PRIMARY RESIDENCE – PURCHASE & RATE/TERM REFINANCE				
Property Type	**Max. Loan mount**	**Max. LTV**	**Max. CLTV/HCLTV**	**Min. FICO**
1-Unit, PUD	$765,600	85%	N/A	760
Warrantable Condo	$765,600	80%	90%	680

PRIMARY RESIDENCE – CASH-OUT REFINANCE				
Property Type	**Max. Loan Amount**	**Max. LTV**	**Max. LTV/HCLTV**	**Min. FICO**
1-Unit, PUD Warrantable Condo	$765,600	80%	80%	700

SECOND HOME – PURCHASE AND RATE/TERM REFINANCE				
Property Type	**Max. Loan Amount**	**Max. LTV**	**Max. LTV/HCLTV**	**Min. FICO**
1-Unit, PUD Warrantable Condo	$765,600	75%	75%	680

SECOND HOME – CASH-OUT REFINANCE				
Property Type	**Max. Loan Amount**	**Max. LTV**	**Max. LTV/HCLTV**	**Min. FICO**
1-Unit, PUD Warrantable Condo	$765,600	75%	75%	680

PROGRAM CODE	• 30 Year Fixed: JPS30 • 15 Year Fixed: JPS15 • 5/1 ARM: JPS5/1 • 7/1 ARM: JPS7/1 • 10/1 ARM: JPS10/1
ADJUSTABLE RATE DETAILS	• 5/1, 7/1 & 10/1 ARM = 5/2/5 • Margin/Floor: 2.25%, Index:1 Year Libor
AUS	• DU Approve/Ineligible for loan amount only is required. Approve/Eligible findings are not eligible.
ELIGIBLE BORROWERS	• U.S. Citizens • Non-permanent resident aliens • Lawful resident aliens are eligible for the same financing as U.S. citizens if they can provide evidence of lawful residency and they meet all of the same credit standards as U.S. citizens. A copy of the borrower's identification is required to verify review of the acceptable documentation that evidences borrower is eligible to lawfully reside in the U.S. - Must have a valid Green Card, evidence of continuous for at least 12 months - Borrower must be employed in the U.S. for the last 12 months. - Income must be likely to continue for at least 3 years. • First time homebuyers (borrowers who have not owned a property in the last 3 years). For loans with more than one 1 borrower where at least one borrower has owned a home in the past 3 years, first-time homebuyer requirements do not apply. • Trusts - The following guidelines must be met: - The Trust must be a living revocable trust also known as a "family trust" or an "inter vivos trust", - Title Company must agree to insure over the trust with no exceptions for the trust or trustees, - A copy of the trust, or pertinent pages within the trust, must be included in the submission package, - The Settlor or grantor must be a natural person. The settlor must also be the trustee or one of the co-trustees, - The primary beneficiary of the trust must be the settlor or grantor. If there is more than one settlor or grantor, then there may be more than one primary beneficiary , as long as the income or assets of at least one of the grantors or settlors will be used to qualify for the mortgage and that grantor or settlor will occupy the property and sign the mortgage instrument in his/her individual capacity, - The trust document must give the trustee or trustees the authority to mortgage trust assets and incur debt on behalf of the trust and to hold legal title to and manage trust assets, and - An attorney's opinion letter stating all the above are met will be required. For CA properties, a certificate of trust is acceptable.
INELIGIBLE BORROWERS	• Non-resident aliens (foreign nationals)

	• Land trusts, except for Illinois Land Trust • Non-occupant co-borrowers • Limited partnerships, general partners or corporations • Non-arms-length transactions are not eligible for financing under this product with the exception of the following: - Property sellers are representing themselves as agent in real estate transaction - Buyers/Borrowers are representing themselves as agent in real estate transaction.
LOAN AMOUNTS	• Minimum Loan Amount: National Conforming or High Balance loan limit plus $1 based on property location • Maximum Loan Amount: $765,600
Max. Financed Property	• Loan/Property Restrictions per Borrower: - A borrower may not have more than four residential properties financed. Joint ownership in residential real estate is considered the same as total ownership and is subject to the same restriction
ELIGIBLE PROPERTY TYPES	• 1 unit properties • Fannie Mae warrantable condominiums • Planned unit developments (PUD) • Modular homes WARRANTABLE CONDOMINIUMS - Each condominium project must be reviewed and approved by NMSI - Limited review is not eligible.
INELIGIBLE PROPERTY TYPES	• 2 to 4 unit properties • Non-warrantable condominiums • Cooperative properties • Manufactured homes • Unique properties • Log homes • Working farms, ranches or orchards • Mixed-use properties • Income producing properties with acreage • Properties subject to oil and/or gas leases
SECTION 32: HIGH-COST LOANS	• High-cost loans (Section 32) as defined by applicable state and/or local regulations are not permitted.
REFINANCE TRANSACTIONS	• Refinance transactions in the following states (CA, FL, GA, MD, SC, TN, VA, WA) require the completion of a Net Tangible Benefit Worksheet. It must be completed and in the file at the time of submission. Supporting documentation is required to be in the loan file to verify the information entered onto the Net Tangible Benefit Worksheet, Verification documents from the existing lien may include: - Copy of note(s) from existing lien(s) - Payment coupon - Payoff statement

	- Final TIL • Inherited properties may not be refinanced prior to 12 months ownership.
VALUE SEASONING	• If borrower has less than 12 months ownership in the property, LTV/CLTV is calculated on the lower of the purchase price or appraised value. If the borrower has owned property for more than 12 months, LTV/CLTV is based on the appraised value.
LISTED PROPERTIES	• Properties that have been listed for sale within 12 months of loan application are not eligible for any refinance transaction
CASH-OUT REFINANCE LOANS	• Borrower must have owned property for at least six months prior to the application date unless requirements for Delayed Purchase Refinance are met.
DELAYED PURCHASE REFINANCE LOANS	• Defined as the refinance of a property purchased by the borrower for cash within 6 months of loan application. Transaction is eligible if it meets the following criteria: - Underwritten as a rate & term refinance - Primary residence - Obtain HUD-1 from original purchase - Document that the purchase funds were from the borrower's own funds and that there was not any borrowing, gifts or shared funds. - Funds secured by a pledged asset or retirement account are not considered to be from the borrower's own funds and must be considered a cash out transaction.
TEXAS REFINANCE LOANS	• All refinance loans in Texas will be evaluated against the criteria outlined in our Conventional Underwriting Guidelines, Texas Refinances section to determine if the loan must be originated under the requirements of Section 50(a)(6) of the Texas Constitution. Texas refinance loans that must close under Section 50(a)(6) requirements are not eligible.
MORTGAGE INSURANCE	• Not required
QUALIFYING RATE	• Fixed: Note Rate • 5/1 ARM: Greater of the fully-indexed rate or Note rate plus 2% • 7/1 ARM: Greater of the fully-indexed rate or Note rate • 10/1 ARM: Greater of the Fully Indexed Rate or the Note rate.
QUALIFYING RATIOS	• Determined by Desktop Underwriter not to exceed 43%
RESERVES	• Determined by DU
SUBORDINATE FINANCING	• Only institutional financing up to the maximum LTV/CLTV/HCLTV is eligible. • Subordinate liens must be recorded and clearly subordinate to the first mortgage lien. • Full disclosure must be made on the existence of subordinate financing and the repayment terms. • Acceptable subordinate financing types: - Mortgages with regular payments that cover the interest due so negative amortization does not occur. - Mortgage terms that require interest at a market rate. • Ineligible subordinate financing types - Seller subordinate financing.

	- Property Assessed Clean Energy programs (PACE)
INTERESTED PARTY CONTRIBUTIONS	• Primary & Second Home: - Up to 75% CLTV: 9% - 75.01 - 85% CLTV: 6%
ASSETS	• Business assets may be an acceptable source of funds for the down payment, closing costs, and financial reserves when a borrower is self-employed and the individual federal income tax returns have been evaluated by the underwriter, including, if applicable, the business federal income tax returns for that particular business (non-Schedule C). The borrower must be listed as an owner of the account and the account must be verified with a verification of deposit or bank statements. The underwriter must review the bank statement (number of months determined by DU) perform a business cash flow analysis to confirm that the withdrawal of funds for this transaction will not have a negative impact on the business. • All EMD funds must be verified. If EMD reflected on 1003 is different than the EMD disclosed on the PA, the underwriter will require verification of those funds.
MIN. BORROWER CONTRIBUTION	• A minimum borrower contribution from the borrower's own funds is not required.
GIFT FUNDS	• A borrower of a mortgage loan secured by a principal residence or second home may use funds received as a personal gift from an acceptable donor. • Executed gift letter is required • Transfer of funds or evidence of receipt must be documented prior to close. • Gift funds may fund all or part of the down payment, closing costs, or financial reserves subject to the minimum borrower contribution requirements.
RESERVES	• Determined by DU
TEMPORARY BUYDOWNS	• Not eligible
CREDIT	• Credit score is required for all borrowers. Nontraditional credit is not permitted • All loans must have a fully executed Social Security Number Verification with results obtained, prior to close. Underwriter to obtain results. • Credit documents must not be more than 90 days from the Note date. • When a borrower is a co-signor debt can be excluded from DTI with proof that the primary obligor has been made timely payments for the last 12 months • Installment debt with less than 10 payments must be included unless reserves can be documented in order to exclude • Follow DU for derogatory credit event requirements
TRADELINE REQUIREMENTS	• All borrowers must have at least one valid credit score to be eligible. The credit report(s) must also meet the following tradeline requirement: - 2 tradelines with a minimum 12-month history or - 1 tradeline with a minimum 12-month history and a 12-month housing reference evidenced by canceled checks. • All reports used to qualify must meet the tradeline requirement in total, not individually. The 12-month history requirement does not have to be satisfied with current activity as long as a valid AUS response is obtained.
EMPLOYMENT AND	• Income, employment and assets are stated and verified. Documentation may not

INCOME	be more than 90 days from date note is signed. • Borrowers must have two years consistent employment with the same employer or in the same industry. • Standard FNMA full documentation is required (2 years W2s and current pay stub, etc.). Pay stubs must be computer generated. Handwritten pay stubs require a borrower to provide tax returns and all schedules. **Salaried:** An earnings trend must be established and documented. Large increases in salary over the previous two years must be explained and documented. - W-2 forms or personal tax returns, including all schedules, for prior two years. - Year-to-date pay stub up through and including the most current pay period at the time of application. - If borrower is claiming overtime pay, it must be shown on the YTD pay stub. **Hourly & Variable Income** An earnings trend must be established and documented. Stable to increasing income should be average over a minimum two year period. When declining income has occurred, the most recent 12 months should be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay. Declining income must be explained by the employer/borrower and a written determination by the underwriter must be provided if declining income is used for qualifying. - W-2 forms or personal tax returns, including all schedules, for prior two years. - Year-to-date pay stub up through and including the most current pay period at the time of application. **Part-Time Income** Borrower must have worked the part-time job uninterrupted for the past two years, and plans to continue. When declining income has occurred, the most recent 12 months should be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay. If the part-time income shows a continual decline, income should not be used. - W-2 forms for prior two years. - Year-to-date pay stub up through and including the most current pay period at the time of application **Commission** Commission income must be averaged over the previous two years. When declining income has occurred, the most recent 12 months should be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay. If the commission income shows a continual decline, income should not be used. - W-2 forms for prior two years if commissions are less than 25% of the total income. - Tax returns, including all schedules, and W-2 form from the previous two years if commissions are ≥ 25% of the total income. - Unreimbursed business expenses (form 2106) must be subtracted from income.

	- Year-to-date pay stub up through and including the most current pay period at the time of application **Overtime & Bonus** An earnings trend for bonus and overtime must be established and documented. A period of more than two years must be used in calculating the average overtime and bonus income if the income varies significantly from year to year. When declining income has occurred, the most recent 12 months should be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay. If either type of income shows a continual decline, income should not be used. - W-2 forms or personal tax returns, including all schedules, for prior two years. - Year-to-date pay stub up through and including the most current pay period at the time of application. **Returning to Work After an Extended Absence** For a Borrower who has less than a two-year employment and income history, the Borrower's income may be qualifying income if the Mortgage file contains documentation to support that the Borrower was either attending school or in a training program immediately prior to their current employment history. School transcripts must be provided to document. A borrower's income may be considered effective and stable when recently returning to work after an extended absence if he/she: - Is employed in the current job for six months or longer; and - Can document a two year work history prior to an absence of employment using: ◦ Traditional employment verifications; and/or ◦ W2 forms, for prior 2 years **Projected Income** Projected income is acceptable for qualifying purposes for a consumer scheduled to start a new job within 60 days of loan closing if there is a guaranteed, non-revocable contract for employment. Creditor must verify that the consumer will have sufficient income or cash reserves to support the mortgage payment and any other obligations between loan closing and the start of employment. Examples of this type of scenario are teachers whose contracts begin with the new school year, or physicians beginning a residency after the loan closes. The income does not qualify if the loan closes more than 60 days before the consumer starts the new job. **Employment Gaps** If gap is in excess of 30 days during the past two years, a satisfactory letter of explanation is required. Gaps in employment due to the borrower attending training or schooling for a specific profession must be documented with diploma, transcripts, etc. Allowances for seasonal employment such as building trades and agriculture may be made if documented. Refer to Returning to Work After an Extended Absence section for gap exceeding 6

	month **Borrower's planning to retire within the first three-year period of the mortgage** Effective income for borrower's planning to retire during the first three-year period must include the amount of: - Documented retirement benefits; - Social Security payments; or - Other payments expected to be received in retirement **Self-Employed Income** Self-employed borrowers are defined as those individuals who have 25% or greater ownership interest or receive a 1099 statement to document income. - When declining income has occurred, the most recent 12 months should be used. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay. - A signed 4506T for each business will be required for all business' in which the business income/loss is being used to qualify the borrower(s). - If the borrower has self- employment income and/or zero income reported, and it is not needed to qualify, it is not required to obtain the P&L and balance sheet. If the borrower has a loss, regardless of the amount, the documentation will be required on the self-employment type and will be used to qualify the borrower(s). **Borrower Employed by Family Member** Borrowers who are employed by a family member are considered to be self- employed, regardless of the percentage of ownership, and self-employed documentation is required. Potential ownership by the borrower must be addressed. The underwriter must clarify potential ownership by the borrower. A borrower may be an officer of a family operated business but not an owner. - Written verification of the borrower's status should be obtained by written confirmation from an accountant or legal counsel. - Borrowers must provide the preceding two years signed, dated individual and business (if applicable) tax returns, with all supporting schedules. - YTD pay stub up through and including the most current pay period at the time of application. - W-2 forms, for prior two years **Sole Proprietorship** - Current YTD P&L through the most recent quarter. - YTD balance sheet through the most recent quarter. - Personal tax returns, including all schedules, for prior two years. Note: only depreciation and depletion may be added back **Partnerships, (General, Limited), Limited Liability Companies, "S" Corporations, Corporations** - Current YTD P&L through the most recent quarter. - YTD balance sheet through the most recent quarter. - Personal tax returns, including all schedules, for prior two years. - K-1s from prior two years, showing ownership percentage. K-1s are not required if the source is reporting positive income and the income is not used

	for qualification. If K-1s show a loss, they are required, regardless if they are used for qualifying purposes. If using capital gains, interest/dividend or W2 income from this source is used, K-1s are required.
	- Business tax returns (1065/1120), including all schedules, for the prior two years are required if the borrower has an ownership percentage ≥ 25%; they are not required if reporting positive income via a K-1, and the income is not used for qualification purposes.
	
	Rental Income for All properties
	Rental income may be used to qualify if the rental income can be documented with two years tax returns or a lease agreement due to the property being acquired after the most recent tax returns were filed.
	- When using tax returns to document rental income for qualifying, a copy of the current lease for each rental property, including commercial properties, that is listed in Part 1 of schedule E of the 1040, is required.
	- Personal tax returns, including all schedules, for prior two years.
	- For properties listed on Schedule E of the borrower's tax returns, net rental income should be calculated as the total of (Income + depreciation + interest + taxes + insurance + HOA (if applicable) divided by the applicable months minus the current PITI.
	- If the subject property is the borrower's primary residence and generating rental income, the full PITI must be included in the borrower's total monthly obligations.
	- If rental income is not available on the borrower's tax returns, a current executed lease agreement is required. Net rental income should be calculated as the gross monthly rent multiplied by 75%.
	- Net rental income must be added to the borrower's total monthly income. Net rental losses must be added to the borrower's total monthly obligations.
	
	Rental Income for 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 under the following circumstances:
	- Sufficient Equity in Vacated Property:
	  ◦ The borrower has an LTV, CLTV or HLTV of 70% or less as determined by a residential appraisal dated within 6 months.
	  ◦ Full appraisal or exterior only appraisal allowed.
	
	Pension, Annuity, and IRA distributions
	Fixed income payments such as social security or pension income can be used at full value/distribution and may not be considered in any annuitization calculation.
	
	Existing distribution of assets from an IRA, 401K or similar retirement asset account must be sufficient to sustain income continuance for the first three years of the loan
	- Verification of the assets of the plan and verification of receipt of the distribution of at least six (6) months is required,
	- Note: Distributions from asset accounts cannot be set up, or changed, solely for loan qualification purposes
	
	Asset Depletion/Dissipation
	Refer to Conventional Underwriting Guidelines, Employment - Related Assets as

	Qualifying Income for Fannie Mae. Subject to Jumbo min. Credit Score requirements. **Social Security Income** - Benefits (for children or surviving spouse) with a defined expiration date must have a remaining term of at least three years. - Documentation must include a copy of the Social Security Administration's award letter. - If SSA Benefit verification letter does not indicate a defined expiration date within three years of loan origination, the creditor shall consider the income effective and likely to continue. Pending or current reevaluation of medical eligibility for benefit payments is not considered an indication that the benefit payments are not likely to continue. - See non-taxable income for social security income treatment. **Alimony, Separate Maintenance & Child Support Income** - Will be considered with a divorce decree, court ordered separation agreement, court decree, or other legal agreement providing the payment terms confirming that income will continue for at least the first three years of the loan three (3) years. - Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 12 months. - See non-taxable income for child support income treatment. **Capital Gains** Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. If the trend results in a gain, it may be added as effective income. If the trend consistently shows a loss, it must be deducted from the total income. - Tax returns for the prior three years, including Schedule D. - Gains must be consistent amounts from consistent sources. - Verified assets to support continuance must be documented. **Dividend/Interest** Interest and Dividend income may be used as long as documentation supports a two-year history of receipt. - Tax returns for the prior two years - Proof of asset(s) to support the continuation of interest and dividend income. **Stock Options & Restricted Stock Grants** - May not be used as qualifying income **Note Income** - A copy of the Note must document the amount, frequency and duration of payments - Regular receipt of note income for the past 12 months must be documented, and evidence of note income must be reflected on tax returns. - Verification that income is expected to continue for the first three years of the loan **Trust Income** Income from trusts may be used if guaranteed and regular payments will continue for the first three years of the loan

	- Regular receipt of trust income for the past 12 months must be documented.
	- A copy of the Trust Agreement or Trustee Statement showing:
	  ◦ Total amount of borrower-designated trust funds
	  ◦ Terms of payment
	  ◦ Duration of trust
	  ◦ Portion of income that is not taxable
	- Non-taxable trust income must include proof of distribution.
	
	Foreign Income
	- Foreign income may be used only if its stability and continuance can be verified.
	- Personal tax returns, including all schedules, for prior two years.
	- Year-to-date pay stub up though and including the most current period at the time of application.
	- All income must be converted to U.S. currency.
	- Foreign Earned Self Employment Income is not acceptable
	
	Non-Taxable Income including child support, disability, foster care, military, etc.
	- Documentation must be provided to support continuation of income for a minimum of three (3) years.
	- Tax returns must be provided to confirm income is non-taxable.
	- Income may be grossed up by the applicable tax amount (must use the tax rate to calculate the consumers last year's income tax). If the consumer is not required to file a tax return, the tax rate to use is 25%.
	
	Trailing Co-borrowers
	- Income from trailing co-borrowers will not be considered
	
	Unacceptable income sources include, but are not limited to
	- Any unverified source
	- Income that is temporary or a one-time occurrence
	- Rental income received from the borrower's single family primary residence or second home.
	- Retained earnings
	- Education benefits

4506-T	IRS 4506-T is required for all loans. The 4506-T must be executed to validate all income used for qualifying prior to closing and acceptable results must be returned from the IRS prior to receiving a Clear to Close
	
	• In the case where taxes have been filed and the tax transcripts are not available from the IRS, the IRS response to the request must reflect No Record Found. In these cases, an additional prior year's tax transcript should be obtained. Large increases in income that cannot be validated through the tax transcript may only be considered for qualifying on a case by case basis.
	
	• In the case where taxes for the prior year have not been filed (between January 1 and the tax filing date (typically April 15) the following are required:
	  - IRS form 1099 and W-2 forms from the previous year.
	  - Loans closing in January prior to receipt of W-2's may use the prior year year-end paystub. For borrowers using 1099's, evidence of receipt of 1099 income must be provided.

	• Between the tax filing date and the extension expiration date (typically October 15), the following are required (as applicable): - Copy of the filed extension. - Evidence of payment of any tax liability identified on the federal tax extension form. - W-2 forms for corporations - Form 1099 for commission income. - Current year profit & loss (signed by the borrower). - Year-end profit and loss for prior year (signed by the borrower). - Balance sheet for prior calendar year if business is a sole proprietorship. • After the extension expiration date, loan is not eligible without prior year tax returns.
VERBAL VOE	• Verbal VOE for self-employed borrowers, an independent written confirmation of self-employment is required (i.e., copy of business license reflecting ownership of company, corporate minutes, etc.). Two continuous years of self-employment in same business are required. - If borrower has been employed in current position for less than two years, VOE must be completed for all positions to verify that gaps are not in excess of 30 days within the last 24 months. Written explanation from borrower must be obtained. • A Verbal Verification of Employment (VVOE) confirming the borrower's employment status is required for all borrowers whose income is used for qualification purposes. The VVOE should be completed within 10 business days before the Note date for wage income. • Verification of self-employed businesses by a third-party source should be obtained within 30 calendar days from the Note date
APPRAISAL REQUIREMENTS	• All loans require a full appraisal, property inspection waivers issued by DU are not eligible. • Appraisal is required on the applicable standard Fannie Mae form #1004 (Rev. 5/2005). All condominiums must be submitted on Form #1073 (Rev. 5/2005). No other limited appraisals (including Form #2055, 2095 and 1075) will be accepted. • Interior photos must be included of all rooms. • Appraiser must address current MLS listing price and history in the report. • If transaction includes seller concessions the appraiser must include comps that had seller concessions. • Escrow holdbacks are not eligible. • Appraisals identified as being located in a declining market should be given additional scrutiny to ensure the value is supported by the most recent sales and market data and that all of the appraiser comments are taken into consideration. • If the appraisal indicates subject property is in a flood zone, but CoreLogic Flood Determination does not, a corrected appraisal is required. • A minimum of three comparable sales (must be actual closed sales). • On newly constructed projects, properties within a condominium or PUD project must provide at least one comparable sale that is outside the development.

	• Appraisals must be dated within 120 days from date Note is signed. After the 120-day period a new appraisal will be required. Re-certification of value is not acceptable. • The appraisal must analyze and report in reasonable detail the sales history for the past 36 months for the subject property and the last 12 months for any comparable sales used in the report. • The appraisal must analyze any current purchase agreement, option or listing for the subject property within the last 12 months. • The broker or correspondent is responsible for ensuring that the appraisal vendor is made aware of the requirements of this program when placing their order. Flagstar will not request enhancements to reports that do not meet program guidelines, nor be responsible for any fees incurred to update an appraisal report to comply with these requirements. • For properties purchased by the seller of the property within 90 days of the fully executed purchase contract, the following requirements apply - Second Appraisal - Property seller on the purchase contract is the owner of the record - Increases in value should be documented with commentary from the appraiser and recent paired sales