FULL INCOME DOCUMENTATION (FULL DOC) [2, 7, 8]

PAYSTUB & W-2 (1YR & 2 YRS); 1YR & 2 YRS TAX RETURNS FOR SELF-EMPLOYED

1-4 Unit Primary[9]/1-Unit 2nd Home/1-4 Unit Investment Property [6]

PURCHASE AND RATE/TERM REFINANCE LOANS

<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	90 [8]	85	80
720	90 [8]	85	80
700	90 [8]	85	80
680	85 [8]	80	80
660	85 [8]	80	80
640	75	75	75
620	70	70	70

<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	90 [8]	85	80
720	90 [8]	85	80
700	85 [8]	85	80
680	85	80	80
660	80	80	75
640	75	75	75
620	70	70	70

<= $2,000,000			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	90 [8]	80	80
720	90 [8]	80	80
700	85	80	80
680	80	80	80
660	80	75	75
640	70	65	65

<= $2,500,000			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	85	80	80
720	85	80	80
700	80	80	80
680	80	80	75
660	70	70	70

<= $3,000,000			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	80	80	80
720	80	80	80
700	80	75	75

CASH OUT REFINANCE [3, 4, 5, 9]

ASSET DISTRIBUTIONS NOT ELIGIBLE

<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	80	80	80
720	80	80	80
700	80	80	80
680	80	80	75
660	75	75	70
640	70	70	65
620	65	65	65

<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	80	80	80
720	80	80	80
700	80	80	80
680	80	80	75
660	75	75	70
640	65	65	65
620	65	65	65

<= $2,000,000			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	80	80	80
720	80	80	80
700	80	75	75
680	80	75	75
660	70	70	70
640	60	55	55

<= $2,500,000			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	80	80	75
720	80	80	75
700	80	80	75
680	75	75	75
660	65	65	65

<= $3,000,000			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	75	75	75
720	75	75	75
700	75	75	75

680	75	75	75
<= $3,500,000			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	75	60	N/A
720	75	60	N/A
700	70	N/A	N/A

680	75	75	75
<= $3,500,000			
	Owner Occupied	Second Home	Investment
FICO	Full Doc	Full Doc	Full Doc
740	65	N/A	N/A
720	65	N/A	N/A
700	60	N/A	N/A

Notes:

1. Minimum loan amount $125,000
2. Max DTI is 50%
3. Max Cash-Out Refinance Limits:
   - For LTV's < 65% - unlimited cash-out funds
   - For LTV's > 65% - $1,000,000 total cash-out funds
4. Loans using Asset Distributions are not eligible for Cash-Out Refinance
5. See Texas Cash-Out Refinances a/k/a Texas Home Equity Loans for full details regarding Texas Home Equity Section 50(a)(6) eligibility.
6. Non-Warrantable Condos: Max 80% LTV
7. Interest-Only
   - Max 85% LTV up to $2M / Max 80% over $2M
   - Min 700 FICO
8. Non-Permanent Resident Alien borrowers
   - Max 80% LTV
   - Purchase & Rate-Term Refinances only; Cash-Out Refinance not eligible
9. 2-4 Unit Primary Residence Properties – Max 85% LTV

ALTERNATE INCOME DOCUMENTATION (ALT DOC) [2, 6, 7]

BANK STATEMENT (12 & 24 MONTHS)

1-4 Unit Primary[8]/1-Unit 2nd Home/1-4 Unit Investment Property [5]

PURCHASE AND RATE/TERM REFINANCE LOANS

<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	90	85	80
720	90	85	80
700	90	85	80
680	85	80	80
660	85	80	80
640	75	75	75
620	70	70	70
<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	90	85	80
720	90	85	80
700	85	85	80
680	85	80	80
660	80	80	75
640	75	75	75
620	70	70	70
<= $2,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	90	80	80
720	90	80	80
700	85	80	80
680	80	80	80
660	80	75	75
640	70	65	65
<= $2,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	85	80	80
720	85	80	80
700	80	80	80
680	80	80	75
660	70	70	70
<= $3,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80

CASH OUT REFINANCE [3,4, 8]

<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80
700	80	80	80
680	80	80	75
660	75	75	70
640	70	70	65
620	65	65	65
<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80
700	80	80	80
680	80	80	75
660	75	75	70
640	65	65	65
620	65	65	65
<= $2,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80
700	80	75	75
680	80	75	75
660	70	70	70
640	60	55	55
<= $2,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	75
720	80	80	75
700	80	80	75
680	75	75	75
660	65	65	65
<= $3,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	75	75	75
720	75	75	75

700	80	75	75	700	75	75	75
680	75	75	75	680	75	75	75
<= $3,500,000				<= $3,500,000			
	Owner Occupied	Second Home	Investment		Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc	FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	75	60	N/A	740	65	N/A	N/A
720	75	60	N/A	720	65	N/A	N/A
700	70	N/A	N/A	700	60	N/A	N/A

Notes:

1. Minimum loan amount $125,000
2. Max DTI is 50%
3. Max Cash-Out Refinance Limits:
   - For LTV's ≤ 65% - unlimited cash-out funds
   - For LTV's > 65% - $1,000,000 total cash-out funds
4. See Texas Cash-Out Refinances a/k/a Texas Home Equity Loans for full details regarding Texas Home Equity Section 50(a)(6) eligibility.
5. Non-Warrantable Condos: Max 80% LTV
6. Interest-Only
   - Max 85% LTV up to $2M / Max 80% over $2M
   - Min 700 FICO
7. Non-Permanent Resident Alien borrowers:
   - Max 80% LTV
   - Purchase & Rate-Term Refinances only; Cash-Out Refinance not eligible
8. 2-4 Unit Primary Residence Properties – Max 85% LTV

ALTERNATE INCOME DOCUMENTATION (ALT DOC) [2, 6, 7]
1099 ONLY (1YR & 2YR)
1-4 Unit Primary[8]/1-Unit 2nd Home/1-4 Unit Investment Property [5]

PURCHASE AND RATE/TERM REFINANCE LOANS

<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	90	85	80
720	90	85	80
700	90	85	80
680	85	80	80
660	80	80	80
640	75	75	75
620	70	70	70
<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	85	85	80
720	85	85	80
700	85	85	80
680	85	80	80
660	80	80	75
640	75	75	75
620	70	70	70
<= $2,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	85	80	80
720	85	80	80
700	85	80	80
680	80	80	80
660	75	70	70
640	70	65	65
<= $2,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	85	80	80
720	85	80	80
700	80	80	80
680	80	75	75
660	70	70	65
<= $3,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80
700	75	75	75
680	75	75	75

CASH OUT REFINANCE [3,4, 8]

<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80
700	80	80	80
680	75	75	75
660	75	75	70
640	70	65	65
620	65	65	65
<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80
700	80	80	80
680	75	75	75
660	75	75	70
640	65	65	65
620	65	65	65
<= $2,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80
700	80	80	75
680	75	75	75
660	70	70	70
640	60	55	55
<= $2,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	75
720	80	80	75
700	80	80	75
680	75	75	75
660	65	65	65
<= $3,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	75	75	75
720	75	75	75
700	75	75	75
680	75	75	75

<= $3,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	75	60	N/A
720	75	60	N/A
700	70	N/A	N/A

<= $3,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	65	N/A	N/A
720	65	N/A	N/A
700	60	N/A	N/A

Notes:

1. Minimum loan amount $125,000
2. Max DTI is 50%
3. Max Cash-Out Refinance Limits:
   - For LTV's ≤ 65% - unlimited cash-out funds
   - For LTV's > 65% - $1,000,000 total cash-out funds
4. See Texas Cash-Out Refinances a/k/a Texas Home Equity Loans for full details regarding Texas Home Equity Section 50(a)(6) eligibility.
5. Non-Warrantable Condos: Max 80% LTV
6. Interest-Only
   a. Max 85% LTV up to $2M / Max 80% LTV over $2M
   b. Min 700 FICO
7. Non-Permanent Resident Alien borrowers:
   - Max 80% LTV
   - Purchase & Rate-Term Refinances only; Cash-Out Refinance not eligible
8. 2-4 Unit Primary Residence Properties – Max 85% LTV

ALTERNATE INCOME DOCUMENTATION (ALT DOC) [2, 5, 6]
P&L STATEMENT ONLY
1-4 Unit Primary/1-Unit 2nd Home/1-4 Unit Investment Property

PURCHASE AND RATE/TERM REFINANCE LOANS

<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80
700	80	80	80
680	80	80	80
660	80	75	75
<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80
700	80	80	80
680	80	80	80
660	75	75	75
<= $2,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	80
720	80	80	80
700	80	80	80
680	75	75	75
660	75	70	70
<= $2,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	75	75
720	80	75	75
700	75	75	75
680	75	70	70
<= $3,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	75	70	70
720	75	70	70
700	75	70	70
680	70	70	65

CASH OUT REFINANCE [3,4]

<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	75	75
720	80	75	75
700	75	75	75
680	75	75	75
660	75	70	70
<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	80	75	75
720	80	75	75
700	75	75	75
680	75	75	75
660	70	70	70
<= $2,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	75	75	70
720	75	75	70
700	75	70	70
680	70	70	65
660	65	65	60
<= $2,500,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	75	75	70
720	75	75	70
700	70	65	65
680	65	65	60
<= $3,000,000			
	Owner Occupied	Second Home	Investment
FICO	Alt-Doc	Alt-Doc	Alt-Doc
740	70	65	60
720	70	65	60
700	65	65	60
680	65	65	60

Notes:

1. Minimum loan amount $125,000
2. Max DTI is 50%
3. Max Cash-Out Refinance Limits:
   - For LTV's ≤ 65% - unlimited cash-out funds
   - For LTV's > 65% - $1,000,000 total cash-out funds
4. See Texas Cash-Out Refinances a/k/a Texas Home Equity Loans for full details regarding Texas Home Equity Section 50(a)(6) eligibility.
5. Interest-Only: Min 700 FICO
6. Non-Permanent Resident Alien borrowers:
   - Purchase & Rate-Term Refinances only; Cash-Out Refinance not eligible

ALTERNATE INCOME DOCUMENTATION (ALT DOC) [2,5,6]
ASSET QUALIFIER
1-4 Unit Primary Residence / 1-Unit Second Home[3]

PURCHASE AND RATE/TERM REFINANCE LOANS [4]			
<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO [5]	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	N/A
720	80	80	N/A
700	80	80	N/A
680	80	80	N/A
660	80	80	N/A
<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO [5]	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	N/A
720	80	80	N/A
700	80	80	N/A
680	80	80	N/A
660	75	75	N/A
<= $2,000,000			
	Owner Occupied	Second Home	Investment
FICO [5]	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	N/A
720	80	80	N/A
700	80	80	N/A
680	80	80	N/A
660	75	75	N/A
<= $2,500,000			
	Owner Occupied	Second Home	Investment
FICO [5]	Alt-Doc	Alt-Doc	Alt-Doc
740	80	80	N/A
720	80	80	N/A
700	75	75	N/A
680	75	75	N/A
660	70	N/A	N/A
<= $3,000,000			
	Owner Occupied	Second Home	Investment
FICO [5]	Alt-Doc	Alt-Doc	Alt-Doc
740	75	75	N/A
720	75	75	N/A
700	75	70	N/A
680	75	70	N/A
660	N/A	N/A	N/A

Notes:

1. Minimum loan amount $125,000
2. DTI = N/A
3. Owner-Occupied and Second Home Only; Investment Properties are not eligible
4. Cash-Out Refinance not eligible
5. Significant Derogatory Credit Event Seasoning – 5 years
6. Interest-Only: Min 700 FICO

INVESTOR CASH FLOW [3, 8, 9]
1-4 Unit Investment Property [2,6,7]

INVESTMENT PROPERTY, DSCR >= 1.00

FICO	Purchase	Rate/Refi	Cash Out [4,5]
<= $150,000 [1]			
740	80	80	75
720	80	80	75
700	80	80	75
680	75	75	70
660	75	75	70
640	70	70	65
<= $1,000,000			
740	80	80	75
720	80	80	75
700	80	80	75
680	80	80	75
660	75	75	70
640	75	75	65
620	65	65	65
<= $1,500,000			
740	80	80	75
720	80	80	75
700	80	80	75
680	80	80	75
660	75	75	70
640	75	75	65
620	65	65	N/A
<= $2,000,000			
740	80	80	75
720	80	80	75
700	80	80	75
680	75	75	70
660	70	70	65
640	65	65	N/A
<= $2,500,000			
740	75	75	70
720	75	75	70
700	75	75	70
680	70	70	65
660	65	65	N/A

INVESTMENT PROPERTY, DSCR >= .75

FICO	Purchase	Rate/Refi	Cash Out [4,5]
<= $150,000 [1]			
740	75 [2]	75 [2]	70
720	75 [2]	75 [2]	70
700	75 [2]	75 [2]	65
680	70	70	60
660	60	60	60
640	N/A	N/A	N/A
<= $1,000,000			
740	75 [2]	75 [2]	70
720	75 [2]	75 [2]	70
700	75 [2]	75 [2]	70
680	70	70	65
660	60	60	60
640	N/A	N/A	N/A
620	N/A	N/A	N/A
<= $1,500,000			
740	75 [2]	75 [2]	70
720	75 [2]	75 [2]	65
700	75 [2]	75 [2]	65
680	70	70	65
660	N/A	N/A	N/A
640	N/A	N/A	N/A
620	N/A	N/A	N/A
<= $2,000,000			
740	70	70	60
720	65	65	60
700	65	65	60
680	N/A	N/A	N/A
660	N/A	N/A	N/A
640	N/A	N/A	N/A
<= $2,500,000			
740	60	60	N/A
720	60	60	N/A
700	60	60	N/A
680	N/A	N/A	N/A
660	N/A	N/A	N/A

INVESTMENT PROPERTY, DSCR < .75

FICO	Purchase	Rate/Refi	Cash Out [4,5]
<= $150,000 [1]			
740	75 [2]	75 [2]	65
720	70	70	60
700	65	65	60
680	65	65	60
660	60	60	60
640	N/A	N/A	N/A
<= $1,000,000			
740	75 [2]	75 [2]	65
720	70	70	60
700	65	65	60
680	65	65	60
660	60	60	60
640	N/A	N/A	N/A
620	N/A	N/A	N/A
<= $1,500,000			
740	70	70	60
720	65	65	60
700	65	65	60
680	N/A	N/A	N/A
660	N/A	N/A	N/A
640	N/A	N/A	N/A
620	N/A	N/A	N/A
<= $2,000,000			
740	N/A	N/A	N/A
720	N/A	N/A	N/A
700	N/A	N/A	N/A
680	N/A	N/A	N/A
660	N/A	N/A	N/A
640	N/A	N/A	N/A
<= $2,500,000			
740	N/A	N/A	N/A
720	N/A	N/A	N/A
700	N/A	N/A	N/A
680	N/A	N/A	N/A
660	N/A	N/A	N/A

<= $3,000,000			
FICO	Purchase	Rate/Refi	Cash Out 4,5
740	70	70	65
720	70	70	65
700	70	70	65
680	65	65	60

<= $3,000,000			
FICO	Purchase	Rate/Refi	Cash Out 4,5
740	60	60	N/A
720	60	60	N/A
700	60	60	N/A
680	N/A	N/A	N/A

<= $3,000,000			
FICO	Purchase	Rate/Refi	Cash Out 4,5
740	N/A	N/A	N/A
720	N/A	N/A	N/A
700	N/A	N/A	N/A
680	N/A	N/A	N/A

Notes:

1. Minimum loan amount $125,000
2. 2-4 Unit Properties: Max 70% on DSCR <1.00
3. Investor Cash Flow: DTI = NA
4. Max Cash-Out Refinance Limits -
   - DSCR ≥1.00: Unlimited cash-out funds up to 65% LTV | Max $750,000 cash-out funds over 65% LTV
   - DSCR <1.00: Unlimited cash-out funds up to 60% LTV | Max $500,000 cash-out funds over 60% LTV
5. See Texas Cash-Out Refinances a/k/a Texas Home Equity Loans for full details regarding Texas Home Equity Section 50(a)(6) eligibility.
6. Non-Warrantable Condos: Max 75% LTV
7. Short-term Rentals
   - Max 75% Purchase / Max 70% Refinance
   - Minimum 700 FICO
8. Interest-Only
   - 700 minimum FICO
   - Minimum 0.75 DSCR
   - Max $2M Loan Amount for LTVs >60%
   - 75% max LTV for transactions where IO payment (ITIA) is used to calculate DSCR
   - 70% max LTV for IO transactions where DSCR is 0.75 to 0.99
9. Non-Permanent Resident Alien borrowers:
   - Max 75% LTV
   - Purchase & Rate-Term Refinances only; Cash-Out Refinance not eligible

INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER (ITIN) [2, 8]
FULL DOCUMENTATION AND BANK STATEMENT ONLY
1-4 Unit Primary/1-Unit 2nd Home/1-4 Unit Investment Property

PURCHASE AND RATE/TERM REFINANCE LOANS [7]

<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO	FD / BS	FD / BS	FD / BS
740	80	70	70
720	80	70	70
700	80	70	70
680	75	70	70
<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO	FD / BS	FD / BS	FD / BS
740	80	70	70
720	75	70	70
700	70	70	70
680	70	70	70

CASH OUT REFINANCE [3, 4, 5, 6]
ASSET DISTRIBUTIONS NOT ELIGIBLE

<= $1,000,000 [1]			
	Owner Occupied	Second Home	Investment
FICO	FD / BS	FD / BS	FD / BS
740	65	65	65
720	65	65	65
700	65	65	65
680	N/A	N/A	N/A
<= $1,500,000			
	Owner Occupied	Second Home	Investment
FICO	FD / BS	FD / BS	FD / BS
740	65	65	65
720	65	65	65
700	65	65	65
680	N/A	N/A	N/A

Notes:

1. Minimum loan amount $125,000
2. Max DTI is 50%
3. Max Cash-Out Refinance Limit: $500,000
4. Loans using Asset Distributions are not eligible for Cash-Out Refinance
5. Loans using 1-Year Income are not eligible for Cash-Out Refinance
6. See Texas Cash-Out Refinances a/k/a Texas Home Equity Loans for full details regarding Texas Home Equity Section 50(a)(6) eligibility.
7. Non-Warrantable Condos: Max 75% LTV
8. Interest-Only is not eligible

FOREIGN NATIONAL [4,6,7,8,10]							
INVESTOR CASH FLOW ONLY – DSCR >= 1.00							
1-4 Unit Investment Property							
INVESTMENT PROPERTY, DSCR >= 1.10				INVESTMENT PROPERTY, DSCR >= 1.00			
<= $1,000,000 [1]				<= $1,000,000 [1]			
FICO [3,5]	Purchase	Rate/Refi	Cash Out [2,9]	FICO [3,5]	Purchase	Rate/Refi	Cash Out [2,9]
740	70	70	70	740	70	70	65
720	70	70	70	720	70	70	65
700	70	70	70	700	70	70	65
680	70	70	65	680	65	65	60
660	70	70	65	660	N/A	N/A	N/A
<= $1,500,000				<= $1,500,000			
FICO [3,5]	Purchase	Rate/Refi	Cash Out [2,9]	FICO [3,5]	Purchase	Rate/Refi	Cash Out [2,9]
740	70	70	65	740	70	70	65
720	70	70	65	720	70	70	65
700	70	70	65	700	70	70	65
680	70	70	65	680	N/A	N/A	N/A
660	65	65	60	660	N/A	N/A	N/A
<= $2,000,000				<= $2,000,000			
FICO [3,5]	Purchase	Rate/Refi	Cash Out [2,9]	FICO [3,5]	Purchase	Rate/Refi	Cash Out [2,9]
740	70	70	65	740	70	70	65
720	70	70	65	720	70	70	65
700	70	70	65	700	70	70	65
680	70	70	N/A	680	N/A	N/A	N/A
<= $2,500,000				<= $2,500,000			
FICO [3,5]	Purchase	Rate/Refi	Cash Out [2,9]	FICO [3,5]	Purchase	Rate/Refi	Cash Out [2,9]
740	65	65	N/A	740	65	65	N/A
720	65	65	N/A	720	65	65	N/A
700	65	65	N/A	700	65	65	N/A
<= $3,000,000				<= $3,000,000			
FICO [3,5]	Purchase	Rate/Refi	Cash Out [2,9]	FICO [3,5]	Purchase	Rate/Refi	Cash Out [2,9]
740	55	55	N/A	740	55	55	N/A
720	55	55	N/A	720	55	55	N/A
700	55	55	N/A	700	55	55	N/A

Notes:

1. Minimum loan amount $125,000
2. See Texas Cash-Out Refinances a/k/a Texas Home Equity Loans for full details regarding Texas Home Equity Section 50(a)(6) eligibility.
3. If no US FICO, Max LTV is 65%
4. Interest-Only is not eligible
5. No forbearance allowed
6. Minimum 12 months post-closing reserves
7. Gift funds not allowed
8. Borrowers must clear OFAC review and cannot be on US Department of Treasury sanctions list
9. Max Cash-Out Refinance Limits - $250,000 total cash-out funds
10. Non-Warrantable Condos are ineligible

Access Non-QM Underwriting Guidelines	
PROGRAM OVERVIEW	
Ability to Repay	• The Access Non-QM program is designed for loans that are **not** eligible under Fannie Mae/Freddie Mac guidelines • The loan file must include documentation of the borrower's ability to repay. 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
AUS	• Loans are **not** required to be run through an AUS • Compliance with Ability to Repay (ATR) requirements must be documented and included in the loan file along with the loan approval.
LTV/CLTV	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 Borrower 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. **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. In instances where two full appraisals are completed, utilize the lower of the two.

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 is a precise calculation & may not be rounded down to qualify. The maximum DTI on Full Doc, Bank Statement,1099 Only and P&L Statement Only is 50% **Lock Desk Notification of DTI Change** It the loan was locked at ≤43%, the Homebridge Secondary Marketing department must be notified if the DTI goes over 43% **There are no exceptions for DTI's exceeding 50%.** No DTI is developed for either the Asset Qualifier or Investor Cash Flow products (including Foreign National).

Residual Income	• Required for all products, with the exception of Investor Cash Flow
	• Required for all primary residence transactions
	• Residual income calculations are as follows:
	  ○ Full Documentation/Bank Statement/1099 Income Only/P&L Statement Only – Total gross monthly income, then subtract total monthly debts = Residual Income
	  ○ Asset Qualifier – Total assets used to qualify divided by 60 months, then subtract total monthly debts = Residual Income
	• Minimum residual income requirements:
	  ○ Full Documentation - $2,000
	  ○ Bank Statement/1099 Income Only/P&L Statement Only - $2,500
	  ○ Asset Qualifier - $1,300

Loan Terms	The standard loan term under the Access Non-QM product is 15 or 30 years.
	ARM Terms:
	7/6, 10/6 SOFR ARMs
	Margin:
	  • Full Doc – 4.00%
	  • Bank Statement/1099 Only/P&L Statement Only/Asset Qualifier – 4.25%
	  • Investor Cash Flow (including Foreign National) – 4.50%
	Index – 30 Day Average of SOFR
	Caps – 5/1/5
	Floor Rate – Margin
	Adjustment Period – 6 months

Qualifying Rates	Note that these requirements are superseded by any regulatory requirements such as HPML, unless exempt by definition.
	
	Fixed Rate Loans
	Qualified at the Note rate.
	
	Fully-Amortized ARM Loans
	Qualified at the greater of the Note rate or the index plus margin, using the full term of the loan.
	
	Interest Only Loans
	Interest-Only loans have a ten (10) year interest-only period and are fully amortized for the remaining term. The loan cannot be qualified at the interest-only payment, unless it is an Investor Cash Flow transaction that meets the Interest-Only Payment Qualification criteria. Interest-Only loans are capped at max LTV of 85% or the max LTV defined by the eligibility matrix, whichever is less. Interest-Only loans must have a minimum 700 FICO to qualify.
	
	Full Documentation, Bank Statements, 1099 Only, P&L Statement Only & Asset Qualifier
	Determine a simulated fully amortizing payment for purposes of loan qualification based on the following:
	  ○ For 30-year loan – use a 20-year term and the Note rate* to simulate the qualifying payment
	  * For IO ARMs, use the greater of the Note rate or fully-indexed rate (index + margin)

	Interest-Only is eligible for Primary Residence, Second Home, and Investment Property transactions under these doc types. (Note: Second Home and Investment Property are not eligible for Asset Qualifier) **Investor Cash Flow** Investment properties are eligible for Interest-Only under Investor Cash Flow, using the 30-year term (based on 20yr payment). Investor Cash Flow loans are eligible to qualify the DSCR based on the interest-only payment, along with taxes, insurance, HOA dues, etc. (ITIA), so long that it meets Interest-Only Payment Qualification criteria. Otherwise, the fully amortized payment (PITIA) would be used to determine the DSCR calculation. Minimum 700 FICO and 0.75 DSCR for Interest-Only under Investor Cash Flow. For IO transactions with DSCR 0.75-0.99, the max LTV is 70%. **Notes**: Interest-Only is not eligible for Texas Home Equity Section 50(a)(6) loans. In addition, Foreign Nationals are not eligible for Interest-Only.
Assumptions	Not allowed
Prepayment Penalty	Prepayment penalties may be placed on investment properties (all documentation types) where allowed and to the extent permitted by state and federal law. Except as otherwise specified or directed, the prepayment penalty placed shall be for a term of at least 1 year and permit the Borrower to pay down up to 20% of the original principal balance per 12 month period. Any pay downs (including complete payoff) which exceed 20% per year are penalized in an amount not less than six (6) months interest on the amount prepaid which exceeds 20% of the original principal balance, unless restricted by state/federal law. Any loan which has a prepayment penalty must be a business purpose loan as defined in 12 CFR 1026.3(a). This includes cash-out refinance transactions, where the cash-out proceeds must be used solely for business purposes. Prepayment penalties are available for terms up to five (5) years. Pricing implications may apply in the event that a PPP shorter than three years or no PPP is placed. Investor Cash Flow Loans with a DSCR <1.0 and LTV >70 must have at least a one-year PPP. 70.01-75% LTV for DSCR < 1.0 is only allowed for those states currently approved for prepayment penalties (see Investor Cash Flow section for further details). Examples: - DSCR 1.01 and LTV 75%: No PPP Required - DSCR 0.99 and LTV 70%: No PPP Required - DSCR 0.99 and LTV 75%: Minimum 1 Year PPP Required and must be an eligible state - DSCR 0.99, LTV 75%, and not in an eligible state: The loan is ineligible Eligible states for PPP are AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL*, IN, KS, KY, LA, MA, ME, MD*, MO, MT, NC, ND, NE, NH, NJ*, NV, NY, OK, OR, PA*, RI*, SC, SD, TN, TX, UT, VA, VT, WA*, WI, WY. ***State Specific Limitations** • **Illinois** – PPP permitted only when closing in an LLC or Corporation • **Maryland** – Note must include Choice of Law – Title 12, Subtitle 10 Credit Grantor provisions • **New Jersey** – PPP permitted only when closing in a Corporation • **Pennsylvania** – Minimum loan balance of $319,777 required to allow PPP on 1-2 unit properties • **Rhode Island** – Max 1 year prepay period. Purchase transactions must have a Flat-Pay structure: 2% of balance due as penalty. Refinances may follow standard Access structure as shown above. • **Washington** – PPP permitted only on fixed rate transactions
Mortgage Insurance	Not required
Eligible Borrowers	**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.

Permanent Resident Aliens

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 borrower must present either an unexpired I-551 card or temporary I-551 stamp on an unexpired foreign passport.

Non-Permanent Resident Aliens

Holder(s) of the following visa types are eligible for financing: E-1, E-2. E-3, EB-5, G-1 through G-5, H-1B, L-1, NATO, O-1, R-1, TN NAFTA. The following are required as evidence that the borrower is in the U.S. legally:

- Copy of the borrower's valid and unexpired passport and
- Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94,
- If a non-U.S. citizen is borrowing with a U.S. citizen, non-permanent resident alien documentation requirements still apply.
- **Note:** Certain borrowers holding the following EADs are eligible without a Visa: C09, C10, C24, C31, C33

Borrowers must have been living and working in US for at least 2 years, must have valid Social Security Number(s), have established credit history, have filed tax returns in the U.S. for two years (for borrowers relying on full documentation income to qualify) and meet all other Access Non-QM guidelines based on the specific product. A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the borrower's current employer. If the visa or EAD will expire within six (6) months of loan application, it is acceptable to obtain a letter from the employer documenting the borrower's continued employment and/or continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa).

Non-Permanent Resident Aliens are eligible for the following LTV limits:

- Full Doc/Alt Doc at a maximum 80% LTV
- Investor Cash Flow product at a maximum 75 LTV.

Non-Permanent Resident Aliens are eligible for Purchase and Rate-Term Refinance transactions only; Cash-Out Refinances are not eligible.

First Time Home Buyers

A First Time Home Buyer is defined as an individual who has not had individual ownership interest in a residential property within the last three years, regardless of that property's occupancy status. First Time Home Buyers are eligible for financing under the Access Non-QM programs under the following criteria. These guidelines only apply when all borrowers are First Time Homebuyers.

-Full Documentation

Eligible with the following:

- Document a 12-month rental history (documented via cancelled checks, paid by the borrower or an institutional VOR completed by a management company; private-party/landlord VOR's are not an acceptable form of documentation) within the three years prior to application showing 0x30
- Max Payment Shock of 300%
  - See Payment Shock requirements for details on payment shock greater than 300%.
- If a FTHB is living rent-free and cannot document their 12mo housing history, the following eligibility criteria must apply in lieu of payment shock:
  - 80% max LTV
  - 680 minimum FICO
  - Primary Residence only
  - Reserves must be borrower sourced
  - Letter of explanation from owner/leaseholder of borrower's current residence verifying rent-free status must be provided

-Bank Statement

Eligible with the following:

- Document a 12-month rental history (documented via cancelled checks, paid by

	the borrower or an institutional VOR completed by a management company; private-party/landlord VOR's are not an acceptable form of documentation) within the three years prior to application showing 0x30
	○ Max Payment Shock of 300%
	    ○ See Payment Shock requirements for details on payment shock greater than 300%.
	○ If a FTHB is living rent-free and cannot document their 12mo housing history, the following eligibility criteria must apply in lieu of payment shock:
	    ○ 80% max LTV
	    ○ 680 minimum FICO
	    ○ Primary Residence only
	    ○ Reserves must be borrower sourced
	    ○ Letter of explanation from owner/leaseholder of borrower's current residence verifying rent-free status must be provided
	
	-1099 Only
	Eligible with the following:
	○ Document a 12-month rental history (documented via cancelled checks, paid by the borrower or an institutional VOR completed by a management company; private-party/landlord VOR's are not an acceptable form of documentation) within the three years prior to application showing 0x30
	○ Max Payment Shock of 300%
	    ○ See Payment Shock requirements for details on payment shock greater than 300%.
	○ If a FTHB is living rent-free and cannot document their 12mo housing history, the following eligibility criteria must apply in lieu of payment shock:
	    ○ 80% max LTV
	    ○ 680 minimum FICO
	    ○ Primary Residence only
	    ○ Reserves must be borrower sourced
	    ○ Letter of explanation from owner/leaseholder of borrower's current residence verifying rent-free status must be provided
	
	- P&L Statement Only
	Eligible with the following:
	○ Document a 12-month rental history (documented via cancelled checks, paid by the borrower or an institutional VOR completed by a management company; private-party/landlord VOR's are not an acceptable form of documentation) within the three years prior to application showing 0x30
	○ Max Payment Shock of 300%
	    ○ See Payment Shock requirements for details on payment shock greater than 300%.
	○ If a FTHB is living rent-free and cannot document their 12mo housing history, the following eligibility criteria must apply:
	    ○ The rent-free period must be the months directly preceding or during the loan purchase application process.
	        ▪ The borrower must have a twelve-month mortgage/rental payment history ending within the most recent six month (payment shock will apply).
	    ○ 80% max LTV
	    ○ 700 minimum FICO
	    ○ Primary Residence only
	    ○ Reserves must be borrower sourced
	    ○ Letter of explanation from owner/leaseholder of borrower's current residence verifying rent-free status must be provided
	
	- Asset Qualifier
	Eligible with the following:
	○ Document a 12-month rental history (documented via cancelled checks, paid by the borrower or an institutional VOR completed by a management company; private-party/landlord VOR's are not an acceptable form of documentation) within the three years prior to application showing 0x30
	○ Max Payment Shock of 300%
	    ○ See Payment Shock requirements for details on payment shock greater

	than 300%.
	○ If a FTHB is living rent-free or cannot document their 12mo housing history, the borrower is not eligible.
	
	-Investor Cash Flow
	• Not allowed.
	
	Non-Occupant Co-Borrower
	Loans with non-occupant co-borrowers are eligible for financing under the Access Non-QM product suite for Primary Residence, 1-unit properties (SFR, Condo, PUD). A non-occupant co-borrower is defined as an individual who provides additional financial strength and stability to a borrower 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 borrower. All borrowers must meet credit requirements outlined in the *Credit* section. The product specific requirements for a non-occupant co-borrower are as follows:
	○ Primary Residence Only
	○ 1-Unit Only
	○ Purchase and Rate/Term Refinance Transactions Only
	○ Max Loan Amount $1,500,000
	    ○ For ITIN transactions, Max Loan Amount $1,000,000
	○ Max 80% LTV
	○ LTV reduced by 5%
	    ○ This is exclusive of the 80% Max LTV. A loan which would be 85% must be reduced to 80% and would be acceptable. A loan which would be 80% must be reduced to 75%
	
	The occupant borrower must contribute 50% of the total income required to qualify and front-end HTI may not exceed 60%. Income and assets are fully blended to determine back-end DTI of 50%. Non-Occupant Co-borrower may contribute remaining funds to close and reserves.
	
	On Asset Qualifier transactions, the non-occupant co-borrower must be a relative. For purposes of these guidelines, a relative is defined as someone who had a relationship to the primary borrower by blood, law, or marriage. Non-occupant co- borrower's debt service must be included in debt service calculation for determining qualification.
	
	Non-Occupant Co-Borrowers are **not** eligible on Investor Cash Flow Transactions
	
	Foreign Nationals
	Foreign Nationals are eligible. See Foreign National section for details and requirements.

Ineligible Borrowers	• Borrowers with diplomatic immunity • Borrowers without a social security number or a number that cannot be validated with the SSA. • Life Estates • Non-revocable trust– **no exceptions** • Guardianships • Borrowers previously convicted of mortgage fraud • Correspondent lender employees and owners, except for Full Doc transactions ○ For Full Doc, the correspondent lender employee cannot represent him/herself in the transaction; also, a letter of explanation is required and additional due diligence may be needed.

Eligible Properties	• 1-4 unit attached and detached properties
	    ○ 2-4 unit properties:
	        ▪ Full Doc/Alt Doc (Bank Statement/1099 Only): max 85% LTV
	        ▪ Alt Doc (P&L Only): max 80% LTV
	        ▪ Investor Cash Flow: Max 70% LTV for DSCR <1.00
	• Attached and detached PUDs

	• Attached and detached Condos which are warrantable under Fannie Mae/Freddie Mac criteria.
	• Non-Warrantable Condos (see Non-Warrantable Condo section). Pricing adjustments apply.
	  ○ Full Doc/Alt Doc – max 80% LTV
	  ○ Investor Cash Flow – max 75% LTV
	• Properties with an Accessory Unit (ADU) must meet Fannie Mae criteria.
	  ○ See Accessory Dwelling Units (ADU) for additional details.

Ineligible Properties	• Acreage greater than 20 acres (appraisal must include total acreage) ○ For Investor Cash Flow, acreage greater than 2 acres • Mixed-Use properties • Log Homes • Boarding Homes • Manufactured housing • Modular homes • Properties subject to oil and/or gas leases • Unique properties • Agriculturally Zoned Properties • Working farms, ranches or orchards • Hobby farms • Co-ops • Properties in Lava Zones 1 and 2 • Properties with a condition rating of C5 or C6
Geographic Eligibility	The Access Non-QM product suite is eligible in **ALL** states, provided the Originator is licensed to originate in the subject property state. Geographic eligibility is based on the originator's licensure. No state subprime or equivalent allowed. For transactions involving subject properties in California, property taxes can be calculated based on 1.25% or the actual documented tax rate (on fully-developed land). Loans that fall under the definition of New York Subprime Home Loan are not eligible for the product. 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 Freddie Mac Mortgage Survey. This applies only to Full Documentation, Bank Statements, 1099 Only, P&L Statement Only and Asset Qualifier. See NY Banking Law §6-M for additional information. Second Home and Investment Properties in the County of Philadelphia are ineligible. Second Home and Investment Properties in the City of Baltimore are ineligible. • Second Home and Investment Properties located in the County of Baltimore, but not within the City of Baltimore, are eligible. • There are no restrictions on Primary Residences for the City of Baltimore.
CEMA	New York CEMA transactions are ineligible.
Temporary Buydowns	Temporary Buydowns are ineligible.

Texas Cash-Out Refinances a/k/a Texas Home Equity Loans	Texas Cash-Out Refinances are eligible under the Access Non-QM product. 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 (in the event of conflict between these guidelines and applicable state law, the state law shall govern):
	• 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 borrowers must be on title/occupy the subject property
	• All closing documents must be reviewed by a licensed Texas attorney
	• Interest-Only is not allowed on Texas Home Equity 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 borrowers 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 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 DC One Day Before Closing
	  ○ Texas Home Equity Affidavit and Agreement
	  ○ Owner’s Affidavit of Compliance
	  ○ Receipt of Copies of Documents
	  ○ Certification of Non-Cancellation of Loan
	
	The Seller certifies with respect to all the Texas Section 50(a)(6) mortgages delivered to Homebridge:
	• 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.
	• The Seller has in place a specific process for the receipt, handling and monitoring of notices from borrowers that the Seller failed to comply with the provisions of the law applicable to Texas Section 50(a)(6) mortgages. Such 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 Seller 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 Seller given to the investor in connection with each Texas Section 50(a)(6) mortgage. **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's 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 the borrower(s) own more than one • Detailed closing instruction letter acknowledged by title company (Compliance Requirements for Texas Home Equity Loans). • Note for any re-subordinating second mortgage (cannot be an (a)(6) note, a new loan or a HELOC) with a subordination agreement, if applicable.

Texas Home Equity Loans	The following additional requirements apply to Texas Home Equity Loans which are subject to Article XVI, 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 not eligible
	    ○ 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 calculation can only be assessed on that parcel.
	• Properties deemed to be urban may not exceed ten (10) acres. Properties deemed to be rural may not exceed twenty (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:
	        ▪ No more than ten (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 (3) of the following services provided by a municipality or under contract to a municipality: – Electric – Natural Gas – Sewer – Storm Sewer – Water o Rural properties are defined as follows: ▪ No more than twenty (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
Refinancing an Existing Texas Home Equity Loan	An existing Texas 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 Borrower with cash proceeds • The LTV/CLTV does not exceed 80% • The Seller must provide all titleholder(s) the written notice 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 twelve (12) days before closing of the refinance.
Eligible Transactions	**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 borrower cash back other than an amount representing reimbursement for the borrower'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 purchase transaction where there is no defined relationship between the buyer and seller is deemed to be arm's length in nature. Homebridge will allow a borrower 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 borrower. **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, a gift of down payment when the source is from a relative's equity in the sale of the subject property. The borrower may not have multiple roles in the transaction (i.e. they may not be both the builder of the property and the borrower on the transaction). A gift of equity is acceptable as a source of funds to close. The borrower must state their relationship to the seller. If the seller is a relative, they must also document the most recent 12 months' payment history on the property's existing mortgage, if any. See *Gifts* for additional information on this section. Non-Arm's Length purchases on ITIN transactions are limited to max 70% LTV.

	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. There is no title seasoning requirement for a rate and term refinance. A transaction which meets one of the below criteria 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 equity line of credit (HELOC) seasoned more than 6 months that has not had draws > $5,000 in the past 6 months,
	• The maximum cash out cannot exceed the lesser of 2% 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 Homebridge. A stipulation of settlement and/or divorce decree is acceptable to meet this requirement. The borrower does not need to be a signer on the current note,
	• A Technical Refinance: Recoupment of funds expended to purchase a property acquired for cash within the 6 months prior to application date. 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 borrower's own. Recoupment of gift funds is deemed to be cash out. Max proceeds not to exceed borrower's documented investment. The value utilized for LTV calculation will be the lower of the purchase price or appraisal value unless appraiser can justify and support an increase in value, or
	• Recoupment of funds expended to improve the subject property. Improvements must have been completed within the last six months preceding the application date, funds must have been borrowers own. Cash out amount not to exceed documented improvement costs, otherwise the transaction will be deemed cash out and the amount of cash out measured by the proceeds to the borrower above and beyond the documented costs. Value utilized for LTV calculation would be the current appraised value. Acceptable documentation would include copies of invoices for work completed along with proof of payment by the borrower.
	
	The last two bullets may be combined, and the transaction treated as a rate and term refinance provided cash proceeds to the Borrower do not exceed the Borrower's documented cash investment.
	
	Technical Refinances on ITIN transactions are limited to 60% LTV.
	
	Cash-Out Refinance Transaction
	If the proceeds to the Borrower exceed the lesser of $5,000 or 2% 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. Properties owned less than 6 months (Deed Date to Note Date) require a 5% reduction in LTV.
	• Full Doc loans using Asset Distributions and Asset Qualifier loans not eligible for Cash-Out Refinance.
	• Transactions which are Investor Cash Flow and/or have a Prepayment Penalty are considered business purpose loans. This includes cash-out refinance transactions, and the cash-out proceeds must be used solely for business purposes.
	    ○ Full Doc and Alt Doc transactions without a Prepayment Penalty are not considered business purpose.
	• For LTV's ≤ 65%, there is no maximum limit to the amount of cash-out funds received on a Cash-Out Refinance transaction.
	• For LTV's > 65%, the following applies:
	    ○ Full Doc/ Alt Doc (Bank Statement/1099 Only/P&L Statement Only) - The maximum amount of cash-out funds that a borrower may receive on a Cash-Out Refinance transaction (except Investor Cash Flow) is $1,000,000.

	○ Investor Cash Flow - the maximum cash-out funds are limited to $750,000. ○ DSCRs ≤1.00 are limited to $500,000 on LTVs over 60% Cash-Out Proceeds – For determining the maximum limit, cash-out proceeds are defined as: • The net cash funds received by the borrower at the closing, as per the CD; PLUS • The funds used to pay-off unseasoned subordinate liens on the subject property; PLUS • The funds used to pay-off non-mortgage debts, including installment and revolving debt, or mortgage debts associated with other owned properties. All refinances must meet any and all Net Tangible Benefit requirements in accordance with applicable state and federal regulation.
Occupancy	**Primary Residence** Borrower(s) are limited to one (1) Primary Residence. A Primary Residence is defined as: the property occupied (or intended to be occupied) the majority of the year by the borrower, usually located in the same general area as the borrower's income source, and typically, this is also the address of record used in filing the borrower's Individual Income Tax Return Form 1040. **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 located in a suburb, but the owner works in the city. Generally, the property should be located in a natural second home market typically located at least 50 miles from the borrower's primary residence. Note that a borrower may have more than one second home, so long as each is in a separate geographic rea and meets the below requirements. • The property may not be leased or rented, or intended for lease or rental • The property must be suitable for year-round residence. Any appraisal comment to the contrary (e.g., lack of year-round necessities or access), shall constitute reason for unacceptable collateral, • Property should be in a typical second home area, otherwise satisfactorily justified by the borrowers 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 borrower. **Investment Property** Properties that do not meet the definition of Primary Residence or Second Home are considered Investment Properties. The Access Non-QM product provides financing for Investment Properties. • Rural properties are not eligible for investment properties.
Undisclosed Debt Monitoring	For Full Documentation and Alternate Documentation transactions, an Undisclosed Debt Notification (UDN) dated within 10 days of the Note Date must be obtained. If the UDN reveals any new or derogatory debt which was not disclosed on the loan application, a review must be completed to ensure the borrower meets debt-to-income and derogatory debt requirements. **Note:** A UDN is not required for Asset Qualifier and Investor Cash Flow transactions.
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 comply with the product guidelines. New and existing subordinate financing is permitted. Non-Institutional Subordinate financing is not allowed. • 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).

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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 (with the exception of 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 Borrower's financial assets and credit profile is of minimal impact.
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<tr><td>Limitations on Other Real Estate Owned</td><td>
Loan/Property restrictions per borrower are as follows:
Borrowers are collectively limited to the lesser of four (4) loans owned by Homebridge or $10,000,000
Borrowers with >20 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 borrowers and includes commercial properties.
Borrowers may have Homebridge financing on a maximum of 5% of the properties in a condominium project.
For projects ≤ 10 total units, financing on a maximum of 1 unit is allowed.
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<tr><td>Short Sale</td><td>
Homes purchased through a short sale may be eligible for financing. The underwriter 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 borrower outlining the additional fees or payments and the additional necessary funds to complete the transaction.
The servicer who is agreeing 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.
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<tr><td>Power of Attorney</td><td>
A power of attorney is allowed. Except as otherwise required by applicable law, or unless they are the borrower's relative (or a person who is a fiancé, fiancée, or domestic partner of the borrower), 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 lender,
Any affiliate of the lender,
Any employee of the lender or any other affiliate of the lender,
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.
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	A Power of Attorney (POA) is ineligible for cash-out refinance loans, or loans where title is closed in a trust or LLC/Partnership/Corporation. In the event there is only one Borrower on the loan, the appointed individual signing on behalf of the Borrower must be either a relative or their attorney at law. The original Power of Attorney must be shipped to: Homebridge Financial Services, Inc. Attn: Warehouse 99 Wood Avenue South, Suite 301 Iselin, NJ 08830
HPML and High Cost	**Higher Priced Mortgage Loan (HPML)** A Higher Priced Mortgage Loan (HPML, better defined in 12 CFR 1026.35) is a loan secured by a borrower'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 • Borrower must provide evidence of receipt of the appraisal(s) or 3 calendar days must have elapsed since delivery of the appraisal(s) report. • A second appraisal is required if the seller of a property acquired the property less than 90 days prior the new contract date and there is an increase in value of 10% or more; OR if the seller acquired less than 180 days ago and there is an increase in value 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. **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. The maximum prepayment penalty is excluded from the points and fees total for Access Non-QM loans.
Escrow/Impound Waivers	Unless required by applicable state law, escrow/impound waivers for taxes and insurance are permitted, except in the following cases: • Foreign National and ITIN borrowers – escrows/impounds are mandatory • Higher-Priced Mortgage Loans (HPML) – escrows/impounds are mandatory for a minimum of five (5) years. Flood insurance premiums are required to be escrowed as mandated by the Flood Disaster Protection Act of 1973, as amended.

INCOME	
Income – Full Documentation	**Acceptable income documentation and calculation methods are as follows:** **Full Documentation** **-General Policy** The income of each borrower who will be obligated for the mortgage debt must be analyzed to determine whether his/her 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. 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. In no case can income be used for qualification if there is any knowledge or documentation indicating that the income will terminate within the first three years of the loan. **Salaried Borrowers** For purposes of this section, salaried borrowers are defined as those who own less than 25% of the business which is their primary income source. *Employment History & Stability Requirements:* Borrowers must generally have a two-year history in their line of work. If a borrower 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 borrower. Gaps of employment greater than 6 months require an explanation from the borrower which will be acceptable in its form to Homebridge 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. *Minimum Documentation Requirements:* The following documentation must be present in the file to make a determination of a salaried borrower'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. • Copies of W-2 statement(s) for most recent one (1) year or two (2) years. ○ See Tax Transcripts-4506 section for W-2 transcript requirements • Written VOE (as necessary to determine any variable income sources) In all cases, a Verbal VOE (dated within 10 days of the note date) must be completed ***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 Borrower's income. Borrowers who are subject to a temporary salary reduction must be able to qualify on the income most recently documented in file as of the closing date. Bonus Income Generally, a borrower must have a two-year history of bonus income from the same employer in order to consider the bonus as part of the qualifying income. If a borrower has a 1-2-year history of earning bonus income, it may be considered acceptable on with favorable factors to offset. For example, a borrower who switched jobs within the same line of work and has received one bonus from their current employer may be acceptable provided the borrower can document a likelihood of continuance of bonus income at the new employer. A borrower 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. Bonus income must be separately documented and calculated.

Overtime Income

Overtime income can be used to qualify the borrower 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. Justification for the use of overtime income received less than two years must be documented in the file. In all cases, document receipt of year to date overtime income in line with or greater than the average being used to qualify.

Commission Income

A commissioned borrower 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 borrower. To include commission income as qualifying income the borrower must have a consecutive, and most recent two-year history 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 borrower and it may be disqualified from consideration. Borrowers whose commission income was received for more than one year, but less than two years, may be considered favorably if the likelihood of continuance can be documented in the file. Commission income earned for less than one year is not considered effective income. Exceptions may be made for situations in which the borrower's compensation was changed from salary to commission within a similar position with the same employer. In all cases, document receipt of year-to-date commission income in line with or greater than the average being used to qualify.

Restricted Stock Units

Restricted stock units are shares offered by a borrower's employer to a borrower as an additional form of compensation. The shares typically vest over a period of time. Once vested the borrower may then liquidate them at any time. Restricted stock units are acceptable as a form of income provided the borrower has a two-year history of receipt and three-year expectation of vesting continuance.

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 three-year expectation of continuance.

Partial Year Paid Borrowers

Certain borrowers (such as teachers or forest fire fighters) may be paid for only part of the year. The underwriter must ensure that the monthly qualifying income calculation incorporates this partial-year employment. To determine a partial year paid borrower's qualifying income, the monthly salary is multiplied by the number of months the borrower 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 borrower's income from regular employment. Part-time employment is not a primary job and it is generally worked less than 40 hours.

- Part-time and seasonal income can be used to qualify the borrower if it is documented that the borrower has worked the part-time job consistently for the past two years and plans to continue.
- Part-time income received for less than two years may be included as qualifying income, provided that the underwriter justifies and documents that the income is likely to continue.

Part-time 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. Current receipt of tip income must be verified and be consistent with the tip income received in the previous two years.

Seasonal Income

In order 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 borrower'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 borrower, if it can be documented that the borrower has worked the same job for the past two years and expects to be rehired the next season. Additionally, if a borrower 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 borrower's length of employment and salary. The contract terms should be reasonable relative to the role. The borrower must also meet employment stability standards as outlined above. Guaranteed performance raises and bonuses from a borrower's current employer may also be considered under this section. Qualify a borrower 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 borrower will start employment or begin receipt of the income (as applicable) within 60 days of closing

Family Owned Business

A borrower 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, a borrower 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

A borrower who has converted from a W-2 employee to a 1099 employee 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 substantially 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 new terms of employment

When all these conditions are met, the income may be considered stable. The borrower must provide their last two year's tax returns in all cases as well as a year-end and/or year to date profit and loss statement and balance sheet (as applicable). The new 1099 income should be greater than or equal to their previous W-2 income. The Seller should utilize the borrower's last two year's 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 borrower's line of work, provided they are not reimbursed per the borrower's contractor. Two years employment in the same line of work prior to the conversion should also be verified.

Borrowers Recently Converted to K-1

A borrower 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. Borrowers must provide their most recent two year's 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 must be in line with previous salary utilized to qualify. A minimum of two years of employment in the same line of work must be verified.

Borrowers who are switching employers AND changing from a W-2 to K-1 position may be considered under this guideline, provided the ownership interest in the new firm is of a minimal nature. The calculation of the income in this situation shall be the more conservative of guaranteed payments or historic income. A minimum of two years of employment in the same line of work must be verified.

Borrowers who become a partner in their current employer with an ownership interest greater than or equal to 25% may also be considered under this guideline. In addition to two years of personal income tax returns, the company's most recent two years of tax returns must be provided to ensure no losses were incurred by the business which would need to be taken into account. A minimum of two years of employment in the same line of work must be verified.

Self-Employed Borrowers

For purposes of this section, a borrower 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

Borrowers must generally have a two-year history in their line of work. If a borrower has less than 2 years' self-employment, a lesser history with a general minimum of one year may be acceptable provided the borrower 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 borrower. Gaps of employment greater than 6 months require an explanation from the borrower 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 the Seller (or To Whom it May Concern) is acceptable. The letter will be re-verified either verbally or in writing prior to investor purchase. The reverification will 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 borrower's income:

- Most recent one or two year's 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-year's 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 and balance sheet for primary business(es) relied upon for qualifying, if the Note date of the file will be more 120 days removed from the end date of the most recent tax returns provided.

Age of Documents

Paystubs (if utilized): 120 days

Profit and loss statement/balance sheet: 120 days

CPA letter or equivalent: 60 days

Treatment of Income Sources

Method One | One Year's Returns

Borrower provides the most recently filed one (1) year of personal and business federal tax returns along with a CPA,EA, or licensed tax preparer prepared (does not need to be fully audited) profit and loss statement/balance sheet for the period from the end of the tax returns covering a minimum 6-month period (or YTD if it has been less than 6 months from the end of the tax returns). 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 Year's Returns** Borrower provides 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 years 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 income is decreasing, an explanation and/or additional documentation may be required. A year-end and/or year-to-date profit and loss statement and balance sheet prepared by the borrower may be required. For either method of documenting self-employed income, the following may be added back to the borrower's income calculation: • Depreciation • Amortization • Pension contributions directly contributed to borrower • Any expense(s) that can reasonably 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 *Use of Interim Financials to Determine Qualifying Income* A self-employed borrower 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 borrower 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 are a.) part of the borrower's income stream and b.) total at least 90% of the gross receipts listed P&L. *Business Income not Used to Qualify* Homebridge does not require a borrower to provide corporate/partnership tax return(s) or interim financials if the income generated by the entity is not considered to qualify. As a practical consideration, borrowers with a primary income source that is not derived from self-employment and is sufficient to cover the obligation have more flexibility and could discontinue a secondary self-employment activity should it prove unprofitable. Consequently, Homebridge's view is that if the income not derived from self-employment is sufficient to qualify the borrower, no further inquiry regarding any secondary business losses is required. Borrower to provide attestation confirming no additional personal debt outside of those listed on the application and credit report. *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 borrower's personal federal tax returns as well as with the partnership returns. If the borrower or borrowers combined controls 25% or more of the business entity, the borrower(s) will need to provide the entity(s) tax returns.

Corporation

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

Use of Profits from a Corporation

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

- The borrower(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,
- The analysis of the business must also support that the business is capable of providing the borrower(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 borrower(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.

Asset Distributions

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 received prior to closing. Cash-out refinance transactions are not eligible for asset-utilization. The following requirements must be met:

- Borrower(s) 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 qualification 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 of 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.
    - Most recent two months' statements for account(s) utilized for distribution

Qualifying Balances

- Checking/Savings: 100%
- Marketable securities: 80%
- Retirement assets: See Below

Calculation Method

Any distribution set up must have 84 months of continuance. Example: a borrower has $700,000 in qualified assets. The maximum distribution that can be utilized would be $8,333 per month ($100,000 per year). Account balances must be verified within 120 days of the note date, via statements or other verification of the account balance.

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 80% of the vested value to determine the qualifying balance. The borrower utilizing this income must be of retirement age. The most recent full month's statement available as of the closing date must be provided. If statements are issued quarterly, provided a balance within 120 days of the note date, via statements or other verification of the account balance.

Passive Asset Utilization

Borrowers with accumulated liquid assets who do not wish to set up asset distributions may be qualified by utilizing their assets divided by a 10-year (120 month) term. In order to determine the assets available under this guideline, calculate the qualified liquid assets available to the Borrower(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.). 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.

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 showing 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 borrower's occupation and/or the borrower 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 borrower'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 underwriter must be able to document that the Borrower has an "inventory" of assets to continue to sell in order 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: The capital gains for an individual who purchases old houses, remodels them and sells them for profit can be considered.

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 underwriter 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,
- 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 borrowers' 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 borrower can document they still own the interest producing the income in question

K-1 Income

A borrower 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

Interest income from a note receivable can be used to qualify. The note must evidence continuance for at least three years. In order to include notes receivable income to qualify a borrower, 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 deposit slips or cancelled checks and tax returns.

If the borrower is not the original payee on the note, it must be established that the borrower 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 borrowers who own investment properties. The following are the acceptable methods of calculation. Generally, the Borrower does not need a history of managing properties in order to rely on rental income, except as otherwise specified.

Method One | Tax Returns

Utilize the net figure on schedule E page 1 of most recent year's tax return adding back depreciation, amortization and interest claimed. Deduct the principal and interest component of the mortgage payment(s) tied to the property (if any). 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, 1/12th of expenses claimed on the 1040's may be used.

Method Two | Lease

Use 75% of current lease less documented PITIA (principal, interest, taxes, insurance, and homeowner's association dues). If lease is materially greater than income listed on tax return(s), borrower to provide supporting explanation/documentation. An expired lease which has converted to month-to-month is acceptable for this purpose. 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 leases provided must be a minimum 12-month term. Short term rents will be averaged over the most recent 12-month period. Gaps are acceptable however the leases 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. When relying upon either leases or the appraiser's opinion of market rents, the lower of the two figures must be used and a 25% vacancy factor must be applied to the gross rents.

Rental Income from Borrower Occupied Property

The rent for multiple unit property where the borrower resides in one or more units and charges rent to tenants of other units may be used for qualifying purposes. Calculate as described in the preceding section. No management history is required.

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.

Income from Roommates in a Single-Family Property

Income from roommates in a single-family property occupied as the borrower'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 borrower's tax return. If not on the tax return, rental income paid by the boarder may not be used in qualifying. Document receipt of rents within 60 calendar days of the note date if relying on a lease for qualification.

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 listed on the borrower's tax returns AND supported by a lease, unless the underwriter can justify reliance upon a lease alone in which case 75% of the rents may be utilized. Verify receipt of one month's most recent rents within 60 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 a Borrower

When a borrower 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. The borrower needs to evidence sufficient equity in the vacated property defined by an LTV ratio of 75% or less. Equity can be evidenced by a residential appraisal no more than 6 months old, an automated valuation tool run by the seller or by comparing the unpaid principal balance against the original purchase price of the property. 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 borrower 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.

Royalty/Lease Income (Other than Real Estate)

The Seller must carefully consider the source and method in quantifying this type of income and develop a 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:

- Copies of the contracts or leases should be obtained. The payers of the leases/contracts should be identified,
- The income should have a two-year minimum track record,
- A two-year average of the income should be used, unless declining, 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 K-1 Statements, Schedule B, Schedule D or Schedule E of the personal federal tax return depending on the composition of the trust assets.

- 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.
- Required trust income documentation includes a copy of the Trust Agreement or other trustee statement, confirming 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 borrower provides adequate documentation that the withdrawal of funds will not negatively affect income.

Alimony, Child Support and Separate Maintenance Income

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 is required. 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:

- Payments are likely to be received consistently for the first three years of the mortgage,
- The borrower provides the required documentation, which includes one of the following:
  - Final divorce decree,
  - Legal separation agreement,
  - Court order, or
  - Voluntary payment agreement; and
- The borrower can provide acceptable evidence that payments have been received during the last 6 months, such as:
  - Cancelled checks,
  - Deposit slips,
  - Tax returns,
  - 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 the Borrower's employer or paystubs reflecting receipt. The Borrower's employer must confirm the payments will continue. The full amount of the allowance is added to the Borrower'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 borrower's current eligibility, including the amount and terms of the disability payment income, is 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 underwriter may not request any medical documentation or make any inquiry regarding the nature of the disability or its duration. Any discussion regarding a borrower'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 and the income for providing foster parent care services to foster children is paid to the borrower by a governmental agency and is verified by copies of checks or contracts/agreements with the governmental agency.

Housing Allowance

In some cases, borrowers 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 allowances

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 1.25% for qualification purposes.

Government Assistance Programs

Income received from government assistance programs is acceptable as long as 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 a borrower 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.

- If the borrower 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 borrower's income from employment and/or other sources.
- This subsidy may be treated 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 borrower's hands. The assistance payment must be:
    - Paid directly to the servicing creditor, or
    - Placed in an account that only the servicing creditor may access.

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

Retirement/Pension Income

Retirement income must be verified from the former employer, custodian or from federal tax returns. If any retirement income will cease 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 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.

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 year's 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.

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

- The borrower's employment and income history must meet standard eligibility requirements as described above.
- The borrower must provide written confirmation of his or her intent to return to work.
- Document the borrower's agreed-upon date of return by obtaining verification either from the borrower 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 borrower's employer indicating that the borrower 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 borrower is currently on temporary leave, the Seller must consider the borrower employed.
- The Seller must verify the borrower's income in accordance with the other provisions of this guide. The Seller must obtain the amount and duration of the borrower'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 borrower 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 borrower, by the borrower's employer or by a third- party employment verification vendor.

Requirements for Calculating Income Used for Qualifying

	If the borrower will return to work as of the first mortgage payment date, the borrower's regular employment income can be considered in qualifying. If the borrower will not return to work as of the first mortgage payment date, the lesser of the borrower's temporary leave income (if any) or regular employment income must be used. If the borrower'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. Following are instructions on how to calculate the "supplemental income": 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 borrower will begin receiving his or her regular employment income, rounded up to the next whole number. After determining the supplemental income, calculate the total qualifying income. The total qualifying income that results may not exceed the borrower'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 unless otherwise indicated in the specific Product Profile. Non-taxable income should be distinguished from non-reported income as non-taxable income sources are not taxed, the "value" to the borrower 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 reasonably assumed that the income will continue. In no case can income be used for qualification if there is any knowledge or documentation indicating that the income will terminate within the next three years.
Ineligible Sources of Income	Examples include, but are not limited to, the following: • Temporary or non-recurring income • Retained Earnings • Educational Benefits • Trailing Spouse/Co-borrower income • 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. • Self-Employed Income derived from Medical Marijuana dispensaries or any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law. ○ W2/Salaried marijuana income with no ownership interest is allowed. • Any income sources that are illegal under local, state law and/or federal law. • Gains from trading cryptocurrency

Tax Transcripts - 4506	The W-2's, 1099's, and tax returns provided by a borrower 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 (or two years') W-2's, 1099's, and or tax returns • Previous year's (or two years') W-2's, 1099's, and tax return or transcripts • In the case of tax returns, proof of electronic filing or stamped copy showing received by the IRS • In the case of tax returns, proof of payment of any liability due • In the case of tax returns, if for a self-employed borrower a substantial increase in income is sought to be utilized for qualifying the borrower an explanation must be provided. Documentation to substantiate the income shown on the returns, such as a CPA/EA/CTEC/CTA audited profit and loss statement or 12 months business bank statements must be provided. ○ **Note:** The profit and loss statement may only come from a CPA/EA/CTEC/CTA. Tax Preparers who possess solely a PTIN or equivalent without one of these designations are not allowed. Transcripts are required for the broadest category of documentation provided. If a borrower provides solely W-2s or 1099s, those documents need to be validated. If a borrower provides 1040s in addition to W-2s or 1099s, then only the 1040s need to be validated.
Income – Bank Statements	**Product Eligibility** To be eligible for the Bank Statements product, at least one borrower on the file must derive their primary income source from a self-employed activity. Self-employed is defined as ownership interest of 25% or greater. Borrowers generally must have been self-employed for at least two years in the same business. Co-borrowers who are not self-employed may provide supplemental income from other income sources. Borrowers who have been self-employed less than two years, but not less than one year prior to application, are eligible with two years of previous experience in the same line of work. The borrower must provide at least 12 months of bank statements supporting their self-employment. Borrowers who are self-employed less than two years must be underwritten with 12 months of bank statements. The existence of the borrower's business within 120 calendar days prior to the Note date must be verified: • From a third party, such as a CPA, EA, or licensed tax preparer, regulatory agency, or the applicable licensing bureau, is possible, or • By verifying a phone listing and address for the borrower's business using a telephone book, the internet, or directory assistance. The source of the information obtained and the name and title of the Seller employee who obtained the information must be documented. Third party verification includes the percentage of the borrower's ownership in the business. **NOTE**: Due to latency in system updates or recertifications for annual licenses, certifications, or government systems of record, additional steps may be needed to confirm that the borrower's business is open and operating. This must be confirmed this within 20 business days of the Note date. Examples of methods the Seller may use to confirm the borrower's business is currently operating include: • Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the Seller verifies self-employment • Evidence of current business receipts within 20 days of the Note date (payment for services performed) • Seller certification the business is open and operating (confirmed through a phone call or other means) • Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled) Gift income is not eligible as a source of income under this product.

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

Income from Investments

A Borrower who is not truly self-employed but receives income from investments that they own (i.e. interest, dividends, trusts, distributions from partnerships where the Borrower 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 Borrower who is seeking eligibility for the bank statement program. Significant employment income appearing on the bank statements should only be from a Co-Borrower. A Borrower who falls under this guideline may only utilize personal bank statements. A CPA letter is not required to validate self-employment. <u>24 months of bank statements are required for this guideline.</u> The Borrower must be able to document the source of their investments to show continuance of income. The below represents acceptable documentation:

- If the Borrower's income is derived primarily from dividends, interest, or capital gains, the Borrower should provide brokerage account statements confirming ownership of the assets,
- If the Borrower's income is derived primarily from trusts, the Borrower should provide a copy of the trust agreement and/or trustee's statements, or
- If the Borrower's income is derived through other sources such as passive investments in partnerships, the Borrower should provide a detailed narrative on their income stream and a CPA's letter confirming that the Borrower owns the assets generating the income.
- If relying on rental income, see Rental Income section for calculation purposes. All other above requirements must still be provided including 24 months of personal bank statements

1099 Contractor

A borrower who is a contractor and compensated on a 1099 basis may be considered self-employed for this program with confirmation from a CPA, EA, or Licensed Tax Preparer that the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns). If a borrower receives some W-2 income as part of their independent contractor employment, that income may be considered so long as their CPA confirms it is part of their self-employed income.

Service & Tip Industry

Due to the cash nature of the service and tip industry, borrowers 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. At least two corporate reference letters are required. 12 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.

Bank Statement Types

Personal

Provide the most recent 12 months of personal bank statements dated within sixty (60) days of the note date. Evaluate deposits to verify that they are part of the borrower's income stream. Any deposits that are abnormal to the borrower's typical deposits must be sourced/documented to be considered as part of income. Total all eligible deposits and divide by 12 to determine monthly income. Provide the most recent 3 months of business statements to verify that income is coming from borrower's business and the business is providing positive cash flow. Transfers coming from only one (1) business may be utilized to qualify. Transfers between personal accounts are not considered as part of a borrower's income stream. Transfers from a business account to a borrower's personal account may be utilized in the income calculation provided they meet the other requirements of this section. Significant and/or repeated transfers from a borrower'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 underwriter's discretion.

	• A personal account that a borrower only utilizes for business activity will be treated as a business account for the purposes of determining income, provided that the borrower does not have an associated business account. o Co-mingling of personal and business accounts is not permitted. • Borrowers with personal accounts that have supporting business bank statements do not require a Uniform Expense Ratio to be deducted. 24 months of statements may also be provided. Where 24 months are provided, complete the analysis described over a 24-month period. *Business* Provide the most recent 12 months of business bank statements dated within sixty (60) days of the note date. Three options for evaluating business bank statements are available. The co-mingling of multiple accounts may not be utilized for calculating the business' cash flow to generate a full 12 months. However, if an account has been moved to a different bank, additional documentation may be obtained to evidence that the accounts are one and the same. Multiple businesses may also be used to determine qualification provided each is separately verified in accordance with these underwriting guidelines. Transfers between a borrower's business accounts are not considered deposits. Any abnormal deposits will need to be sourced and documented. 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. The Borrower(s) combined must own 25% or more of the business to utilize business bank statements. Updated statements through funding may be required at underwriter's discretion. 24 months of statements may also be provided. Where 24 months are provided, complete the analysis described over a 24-month period. **Method One | Uniform Expense Ratio** Multiply eligible deposits received by a 50% expense ratio. Then multiply the result by borrower's ownership percentage and divide by 12 (if 24-months statements, divide by 24). As long as this expense ratio is reasonable to the borrower's line of work and the borrower qualifies, no further information is required. **Note:** Rental Income may be included in the Bank Statement income stream when utilizing a uniform expense ratio. **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. As long as 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 borrower's pro-rate share of ownership. The resulting income should be reasonable to the borrower'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 tax return. The CPA letter may not include any exculpatory language. Multiply the expense ratio by the business' total deposits over the 12-month period shown on bank statements. Deduct that figure from the total deposits. Multiply net deposits by the borrower's pro-rata ownership percentage and divide by 12 (if 24-months statements, divide by 24). The resulting income should be reasonable to the borrower's line of work. **Non-Sufficient Funds (NSFs)** Non-Sufficient Funds (NSF) is a term used to indicate that a demand for payment (a check) cannot be honored because insufficient funds are available in the account on which the instrument was drawn. In simplified terms, a check has been presented for clearance, but the amount written on the check exceeds the available balance in the account. An NSF will be counted against the borrower when the borrower's account is overdrawn. Returned check situations that result in NSFs will be considered separately. Returned checks that do not result in a negative balance are not considered NSFs. A distinction is made between overdrafts and NSFs covered with borrower's own funds (e.g., savings accounts, "sweep" accounts) versus use of a line of credit or credit card accounts to

cover NSFs. In order to avoid treatment as an NSF, there cannot be a fee associated with curing an overdraft.

NSFs are countered on an "instance" basis. An instance is defined as one time that an account is overdrawn and subsequently brough current. One instance may have multiple NSFs; however, it is still the same instance until the account is brought current. If the account is brought current and becomes overdrawn again, the second time would be considered a second instance. A maximum of six (6) instances are allowed with twelve (12) months of statements and twelve (12) are allowed with 24 months. A significant number of NSFs in a single instance will be subject to scrutiny.

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 borrower's income along with a letter of explanation.

The deposit trend is measured by calculating:

- 12 Month Statements - the percentage change from the first six months (months 7-12 on the worksheet) to the second six months (months 1-6 on the worksheet). Eligible deposits from the first six months should be subtracted from the second six months, and the difference divided by the first six months eligible deposits to determine the change.
    - For example, if the first six months eligible deposits are $60,000 and the second six months eligible deposits are $45,000, the percentage change would be a 25% decline ($45,000-$60,000/$60,000) = **-25%**
- 24 Month Statements - the percentage 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 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 $75,000, the percentage change would be a 25% decline ($75,000-$100,000/$100,000) = **-25%**

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Acceptable Variance Levels

A decline in deposits up to 25% over the following periods is allowed:

- 6 months if 12 months of statements are provided
- 12 months if 24 months of statements are provided

A decline in deposits beyond 25% requires further review and approval from an underwriting or operations manager.

Co-Borrower Income

Full documentation from a co-borrower 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 the Borrower must not be provided, otherwise the loan will have to be underwritten based on Full Documentation

Other Income Sources

Rental Income

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 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 Method One (Uniform Expense Ratio – 50% Utilization) Rental deposits from the subject property may be included as part of the income stream when utilizing a uniform expense ratio (Method One). No further documentation is required. Method One (75% Utilization), Method Two (P&L), and Method Three (CPA) 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. The Borrower must document one (1) months' 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 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 Method One (Uniform Expense Ratio – 50% Utilization) Rental deposits from a non-subject property may be included as part of the income stream when utilizing a uniform expense ratio (Method One). No further documentation is required. Method One (75% Utilization), Method Two (P&L), and Method Three (CPA) 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. The Borrower must document the most recent one (1) months' 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. 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 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. 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. Principal Residence Being Vacated by a Borrower (a/k/a Departing Residence) When a Borrower 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 Borrower 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. The Borrower needs to evidence sufficient equity in the vacated property defined by an LTV ratio of 75% or less. Equity can be evidenced by a residential appraisal no more than six (6) months old, an automated valuation tool run by the Seller, or by comparing the unpaid principle balance against the original purchase price of the property.

	Full Documentation Supplemental Income Sources Borrowers relying on bank statements to calculate DTI may supplement their income with the following sources: Social Security, Pension, Asset Utilization/Distribution (not eligible for Cash-Out Refinance), Alimony, Child Support, and Second Job income. Utilize the full documentation guidelines for documentation requirements and calculation methods. Provide W-2's and 1099's as applicable, but do not provide tax returns. Self-Employed income as calculated via bank statements must still be the Borrower's primary income source. If other income sources are used to qualify the Borrower, the Borrower's primary income source (>50%) must be the income calculated based on the bank statements less expense ratio if applicable.

Income – 1099 Only	**Product Eligibility**
	
	The 1099 Only product is designed for Borrowers who receive compensation either in the form of commission or on an independent contractor basis and receive IRS form 1099 at year end. In order to be eligible, the Borrower's primary income source (>50% of qualifying income) must be income as calculated on 1099(s) provided less applicable expense ratio. The 1099(s) provided should cover a complete calendar year. In the event that the Borrower converted from W-2 to 1099 during the previous year, the W-2 to 1099 guidelines should be utilized. A borrower 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 income calculation as long as CPA, EA, or licensed tax preparer letter is provided verifying the W-2 income is not the result of employment income. The letter will be good for 60 days. Two year's employment history must be verified via either a written VOE, CPA's letter, or other documentation relevant to the Borrower's circumstances. The 1099 income used to qualify may not come from a source owned by any of the Borrowers on the loan file nor from a family-owned business.
	
	The following documentation is required for this program:
	• Most recent one or two years of 1099(s)
	• Documentation of receipt of year to date income within 120 calendar days of the note date via one of the following:
	    o A check stub or checks showing receipt of YTD income, or
	    o Bank statements showing receipt of YTD income
	• A CPA, EA, or licensed tax preparer completed profit and loss statement or expense ratio letter, as applicable
	• Transcripts of the 1099s/W-2's provided by the IRS
	
	Any income sources that are illegal under local, state and/or federal law are not eligible under this product.
	
	1099's must be issued to the individual borrower. If the borrower is an entity, the 1099 must reflect the entity as the payer and the borrower as the recipient.
	In the event that 1099(s) are issued by an entity that the borrower owns, the borrower's ownership interest in the entity must be 100% as documented via a CPA, EA, or licensed tax preparer or equivalent documentation.
	
	Income Calculation Method
	Qualifying income is based on the 1099(s) provided less an applicable expense ratio using one of the methods described. 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. Year to date gross receipts should support the 1099s supplied and relied upon to qualify.
	
	Method One | Uniform Expense Factor
	Apply a 25% expense factor to all eligible gross receipts. So long as this expense ratio is reasonable to Borrower's line of work and Borrower qualifies, no further information is required.
	Method Two | Profit and Loss Statement
	Provide a CPA, EA, or licensed tax preparer prepared profit and loss statement covering the most recent one or two calendar years, depending on the 1099s provided. As long as the gross receipts on the 1099s support at least 90% of the gross receipts listed on the P&L, use the net income on the P&L for qualifying income. The resulting income

should be reasonable to the Borrower's line of work. If two years of 1099s are provided and the gross receipt trend is declining, a profit and loss statement covering the most recent calendar year must be provided and utilized to qualify.

Method Three | CPA Letter for Expense Ratio

Provide a CPA, EA, or licensed tax preparer letter stating the Borrower's expense ratio based on their most recent year's tax return. The letter may not include any exculpatory language. Multiply the expense ratio by the gross receipts shown on the 1099s relied upon for qualification. Deduct that figure from the gross receipts listed on the 1099(s) and use the resulting number to qualify, averaged over the number of months of income provided. The resulting income should be reasonable to the Borrower's line of work. If two years of 1099s are provided and the gross receipt trend is declining, the income shall be calculated based on the most recent year's 1099(s) only less the stated expense ratio.

Co-borrower Income

Full documentation from a Co-Borrower who is 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%.

Other Income Sources

Rental Income

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 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, 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 form borrower outlining terms may be accepted. The Borrower 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.

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 form borrower outlining terms may be accepted. The Borrower 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.

	Departing Residence When a borrower 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 Borrower 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. The borrower needs to evidence sufficient equity in the vacated property defined by an LTV ratio of 75% or less. Equity can be evidenced by a residential appraisal no more than 6 months old, an automated valuation tool run by the Seller, or by comparing the unpaid principal balance against the original purchase price of the property. Income from Roommate in a Single-Family Residence See Full Documentation guidelines for guidance. Note that 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 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. **Other Income Sources** Borrowers relying on 1099s less applicable expense ratio to calculate DTI may supplement their income with the following sources: Social Security, Pension, Asset Utilization/Distribution (not eligible for Cash-Out Refinance), 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 Borrower 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.
Income – Profit & Loss (P&L) Statement Only	**Product Eligibility** • Self-employed Borrower(s) only. Self-employed borrower(s) who file their own tax returns are not eligible. • Minimum of two (2) years self-employment in the current profession • Validation of a minimum of two (2) years existence of the business from one of the following: Business License, Letter from Tax Preparer. Secretary of State filing or equivalent • Borrower must have >= 50% ownership of the respective business (if more than one borrower holds ownership in the respective business, the 50% minimum ownership is cumulative). • Ownership percentage must be documented via Certified Public Accountant (CPA), IRS Enrolled Agent (EA), California Tax Education Council (CTEC) letter, or Operating Agreement ○ Only the above licenses/designations are allowed. Tax Preparers that solely possess a CTA, PTIN, or equivalent, without one of the above designations are not allowed. • The CPA/EA/CTEC preparing the P&L must have filed the Borrower's most recent business tax returns. **Documentation Requirements** • Most recent unaudited 12-month Profit & Loss (P&L) statement(s) P&L end date must be less than 90 days old at closing.

	• All Profit & Loss (P&L) statements must be completed by an independent CPA/EA/CTEC.
	  o Only the above licenses/designations are allowed. Tax Preparers that solely possess a CTA, PTIN, or equivalent, without one of the above designations are not allowed.
	• The CPA/EA/CTEC prepared P&L statement(s) must be signed by both the Borrower(s) with ownership and the CPA/EA/CTEC.
	• The CPA/EA/CTEC must attest that they are not affiliated/associated with the borrower's business (if they have not done so somewhere else in the loan file) and have performed either of the following functions:
	  o CPA/EA/CTEC has reviewed working papers provided by the borrower and has also prepared the most recent year of tax returns for the applicable companies as well. The CPA/EA/CTEC must also attest that, based on this review, they certify that the P&L represents an accurate summary of the business cash flow and applicable cash expenses
	  o CPA/EA/CTEC prepared the last two years of tax returns for the applicable companies, as well as prepared the P&L, and the P&L statement(s) represents an accurate summary of the business cash flow and applicable cash expenses.
	• Credit file must contain documentation that the CPA/CTEC license is verified and active. A screenshot of the IRS website for an IRS Enrolled Agent (EA) is acceptable.
	• Borrower narrative on nature of business is required
	• An internet search of the business is required with documentation to be included in the credit file to support the existence of the business
	• Employment verification documentation must be consistent with information on the loan application and Borrower's credit report
	• Verification of business existence and that the business is fully-operational/active within 120 calendar days of closing.
	• **NOTE**: Due to latency in system updates or recertifications for annual licenses, certifications, or government systems of record, additional steps may be needed to confirm that the borrower's business is open and operating. HBFS must confirm this within 20 business days of the note date. Examples of methods that REMN may use to confirm the borrower's business is currently operating include:
	  o Evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day REMN verifies self-employment
	  o Evidence of current business receipts within 20 days of the note date (payment for services performed)
	  o REMN certification the business is open and operating (REMN confirmed through a phone call or other means)
	  o Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled)
	
	Qualifying Income
	• Qualifying income is the lower of the unaudited Profit & Loss (P&L) statement(s), or monthly income disclosed on the initial signed 1003 (cannot use an updated or revised 1003 for this comparison – must be the initial signed 1003).
	• The net income calculated from the business's P&L Statement must be based on the borrower's percentage of ownership (e.g. if borrower has 65% ownership, the borrower's qualifying income is the net income calculated from the P&L statement(s), multiplied by 65%.
	
	CTEC Prepared Documents
	When the P&L is prepared by a California Tax Education Council (CTEC), the following will be required:
	• A minimum of the 2 most recent bank statements supporting the P&L gross revenue will be required
	  o The total monthly average of deposits per the bank statements must support at least 90% of the average monthly gross revenue reflected on the P&L statement
	  o The definition of unusable or ineligible deposits is consistent with those of a Bank Statement transaction.
	  o **Note:** If the two most recent bank statements do not support the P&L, older bank statements may be submitted to support income, but must also contain a satisfactory explanation (i.e., seasonal work) for the discrepancy

OR

- The following loan attributes apply:
  - Max $2M Loan Amount
  - Max 70% LTV
  - Min 720 FICO
  - No borrowers living rent-free
  - No First-Time Homebuyers

Co-Borrower Income

Full documentation from a co-borrower who is not self-employed may be used to supplement the P&L Statement income. See full documentation guidelines for additional information on acceptable sources and requirements. Tax returns for the Borrower must not be provided, otherwise the loan will have to be underwritten based on Full Documentation

Payment Shock

Maximum Payment Shock of 300% applies. See Payment Shock requirements for details on Payment Shock greater than 300%.

Other Income Sources

Rental Income

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 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. The Borrower must document one (1) months' 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 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. The Borrower must document the most recent one (1) months' 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. 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 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. 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. Principal Residence Being Vacated by a Borrower (a/k/a Departing Residence) When a Borrower 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 Borrower 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. The Borrower needs to evidence sufficient equity in the vacated property defined by an LTV ratio of 75% or less. Equity can be evidenced by a residential appraisal no more than six (6) months old, an automated valuation tool run by the Seller, or by comparing the unpaid principle balance against the original purchase price of the property. Full Documentation Supplemental Income Sources Borrowers relying on P&L statements to calculate DTI may supplement their income with the following sources: Social Security, Pension, Asset Utilization/Distribution (not eligible for Cash-Out Refinance), Alimony, Child Support, and Second Job income. Utilize the full documentation guidelines for documentation requirements and calculation methods. Provide W-2's and 1099's as applicable, but do not provide tax returns. Self-Employed income as calculated via P&L statements must still be the Borrower's primary income source. If other income sources are used to qualify the Borrower, the Borrower's primary income source (>50%) must be the income calculated based on the P&L statements less expense ratio if applicable.
Income – Asset Qualifier	**Product Eligibility** Qualification is determined solely based on the borrower'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. **Note**: The following eligibility criteria apply to Asset Qualifier transactions: • Cash-Out Refinance not eligible • Significant Derogatory Credit Seasoning (BK/FC/SS, etc.) – Five (5) years *Asset Calculations and Requirements* **Calculation Methods** **Method One | Mortgage Only** Total post-closing assets must equal 125% of all outstanding mortgage debt for which the Borrower has personal liability. Any mortgage debt which a borrower may document in compliance with Business Debt in Borrower's Name or Co-Signed Loans Sections may be omitted from this calculation. **Method Two | Simplified** Total post-closing assets must equal 110% of the subject loan amount on the subject property plus 25% of all other outstanding debt (mortgage and consumer). Any debt which a borrower may document in compliance with Business Debt in Borrower's Name or Co-Signed Loans Sections may be omitted from this calculation. **Method Three | Traditional** • 100% of loan amount • Reserves required per program guidelines • 60 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. • 60 months of net loss on rental real estate properties as determined below in this section. Do not include the subject property's PITIA. *Eligible Asset Types* Assets are determined based on the below calculation:

	• Cash and cash equivalents-100% of face value • Marketable securities (excludes unvested RSUs and Stock options) - 80% • Retirement funds - 70% unless if borrower is of retirement age, then use 80%. If utilizing retirement account, document borrower's ability to access the funds. • Cash surrender value of an annuity or life insurance contract – 100% • Cryptocurrency: must be liquidated and deposited into a United States bank/financial institution account, or a bank/financial institution account from our Acceptable Bank List for Foreign Credit/Assets. Deposit must be seasoned for a minimum 60 days. • The proceeds of sale from documentable assets owned by the borrower over the prior six (6) months The balance of any loans secured against financial assets being used for asset qualification will be netted against the asset's value before application of discount, without regards to the total amount that may be drawn. The borrower(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. *Documentation Requirements* The most recent 6 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 underwriter'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 used for funds to close should follow standard asset requirements. Gift funds do not need to be seasoned any longer than would be required under standard asset requirements. Gift funds may be utilized for funds to close a purchase only. 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. The residual income for the Asset Qualifier product must meet or exceed $1,300 per month. For purposes of the product, gross income is determined by taking available assets and dividing by 60 months. Do not impute tax deductions when determining residential income. Funds that are being used for closing costs and/or down payment must be deducted from the income calculation. *Ineligible Asset Types* • Business 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 borrower. • Unvested restricted stock • Stock options, unless exercised • Securities that are not publicly traded *Rental Property Calculation* Rental properties are counted on a net basis based on 75% of lease less PITIA to determine impact on debt service. Net rent can never exceed $0 for determining impact. For example, a property with a lease of $1,600 and PITIA of $1,500 would have $300 per month added to debt service ($1,600 x 75% less $1,500=-$300). A lease of $2,400 and PITIA of $1,500 would have $0 per month added to the debt service ($2,400 x 75%=$1,800 less $1,500= $300). Since the result is greater than $0, nothing is added to the debt service. Each property is countered separately. 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.
Income – Investor Cash Flow	**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). See Qualifying Ratios for more detail. The loan must be eligible for treatment as

a business purpose loan. This includes cash-out refinance transactions, where the cash-out proceeds must be used solely for business purposes. At least one borrower on the file must have at least a 12-month history of owning and managing rental properties, though it does not need to have been in the most recent three years. Management of commercial properties is acceptable. See below for requirements to waive the landlord history requirement. No income or employment is verified for this product. No DTI is developed. These loans are deemed business purpose loans and as such are exempt from ATR and QM requirements. They are also exempt from HPML requirements.

Note: Property Tenants may not be family members of the borrower on Investor Cash Flow Transactions.

Qualification

The Debt Service Coverage Ratio (DSCR) is subject to specific criteria based on loan amount, FICO score and LTV. Please see the Investor Cash Flow matrix on page 3 to determine eligibility based on one of the following options:

- DSCR >= 1.00
- DSCR >= 0.75
  - For interest-only transactions with DSCR 0.75-0.99, the max LTV is 70%.
  - For 2-4 Unit transactions with DSCR 0.75-0.99, the max LTV is 70%
- DSCR < 0.75
  - Not eligible for interest-only
  - For 2-4 Unit transactions with DSCR less than 0.75, the max LTV is 70%

Also note that certain DSCR levels (i.e. < 1.00) may be subject to pricing adjustments.

Example: Rents of $1,000 and PITIA of $800. DSCR=$1,000/$800=1.25.

Rents of $800 and PITIA of $1,200. DSCR=$800/$1,200=.667.

Interest-Only Payment Qualification

The Interest-Only payment on a loan with an interest-only payment feature may be used to calculate the qualifying payment and the DSCR for Investor Cash Flow loan transactions, provided the LTV does not exceed 75%. In addition to the interest-only payment, taxes, insurance, HOA dues and any other payments must still be in included in the calculation of the DSCR (ITIA). If this is a loan transaction with an LTV exceeding 75%, the DSCR must be calculated based on the fully-amortized payment (PITIA).

Landlord History Waiver (First Time Investor)

Borrowers who meet all of the below criteria are not required to document a previous 12 month history of owning and managing rental properties. 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 Borrowers and all Borrowers do not meet the below requirements, the file is subject to additional due diligence to verify it will be a business purpose loan.

- 680 FICO
- 1.000 DSCR based on a 30 year amortizing payment
- 0x30x12 on all housing trade lines as of the application date
  - If the subject property was refinanced less than 12 months ago, it must be current with no late payments.
- No mortgage forbearances with a missed payment in the most recent 12 months prior to the application date
- Borrower must own their current primary residence

Determination of Rents

Purchase

Use 100% of the market rents as determined by the appraiser. No lease is required. If a lease is in place, the lesser of the market rents or the current rents will be utilized. An expired lease which either contains language or, per state law, which converts to month-to-month is acceptable. In the event a property is subject to an at-will tenancy without a written lease agreement which will continue after closing, documentation from the seller of the property outlining the terms of the lease, including the tenants name, address, monthly rent will be acceptable as a lease agreement. If a borrower has a tenant in place on a lease which will commence within 60 days of purchase, said lease may be included within the determination of the subject property's cash flow as the current rents. The rental income utilized may not exceed the appraiser's opinion of

	market rents. The Borrower must provide the executed lease and proof of receipt of 1 months' rent and/or security deposit due per the terms of the lease.
	
	Refinance
	Use 100% of the market rents as determined by the appraiser. No lease is required if the subject property has completed a recent renovation and/or is listed for rent. In the event a lease is in place, the lesser of the market rents or the current rents will be utilized. An expired lease which either contains language or, per state law, which converts to month-to-month is acceptable. In the event a property is subject to an at will tenancy without a written lease agreement, a letter from the Borrower outlining the terms of the lease including the tenant's name, address, monthly rent, and how long the lease has been active will be acceptable as a lease agreement with proof of the most recent month's rental income. If a borrower has a tenant in place on a lease which will commence within 60 days of closing, said lease may be included within the determination of the subject property's cash flow as the current rents. The rental income utilized may not exceed the appraiser's opinion of market rents. Borrower must provide the executed lease and proof of receipt of 1st months' rent and/or security deposit due per the terms of the lease. In the event that the unit is subject to a lease agreement and the lease agreement exceeds the market rents, the lease may be used (up to 125% of market rents) to calculate the DSCR provided the lease will continue for at least six months after the note date and three months of rents due prior to the application date are documented as received timely.
	
	Short-Term Rental Income (e.g. Airbnb, VRBO, HomeAway, etc.)
	Purchase
	• Use 100% of the short-term market rents as determined by the appraiser.
	    o **Note:** See Appraisal Management Companies for details on which AMCs are approved to provide short-term market rents by Homebridge.
	• Minimum DSCR of 1.00
	• Maximum 75% LTV for borrowers with at least one (1) year experience operating a short-term rental property
	• Maximum 70% LTV for borrowers who do not have one (1) year experience operating a short-term rental property (< 1-year)
	• Minimum 700 FICO
	• Property tax escrows are required (waivers not allowed)
	
	Refinance
	• Minimum DSCR of 1.00 – calculated based on average deposits over twelve (12) month history, including zero deposit months
	• Max 70% LTV
	• Minimum 700 FICO
	• Twelve (12) months payment history required from a third-party property management provider.
	    o Subject properties that are self-managed and/or cannot provide twelve (12) month payment history from a third-party management provider must qualify based on a Market Rent Survey (see below).
	• Short-term rental statements must clearly identify the subject property by address. Property ID # and property description alone is not sufficient.
	• For subject property with less than twelve (12) month short-term rental income history or for subject property that is not able to provide a twelve (12) month payment history from a third-party management provider, use 100% of the short-term market rents as determined by the appraiser.
	    o **Note:** See Appraisal Management Companies for details on which AMCs are approved to provide short-term marker rents by Homebridge.
	• Property tax escrows are required (waivers not allowed)
	Note: The seller must represent and warrant that the Short-Term Rental is legal/permitted by local and/or state legislation.
	
	Multi-Year Lease
	In the event a Borrower 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.

ASSETS	
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 30 days.
Down Payment	On purchase transactions, borrowers must make the down payment with funds from their own resources. Generally, all earnest money deposits must be fully documented including the source of the down-payment from the borrower's account(s) and the evidence of transfer to the closing agent. Gift funds may be utilized towards down payment requirements subject to the gift section below.

Asset Eligibility	The following provides a list of assets and when they can be utilized for down payment and or reserves.
	Note that this section relates solely to the utilization of assets to meet the funds to close or reserve requirements. **This section does not apply to *Asset Distributions* or *Asset Qualifier*.**
	
	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 stated value of the annuity, 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, payments on a loan secured by the cash value of a borrower'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. In order to utilize Borrowed Funds:
	• The loan must be secured by an asset already owned by the borrower (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;
	• The value of the remaining assets must be reduced by the amount of the secured loan balance.
	
	Business Assets
	Cash from a business account may be acceptable provided the funds are not required to service the business' current liabilities. These funds may be eligible on loans where the borrower can evidence that the withdrawal of the funds will not impact the operation of the business. Additionally, the amount of business assets that may be utilized would be restricted to the percentage of ownership interest the borrower(s) has in the business. The borrower(s) on the loan must own a combined 25% or greater interest and provide an access letter (not required if the borrower(s) owns ≥51%) in order for the funds to be utilized. Ownership percentage must be documented via CPA/EA/CTEC letter, Operating Agreement, or equivalent.
	Additionally, one of the following must be provided unless the loan is an Investor Cash Flow transaction:
	• CPA, EA, or licensed tax preparer's letter stating that the use of 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:
	  ○ Determine the business' monthly operating expenses based on either the most recent year's tax returns or average deductions on three (3) months' worth of statements
	  ○ Deduct three (3) months' worth of expenses from current business balance to determine available balance. Then apply borrower's ownership percentage to the result to determine available business assets that may be utilized for the transaction.
	
	Any funds which have been transferred into personal accounts prior to application date may be utilized without restriction.
	
	Checking, Savings or Share Accounts
	Funds held in a checking or savings or share accounts (credit unions) may be used for the down payment, closing costs, and financial reserves. The underwriter must investigate any indication

	of borrowed funds such as recently opened accounts, recent large deposits that are atypical or inconsistent or account balances that are considerably greater than the average balance over the previous few months. A written explanation of the source of funds from the borrower is required and the Seller 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. For Investor Cash Flow and Foreign National loans, the underwriter may use discretion on whether to source large deposits. **Proceeds from a Cash-Out Refinance** Cash-out proceeds from a subject property refinance may be used as closing costs, source of debt pay-down/off for all products and as post-closing reserves on a loan. Proceeds from a Technical Refinance, or a refinance where the borrower is solely recouping documented expenditures, which represent the borrower's own funds being recouped, may be used as reserves. **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 borrower's ability to access the funds in order to utilize them. **Cryptocurrency Assets** Borrowers with Cryptocurrency assets may utilize the assets for funds to close and reserves. To utilize for funds to close and reserves, the assets must be liquidated and deposited into another account with evidence of liquidation & deposit provided prior to closing. This account must be from a United States bank/financial institution, or from a bank/financial institution on the Acceptable Bank List for Foreign Credit/Assets. **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 borrower(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 Assets which are held in an approved institution may be used for post-closing reserves and may remain in the foreign country. Refer to approved institution list. **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 closing funds and reserves at 80% of the verified market value, net of the balance of any outstanding margin loans. A joint access letter is not needed to use 100% of the assets held in an account held jointly with non-borrowing account holders. Liquidation Requirements If the funds are needed for closing (e.g. down payment, closing costs, etc.), the liquidation of the funds and the end balance must be documented. Liquidation is not required if the funds are being used solely to meet post-closing reserve requirements. **Non-Borrowing Title Holders** Funds from a non-borrowing spouse who is/will be a titleholder may be utilized as funds to close (not reserves) on a primary residence or second home. These funds will not be considered gift. Two (2) months' asset statements must be provided and any large deposits sourced/documented

acceptably. For Investor Cash Flow and Foreign National loans, the underwriter may use discretion on whether to source large deposits.

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 borrower. 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, The Seller must ensure that the borrower 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 simultaneous with the subject closing and the net proceeds to the borrower 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 a Borrower 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. In order for a Borrower 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 that they have been cleared,
- The Borrower 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 Borrower 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 borrower's documented share of the proceeds may be utilized towards the post-closing reserve requirement.

Rental or Lease Credits

Rent credit for option to purchase is an acceptable source of funds toward the down payment. Borrowers are not required to make a minimum borrower contribution from their own funds in order 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 a borrower 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 borrower 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:

- A 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 borrower'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 borrower’s employment termination, retirement (unless the borrower is of retirement age), or death, Homebridge 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 70% of net value if borrower is not of retirement age. If the borrower is of retirement age, utilize 80%.

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 sold property 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 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.

When exchanging property, replacement property must be “like-kind” property. Example: Real property has to 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 a borrower’s Trust Account are an acceptable source for the down payment, closing costs, and reserves provided the borrower 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 borrower has access to the funds and the effect, if any, that the withdrawal of funds will have on trust income used in qualifying the borrower for the mortgage. The trust agreement or trust certificate 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 borrower 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.
Relocation Benefits	When the borrower's employer assumes responsibility for paying off the existing mortgage in connection with a corporate relocation plan, a copy of the executed buyout agreement to document the source of funds is required. To utilize Relocation Benefits paid by an employer to a borrower 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 borrower 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.

Gift Funds	A borrower of 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 be a relative. A relative is any person related by blood, legal proceedings, marriage, or adoption and also includes a fiancé or domestic partner. Gift funds may not be used for reserves. The borrower must contribute 5% of the purchase price from their own funds, except as otherwise specified. A purchase of a primary residence with an LTV ≤80 does not require a borrower contribution, except as otherwise specified.
	
	Gifts funds are eligible under the following guidelines:
	• Primary Residence, Second Home and Investment Property transactions (including Investor Cash Flow)
	    ▪ For Second Home and Investment Property transactions, the borrower must contribute 5% of the purchase price from their own funds if LTV > 75%; no minimum borrower contribution required for LTV ≤ 75%
	• 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 borrower. 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 borrower:
	    ○ A copy of the donor's check and the borrower's deposit slip
	    ○ A copy of the donor's withdrawal slip and the borrower's deposit slip
	    ○ Evidence of the electronic transfer of funds from the donor's account to the borrower's account or to the closing agent
	    ○ 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 to the borrower/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

	• For ITIN borrowers, gift funds are not permitted on investment properties.
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 borrowers. A Gift of Equity represents a portion of the seller's equity in the property which is transferred to the buyer as a credit in the transaction. The loan to value is limited to the lesser 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 on the settlement statement. A fully executed gift letter must also be provided and is subject to the above gift requirements. Gifts of equity are limited to Primary Residence and Second Home transactions; investment property transactions (including Investor Cash Flow) are not eligible. A minimum Borrower contribution is not required, as the maximum LTV is limited to 75%. As gifts of equity are specific to non-arm's length transactions, please see the Non-Arm's Length Purchase section for additional information that may apply.
Interested Party Contributions	Interested Third Party Contributions are the cost of items normally paid by the borrower, 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, Homebridge does not consider contributions that are from a person related to the borrower, the borrower'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 pre-paids, and escrow costs. The total of financing contributions may not exceed the lesser of the total of the closing costs and pre-paids or the LTV described in the guideline below. *Maximum Financing Contributions* **Full Documentation, Bank Statements, 1099 Only, P&L Statement Only, Asset Qualifier, ITIN** • On a primary or second home, 9% up to 75 LTV and 6% to 90 LTV. On an investment property, 6%. **Investor Cash Flow Product, Foreign National** • 6% across all LTVs.
Reserves	Reserves are those assets which are liquid or may be liquidated and are available to borrower(s) post- closing of the mortgage loan. Reserves include the borrower's total cash and other assets that are easily and readily convertible to cash by the borrower minus: • The total funds required to close the mortgage; • Gift funds; and • Borrowed funds 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, insurances, Association dues /Special assessments) that a borrower 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

- Payments for Subordinate Financing

The requirements for reserves for each program are as follows:

Full Documentation, Bank Statements, 1099 Only, P&L Statement Only, ITIN:

Requirements	
Loan amount up to $1.5MM	6 months PITIA or ITIA*
Loan amount above $1.5MM up to $2MM	9 months PITIA or ITIA*
Loan amount above $2MM up to $3.5MM	12 months PITIA or ITIA*
Other real estate owned	2 months of each property's PITIA or ITIA*

*For Interest-Only Transactions. The qualifying payment must include the principal element. See Interest-Only Payment Qualification to reference eligibility.

Asset Qualifier
No separate reserves required.

Investor Cash Flow

Requirements	
Loan amount up to $500K	3 months PITIA or ITIA*
Loan amount above $500K up to $1.5MM	6 months PITIA or ITIA*
Loan amount above $1.5MM up to $2.5MM	9 months PITIA or ITIA*
Loan amount above $2.5MM up to $3MM	12 months PITIA or ITIA*
FICO 620-639	12 months PITIA or ITIA*
DSCR <1.0	Additional 3 months PITIA or ITIA* over & above loan amount requirements
Other real estate owned	Not Required
Condotels	Minimum 6 months PITIA or ITIA*

*For Interest-Only Transactions. Certain Investor Cash Flow loan transactions also allow the interest-only payment (ITIA) for DSCR calculation – see Interest-Only Payment Qualification to reference eligibility.

Foreign National
12 months PITIA reserves required for the subject property.

Full Documentation-Other Properties Owned
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 does statements do not.

Cash-Out Proceeds for Reserves
Full Doc, Bank Statement, 1099 Only, Asset Qualifier, Investor Cash Flow, ITIN, and Foreign National Document Types

- *All Transactions*
  - Cash-out proceeds are eligible for closing costs or for the payoff/pay down of debt
  - Cash-out proceeds are eligible to meet reserve requirements regardless of LTV.

P&L Only Document Types

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<td colspan="2">

Payment Shock ≤ 300% - OR – Payment Shock > 300% and Comp Factor <u>is not</u> Additional Reserves

Cash-out proceeds are eligible for closing costs or for the payoff/pay down of debt
Cash-out proceeds are eligible to meet reserve requirements regardless of LTV.

Payment Shock > 300% and Using Additional Reserves as Comp Factor

Cash-out proceeds are eligible for closing costs or for the payoff/pay down of debt
Cash-out proceeds are not eligible to meet reserve requirements regardless of LTV.

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<tr>
<td>Ineligible Asset Types</td>
<td colspan="2">
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 securities (stocks and bonds) are not used to calculate cash reserve requirements.
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.

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<tr>
<td rowspan="2">Acceptable Bank List for Foreign Credit/Assets</td>
<td>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)
Citigroup*
Credit Suisse*
Deutsche Bank*
Goldman Sachs*
Groupe BPCE
Group Crédit Agricole
HSBC*
Industrial and Commercial Bank of China Limited
ING Bank*</td>
<td>Itau Unibanco
JP Morgan Chase*
Mitsubishi UFJ FG
Mizuho FG
Morgan Stanley*
Nordea
Royal Bank of Scotland
Royal Bank of Canada (RBC Bank)
Santander*
Société Générale
Standard Chartered*
State Street*
Sumitomo Mitsui FG
TD Bank
UBS*
Unicredit Group
XP Investimentos
Wells Fargo*

* Denotes branch located in the United States</td>
</tr>
<tr>
<td colspan="2">Foreign Credit/Assets that are not from an acceptable bank listed above may be considered on a case-by-case basis. The Seller must contact the Homebridge Secondary Marketing department.</td>
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CREDIT & LIABILITIES	
Credit Requirements	Utilization and timely repayment of credit is a strong positive factor in determining a borrower's credit risk profile. This chapter of the guideline addresses requirements for borrower's credit profile. A merged credit report is required from all borrowers containing information from all three credit bureaus. A report for any borrower containing only two bureaus is acceptable to the extent that it is the extent of the information available on said borrower. Borrowers with only one (1) bureau reporting are not eligible. Any frozen bureaus must be unfrozen and credit information obtained. The credit report is good for 120 days from report date to note date. Borrower(s) must sign a debt certification form at closing verifying they have not opened any new tradelines. Borrower(s) must address, in writing, any credit inquiries from the prior 120 days that appear on the credit report. An inquiry letter is not required for Investor Cash Flow loans.
Trade Line Requirement	Each borrower must have three trade lines and a credit history covering 24 months. One trade line must have been open and 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 a borrower's spouse is the only co-borrower listed, only one borrower 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. **<u>U.S. Citizen Living Overseas</u>** A borrower 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. In order to utilize this guideline, the borrower must have at least one credit score reporting. ***Method One | Financial Institution Letter*** The borrower may provide one (1) reference letter from a financial institution with whom the borrower has a deposit relationship (minimum two-year relationship preceding note date). The letter must outline contact information for the institution, borrower's name and account number(s), and detail the types and lengths of the institution's relationship with the borrower. The letter should also state whether or not the borrower is in good standing. ***Method Two | Foreign Credit Reference Letters*** The borrower may provide three (3) reference letters from creditors in the borrower's home country. Credit reference letter 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. **<u>Borrowers with Insufficient Trade Lines</u>** Alternate credit which would be acceptable to FNMA may be used to bridge a credit trade line gap in the following circumstances. A borrower who has three trade lines on their credit report but does not meet one or more of the 24-month history, 24-month seasoned trade line, or active trade line in the last 6-month requirements: • 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 **<u>Unmarried Joint Borrowers</u>** Unmarried joint Borrowers who meet at least two of the three below criteria may be treated as spouses for determining compliance with the trade line requirements: • Reside together for at least two years, • Hold at least one joint trade line, and • Jointly hold asset accounts
Credit Scores Used for Underwriting	Full Documentation Use the middle score of the primary income earner. A borrower's documented income may not be excluded to determine the primary income earner on a file. Bank Statements Use the middle score of the primary income earner. A borrower's documented income may not be excluded to determine the primary income earner on a file.

	1099 Only Use the middle score of the primary income earner. A borrower's documented income may not be excluded to determine the primary income earner on a file. P&L Statement Only Use the middle score of the primary income earner. A borrower's documented income may not be excluded to determine the primary income earner on a file. Asset Qualifier Generally, use the lowest middle score on the file. If one borrower is providing 75%+ 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 borrowers on the transaction, then they are deemed to be the primary asset contributor, and their FICO may be used for guideline purposes. Investor Cash Flow Use the highest middle score on the file.
Credit Re-Scores	Once the credit report is obtained and while it is still within the validity period, a credit re-score for the Borrower(s) will only be permitted for the following cases: • The receipt of new information to address and correct item(s) that have been deemed to be erroneous • Pay down of existing debts • Payoff of existing debts • The removal of a disputed account A re-score of the report, still within the validity period, is NOT permitted for the following reasons: • Addition of new debt (for purposes of potentially increasing the score) • Disputing a derogatory account or any account that was not already disputed a the time of the original credit report Sellers must review the credit report for new accounts opened within sixty (60) days of the credit report, to determine if a re-score may have occurred. The credit report is not considered valid is there is an open derogatory dispute. All derogatory disputes must be resolved and an updated credit report received before the loan can close. Once a credit report expires, it is no longer considered valid and a new report is required. The new report is NOT considered a re-scored account.
Credit Inquiries	Careful consideration must be given to determine if numerous inquiries reported on the credit report require an explanation from the borrower and/or an investigation to determine if any new credit obligations resulted from the inquiries. A letter of explanation must be requested for inquiries appearing on 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. This requirement does not apply to Investor Cash Flow loans. Seller should, however, take care if mortgage inquiries appear and borrower has limited post-closing assets.
Housing Payment History	The housing references provided or listed on credit may not exceed 0x30x12 in the aggregate, or 1x30x12 with applicable pricing adjustment. All Asset Qualifier and ITIN transactions require 0x30x12. Any housing lates in the last 12 month that resulted in a Significant Derogatory Credit Event are permissible subject to the requirements outlined below and may be subject to a price adjustment. A borrower living rent-free in a marital home may be considered as having satisfied the Housing Payment History requirement if a 12-month, institutional Verification of Mortgage (VOM) on the marital home is provided. Private VOMs are not acceptable. **Note:** For Investor Cash Flow Transactions:

	• Borrowers who are living rent-free may be considered as having satisfied the Housing Payment History requirement if the borrower provides a 12-month mortgage history on an investment property. • Housing Payment History is limited to: o Purchase Transactions - verifying the borrower's primary residence only o Refinance Transactions – verifying the borrower's primary residence and the subject property o **Note:** This limitation does not apply to loans with FICOs under 660 and/or Loan Amounts under $150K • Foreign National borrowers who own their primary residence as free and clear must provide a CPA Letter, Free and Clear Property Form, or equivalent supporting documentation. Rental History If a borrower rents from a professional management company, a fully completed and signed VOR may be utilized. If a borrower rents from a private landlord, the most recent 12 months' consecutive cancelled checks (front and back) along with a copy of the lease must be provided. Alternatively, a borrower renting from a private landlord may provide a private VOR and the most recent 6 months' consecutive cancelled checks along with a copy of the lease. Mortgages/HELOCs If a borrower has a mortgage from an institutional lender not reporting on credit, a fully signed and completed VOM may be utilized. If a borrower has a private mortgage, the most recent 12 months' consecutive cancelled checks (front and back) along with a copy of the note must be provided.
Payment Shock	**Non-First Time Homebuyers** **Full Doc, Bank Statements, 1099 Only, Asset Qualifier, and Investor Cash Flow** • No Payment Shock limitations **P&L Only** • Payment Shock cannot exceed 300%. o Applies to all Primary Residence Transactions, Second Home Refinances (Rate-Term and Cash-Out), and Investment Refinances (Rate-Term and Cash-Out) o **Note**: Payment Shock exceeding 300% is allowed if one or more of the following compensating factors are present: ▪ 0x30x12 Payment History **and** Min 700 FICO • For properties owned free and clear where the lien was paid off in the 24 months preceding the application date, the requirement is met provided there were no lates during the period when the loan was rated. ▪ Min 720 Fico **and** Five (5) Significant Tradelines rated at least 24 Months. Significant Tradelines include: • Revolving Credit Lines with $10,000+ • Auto Loans or similar Installment Loans (recreational vehicles, etc.) • Mortgages ▪ Additional three (3) months reserves **and** cash-out proceeds are not used for reserves. • See Reserves for details on calculation. ▪ Borrower's P&L Income is supported by two (2) months bank statements showing business deposits. • See Income – Profit & Loss Only for details. o **Note**: If none of the above compensating factors are present, the loan may not exceed 300% Payment Shock **First Time Homebuyers (Primary Residence Only)** **Full Doc, Bank Statements, 1099 Only, P&L Only, and Asset Qualifier** • Payment Shock cannot exceed 300% o **Note**: Payment Shock exceeding 300% is allowed if one or more of the following compensating factors are present: ▪ 0x30x12 Payment History **and** Min 700 FICO

	• For properties owned free and clear where the lien was paid off in the 24 months preceding the application date, the requirement is met provided there were no lates during the period when the loan was rated. ▪ Min 720 Fico **and** Five (5) Significant Tradelines rated at least 24 Months. Significant Tradelines include: • Revolving Credit Lines with $10,000+ • Auto Loans or similar Installment Loans (recreational vehicles, etc.) • Mortgages ▪ Additional three (3) months reserves **and** cash-out proceeds are not used for reserves. • See Reserves for details on calculation. ▪ [P&L Only Transactions] Borrower's P&L Income is supported by two (2) months bank statements showing business deposits. • See Income – Profit & Loss Only for details. ○ **Note**: If none of the above compensating factors are present, the loan may not exceed 300% Payment Shock **NOTE**: See First Time Homebuyer for alternative requirements when a First Time Homebuyer is living rent-free. Note: First Time Homebuyers are ineligible on Second Home and Investment Properties **NOTE**: Payment shock is calculated by dividing the new housing payment (PITIA) by the current (existing) housing payment (monthly rent), minus 1.00%. The result will be the percentage of the increase. Example: Proposed Housing Payment (PITIA): $2,100 Current Housing Payment (monthly rent): $1,200 $2,100 divided by $1,2000 = 1.75 or a 75% increase
Significant Derogatory Credit Events	Borrowers who have completed any of the below within the four years preceding the application date are not eligible for financing under Access. • Foreclosure • Short Sale • Deed in Lieu of Foreclosure • Short Payoff • Bankruptcy (any chapter, either dismissed or discharged and includes Borrowers currently in bankruptcy proceedings) • Pre-foreclosure including Lis Pendens or Notice of Default where the borrower is currently delinquent (NOD is not considered a significant derogatory credit event if payments are up-to-date). • Modification Multiple Derogatory Credit Events When multiple derogatory credit events are present, the timeline for eligibility starts with the most recent event. However, LLPAs are applied separately per event. **Example**: Borrower has a Bankruptcy that was dismissed in 2020 and a Foreclosure in 2022. Eligibility is determined based on the Foreclosure as the most recent event – less than 4 years. Thus, the loan is ineligible. Mortgage Tradelines in Forbearance Borrowers who had one or more mortgage trade lines placed in forbearance must meet one of the below requirements: • 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 missed due to forbearance, then the account in question must be reinstated and three (3) monthly payments must be made as scheduled after completion of the forbearance period and prior to the application date. A borrower may have missed more than three (3) payments during the forbearance period and/or have the missed payments be

	added onto the loan's unpaid balance and still be eligible under this guideline, provided the requirements listed here are met. o If the borrower cannot document the three (3) monthly payments made after forbearance completion, the loan is not eligible. <u>Non-Mortgage Tradelines in Forbearance</u> Any non-mortgage trade line in forbearance may remain in forbearance, however the payment must be included in the Borrower's DTI/Debt Service.
Judgement/Tax Lien	Any outstanding judgments or tax liens may remain open under the following conditions: • Must be on a repayment agreement, • Document the most recent 6 months' payments made in a timely manner (if less than 6 months, the open judgment/lien is not permitted). • Include payment in the DTI or debt service, and • If the judgment or tax lien is recorded against the property, it must be subordinated 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
Collections/Charge-Offs	Open adverse credit must generally be paid off prior to or at closing, however if an individual account balance is under $250 and the aggregate of accounts outstanding is under $1,000 it may remain open. Any collections or charge off's greater than this amount may remain open provided they do not and may not affect title. Otherwise they must be paid off. Medical collections may remain open regardless of amount.
Disputed Accounts	**Disputed Mortgage Accounts** Must be resolved prior to closing. **Disputed Installment Accounts** • Aggregate of $5,000 or less: May remain open with a letter of explanation • Aggregate of more than $5,000: Must be resolved prior to closing
Other Derogatory Credit	Any derogatory credit on a borrower's credit report in the last 12 months not otherwise addressed must be acceptably explained by the borrower. Any patterns of delinquent credit outside of the 12-month period must be explained by the borrower.
Credit Counseling	Borrowers 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 borrowers have or have not completed participation in the sessions before closing on the mortgage transaction is not relevant since it is the borrower's credit history that is of primary importance. The existence of credit counselling on a file does not preclude financing under standard terms.
Public Record Search	The Seller is responsible for verifying all existing public records to ensure that are no outstanding judgements or liens against all borrowers. The seller needs to include its public record search findings along with documentation to clear any alerts raised in its file.

Liabilities	The liabilities of all borrowers 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 product as the product qualifies on the debt service coverage ratio of the subject property only. For each liability, the Seller must determine the unpaid principal balance, the terms of repayment, the borrower's payment history, and verify any other liability that is not shown on a credit report by obtaining documentation from the borrower 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 borrower will be required to provide a reasonable explanation for the undisclosed debt. Documentation may be required to support the borrower's explanation. If the borrower discloses, or if the Seller discovers additional liabilities after the underwriting decision has been made, up to and concurrent with the closing, the borrower's debt-to-income ratio must be recalculated for loan closing qualification. Debt payments, such as a student loan or balloon payment note scheduled to begin or come due within 12 months of the mortgage loan closing, 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 be verifying sufficient liquid assets available to the Borrower to cover the amount due, in addition to all other requirements.
Alimony/Child Support/Separate Maintenance	For Full Documentation and Bank Statements, and 1099 Only, 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 three product types. Document the terms of the payment via either the divorce decree, separation agreement, court order, or notarized agreement signed by all parties and their attorneys.
Installment Debt (including Mortgages)	Installment loans (i.e. car loan, student loan, etc.) must be included in the DTI/Debt Service. 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, as long as the borrower has the assets to make the remaining payments. Borrowers may pay down the debt to less than 10 months to exclude the payment, the assets used must be sourced. Borrowers may also pay off the balance on an installment debt to exclude the payment from the DTI/Debt Service. Source the funds utilized. If no payment listed, obtain documentation of the current payment. If the payment on an account is subject to change within 6 months (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 not evidence in the file the Borrower is paying the account in question. The following additional requirements apply on a Texas 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 • The 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.

Revolving Debt (including HELOC)	Use actual payment on credit report, unless the borrower can document a lower payment. If no payment can be documented, use 5% of outstanding balance (except for a HELOC, in which case use 1%). If no balance, no payment needs to be included. Deduct 30-day charge accounts from available liquid assets or use 5% of the balance as a 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 borrower 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 borrower 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 not evidence in the file the Borrower is paying the account in question. The following additional requirements apply on a Texas 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 • The 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.
Student Loans	If a payment exists on credit report, use that payment. If deferred and no payment listed, use the lesser of 1% of the outstanding balance or document the fully amortized payment.
Buy Now, Pay Later Accounts	The requirements in this section address accounts from common "Buy Now, Pay Later" companies including, but not limited to: • Affirm • Klarna • Afterpay • Sezzle • Zip In addition to the above, many airlines and other retail establishments offer Buy Now, Pay Later services. **Requirements** • If a debt is identified on any asset statement or otherwise disclosed in the file, but not on the credit report, it should be treated the same way any other debt is handled. This includes: o Undisclosed Debts o Deferred Obligations o Obligations Paid by Others o Consideration of Installment Loans on DTI o Consideration of Revolving Charge Accounts on DTI • If the debt is not excluded, no other documentation is required. The debt is included in the DTI • If the debt is excluded, all standard documentation verifying the terms and conditions used to support the decision to exclude are required. • A credit report supplement is not mandatory, although it may be obtained with the creditor's permission to verify terms and conditions.
Business Debt in Borrower's Name	When a self-employed borrower claims that a monthly obligation that appears on his or her personal credit report is being paid by the borrower'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 borrower's business. The account payment does not need to be considered as part of the borrower's individual recurring monthly debt obligations if: • The account in question does not have a history of delinquency, • The business provides acceptable evidence that the obligation was paid out of company funds (such as 6 months of canceled company checks), • The underwriter's analysis of the business took payment of the obligation into consideration. The account payment does need to be considered as part of the borrower'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, • If the business provides acceptable evidence of its payment of the obligation but the underwriter's analysis of the business does not reflect any business expense related to said obligation, it is reasonable to assume that the obligation has not been accounted for in the underwriter's analysis, or • If the account in question has a history of delinquency. 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.
Court-Ordered Assignment of Debt	When a borrower 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 borrower's recurring monthly debt obligation. Verify through an executed copy of Divorce Decree and Settlement Agreement that the debt assigned to another party who is fully responsible for repayment of that debt.
Co-Signed Loans	When a borrower co-signs for a loan to enable another party (the primary obligor) to obtain credit but is not the party who is actually repaying the debt, the borrower has a contingent liability. The liability does not need to be considered as part of the borrower's recurring monthly debt obligations if the underwriter can verify a history of documented payments on the co-signed debt by the primary obligor of the loan and ascertain that there is not a history of delinquent payments for that debt (since this could be an indication that the co-signer might have to assume the obligation at some point in the future). Generally, the primary obligor of the loan should have been making payments on the debt for at least 12 months. The liability does need to be considered as part of the borrower's recurring monthly debt obligations if: • The payment history by the primary obligor cannot be sufficiently documented, or • The primary obligor has a history of being delinquent in making payments on the debt. 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.
Lease Payments	Lease Payments must be included regardless of the remaining term. At the end of the lease term, the borrower will be faced with either a buyout of the lease (purchase of the car) or a new lease contract obligation.
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 borrower 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.
Deferred Installment Debts	Deferred Installment Debts, such as deferred student loans, must be included as part of the Borrower's recurring monthly debt obligations. If the Borrower's credit report does not indicate the monthly amount that will be payable at the end of the deferment period, the Borrower must obtain copies of the payment letters or forbearance agreements so that a monthly payment amount can be determined and used in calculating the Borrower's total monthly obligations. If a payment cannot be determined, utilize 1% of the outstanding balance of the debt. Accounts in forbearance are subject to case by case review.

Loans Secured by Financial Assets	When a borrower uses his or her financial assets—life insurance policies, 401(k) accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc.—as security for a loan, the borrower has a contingent liability. It is not required to include this contingent liability as part of the borrower's recurring monthly debt obligations provided the Seller obtains a copy of the applicable loan instrument that shows the borrower's financial asset as collateral for the loan. If the borrower 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 borrower has sufficient reserves. Payments on loans that are secured by a borrower'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.
Sale of Departing Residence	If the borrower is under non-contingent contract to sell their departing residence, 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 borrower is **not** under contract to sell departing residence OR under contract to sell with mortgage contingencies not yet released, the prior 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.

APPRAISAL, PROPERTY, TITLE & INSURANCE	
Appraisals	All transactions require a new appraisal. 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 on 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 the intended user. Homebridge will permit the use of previously completed report(s) provided all other requirements of this section including regulatory compliance are met. *Transferred Appraisals* For each transferred appraisal, the following criteria must be met: • A copy of the appraiser's current license, to be independently verified by the Seller. • A copy of the appraiser's current E&O Policy with sufficient coverage name the appraiser as insured. • The AIR certificate confirming compliance with Dodd-Frank AIR requirements. • The AMC's business license must be independently verified by the Seller. • An Automated Valuation Model (AVM) within a 10% variance and an acceptable confidence score. Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to the borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier. **Number of Appraisals Required** The table below addresses the number of appraisals for a file. Any requirements per regulation (such as HPML) supersede this requirement. **Appraisal Requirements** **Loan Amount** — **Requirement** ≤ $2,000,000 — One (1) full appraisal > $2,000,000 — Two (2) full appraisals HPML Loan with a Flipped Property* — Two (2) full appraisals *For HPML loans, the borrower must provide evidence of receipt of the appraisal(s) or 3 calendar days must have elapsed since delivery of the appraisal(s) report. **Age of Appraisal** As of the date of closing, 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 (supported by a Secondary Valuation – see below chart for details). *Rate/Term Refinance Transactions*

The current value may be used provided the value is supported both by appraisal and a Secondary Valuation (see below chart for details)

Cash-Out Refinance Transaction

For properties owned six months or longer (Deed Date to Note Date), the current value may be used provided the value is supported both by appraisal and a Secondary Valuation (see below chart for details).

For properties owned less than six months (Deed Date to Note Date), the LTV/CLTV will be based on the lesser of the original purchase price plus improvements or current appraisal value (supported by a Secondary Valuation – see below chart for details).

- Proof of improvements are required
- Proof of purchase price is required as evidenced by the final Closing Disclosures (CD) from the property purchase

Secondary Valuation Waterfall

Transaction Type	**If:**	**Then:**
All	One or more appraisals were transferred	An AVM is required: - If the AVM value is ≤10% of the appraised value, the appraisal is acceptable. - If the AVM variance is >10% of the appraised value **OR** the confidence score is unacceptable, then a second appraisal is required (or the loan is ineligible).
	No appraisals were transferred	Proceed to *Two Appraisals*
Transaction Type	**If:**	**Then:**
All	The transaction requires two appraisals	No further action is required
	The transaction requires one appraisal	Proceed to *Rapid Appreciation*
Transaction Type	**If:**	**Then:**
All Refinance Transactions	The property is owned <6mo (Deed Date to Note Date) and value has appreciated >25%	An AVM is required: - If the AVM value is ≤10% of the appraised value, the appraisal is acceptable. - If the AVM variance is >10% of the appraised value **OR** the confidence score is unacceptable, then a second appraisal is required (or the loan is ineligible).
	- The property is owned <6mo (Deed Date to Note Date) and value has appreciated ≤25% - The property is owned ≥6mo (Deed Date to Note Date)	The property is not subject to Rapid Appreciation. Proceed to *One Appraisal*.
All Purchase Transactions	The seller acquired title <6mo ago (Deed Date to	An AVM is required:

(See <u>Property Flips</u> to confirm a Second Appraisal is not required)	Contract Date) and value has appreciated >25%	- If the AVM value is ≤10% of the appraised value, the appraisal is acceptable. - If the AVM variance is >10% of the appraised value **OR** the confidence score is unacceptable, then a second appraisal is required (or the loan is ineligible).
	- The seller acquired title <6mo ago (Deed Date to Contract Date) and value has appreciated ≤25% - The seller acquired title ≥6mo ago (Deed Date to Contract Date)	The property is not subject to Rapid Appreciation. Proceed to *One Appraisal*.
One Appraisal – 1-Unit Properties		
Transaction Type	**If:**	**Then:**
All Transactions	The CU **or** LCA score is <=2.5	No further action is required

	The CU **and** LCA score are >2.5:	A CDA is required and the following applies:
		- If the CDA variance is <= 10% of the appraised value, the appraisal is acceptable.
		- If the CDA Variance is >10%, then an AVM is required:
		  - If the AVM value is ≤10% of the appraised value, the appraisal is acceptable.
		  - If the AVM variance is >10% of the appraised value **OR** the confidence score is unacceptable, then the LTV is determined as follows:
		    • **Purchase:** Lesser of sales price or AVM
		    • **Rate/Term:** AVM value
		    • **Cash-Out owned <6mo:** Lesser of the purchase price + improvements or the AVM
		    • **Cash-Out owned ≥ 6mo:** AVM Value

One Appraisal – 2-4 Unit Properties | CU/LCA Score Not Received		
Transaction Type	**When:**	**Then:**

All Transactions	- The property is 2-4 Units, **or**
	- CU/LCA Score Not Received
		A CDA is required and the following applies:
		- If the CDA variance is <= 10% of the appraised value, the appraisal is acceptable.
		- If the CDA Variance is >10%, then an AVM is required:
		  - If the AVM value is ≤10% of the appraised value, the appraisal is acceptable.
		  - If the AVM variance is >10% of the appraised value **OR**

	the confidence score is unacceptable, then the LTV is determined as follows: • **Purchase:** Lesser of sales price or AVM • **Rate/Term:** AVM value • **Cash-Out owned <6mo:** Lesser of the purchase price + improvements or the AVM • **Cash-Out owned ≥ 6mo:** AVM Value
Condominiums & PUDS	All condominium and PUD projects must meet FannieMae requirements. **Exception:** New attached condo projects are underwritten as if they were non-warrantable. **Note:** The project must remain eligible up until the time Homebridge purchases the loan.
Non-Warrantable Condos	Projects consisting of detached (site) units are eligible for single family dwelling LTV/CLTV. Two-to-four-unit condominium projects are acceptable subject to the following: • The priority of common expense assessments applies • The standard insurance requirements apply *The loan file must include* • Condominium Project Questionnaire or similar document • Project current annual budget • Current balance sheet (dated within 60 days of review request) • Established project certification • Documented HO6 insurance coverage • Must meet FNMA requirements for Safety, Soundess, Structural Integrity, and Habitability • Master Property Insurance policy must meet FNMA requirements *Restrictions to Non-Warrantable Condos:* • A single owner/entity may not own more than 30% of the units • Commercial space must be typical to the market, have no negative impact and comprise 40% or less of project space • Must meet 50% Presale Ratio Requirements • Investor concentration up to 70% • No more than 25% of the total units in the project may be 60 days or more past due on their condo/HOA dues • Borrower must carry HO-6 coverage covering the replacement of items inside the unit. • If the project is located in a flood zone requiring insurance (per FNMA), both the subject property and complex must have adequate flood insurance • The Seller must confirm that the project documents do not give a unit owner or any other party priority over the rights of the first mortgagee, such as right of first refusal. • Mandatory memberships (such as golf memberships, beach clubs, and dining memberships) and recreational leases are eligible. Membership fees must be included in the DTI, must not affect the marketability of the unit, and a minimum of 2 or more similar sales comps will be required. • All common areas must be 100% complete • HOA should be in control. Projects under builder, developer control will be considered on a case by case basis. • HOA reserves must demonstrate a minimum of 10%. No exceptions will be considered on this. • Projects involved in litigation are acceptable as long as the pending lawsuit(s) are not structural in nature and do not affect marketability of the units. • Potential for damages do not exceed 25% of the HOA reserves OR with documentation from the insurance carrier and attorney representing the HOA or insurance carrier that the insurance carrier has agreed to provide the defense and the association's insurance is sufficient to cover the litigation.

	Notes: • Any project that is subject to Florida SB 4D must contain evidence of satisfactory compliance. • Non-Warrantable condos are not eligible for Foreign National borrowers.

Condotels	A condotel or condo project with hotel-like features is eligible, provided the hotel-like features do not adversely impact the marketability and are common and customary to the area. Condo units located in condotel or hotel-like projects must meet the Non-Warrantable Condo requirements as well as the below overlays:
	
	General Project Requirements
	• Subject unit must have minimum 500 square feet with at least one separate bedroom and a fully functioning kitchen with stove/oven (cooktop only not permissible) and refrigerator
	• Must be in a resort/metropolitan area or associated with a national hotel chain
	• Project must have obtained a hotel or resort rating for its hotel, motel, or resort operations through hotel rating providers including, but not limited to, travel agencies, hotel booking websites, and search engines
	• No fractional ownership permitted (i.e., 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 50% (Parking not included in calculation)
	• Investor concentration may be increased up to 100% on investment properties.
	    ○ Primary Residences and 2nd Homes exceeding 60% investor concentration may be considered on a case-by-case basis
	• Occupancy restrictions or black-out dates not permitting year-round owner occupancy are not permitted.
	• The maximum allowable borrower concentration is 20% ownership of the condo project.
	• The HOA must complete REMN's Condotel Addendum in addition to the Questionnaire
	• Project must be reviewed and approved by the investor pre-close
	Eligibility Requirements
	• Maximum Loan Amount $1.5 million
	• Minimum 700 FICO for investment property transactions (all doc types)
	• Minimum 0.75 DSCR for Investment Cash Flow transactions
	• Minimum 6 months reserves
	• Ineligible on Asset Qualifier Transactions
	• Max LTV is the more restrictive of the non-warrantable condo requirements or the following
	    ○ Full Doc and Alt Doc (Bank Statement, P&L, 1099)
	        ▪ Purchase and Rate/Term Refi: Max 75%
	        ▪ Cash-Out: Max 70%
	    ○ Investor Cash Flow / DSCR – min 700 FICO / min 0.75 DSCR
	        ▪ Purchase and Rate/Term Refi: Max 75%
	        ▪ Cash-Out: Max 65%
	• Comparable properties must have 1 comp from within the same project and 1 comp from outside the project.

Appraisal Management Companies (AMC)	The Seller must be responsible for selecting, retaining, and providing for payment of all compensation to the appraiser or AMC. A TPO may not have any involvement in selecting, retaining or providing payment to the appraiser or the AMC. Homebridge will not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by the borrower or any other third party (including Mortgage Brokers, Loan Originators, and real estate agents). Refer to the FNMA AIR FAQ document for additional information. **Note:** For Short Term Rental properties, Homebridge will only accept an appraisal ordered through Class Valuation or Nationwide Appraisal Network.

Acreage	**Full Doc/Alt Doc/ITIN** - A maximum of twenty (20) acres is allowed; must be typical for the area and value/marketability is supported with appraisal comparables of similar acreage. **Investor Cash Flow (including Foreign National)** - a maximum of ten (10) acres is allowed. Properties larger than two (2) acres must be located in a resort-like area and the land value may not be excessive in comparison to the total appraised value.
Accessory Dwelling Units	**Single Family with One ADU** Allowed. Must meet FNMA criteria. **Single Family with Two ADUs or Duplex with One ADU** Allowed. Must meet FNMA criteria with the following exceptions: - The appraiser must confirm compliance with local regulations - The appraiser must provide a minimum of two comparable properties with the respective number of ADUs - The value and/or income from only one unit may be used. - Not allowed on Investor Cash Flow loans (including Foreign National) **Single Family with Three+ ADUs or 3-4 Unit with an ADU** Not allowed. No exceptions.
Agriculturally Zoned Properties	Agriculturally Zoned Properties are ineligible.
Rural Properties	The following requirements must be met: • Primary Residence and Second Homes only • Investment properties are not eligible • Maximum 75% LTV/CLTV • Must be primarily for residential use • Property must not be agricultural or provide a source of income to the borrower o Agricultural zoned properties (such as hobby/horse farms, etc.) are not eligible for Access Non-QM. • Lot size and acreage must be typical for the area and similar to the surrounding properties • Present use as per the appraisal must be the highest and best use for the property.
Mixed Use Properties	Mixed Use properties are not eligible for Access Non-QM.
Unpermitted Additions	Unpermitted additions are allowed. In order for the space to be included in the determination of value, 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. Otherwise, the appraiser should make note of the space but not include it in the conclusion of value.
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.
Escrow Holdbacks	Escrow holdbacks are not eligible for Access Non-QM.
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. Appraiser must comment on whether or not security bars meet local codes and whether or not 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
Deed Restricted Properties	Deed-restricted properties are not eligible for Access Non-QM.
Leasehold Properties	Generally, a 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.

	Given the dependence on the maintenance of a contractual leasehold agreement with a third party, leaseholds are considered to have more legal implications than properties owned outright, regardless of the stated length of the lease. Conditions for leasehold acceptance • The appraiser must produce a detailed description of the terms, conditions, and restrictions of the ground lease, • The appraiser must consider and report any effect the terms of the lease have on the value and marketability of the mortgaged premises, • The leasehold must run five years beyond the maturity date of the mortgage, this requirement does not apply if fee simple title will vest in the Borrower or an owner's association at an earlier date, • Due to the complexity of the lease, a copy of the underlying lease (and sublease if applicable) must be obtained and reviewed by REMN WS as needed, • When sales of similar properties that have the same lease terms are available, the appraiser should use these sales as comparable sales, • If there are no comparable sales of leasehold properties, the appraiser should use sales of similar properties owned in fee simple as comparable sales, and • The lease must meet all standards identified in "Additional Requirements" in this section. **Additional Requirements** The leasehold must meet the following requirements: • The lease must provide that the Borrower will pay taxes, insurance, and owner's association dues relative to the land in addition to those being paid on the improvements, • The lease is valid, in good standing, and all assessments due are paid, • The lease is assignable and transferable without restriction, or upon payment of a reasonable fee and delivery of reasonable documentation to the lessor. The lessor may not require a credit review or impose other qualifying criteria on any assignee, transferee, mortgagee, or sublessee. The leasehold estate and the mortgage must not be impaired by any merger of title between the lessor and lessee or by any default of a sublessor, • The lease must provide for no default provisions except for non-payment of lease rents, or failure to adhere to typical covenants and restrictions, • All rents must be current, • The lease must have a provision to protect a mortgagee's interest in the event of foreclosure or condemnation, • If the lease has an option for the Borrower to purchase the fee interest in the land, the option must be the Borrower's sole option and must be assignable. If exercised, the mortgage must become a lien on the title in the same priority it had on the leasehold, • Any potential increase in rent payments must be factored into the Borrower's housing payment and analyzed when calculating the Borrower's housing payment and analyzed when calculating the Borrower's debt to income ratio. Also, the appraiser must assess the impact of such an increase on the future marketability of the property, • The lease must provide for notification of default by Borrower to the mortgagee (usually within 30 days), • The lease must allow the mortgagee to cure the default, at least a 30-day cure period, or take over Borrower's rights under the lease, • The lease must protect mortgagee's interest in the event of condemnation, • The lease must constitute real property that is subject to a mortgage lien that can be insured by ALTA Leasehold Title Insurance Policy and Hazard Insurance Policy, • The lease must be recorded in public land records and executed by all parties, • The lease must provide Borrower will retain voting rights in any owner's association, • The mortgage must cover the property improvements as well as the leasehold interest in the land, • The leasehold must be common for the area and readily marketable. The appraiser should address this and advise if there is any negative impact on value or marketability. Comparable provided should also be leasehold properties,

	• When the property improvements for a leasehold estate are already constructed as the same time the lease is executed, the initial purchase price should be established as the appraised value of the land on the date the lease is executed. (If the lease is tied to an external index, - such as the Consumer Price Index (CPI) - the initial land rent should be established as a percentage of the appraised value of the land that the lease is executed, and the purchase price may be adjusted annually during the term of the lease to reflect the percentage increased or decreased in the index from the preceding year), and • When the property improvements for a leasehold estate will be constructed after the lease is executed, the purchase price of the land should be the **lower** of: the current appraised value of the land or the amount that results when the percentage of the total original appraised value that represented the land alone is applied to the current appraised value of the land and improvements. (If lease is tied to an external index, the initial land value may not exceed 40% of the combined appraised value of the lands and improvements).
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 borrower. • The LTV must be calculated using the lesser of the following: o The current appraised value, or o The total acquisition cost (the purchase price indicated in the original land contract or contract for deed, plus any cost the borrower 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 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.
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 borrower 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.
Declining Markets	In the event an appraisal indicates a property is located in a declining market, a 5% LTV reduction will be applied for LTVs over 65%. No reduction is required for LTVs at or under 65%.

Property Flips	When the subject property is being resold within 365 days of its acquisition by the seller and **the sales price has increased more than 10%**, the transaction is considered a "flip". To determine the 365-day period, the acquisition date (the day the seller became the legal owner of the property) and the purchase date (the day both parties executed the purchase agreement) are required to be used.
	
	Flip transactions are subject to the following requirements:
	
	• All transactions must be arm's length, with no identity of interest between the buyer and property seller or other parties participating in the sales transaction.
	• No pattern of previous flipping activity may exist in the last 12 months. Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan.
	• The property was marketed openly and fairly through a multiple listing service (MLS), auction, for sale by owner offering (documented), or developer marketing.
	• No assignments of the contract to another buyer.
	• If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained.
	• Flip transactions must comply with the HPML appraisal rule in Regulation Z. The full Reg Z revisions can be found here. If the flip transactions is a HPML, a second appraisal is required in the following circumstances:
	  o Greater than 10% increase in sales price if seller acquired the property in the past 90 days
	  o Greater than 20% increase in sales price if seller acquired the property in the past 91-180 days

Title Vesting - Borrower Ownership Interest	The following forms of title vesting are eligible for this product: **Individual Names** Borrowers 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 borrowers need to be on title so long as at least one is, unless required by the manner of title or state law. **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," "settlors," "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 meet all FNMA guidelines. The 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 borrower(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 so as to ensure full recourse against the underlying creators/borrower. The creator/borrower 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

Homebridge will accept a fully executed Trust Certificate in lieu of the complete trust agreement in states where it is customary to do so.

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 generally 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 the investor via the Product Help team.

Legal Requirements for Blind Trusts

- The Blind Trust must be set up as revocable trust,
- Loan documents are to be executed so as to ensure recourse against the underlying creators/borrower. The creator/borrower 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.

<u>Required Verbiage for Blind Trusts</u>

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 [*lender*] **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.

Land Trusts

A land trust is a trust in which the real estate is declared as personal property under the terms of a trust agreement. The trustee holds legal and equitable title to that property subject to the provisions of the trust agreement that sets out the rights of the beneficiaries. A property owner will transfer the property title to a corporation or financial institution that currently is in the business of acting as trustee under an “Illinois Land Trust”. Concurrently, the owner (beneficiary) retains the power to manage, sell and control the property. There are two parts to the “Illinois Land Trust”:

- The “Deed of Trust” that transfers the title from the beneficiary to the trustee, and
- The “Trust Agreement” that states the rights and power of direction.
- The trust agreement must ensure that for all land trusts, regardless of product type:
- At least one borrower must be a beneficiary of the trust
- The trustee must be an Institutional Trustee
- The title search results must be consulted to ensure that current title reflects an accurate Trust Number and Trust Date

	• If the current trustee differs from the one referenced in the trust documents, documentation must be provided to explain the discrepancy • If the trust's term (as stated in the trust documents) has expired, additional documentation must be provided to demonstrate that it has been renewed and are in effect • Additionally: • A letter from the Institutional Trustee must certify that REMN WS will be notified if the trust attempts to change its name • The Note must be signed by the borrower(s) and by the Institutional Trustee • The Mortgage or Deed of Trust must be signed by the trustee only • Power of Attorney is not allowed **Limited Liability Companies ("LLC") and Corporations** Domestic LLC's and Corporations are eligible subject to the requirements below. • Investment property transactions only • Must be legal in the state in which the LLC/Corporation is being formed • Title may be held in the LLC/Corporation; however, the loan application must be made in the individual borrower's name. • All borrowers must sign the Deed of Trust/Mortgage as individuals and as authorized signors of the LLC/Corporation; therefore, the debt will be reported on the borrower's individual credit report. • No more than four (4) owners for an LLC/Corporation; may be U.S. Citizen or Permanent Resident Aliens • Members of the LLC/Corporation must be beneficial owners of the property • The operating agreement must provide the term of the LLC and the members authorized to encumber the LLC as guarantors o Organizational meeting minutes may be required if the operating agreement does not clearly identify the powers of the managing partners. • All owners of the LLC/Corporation (no more than four) are borrowers on the transaction. *Documentation Requirements:* • Articles of Organization • Operating Agreement (for LLC only) • By-Laws (for Corporation only) • Unanimous Consent & Resolution to Borrow, which must include lender name, loan amount, and property address • SS-4 Form listing tax ID Number • Certificate of Good Standing from the applicable Secretary of State's office (print out from sec of state website not acceptable), dated within 60 days of the Note date. **Partnerships** Vesting in the name of a partnership is not eligible.
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.
Hazard and Flood Insurance	Click here for the Homebridge Insurance Requirements Quick Reference Guide.

Catastrophic Insurance	In specific geologic locations, catastrophic events may occur on a more regular basis. If the subject property is located within these areas, additional insurance may be required. Examples of catastrophic insurance are: • Hurricane Insurance, • Earthquake Insurance, and • Lava Insurance Earthquake insurance is required if the appraisal report or any other document (survey or title work) indicates the subject is located on or in close proximity to a fault or seismic study area. If no mention is made regarding earthquake exposure, insurance should not be required. The maximum insurance deductible allowed is 10%. • Homebridge does not escrow for earthquake insurance. Borrowers should be advised to make arrangements to pay their premiums, policy changes, etc. directly with the insurance company who issued the policy. Funds should not be collected at closing and should not be included as part of the escrow. • Note: Earthquake coverage/insurance that is bundled/included in the homeowner's insurance policy is permitted.

ITIN	**<u>Eligible for Full Documentation and Bank Statement only</u>** – not eligible for other doc types/programs under Access Non-QM.
	
	Individual Taxpayer Identification Number (ITIN) is defined as a borrower who uses an ITIN instead of a Social Security number (SSN). The IRS issues ITINs to individuals who are required to file U.S. tax returns but are not eligible for a SSN. This can include non-citizens, immigrants, dependents, and spouses of U.S. citizens or residents. See <u>page 13</u> for ITIN LTV/FICO/Loan amount matrices.
	
	ITIN borrowers follow standard underwriting guidelines and Full Documentation/Bank Statement income requirements except for the below requirements/overlays.
	
	Borrower Eligibility
	The following borrowers are elgibile if they possess an ITIN:
	• Permanent Resident Aliens
	• Non-Permanent Resident aliens
	• Non-Resident Aliens
	• **Note**: Any of the above who possess a Social Security Number (SSN) instead of an ITIN are not eligible for the ITIN program
	The following borrowers are **not** eligible:
	• U.S. Citizens
	• Foreign Nationals
	
	Program Restrictions
	• Cash-Out Refinance requires 2-years income documentation (1-year is not eligible)
	• Interest-Only is not allowed
	• 0x30x12 Housing History (1x30x12 not allowed)
	• Gift funds are not permitted on investment properties
	• Trusts and Business Entities (LLC, Corporation, Leasehold, etc.) are not eligible
	• Escrows/impounds for taxes and all insurance coverage is mandatory.
	• Transactions with a non-occupant co-borrower are limited to max $1,000,000 loan amount
	• Technical Refinances are limited to max 60% LTV
	• Non-Arm's Length purchases are limited to max 70% LTV
	
	Documentation Requirements:
	The following documentation is required:
	• Government photo ID from U.S. or country of origin. Examples include:
	  o Government license, passport, matricular consular, etc.
	  o A Visa is not required in addition to the above for an ITIN borrower
	• A copy of the borrower's valid and unexpired ITIN card or letter from the IRS
	  o ITIN is required to be assigned to the borrower prior to application.

	○ All documentation in the file must support the borrower's ITIN number and cannot reference a SSN belonging to another individual. ○ Evidence of unexpired ITIN can be accomplished as follows: ▪ Full Doc: Current executed transcripts will validate the borrower's ITIN status ▪ Bank Statement: Provide one of the following: • IRS letter dated less than three years ago • Fully executed W7, including agent's signature • Letter from Tax Preparer confirming they have filed the borrower's most recent tax return with the IRS. ○ **Note:** DACA is eligible with ITIN / SSN with a valid U.S. driver's license along with EAD card evidencing the DACA status
Foreign Nationals	**<u>Eligible for Investor Cash Flow only</u>** – not eligible for other doc types/programs under Elite Access Non-QM. Foreign Nationals are defined as Borrowers who do not work in or reside in the U.S. The Borrower must reside in and work in a foreign country. Foreign Nationals are eligible under the Access Non-QM product series to purchase or refinance investment properties. Interest-Only is not eligible for Foreign National borrowers. All other underwriting requirements must be met. See page 14 for Foreign National LTV/FICO/Loan Amount matrices. An IRS form W-8BEN, Certificate of Foreign Status must be filed with the IRS (all Borrowers). A copy of the Certificate must be retained in the file. Any documentation provided from a borrower's home country must be provided in its original language listing that country's currency, as applicable. A certified translation must also be provided. **Foreign National Eligibility Requirements**: The following are required as evidence that the borrower is in the U.S. legally: • Copy of the borrower's valid and unexpired passport (including photograph), and ○ Copy of the borrower's valid and unexpired visa (including photograph) OR an I-797 form with valid extension dates and I-94, ○ Borrowers from countries participating in the State Department's Visa Waiver Program (VWP) are not required to provide a valid visa. Participating countries can be found at https://travel.state.gov/content/travel/en/us-visas/tourism-visit/visa-waiver-program.html. The credit file should be documented with a current print-out of the participating countries, with the borrower's country of origin highlighted. ○ Citizens of Canada traveling to the United States do not require a nonimmigrant visa. • A list if nonimmigrant Visa types is located on the U.S. Department of State website: https://travel.state.gov/content/travel/en/us-visas/visa-information-resources/all-visa-categories.html. If a non-U.S. citizen is borrowing with a U.S. citizen, foreign national documentation requirements still apply. • All parties (Borrower's and Seller's) involved on the transaction must be screened though exclusionary lists and must be cleared through OFAC's SND list. A search of Specially Designated Nationals & Blocked Persons list may be completed via US Department of Treasury: https://sanctionssearch.ofac.treas.gov/ • Borrowers from OFAC sanctioned countries are ineligible. • Individuals with Diplomatic immunity are not eligible; immunity status is listed on the reverse side of the US issued ID card **Credit Requirements** A credit report and credit score are not required. However, if a borrower on the loan has a social security number, a credit report must be obtained and reviewed. Borrowers 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. If a U.S. credit report or international credit report is not available, the following is required:

- Two (2) credit reference letters from verified financial institution from borrower's country of origin, written or translated into English (see Acceptable Bank List for Foreign Credit/Assets).
- Can include non-traditional credit sources, i.e. utility company
- Letter should reference borrower's time as a customer and is in good-standing.

Borrowers with a US credit score must use their score for pricing and eligibility purposes. Borrowers without a US credit score will be underwritten based on a 680 FICO score and a Max LTV of 65%, but no LLPA shall be utilized, either positive or negative.

Income

Foreign Full Documentation, Bank Statement, 1099 Only, P&L Only, and Asset Qualifier

- Not eligible

Investor Cash Flow

Borrowers utilizing the Investor Cash Flow method may be qualified under the same requirements and methodology as standard Borrowers. A minimum 1.000 DSCR applies. A 12 month history of owning and managing rental properties must be demonstrated.

Liabilities

Borrowers must provide a complete schedule of real estate owned 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). Any US liabilities must be taken into account. Foreign liabilities, including carrying costs on foreign properties, do not need to be documented or included in the underwriting analysis of the file.

Assets

Borrowers 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.

Non-Warrantable Condos are not eligible for Foreign National borrowers.

Gift funds are not eligible for Foreign National borrowers.

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 Bank List for Foreign Credit/Assets. Otherwise, funds must be moved to an account in the US and prior to closing.

The minimum reserve requirement is increased to 12 months for all loan amounts when using the Investor Cash Flow income underwriting method.

Business funds are eligible under standard Borrower requirements.

Assets types and questions not directly addressed here should be underwritten in accordance with the Assets section of this guide.

Automated Clearing House (ACH) Requirement

Any loan made to a Foreign National must have an ACH agreement signed at the closing table. The ACH must be set to draw from a US bank account. The Borrower shall provide proof that a US bank account is opened in their name and that the account is funded with the first month's payment. In the event that the servicing transfer date is after the first payment date, the Seller is responsible for ensuring the payment(s) due prior to the servicing transfer date are made timely.

	Translation Requirements Any foreign documentation provided must be provided it its original form. The documentation must also be translated by a certified translator. The Seller must vet the Borrower selected translator for acceptability. **Escrows** Escrows/impounds for taxes and all insurance coverage is mandatory.