
CPA Letter	Maximum 120 Days prior to Note Date
Appraisal	Maximum 120 Days prior to Note Date
Title Commitment	Maximum 60 Days prior to Note Date
Credit Report	Maximum 120 Days prior to Note Date
Bank Statements (including Business)	Maximum 120 Days prior to Note Date
Reverification of CPA Letter	Good for 60 days from effective date
Asset statements used for asset utilization	Maximum 120 Days prior to Note Date
Bank Statements for Income	Maximum 120 Days prior to Note Date
Asset Statement for Asset Qualifier	Maximum 120 Days prior to Note Date
Proof of receipt of rents (non ICF)	Maximum 60 Days prior to Note Date
Proof of receipt of rents (ICF)	Maximum 60 Days prior to Note Date
Credit documents (rent checks or mortgage statements)	Maximum 120 Days prior to Note Date

*VVOE and WVOE should be no more than 10 business days prior to Note date confirming borrower is currently employed and/or current income level

For any Documentation not listed allowable age will be 120 days prior to note date unless otherwise specified on documentation (i.e., If document has an expiration)

EXHIBIT H

Exhibit H: Version 1.1 Change Summary

Guideline Name	Guideline	Page Number	Change Made
	Section		
	Heading		
Eligible Transactions-Cash-Out Refinance Transaction	3.3	17	Add additional eligibility limitations on cash-out refinance transactions
Income	5.1.3	27	Remove balance sheet requirements from income document requirements
Income-Bank Statements	5.2.1	40	Added a completed Self-Employed Business Narrative Form may be provided in lieu of a CPA, EA, or licensed tax preparer letter
Income-Bank Statements	5.2.2	42	Updated Method One requirements when utilizing a Self-Employed Business Narrative Form
Income-P&L Only	5.4.1	51	Added ineligible income features for P&L Only Product
Income-Investor Cash Flow	5.7.2	60	- Updated the LTV/CLTV, FICO, AND minimum DSCR requirements table for first time landlords - Added allowance for first time landlords to go down to .750 DSCR with a 740 FICO up to 70 LTV - Increased LTV to 75 for DSCR < .75 with minimum 720 FICO, purchase only, and minimum \$250,000 loan amount
Assets-Reserves	6.2.2	68	Updated reserves requirements based on loan amounts on Foreign National (Investor Cash Flow Only) loans
Asset-Asset Eligibility	6.3	68	Increased threshold to source large deposits from 25% to 35% of the loan amount
Credit Requirements-Housing Payment History	7.4	81	Added allowance of housing payment from Zelle/Venmo bank statements
Credit-Disputed Account	7.8	85	Allow any disputed accounts over 1 year old to remain open
Liabilities-Business Debt in Applicant's Name	8.5	88	Updated the lookback period on business debt in Applicant's name to 24 months preceding the application date
Property-Appraisal Requirements	9.3	94	- Updated appraisal valuation and limitations on the Cash Out Refinance transactions based on length of ownership (under six months, six to 12 months, and over 12 months). - Added allowance to utilize current appraised value on cash out refinances of recently acquired properties <u>subject to limitations.</u>
Property- Condominiums	9.4.2	99	Removed the investor concentration limit on condotel projects
Property-Third Party Contributions	9.19	104	Increased third party contribution to 6% up to 90 LTV/CLTV
Property-Properties Recently Listed For Sale	9.20	104	Added verbiage on how value would be treated if the property had recently been listed for sale.
Property-Accessory Dwelling Units	9.24	105	Updated guidelines to allow value on up to 2 ADUs on the property
Underwriting Requirements-Limitations on Other Real Estate Owned	10.8	109	Increased maximum 2 units with financing in condo projects with 5-10 units
Underwriting Requirements-Power of Attorney	10.10	110	Added guidance surrounding the use of a POA for loans which closed in the name of a corporate entity.

	Guideline		
Guideline Name	10.16	Page Number	Change Made
	10.17		
Title Vesting-Limited Liability Company	11.4	115	Added guidelines surrounding the use of a corporate resolution to execute closing documents in the event that not all members are present at closing, provided all members are Applicants on loan.
Title Vesting-Partnerships and Corporations (not LLCs)	11.5	118	Added guidelines surrounding the use of a corporate resolution to execute closing documents in the event that not all members are present at closing, provided all partners, directors, officers and shareholders are Applicants on loan.
Exhibit B: LTV/FICO/Loan Amount Matrices (Full Documentation, Bank Statement, 1099 Only, Asset Qualifier)		177-182	- Increased purchase to 90 LTV/CLTV for primary residence, min 740 FICO up to \$2,000,000 - Increased max loan amount to \$4,000,000 for Full Doc, Bank Statement, and 1099 Only loans with limitations
Exhibit D: LTV/FICO/Loan Amount Matrices (Investor Cash Flow/DSCR)		186-187	Increased max loan amount to \$1,500,000 to 85 LTV/CLTV on purchase with min 720 FICO
Exhibit F: LTV/FICO Matrices-EAD/ITIN Applicants		189-201	- Increased purchase to 90 LTV/CLTV for primary residence, min 740 FICO up to \$2,000,000 - Increased max loan amount to \$4,000,000 for Full Doc, Bank Statement, and 1099 Only loans with limitations - Increased max loan amount to \$1,500,000 to 90 <u>LTV/CLTV on purchase with min 720 FICO</u>

APPENDIX

Appendix A: External Reference Content

A. Hague Apostille Convention: Participating Countries

Referenced in Section 13.10 (Foreign Document Execution). Countries listed below are Contracting Parties to the Hague Convention of 5 October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents (the Apostille Convention). The date shown is the date the Convention entered into force for that country.

Source: Hague Conference on Private International Law (HCCH), Apostille Convention status table, last updated 30-VI-2026 by HCCH; retrieved October 5, 2026. Number of Contracting Parties: 130.

Note: A few Contracting Parties have objected to the accession of certain other countries; where an objection stands, the Convention does not apply between those two countries. Countries with a future date have joined but the Convention is not yet in force for them. Confirm current status with the HCCH before closing.

Country	In force	Country	In force
Albania	9-V-2004	Liechtenstein	17-IX-1972
Algeria	9-VII-2026	Lithuania	19-VII-1997
Andorra	31-XII-1996	Luxembourg	3-VI-1979
Antigua and Barbuda	1-XI-1981	Malawi	2-XII-1967
Argentina	18-II-1988	Malta	3-III-1968
Armenia	14-VIII-1994	Marshall Islands	14-VIII-1992
Australia	16-III-1995	Mauritius	12-III-1968
Austria	13-I-1968	Mexico	14-VIII-1995
Azerbaijan	2-III-2005	Monaco	31-XII-2002
Bahamas	10-VII-1973	Mongolia	31-XII-2009
Bahrain	31-XII-2013	Montenegro	3-VI-2006
Bangladesh	30-III-2025	Morocco	14-VIII-2016
Barbados	30-XI-1966	Namibia	30-I-2001
Belarus	31-V-1992	Netherlands (Kingdom of the)	8-X-1965
Belgium	9-II-1976	New Zealand	22-XI-2001
Belize	11-IV-1993	Nicaragua	14-V-2013
Bolivia (Plurinational State of)	7-V-2018	Niue	2-III-1999
Bosnia and Herzegovina	6-III-1992	North Macedonia	17-XI-1991
Botswana	30-IX-1966	Norway	29-VII-1983
Brazil	14-VIII-2016	Oman	30-I-2012
Brunei Darussalam	3-XII-1987	Pakistan	9-III-2023
Bulgaria	29-IV-2001	Palau	23-VI-2020
Burundi	13-II-2015	Panama	4-VIII-1991
Cabo Verde	13-II-2010	Paraguay	30-VIII-2014
Canada	11-I-2024	Peru	30-IX-2010
Chile	30-VIII-2016	Philippines	14-V-2019
China (the People's Republic of)	7-XI-2023	Poland	14-VIII-2005
Colombia	30-I-2001	Portugal	4-II-1969
Cook Islands	30-IV-2005	Republic of Korea	14-VII-2007
Costa Rica	14-XII-2011	Republic of Moldova	16-III-2007
Croatia	8-X-1991	Romania	16-III-2001
Cyprus	30-IV-1973	Russian Federation	31-V-1992
Czechia	16-III-1999	Rwanda	5-VI-2024
Denmark	29-XII-2006	Saint Kitts and Nevis	14-XII-1994
Dominica	3-XI-1978	Saint Lucia	31-VII-2002

Country	In force	Country	In force
Dominican Republic	30-VIII-2009	Saint Vincent and the Grenadines	27-X-1979
Ecuador	2-IV-2005	Samoa	13-IX-1999
El Salvador	31-V-1996	San Marino	13-II-1995
Estonia	30-IX-2001	Sao Tome and Principe	13-IX-2008
Eswatini	6-IX-1968	Saudi Arabia	7-XII-2022
Fiji	10-X-1970	Senegal	23-III-2023
Finland	26-VIII-1985	Serbia	27-IV-1992
France	24-I-1965	Seychelles	31-III-1979
Georgia	14-V-2007	Singapore	16-IX-2021
Germany	13-II-1966	Slovakia	18-II-2002
Greece	18-V-1985	Slovenia	25-VI-1991
Grenada	7-IV-2002	South Africa	30-IV-1995
Guatemala	18-IX-2017	Spain	25-IX-1978
Guyana	18-IV-2019	Suriname	25-XI-1975
Honduras	30-IX-2004	Sweden	1-V-1999
Hungary	18-I-1973	Switzerland	11-III-1973
Iceland	27-XI-2004	Tajikistan	31-X-2015
India	14-VII-2005	Thailand	28-II-2027
Indonesia	4-VI-2022	Tonga	4-VI-1970
Ireland	9-III-1999	Trinidad and Tobago	14-VII-2000
Israel	14-VIII-1978	Tunisia	30-III-2018
Italy	11-II-1978	Türkiye	29-IX-1985
Jamaica	3-VII-2021	Ukraine	22-XII-2003
Japan	27-VII-1970	United Kingdom of Great Britain and Northern Ireland	24-I-1965
Kazakhstan	30-I-2001	United States of America	15-X-1981
Kosovo	14-VII-2016	Uruguay	14-X-2012
Kyrgyzstan	31-VII-2011	Uzbekistan	15-IV-2012
Latvia	30-I-1996	Vanuatu	30-VII-1980
Lesotho	4-X-1966	Venezuela (Bolivarian Republic of)	16-III-1999
Liberia	8-II-1996	Viet Nam	11-IX-2026

B. Financial Stability Board: 2017 List of Global Systemically Important Banks (G-SIBs)

Referenced in Exhibit A (Acceptable Bank List for Foreign Assets), footnote 1. The Financial Stability Board identified 30 banks as G-SIBs in November 2017, using end-2016 data, grouped into buckets by the additional capital buffer required.

Source: Financial Stability Board, “2017 list of global systemically important banks (G-SIBs),” published November 21, 2017; retrieved October 5, 2026.

Bucket (additional capital buffer)	G-SIBs (alphabetical within each bucket)
5 (3.5%)	(Empty)
4 (2.5%)	JP Morgan Chase
3 (2.0%)	Bank of America · Citigroup · Deutsche Bank · HSBC
2 (1.5%)	Bank of China · Barclays · BNP Paribas · China Construction Bank · Goldman Sachs · Industrial and Commercial Bank of China Limited · Mitsubishi UFJ FG · Wells Fargo
1 (1.0%)	Agricultural Bank of China · Bank of New York Mellon · Credit Suisse · Groupe Crédit Agricole · ING Bank · Mizuho FG · Morgan Stanley · Nordea · Royal Bank of Canada · Royal Bank of Scotland · Santander · Société Générale · Standard Chartered · State Street · Sumitomo Mitsui FG · UBS · Unicredit Group

APPENDIX B

Appendix B: Prepayment Penalty Supplement

5/18/2026 (v3/2026)

Prepayment penalty terms are available for terms of 1 to 5 years. Pricing implications apply based on the structure and length of the prepayment. Please refer to the rate sheet or pricing engines for pricing information. Any restrictions applied by federal, state, or local law would supersede the requirements here. Please review the State Specific Penalties section for instances where neither the Fixed nor Declining Structure is available and other limitations.

Fixed Structure:

1. Term: 1-5 years
2. Penalty amount: 5% on any full or partial prepayment for term of the penalty.
 - a. 5-year penalty: Year 1 - 5%, Year 2 - 5%, Year 3 - 5%, Year 4 - 5%, Year 5 - 5%
 - b. 4-year penalty: Year 1 - 5%, Year 2 - 5%, Year 3 - 5%, Year 4 - 5%
 - c. 3-year penalty: Year 1 - 5%, Year 2 - 5%, Year 3 - 5%
 - d. 2-year penalty: Year 1 - 5%, Year 2 - 5%
 - e. 1-year penalty: Year 1 - 5%
3. Waivable in the event of sale: no

Declining Structure:

1. Term: 1-5 years
2. Penalty amount: A declining penalty amount based on the term of the payment penalty on any full or partial prepayment for the term of the penalty.
 - a. 5-year penalty: Year 1 - 5%, Year 2 - 4%, Year 3 - 3%, Year 4 - 2%, Year 5 - 1%
 - b. 4-year penalty: Year 1 - 5%, Year 2 - 4%, Year 3 - 3%, Year 4 - 2%
 - c. 3-year penalty: Year 1 - 5%, Year 2 - 4%, Year 3 - 3%
 - d. 2-year penalty: Year 1 - 5%, Year 2 - 4%
 - e. 1-year penalty: N/A (use fixed 1-year option)
3. Waivable in the event of sale: no

5-1-1-1-1 Structure:

1. Term: 5 years
2. Penalty amount: A declining penalty amount based on the term of the payment penalty on any full or partial prepayment for the term of the penalty.
 - a. 5-year penalty: Year 1 - 5%, Year 2 - 1%, Year 3 - 1%, Year 4 - 1%, Year 5 - 1%
3. Waivable in the event of sale: no

State Specific Penalties or Requirements:

1. Michigan
 - a. Applicable property types: 1 unit properties (2–4 unit properties may not utilize this option and are limited to the Fixed or Declining Structures)
 - b. Term: 3 years
 - c. Penalty Amount: 1% of the amount prepaid
 - d. Waivable in the event of sale: no

- e. 5-1-1-1-1 structure not available.
- 2. Minnesota**
 - a. No PPP may be placed on any loan that is equal to or below the county conforming limit based on the property type.
 - b. Follow standard fixed or declining structures for loan amounts above the applicable county conforming limit.
 - c. 5-1-1-1-1 structure not available.
- 3. Mississippi:**
 - a. Allowing PPP Types: Declining (as described above)
 - b. Term: 1-5 years
- 4. New Jersey**
 - a. Applicable property types: any
 - b. Term: 1-5 years
 - c. Allowable PPP Types: Fixed or Declining (as described above)
 - d. Waivable in the event of sale: no
 - e. Restrictions:
 - i. Title to the subject property must close in the name of an entity approved by Underwriting
 - ii. The borrowers on the loan application will not sign the note in their individual capacity, rather they will sign a Personal Guaranty agreement. The note will only be signed by the owners/officers of the entity in their capacity as same.
- 5. North Carolina**
 - a. No PPP may be placed on a loan that is below \$100k (if exception approved)
 - b. Loan amounts >=\$100k follow standard fixed or declining structures
- 6. Ohio**
 - a. Applicable property types:
 - i. 1-2 unit properties
 - ii. 3-4 unit properties do not follow this structure and instead follow normal fixed or declining structures
 - b. Loan Amount: Loan amount must exceed \$116,356, otherwise a prepayment penalty may not be assessed
 - c. Term: 5 years
 - d. Penalty Amount: 1% of the amount prepaid
 - e. Waivable in the event of sale: no
- 7. Pennsylvania**
 - a. 1-2 Unit Properties
 - i. Loan amount <\$329,411: may not close with a PPP
 - ii. Loan amount >=\$329,411: Follow standard fixed or declining structures
 - b. 3-4 Unit Properties: Follow standard fixed or declining structures
- 8. Rhode Island:**
 - a. Purchase Transactions: A 1 year 2% prepayment penalty is allowed.
 - b. Refinance Transactions: A 1 year 2% prepayment penalty is available for the borrower. 2-5 year prepayment penalties are allowed following standard terms.
 - c. 5-1-1-1-1 structure not available.
- 9. Virginia**

-
- a. No PPP may be placed on a loan that is below \$75k (if exception approved)
 - b. Loan amounts $\geq$ \$75k follow standard fixed or declining structures

States where PPPs not allowed:

- 1. Alaska
- 2. Kansas
- 3. New Mexico

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