PRIMARY RESIDENCE – PURCHASE & RATE/TERM REFINANCE				
Property Type	**Max. Loan mount**	**Max. LTV**	**Max. CLTV/HCLTV**	**Min. FICO**
1-2 Units PUD, Condo	$1,000,000	90%	90%	680
	$1,500,000	80%	80%	661
	$2,000,000	75%	75%	680
3-4 Units	$1,500,000	70%	70%	661

PRIMARY RESIDENCE – CASH-OUT REFINANCE					
Property Type	**Max. Loan Amount**	**Max. LTV**	**Max. CLTV/HCLTV**	**Min. FICO**	**Max. Cash Out**
1-2 Units, PUD, Condo	$1,000,000	80%	80%	680	$250,000
	$1,000,000	70%	70%	661	$250,000
	$1,500,000	60%	60%	661	$500,000

SECOND HOME – PURCHASE & RATE/TERM REFINANCE				
Property Type	**Max. Loan mount**	**Max. LTV**	**Max. CLTV/HCLTV**	**Min. FICO**
1 Unit PUD, Condo	$1,000,000	80%	80%	661
	$1,500,000	70%	70%	661
	$2,000,000	65%	65%	661

SECOND HOME – CASH-OUT REFINANCE					
Property Type	**Max. Loan Amount**	**Max. LTV**	**Max. CLTV/HCLTV**	**Min. FICO**	**Max. Cash Out**
1 Unit PUD, Condo	$1,000,000	65%	65%	661	$250,000
	$1,500,000	60%	60%	661	$500,000

INVESTMENT – PURCHASE				
Property Type	**Max. Loan mount**	**Max. LTV**	**Max. CLTV/HCLTV**	**Min. FICO**
1-4 Units PUD, Condo	$1,000,000	75%	75%	680

INVESTMENT – RATE/TERM REFINANCE				
Property Type	**Max. Loan mount**	**Max. LTV**	**Max. CLTV/HCLTV**	**Min. FICO**
1-4 Units PUD, Condo	$1,000,000	70%	70%	680

INVESTMENT – CASH-OUT REFINANCE					
Property Type	**Max. Loan Amount**	**Max. LTV**	**Max. CLTV/HCLTV**	**Min. FICO**	**Max. Cash Out**
1-4 Units PUD, Condo	$1,000,000	60%	60%	680	$250,000

PROGRAM CODE	• 30 Year Fixed: JPAA30 • 15 Year Fixed: JPAA15 • 5/1 ARM: JPAA5/1 • 7/1 ARM: JPAA7/1 • 10/1 ARM: JPAA10/1
ADJUSTABLE RATE DETAILS	• 5/1, 7/1 & 10/1 ARM = 2/2/5 • Margin/Floor: 2.25%, Index:1 Year Libor
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 Homebuyer Defined as a borrower who has not owned a property in the last three years. For loans with more than one borrower, if at least one borrower has owned a home in the last three years, first time homebuyer requirements do not apply. - Ineligible for investment property transactions. - See RESERVES section for requirements. - Maximum loan amount of $1,000,000. - Maximum loan amount of $1,500,000 allowed in CA, NJ, NY and CT if the following requirements are met: ◦ Maximum LTV/CLTV/HCLTV of 80% ◦ 680 minimum credit score ◦ Primary residence only • Non-Occupant Co-Borrowers are eligible with the following restrictions: - One unit primary residence only. - Purchase and rate/term refinance transactions only. - Maximum loan amount $1,000,000 - Maximum loan amount $1,500,000 when the property is located in CA & NJ. - Maximum LTV/CLTV 80%. - No minimum down payment required from the occupant borrower, down payment and reserves may be from the occupant borrower or non-occupant co-borrower. - Additional six months of reserves required. - Non-occupant co-borrower must be an immediate family member. - Blended ratios allowed with a maximum 43% DTI. - Must be an arm's length transaction. • 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", - Property must be 1 to 2 unit owner-occupied primary residence, 1 unit second home or 1 to 4 unit investment property. - Title Company must agree to insure over the trust with no exceptions for the trust or trustees, - One of the following will be required: ◦ A copy of the trust agreement. ◦ An attorney's opinion stating the trust meets all Secondary Marketing requirements as set forth by Fannie Mae or Freddie Mac, as applicable, and any applicable State requirements. ◦ Certification from a title company evidencing compliance with all Secondary Marketing requirements as set forth by Fannie Mae or Freddie Mac and any applicable State requirements. ◦ Certification from an individual trustee evidencing compliance with all Secondary Marketing requirements as set forth by Fannie Mae or Freddie Mac and any applicable State requirements. Additionally, the following requirements must be met: ▫ Submit copies of the first page, signature page, and the pages of the trust agreement that verifies the trustee, and that the trust is revocable. ▫ Certifications completed by an individual trustee must be notarized. ▫ Certifications must confirm the following: - The existence and date of the trust. - The Settlors and the current trustees. - The powers of the trustees. - Whether the trust is revocable; and, if revocable, who holds the right to revoke. - The names and number of the trustees required to sign on behalf of the trust. - The trust identification number, whether that is a Social Security number or an IRS issued Tax Identification Number. - How title to the trust assets should be taken. - A statement that the trust has not been revoked, modified or amended in any manner. ▫ The trust agreement must state the following: - The trustee is authorized to borrow money for the purpose of purchase or refinance - The beneficiary does not need to grant written consent for the trust to borrow money. If consent is required, consent has been granted in writing for purposes of the mortgage. - There is no unusual risk or impairment to the lenders' rights. - Holding title in the trust does not diminish the lenders' rights as a creditor.
INELIGIBLE BORROWERS	· Non-resident aliens (foreign nationals) · Borrowers with diplomatic status · Life Estates · Non-Revocable trusts

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Land trust, except Illinois Land Trust
Guardianships
Limited partnerships, general partners or corporations
Non-arms-length transactions are not eligible for financing under this product with the exception of the following:

Family sales or transfers
Property seller acting as their own real estate agent
Borrower acting as their own real estate agent
Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program must be included in the loan file.
Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord).
Investment properties must be arm’s length.

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<tr><td>ELIGIBLE PROPERTY TYPES</td><td>

1 to 2 unit properties
Planned Unit development (PUD)
Low, mid and high-rise condos (must be FNMA warrantable)
WARRANTABLE CONDOMINIUMS

FNMA Types R & S. (Type R eligible with CPM or PERS approval, not eligible in FL
Site-condos (must be detached)
Limited review allowed only for detached condominiums.
Limited review allowed for attached units (including 2 to 4 unit projects) in established condominium projects if the following requirements are met:

Primary residence with maximum LTV/CLTV/HCLTV of 80%.
Second home with maximum LTV/CLTV/HCLTV of 75%.
Limited review requirements per Fannie Mae are met and property is eligible for limited review based on Fannie Mae Requirements.
Projects based in Arizona, Florida, Nevada, Michigan and Texas are not eligible for limited review

Florida condominiums limited to 50% LTV/CLTV/HCLTV on investment transactions.
The underwriter to obtain CPM confirmation to be placed in loan file.

SITE CONDO REQUIREMENTS
When the underwriter performs a review for a mortgage secured by a detached unit in a condo project, the following eligibility criteria must be met:

The mortgage is secured by a single detached unit in a condo project.
The mortgage is not secured by a manufactured home.
The project is not an ineligible project. (See Conventional Underwriting Guidelines)
The appraiser commented on, and reflected in the appraisal report, any effect that buyer resistance to the condo form of ownership has on the market value of the individual unit.
If the condo project is new, the appraiser used as a comparable sale at least one detached condo unit, which may be located either in a competing project

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	or in the subject project, if the condo unit is offered by a builder other than the one that built the subject unit. Properties subject to oil and/or gas leases are acceptable if the following requirements have been met: - Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease. - No active drilling. - No lease executed after the home construction date (re-recording date of lease after home construction is permitted). - Must be connected to public water. - The appraiser would also need to address if there are any marketability issues associated to the presence of the oil/gas lease. - Title endorsement T19 (TX Only). Properties with leased solar panels must meet Fannie Mae requirements.
INELIGIBLE PROPERTY TYPES	• Manufactured/mobile homes • Condo-hotel units • Unique properties • Log homes • Co-ops • Working farms, ranches or orchards • Mixed-use properties • Income producing properties with acreage • Properties greater than 20 acres • Properties located on Indian/Native American tribal land • Properties with a private transfer fee covenant • Model Home Leasebacks
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.

<table>
<tr><td>PROPERTIES LISTED FOR SALE</td><td>
• Properties currently listed for sale at time of application are not eligible.
• Properties listed for sale within six months of the application date are acceptable if the following requirements are met:
- Rate and term refinance only.
- Primary and second homes only.
- Documentation provided to show cancellation of the listing.
- Acceptable letter of explanation from the borrower detailing the rationale for cancelling the listing.
• Cash-out refinances are not eligible if the property was listed for sale within twelve months of the application date.
</td></tr>
<tr><td>CASH-OUT REFINANCE LOANS</td><td>
• Borrower must have owned property for at least six months prior to the application date unless requirements for Delayed Purchase Refinance are met.
• Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand.
• Cash-out refinances where the borrower is paying off a loan from a pledged asset/retirement account loan, secured loan, unsecured family loan or replenishing business funds used to purchase the property, the following requirements apply:
- Cash-out limitation is waived if the previous transaction was a purchase
- Seasoning requirement for cash-out is waived. Borrower does not have to have owned for six months prior to subject transaction
- Funds used to purchase the subject property must be documented and sourced
- HUD-1/Closing Disclosure for subject transaction must reflect payoff or pay down of pledged asset loan, retirement account loan, secured loan, unsecured family loan or business asset account. If cash out proceeds exceed payoff of loans, excess cash must meet the cash out limits.
- The purchase must have been arm’s length
- Investment properties are ineligible
• Inherited properties may not be refinanced as a cash-out refinance prior to twelve months ownership. See Rate and Term Refinances for requirements.
</td></tr>
<tr><td>DELAYED PURCHASE REFINANCE LOANS</td><td>
• 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:
- Must meet LTV/CLTV/HCLTV for rate and term refinances must be met and is treated as a rate and term refinance except for primary residence transactions in Texas.
- Preliminary title reflects the borrower as the owner and no liens
- Obtain Closing Disclosure from original purchase reflecting no financing obtained for the purchase of the property
- Document that the purchase funds were from the borrower’s own funds and that there was not any borrowing, gifts, shared funds or business 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.
- Investment properties are allowed as long as the borrower is not a builder or in the construction industry and the prior transaction was arm’s length.
</td></tr>
<tr><td>TEXAS REFINANCE LOANS</td><td>
• All refinance loans in Texas will be evaluated against the criteria outlined in our
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	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.
INVESTMENT PROPERTY TRANSACTIONS	The following requirements apply for investment property purchase, rate/term refinance and cash-out refinance transactions: • Condominiums in Florida are limited to 50% LTV/CLTV/HCLTV • Transactions must be arm's length • Appraiser to provide rent comparable schedule • If using rental income an executed lease agreement must be provided. See Rental Income requirements in the Income/Employment section for more details. • First-time homebuyers are not allowed • For investment property cash-out refinances, the loan is subject to ATR.
MORTGAGE INSURANCE	• Loans closing with an LTV of 80.01% or greater do not require mortgage insurance but must meet the following guidelines: - Owner occupied - Purchase or rate/term refinance - Secondary financing is allowed. See Subordinate Financing section for allowable secondary financing. - Escrow/impound accounts required for LTVs greater than 80% unless prohibited by law.
DEPARTURE RESIDENCE PENDING SALE:	• In order to exclude the payment for a borrower's primary residence that is pending sale but will close after the subject transaction, the following requirements must be met: - A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied. The pending sale transaction must be arm's length - The closing date for the departure residence must be within 30 days of the subject transaction Note date - 6 months liquid reserves must be verified for the PITIA of the departure residence.
DEPARTURE RESIDENCE SUBJECT TO GUARANTEED BUY-OUT WITH CORPORATION RELOCATION	• In order to exclude the payment for a borrower's primary residence that is part of a Corporate Relocation the following requirements must be met: - Copy of the executed buy-out agreement verifying the borrower has no additional financial responsibility toward the departing residence once the property has been transferred to a third party. - Guaranteed buy-out by the third party must occur within 4 months of the fully executed guaranteed buy-out agreement. - Evidence of receipt of equity advance if funds will be used for down payment or closing costs. - Verification of an addition 6 months PITIA of the departure residence
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

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<tr><td></td><td>• 10/1 ARM: Greater of the fully-indexed rate or Note rate</td></tr>
<tr><td>QUALIFYING RATIOS</td><td>• Maximum 43% debt-to-income ratio
• Non Occupant Co-Borrowers with blended ratios maximum 43%
• Maximum 38% for LTVs greater than 80%
• No exceptions to DTI requirements.</td></tr>
<tr><td>RESERVES</td><td>• Primary
- ≤$1,000,000 with LTV ≤80%: 3 months, verified PITI
- ≤$1,000,000 with LTV > 80%: 6 months, verified PITI
- $1,000,001 - $1,500,000: 6 months, verified PITI
- $1,500,001 - $2,000,000: 9 months, verified PITI
• Second Home
- ≤$1,000,000: 6 months, verified PITI
- $1,000,001 – $1,500,000: 12 months, verified PITI
- $1,500,001 – $2,000,000: 18 months, verified PITI
• Investment
- ≤$1,000,000: 6 months, verified PITI
• First Time Homebuyer
- ≤$1,000,000 with LTV ≤80%: 6 months, verified PITI
- ≤$1,000,000 with LTV >80%: 9 months, verified PITI
- $1,000,001 - $1,500,000: 9 months, verified PITI
• Non-Occupant Co-Borrower: Additional 6 months reserves
• When borrowers have financed properties in addition to the subject property, an additional 3 months PITIA reserves are required for each property.
• Business funds are not allowed for the purpose of calculating reserves.</td></tr>
<tr><td>SUBORDINATE FINANCING</td><td>• 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.
• If there is or will be an outstanding balance at the time of closing, the monthly payment for the subordinate financing must be included in the calculation of the borrower’s DTI.
• 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.
• Employer subordinate financing is allowed with the following requirements:
- Employer must have an employee financing assistance program in place.
- Employer may require full repayment of the debt if the borrower’s employment ceases before the maturity date.
- Financing may be structured in any of the following ways:
◦ Fully amortizing level monthly payments
◦ Deferred payments for some period before changing to fully amortizing payments</td></tr>
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◦ Deferred payments over the entire term
◦ Forgiveness of debt over time
◦ Balloon payment of no less than five years, or the borrower must have sufficient liquidity to pay off the subordinate lien.
• LTV/CLTV/HCLTV guidelines must be met for loans with subordinate financing.
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<tr><td>INTERESTED PARTY CONTRIBUTIONS</td><td>
• Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses, and may never be applied to any portion of the down payment.
- Primary & Second Home: ≤80% CLTV/HCLTV - 6%
- Primary: >80% CLTV/HCLTV - 3%
- Investment: All CLTV/HCLTV - 2%
• All seller concessions must be addressed in the sales contract documents, loan application, appraisal report, and the HUD-1 (applicable for all loan applications taken on or before October 2, 2015) or the Closing Disclosure (applicable for all loan applications taken on or after October 3, 2015).
- If a seller concession is present, both the appraised value and sales price must be reduced by the concession amount for purposes of calculating the LTV/CLTV/HCLTV.
- In cases where the appraisal does not clearly and adequately reflect the presence and effect of any financing and/or sales concessions, the underwriter must make a downward adjustment to the appraised value of the mortgaged property to reflect the cost of the contribution. The revised LTV is based on the lesser of the appraised value or reduced sales price.
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<tr><td>PERSONAL PROPERTY</td><td>
• Any personal property transferred with the property sale must be deemed to have zero transfer value as indicated by the sales contract and appraisal. If any value is associated with the personal property, the sales price and the appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.
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<tr><td>CONTINUITY OF OBLIGATION</td><td>
• Continuity of obligation requirements have been met when at least one borrower on the existing mortgage is also a borrower on the new refinance transaction. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:
• The borrower has been on title for at least 12 months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:
- Has been making the mortgage payments, including any secondary financing, for the most recent twelve months, or
- Is related to the borrower on the mortgage being refinanced
• The borrower on the new refinance transaction was added to title twenty-four months or more prior to the disbursement date of the new refinance transaction
• The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership
• The borrower on the new refinance transaction has been added to title through a
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	transfer from a trust, LLC or partnership. The following requirements apply: - Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer - The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six months prior to the disbursement of the new loan. • Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.
MIN. BORROWER CONTRIBUTION	• Borrower must contribute at least 5% toward the transaction from their own funds for purchase transactions.
GIFT FUNDS	• The donor must be an immediate family member or domestic partner (domestic partner donors must live with borrower; all large deposits in donor's account within 60 days must be sourced). • Executed gift letter is required • Transfer of funds or evidence of receipt must be documented prior to close. • Acceptable after a minimum 5% down payment has been made by the borrower from their own resources. • Gift funds may not be used to meet reserve requirements. • Gift funds not allowed on investment properties
TEMPORARY BUYDOWNS	• Not eligible
PROPERTY OWNERSHIP HISTORY	• Underwriting will take into consideration the number of properties owned and the length of time the properties have been owned. Investors who demonstrate a rapid acquisition (acquired within the most recent 24-month period) of investment properties will be reviewed cautiously. Underwriting reserves the right to request documentation to evidence the borrower had the funds required to purchase any property acquired within the last 24 months and/or sufficient verified asset to provide adequate reserves for the investment portfolio.
CREDIT	• All loans must have a fully executed Social Security Number Verification with results obtained, prior to close. Underwriter to obtain results. • Credit report must be a tri-merge credit report or an RMCR. Every submitted credit bureau report must include the full name, address and social security number of each borrower. If any of this information is inconsistent with that on any document in the file, a new report and/or explanation will be required. • Credit reports may not be more than 90 days from date Note is signed. • The underwriter must verify that each account on the credit report with a balance has been checked within 90 days of the date of the credit report. • Current mortgage payment history within 30 days will be required if not reflected on the credit report. • Underwriter will require borrower to provide a written explanation for any credit inquiries in the last 120 days. • Credit Score – Use lower of 2 or middle of 3 to determine each borrower's representative score. Each borrower must have at least 2 scores. • If there are less than 3 tradelines, or the trade lines do not meet the required

	payment history requirements or if there is no credit, there is insufficient data to determine credit behave or, even if the report includes a credit score • An acceptable tradeline is one from a traditional credit source. Alternative credit trades or such items as collections, charge-offs, "authorized user" accounts, deferred loans with no payment history, or transferred accounts are all considered unacceptable tradelines. • Any revolving tradeline without a minimum payment amount listed on the credit report will use $10 or 5% of the outstanding balance, whichever is greater. - If the borrower's ratios are at the maximum permitted the underwriter should obtain actual minimum payments from the borrower's account statements to qualify. • For all student loans, whether deferred, in forbearance, or in repayment, the monthly payment to be used is the greater of the following: - 1% of the outstanding balance; or - The actual documented payment - If the actual documented payment is less than 1% of the outstanding balance and it will fully amortize the loan with no payment adjustments, the lower fully amortizing payment may be used in qualifying. • Credit in accordance with below listed guidelines is required (In addition to the minimum credit score) on all files. • All past due accounts must be brought current prior to closing. • Tax liens, judgments, charge-offs and past due accounts must be satisfied or brought current prior to or at closing. Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past due accounts. • Payment plans on prior year tax liens/liabilities are not allowed and must be paid in full. • Collections over $250 individually or $1,000 aggregate, must be paid. • Major derogatory should be evaluated against the borrower's overall credit in the last 24 months and reflect a willingness and capacity to repay. Paying off revolving outstanding debt to qualify is allowed. Paying down of revolving debt to qualify is unacceptable. Payoffs on a refinance transaction must be reflected on the HUD-1 Settlement Statement (applicable for all loan applications taken on or before October 2, 2015) or the Closing Disclosure (applicable for all loan applications taken on or after October 3, 2015). On purchase transactions, any loans requiring pay off must be paid off prior to closing and source of funds to do so must be documented. Gift funds are not a viable source of funds to pay off debt to qualify. • Any disputed accounts must be resolved prior to closing. • The following require a written explanation from the borrower: - Late Payments - Derogatory Credit • Borrowers with a foreclosure in their credit history must be seasoned for 7 years. • Borrowers with a Chapter 7, 11 or 13 bankruptcy must be seasoned for 7 years. • Borrowers who have surrendered a property through a Short Sale or Deed-In-Lieu

	must be seasoned for 7 years. • Borrowers with a loan modification are allowed if seasoned 24 months with no mortgage lates in the last 24 months. • If the 1003, title commitment or credit documents indicate the borrower is a party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral.
TRADELINE REQUIREMENTS	• All borrowers that are contributing income for qualifying purposes must meet one of the followed tradeline requirements: **OPTION 1** • Minimum of 3 open tradelines with 12 months satisfactory history on each tradeline - Must have a minimum of 24 months length of credit • Two open tradelines are acceptable if the borrower(s) has a satisfactory 12-month mortgage history in the past five years - Two open tradelines are acceptable for purchase transactions where the borrower(s) have a 24-month mortgage history in the past five years **OPTION 2** • Credit reporting history five years or longer • History of 4 or more trade lines and must be rated for at least 12 months paid as agreed • At least one trade line was last active within the past 24 months and paid as agreed • One tradeline must be a mortgage or if the borrower has not owned a home a Verification of Rent with at least 12 months paid as agreed • All trade lines paid as agreed in the last 48 months
DISPUTED TRADELINES	• All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute. • Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However if a disputed account has a zero balance and no late payments, it can be disregarded.
MORTGAGE/RENT HISTORY REQUIREMENTS	• If the borrower(s) has a mortgage or rental history in the most recent 24 months, a VOM or VOR must be obtained. Applies to all borrowers on the loan. • No more than 1x30 in the last 12 months or 2x30 in the last 24 months. Mortgage lates must not be within the most recent 3 months of the subject transaction, 0x60 and 0x90 required in the most recent 24 months. • If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required; otherwise if not related or a party to the transaction a satisfactory VOR can be provided.
DEROGATORY CREDIT:	• Bankruptcy, Chapter 7, 11, 13 must be seasoned 7 years. • Foreclosure must be seasoned 7 years. • Short sale/deed-in-lieu must be seasoned 7 years. • Mortgage accounts that were settled for less, negotiated or short payoffs must be seasoned 7 years.

	• If the above credit issues are seasoned between 4 and 7 years and are due to extenuating circumstances, exceptions can be considered on a case by case basis. Supporting documentation for extenuating circumstances must be submitted with the exception request. • Loan modification allowed if seasoned 24 months with no mortgage lasts in the last 24 months. • Medical collections allowed to remain outstanding as long as the balance is less than $10,000 in aggregate.
CONTINGENT LIABILITIES	• Co-Signed loans: The monthly payment on a co-signed loan may be excluded from the DTI if evidence of timely payments made by the primary obligor (other than the borrower) is provided for the most recent 12 months and there are no late payments reporting on the account. • Court order: If the obligation to make payments on a debt has been assigned to another person by court order, the payment may be excluded from the DTI if the following documents are provided. - Copy of court order. - For the mortgage debt, a copy of the document transferring ownership of property. - If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be taken into account when reviewing the borrower's credit profile. • Assumption with no release of liability: The debt on a previous mortgage may be excluded from DTI with evidence the borrower no longer owns the property. The following requirements apply: - Payment history showing the mortgage on the assumed property has been current during the previous 12 months or - The value on the property, as established by an appraisal or sales price on the HUD-1/CD results in an LTV of 75% or less.
EMPLOYMENT AND INCOME	• Income, employment and assets are stated and verified. Documentation may not 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. **Declining Income** • When the borrower has declining income, the most recent 12 months should be used. In certain cases, an average of income for a longer period may be used when the decline is related to a one time capital expenditure and proper documentation is provided. 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 declining income is for a non-self-employed borrower, the employer or the borrower should provide an explanation for the decline and the underwriter should

provide a written justification for including the declining income in qualifying.

Employment Gaps

A minimum of 2 years employment and income history is required to be documented.

- Gaps in excess of 30 days during the past 2 years require a satisfactory letter of explanation.
- Extended gaps of employment (6 months or greater) require a documented 2 year work history prior to the absence.
- Exceptions may be considered on a case by case basis when the borrower is on the job less than 6 months, and the gap is less than 6 months.

General Documentation Requirements

- Residual income calculation requirements. All loans must meet the residual income requirement below. Residual income equals gross qualifying income less monthly debt as included in the DTI ratio. File must be documented with residual income calculations completed to determine eligibility. Can be included on the 1008

# in Household	1	2	3	4	5
Required Residual	$1,550	$2,600	$3,150	$3,550	$3,700

- Add $150 for each additional family member
- Tax transcripts for personal tax returns for 2 years are required to validate all income used for qualifying and must match the documentation in the loan file.
- Tax Payer Identification Theft
- If the 4506-T transcripts do not match the borrower's income and the borrower is a victim of taxpayer identification theft, the following conditions must be met in order to validate the borrower's income:
  - Proof of identification theft, as evidenced by one of the following:
    - Proof ID theft was reported to and received by the IRS (IRS form 14039).
    - Copy of notification from the IRS alerting the taxpayer to possible identification theft.
  - In addition to one of the documents above, all applicable documents below must be provided:
    - Tax Transcript showing fraudulent information.
    - Record of Account from the IRS – Adjusted Gross Income and Taxable Income should match the borrower's 1040s. Validation of prior tax year's income. Income for current year must be in line with prior years.
  - 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 transcripts should be obtained and provided. Larch increases in income that cannot be validated through a tax transcript may only be considered for qualifying on a case by case basis.

Salaried:

An earnings trend must be established and documented. Large increases in salary over the previous two years must be explained and documented.

- Year to date paystub.
- W-2s or personal tax returns – 2 years.
- Verbal verification of employment

	- **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. - Year to date paystub. - W-2s or personal tax returns – 2 years. - Verbal verification of employment. - • Stable to increasing income should be averaged over a 2 year period **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 **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. **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** If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment the following requirements apply: • Borrower must have documented equity in the departure residence of 25%. - Documented equity may be evidenced by an exterior or full appraisal dated within 6 months of the subject transaction OR - Documented equity may be evidenced by the original sales price and the current unpaid principal balance. - Copy of current lease agreement. - Copy of security deposit and evidence of deposit to borrower's account. **Pension, Annuity, and IRA distributions** • Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of 3 years. - Distribution must have been set up at least 6 months prior to loan application if there is no prior history of receipt OR - 2 year history of receipt evidenced. **Asset Depletion/Dissipation** Not allowed. **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**

	- Must be gains from similar assets for 3 continuous years to be considered qualifying income. - If the trend results in a gain it may be added as income. - If the trend results in a loss, the loss must be deducted from total income. - Personal tax returns – 3 years with a consistent history of gains from similar assets. - Document assets similar to the assets reported as capital gains to support the continuation of the capital gain income. **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 only be used as qualifying income if the income has been consistently received for 2 years and is identified on the paystubs, W-2 and tax returns as income and the vesting schedule indicates the income will continue for a minimum of 3 years at a similar level as prior 2 years. - A 2 year average of prior income received from restricted stock units or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the 52 week low for the most recent 12 months reporting at the time of closing. The income for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule. - Vested restricted stock units and stock options (vested) cannot be used for reserves if using for income to qualify. **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.

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- 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
- Deferred compensation
- Trailing spouse income
- Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying:
◦ Foreign shell banks
◦ Medical marijuana dispensaries
◦ Any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law.
◦ Businesses engaged in any type of internet gambling.
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<tr><td>4506-T</td><td>
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.
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	• 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
MULTIPLE FINANCED PROPERTIES	• The borrower(s) may own a total of 4 financed, 1 to 4 unit residential properties including the subject property and regardless of the occupancy type of the subject property. • All financed 1 to 4 unit residential properties require an additional 3 months reserves for each property, unless the exclusions below apply. - 1 to 4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage. - Ownership of commercial or multifamily (5 or more units) real estate is not included in this limitation. • Non purchasing spouse properties will be included.
ASSETS	• Checking/Savings/Money Market/CDs: - Two months most recent statements - 100% Eligible for Calculation of Funds • Stocks/Bonds/Mutual Funds: - Two months most recent statements. Non-vested stock is ineligible. - 100% Eligible for Calculation of Funds • Retirement Accounts (401(k), IRAs, etc.) - Most recent statement(s) covering a two month period.

	- Evidence of liquidation if using for down payment or closing costs. - Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves. - If borrower is > 59 1/2, then 70% of the vested value after the reduction of any outstanding loans - If borrower is < 59 ½, then 60% of the vested value after the reduction of any outstanding loans. • Cash Value of Life Insurance/Annuities - Most recent statement(s) covering a two month period - 100% of value unless subject to penalties. • 1031 Exchange - HUD-1/CD for both properties. - Exchange agreement. - Sales contract for exchange property. - Verification of funds from the Exchange Intermediary. • Business Funds - Cash flow analysis required using most recent three months business bank statements to determine no negative impact to business - 100% for down payment/closing costs. - Cannot be used for reserves - Borrower must be 100% owner of the business
APPRAISAL REQUIREMENTS	Purchase Transactions - ≤$2,000,000: One Full Appraisal - > $2,000,000: Two Full Appraisals Refinance Transactions - ≤$1,500,000: One Full Appraisal - > $1,500,000: Two Full Appraisals • All properties For Sale By Owner (FSBO): Two Full Appraisals • Appraisal is required on the applicable standard Fannie Mae form #1004 (Rev. 5/2005). All 2 Unit properties must be submitted on Form #1025. 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. • 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.