WHOLESALE / CORRESPONDENT
NMLS#174457

# 40 Year/10 Year Interest Only

## Primary Residence

### Purchase and Rate/Term Refinance

| Property Type | Max Loan Amount | Min Credit Score | Max LTV/CLTV | Max DTI |
|---|---|---|---|---|
| **1 Unit** | $1,500,000 | 680 | 95%[1] | 35% |
| | $2,000,000 | 680 | 90% | 43% |
| | $2,500,000 | 720 | 90% | |
| | | | 80% | 50% |

### Cash-Out Refinance

| Property Type | Max Loan Amount | Min Credit Score | Max LTV/CLTV | Max DTI |
|---|---|---|---|---|
| **1 Unit** | $1,500,000 | 720 | 95%[1] | 35% |
| | $2,000,000 | 680 | 85% | 43% |
| | $2,500,000 | 720 | | |
| | | | 80% | 50% |

## Second Home

### Purchase and Rate/Term Refinance

| Property Type | Max Loan Amount | Min Credit Score | Max LTV/CLTV | Max DTI |
|---|---|---|---|---|
| **1 Unit** | $2,000,000 | 680 | 85% | 43% |
| | $2,500,000 | 720 | | |
| | | | 80% | 50% |

### Cash-Out Refinance

| Property Type | Max Loan Amount | Min Credit Score | Max LTV/CLTV | Max DTI |
|---|---|---|---|---|
| **1 Unit** | $2,000,000 | 680 | 80% | 43% |
| | $2,500,000 | 720 | | 50% |

**Footnotes**

[1] Loan amount includes maximum combined loan balance.

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|---|---|
| **Additional Restrictions** | • Loan not assumable<br>• Temporary Buydown not eligible<br>• Escrow Holdbacks not eligible<br>• High Cost Loans (HPCT) are not allowed<br>• All loans must be underwritten to the standards contained within this matrix. Where policy is not stated, refer to Fannie Mae guidelines<br>• Non-Delegated. Must have prior approval from investor to close<br>• NDC transactions are not eligible<br>• Minimum loan amount $150,000 |
| **AUS Requirements** | • AUS submission is not required. This product is manually underwritten and Non Delegated |
| **Maximum Cash-Out** | • No limit to cash out amount. Must be within LTV/CLTV tolerance |
| **Qualifying Payment** | • Borrowers qualify using the note rate fully amortizing over 30 years (principal & interest repayment period). |
| **Appraisal Requirements** | • 1 Full Appraisal if combined loan amount is ≤ $1,500,000<br>• 2 Full Appraisals if combined loan amount > $1,500,000<br>• Appraisals must be dated within 120 days of Note and must not expire on date of closing/disbursement. Recertification of value is not allowed<br>• Transferred appraisals and FHA/VA appraisals are not allowed<br>**Disaster Areas**<br>• If the subject property is located in an area that is declared a federal disaster area, interior/exterior re-inspection is required<br>**Third-Party Property Review Requirements**<br>A Collateral Desktop Analysis (CDA) is required. LDW to order upon receipt of appraisal.<br>• CDA must include the MLS data<br>• CDA must be completed on the lower of the two appraisals.<br>• If the CDA returns a value that is ≤ 10% of the Appraised Value[1] or the purchase price, the lower of the Appraised Value or purchase price can be used to establish the LTV/CLTV |

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- If the CDA returns a value that is "Indeterminate" or > 10% of the Appraised Value, a Clear Capital Broker Price Opinion (BPO) and Clear Capital Value Reconciliation of Three Reports must be ordered. The reconciled value determined by Clear Capital will be used to determine LTV/CLTV
- If the Clear Capital CDA returns a value that is greater than the Appraised Value[1], the Appraised Value will be used to determine LTV/CLTV

**Reserves**

| Required Reserves | Program Requirement |
|---|---|
| 6 months PITIA | LTV/CLTV ≤ 80% & Loan amounts & ≤ $1.5MM |
| 9 months PITIA | LTV/CLTV > 80% |
| | Loan amounts > $1.5MM |
| | Second Home |
| | First Time Homebuyer |
| 6 months PITIA –up to max 36 months | For each additional financed property |

- Refer to Assets section for asset requirements

**Borrower Eligibility**

| Eligible | Ineligible |
|---|---|
| • U.S. Citizens<br>• First-time Homebuyers with restrictions<br>• Permanent Resident Aliens<br>• Inter Vivos Revocable (aka living) Trusts<br>• Limited Power of Attorney specific to the transaction (not allowed on cash-out refinances and any e-Signed documents)<br>• Non-Occupant Co-borrowers (cash-out refinance excluded)<br>• loanDepot Employees | • Foreign Nationals<br>• Non-Permanent Resident Aliens |

**First Time Homebuyer (FTHB)**

Borrowers are considered First-Time Homebuyers (FTHB) when there is no evidence of owning residential property in the previous three years.

- Primary Residence Only
- 24 month rental history verification required
- Non Occupant Co Borrowers not allowed
- 9 months PITIA reserves required

In the following instances, loanDepot will treat the transaction as a non-FTHB transaction for program eligibility:

- Where one borrower is a FTHB and the other borrower(s) is not
- If the borrower owns a property free and clear. Evidence of free and clear ownership must be provided

**Non-Occupant Co-Borrower**

- Owner occupied, one unit only
- Primary borrower's (occupant) credit profile will be used as the primary credit score determination and primary borrower must have a DTI of no more than 60%
- Primary borrower (occupant) must have sufficient qualifying income to cover the subject property PITIA payment. For example, if the PITIA is $1,000 per month, then the primary (occupant) borrower must have qualifying income of at least $1,000 per month
- Minimum 5% down payment must come from the primary occupant borrower's own funds. Secondary financing is not allowed. Reserve requirements must be met by the borrower's own funds
- A down payment of 100% from gift funds is allowed for LTVs of less than or equal to 80% or the program maximum when no secondary financing exists. Closing costs may also be in the form of a gift. Reserve requirements must be met with the borrower's own funds
- Non-occupant co-borrower must be vested on title for a minimum of six months for a rate/term refinance
- Cash-out refinance transactions are not allowed
- Maximum up to two non-occupant co-borrowers are allowed

**Property Types**

**Eligible**

- Single Family Residence
- PUD (Attached and Detached)
- Warrantable Condominiums

| | | |
|---|---|---|
| | **Ineligible** | |
| **Property Types** | • Mixed use properties, including, but not limited to: properties that accommodate or have been modified for home businesses, such as catering, in-home day care, animal boarding facilities, or auto repair<br>• Unimproved land<br>• Rural properties<br>• Properties in Declining Markets<br>• Hawaiian Homelands<br>• Agricultural and agriculturally zoned including properties such as working farms or ranches<br>• Properties with more than 20 acres<br>• Properties located on Indian/Native American tribal land<br>• Bed and breakfast properties<br>• Properties not suitable for year-round occupancy regardless of location<br>• Boarding houses & group homes<br>• Properties not readily accessible by roads that meet local standards<br>• Manufactured and mobile homes<br>• Condo-hotels<br>• Condo conversion less than three years from completion<br>• Co-operatives<br>• Time share units/projects<br>• Motel conversions<br>• Properties with resale restrictions such as retirement or senior communities with age restrictions | • Properties with any type of litigation<br>• Properties zoned commercial, industrial, or business (where highest and best use is commercial, industrial, or business)<br>• Property that do not have full utilities installed to meet all local health and safety standards including, but not limited to: a continuing supply of potable water, a public sewer or certified septic system, public electricity and natural or LP gas<br>• Properties appraised "subject to" without an Appraisal Update and/or Completion Certificate (FNMA Form 1004D or FHLMC Form 442)<br>• Properties appraised “as is” that are incomplete and/or require significant repairs<br>• Properties with square footage < 700 feet (eligible with 2 acceptable comparables that are within 100 square feet of subject)<br>• Unique housing types, including earth, geodesic, and log homes<br>• Property condition ratings of C5 and C6<br>• Any property with health and safety, habitability or structural issues<br>• Multi-family > 4 units<br>• Properties in Hawaiian lava zones 1 and 2 as determined by the U.S. Geological Survey’s Hawaiian Volcano Observatory<br>• Texas 50(a)(6)<br>• Property Flips –refer to property seasoning and establishing LTV/CLTV requirements<br>• Properties Listed for sale, or properties that have been listed for sale in the past six months |
| **Condominium Project Review** | • Condominiums and attached PUDs require a full HOA Certification Form<br>• Warrantable Condominium projects must meet Agency eligibility standards and insurance requirements; see Fannie Mae Selling Guide for eligibility<br>**Note**: The investor at its sole discretion may limit the number of units and overall concentration in any specific project or condo. Also may limit the number of loans in any one market area | |
| **Solar Equipment** | • Solar Panels power purchase agreements and/or UCC-1 title liens are not allowed to be subordinated. Solar panels must be common to the area and not have a negative marketability impact. At least one comparable with solar panels should be provided | |
| **Maximum Financed Properties** | • Maximum aggregate exposure limited to one borrower is $4 million<br>• The borrower may finance or own multiple properties:<br>○ If the loan is secured by the borrower's principal residence, there are no limitations to the number of properties owned or currently financed<br>○ If the loan being financed is secured by the borrower’s second home or an investment property<br>▪ The borrower may have up to 10 financed properties (including their principal residence) OR<br>▪ The borrower may own or have financed an unlimited number of properties if the loan being financed has a maximum LTV/CLTV that does not exceed the lesser of the program maximum or 70%<br>○ See Reserves requirement for each additional financed property | |
| **Minimum Credit/Trade Line Requirements** | A borrower’s credit history must reflect one of the following to generate a valid credit score:<br>• Minimum 3 open and active trade lines:<br>○ One reported for a minimum of 24 months<br>○ All active in the last 12 months (defined as last activity within 12 months of credit report date)<br>○ At least one of the three established trade line with a minimum $2,500 high credit limit<br>• Minimum four years of established credit with:<br>○ Eight or more tradelines reported<br>○ at least one of these tradelines must be a mortgage tradeline<br>• Six months additional reserves and meets one of the following requirements<br>○ DTI < 35%<br>○ LTV/CLTV < 70% or the program maximum, whichever is less<br>• **Unacceptable Trade Lines:** Collections, charge-offs, public records and derogatory credit, included in or prior to a bankruptcy, accounts currently > 90 days delinquent, student loans not currently in repayment, and authorized user accounts. | |

**Credit Requirements**

- No borrower in a transaction may have frozen credit
- At least two qualifying credit scores must be provided for each borrower when their income and/or assets are used to qualify.
- Re-pulling of credit including Rapid Rescores are not allowed
- Borrowers with limited, no credit history, or that do not meet the minimum credit requirements are not eligible
- All delinquent credit that will impact title, including delinquent tax payments, judgments, charge-off accounts, tax liens, mechanic's liens and litigation liens must be paid off prior to or at closing

| Derogatory Event | Waiting Period Requirement |
|---|---|
| **Bankruptcy — Chapter 7** | 4 Years from discharge to application date |
| **Bankruptcy — Chapter 13 and 11** | 4 Years from discharge to application date |
| **Multiple Bankruptcy Filings** | Ineligible regardless of the age of the bankruptcy or whether it was discharged or dismissed. |
| **Foreclosure** | 4 Years from completion date of foreclosure action |
| **Loss Mitigation –includes Deed-in-Lieu, Short Sale, NOD, Short Refinance, Pre-foreclosure, Extension, Modification, Forbearance and Charge-off** | 4 Years |
| The borrower's initial application date will be used to determine the seasoning for prior bankruptcy, loss mitigation, foreclosure events, etc. | |

**Major Adverse Credit**

- Collection accounts, charge-off accounts, judgments, liens, delinquent property taxes, repossessions, account(s) currently 90 days past due, and garnishments are considered to be major adverse credit and are not required to be paid off
- All delinquent credit that will impact title must be paid off prior to or at closing. Title must insure loanDepot's lien position without exception. The following are examples of major adverse credit that may or have impact on title: Mechanics liens, delinquent property taxes, tax liens, tax payment plans, charged off student loans, judgement liens, litigation liens

**Lawsuits and Pending Litigation**

If the application, title, or credit documents indicate that the borrower is involved in a lawsuit or litigation, additional documentation (e.g., attorney's explanation, copy of the complaint, and/or other supporting documentation) is required. The title company closing the loan must provide a letter stating affirmative coverage of subject lien position.

Generally, lawsuits and pending litigation are not eligible under this loan program. Situations in which the lawsuit or pending litigation does not have a meaningful impact on the borrower's ability to repay the mortgage may be permitted

**Bankruptcy**

Bankruptcy is defined as court proceedings to relieve the debts of an individual or business unable to pay creditors. Bankruptcy may be declared under one of the Chapters of the Federal Bankruptcy Code.

- **Chapter 7** covers liquidation of individual or business assets
- **Chapter 11** covers reorganization of bankrupt businesses

If there is evidence that the borrower's business has filed a Chapter 11 bankruptcy, the following is required:

- Documentation to show the reason for the bankruptcy action
- Evidence that the bankruptcy has been discharged
- Third-party verification that the business is currently stable and a going concern

**Note**: Chapter 11 bankruptcy will not impact the borrower's credit grade unless the borrower is personally liable for the reorganized debt.

- **Chapter 13** covers contractual repayment by individuals

The aging of a Chapter 13 bankruptcy is measured from the discharge date. If the borrower enters into bankruptcy and cancels, the seasoning is measured from the Cancellation Date.

Bankruptcy dismissal dates are treated the same as discharge dates. If the discharge/dismissal date cannot be established, documentation validating the date(s) must be provided. Credit depth and minimum tradeline requirements must be met post-bankruptcy. Credit prior to the bankruptcy will not be considered for meeting minimum credit and tradeline requirements

**Consumer Credit Counseling Services**

CCCS plan must have been paid in full. A payment history is required in this situation and if delinquent in the most recent 12 months, the CCCS will be treated as an open Chapter 13 and is ineligible. The date the CCCS was paid off will be considered the discharge date. If borrower enters into CCCS and subsequently cancels, the seasoning is measured from the cancellation date

**Foreclosures**

A foreclosure is a proceeding that enables the creditor, in accordance with the terms of the security instrument, to take legal action that could ultimately result in the forced sale of the collateral property for full or partial satisfaction of the debt. Such action typically extinguishes the property owner's rights, title, and interest.

Foreclosure history includes Breach, Lis Pendens, Notice of Sale, Sheriff's Sale, Short Payoff, Bankruptcy Notice. The length of time elapsed since the occurrence or completion of the foreclosure is considered.

**Delinquencies Equal or Greater than 120 Days**

In the instance where a borrower has been or is currently delinquent 120 days or longer on a mortgage account and the lender has not initiated formal actions, the 120 days plus delinquency will be treated as a foreclosure unless documentation is provided to show how the event finalized.  For example, if a 120 day delinquency occurred but the loan went into a modification, it would be considered a loss mitigation event.

If a foreclosure is included in the bankruptcy, each event is treated separately for grade determination.

If a foreclosure is included in the bankruptcy, each event is treated separately for grade determination. loanDepot must determine the seasoning for each event and grade the loan accordingly.

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| **Loss Mitigation History – Modifications, Forbearances, Rearrangements, Extensions, or Workouts** | An agreement to forebear, workout, extend, or rearrange the terms of the original loan does not change the fact that the loan was not paid in accordance with its original terms. This applies even if the extension or modification was initiated by the borrower and the debt was subsequently paid in accordance with the rearranged terms.<br>Loss mitigation history includes Deed-in-Lieu, Short Sale, Notice of Default (NOD), Short Refinance, Pre-Foreclosure Sale, Loan Extension, Loan Modification, Forbearance, Charge-offs.<br>The length of time elapsed since the occurrence or completion of the loss mitigation event is considered in the credit grade determination |
| **Mortgage/Housing History** | One of the following scenarios must be met to satisfy the borrower's mortgage/housing payment history for their primary residence:<br>• A fully documented, recent, consecutive, 24-month housing history. If there are multiple borrowers on the loan, only one of the borrowers must have a primary housing history. A non-occupant co-borrower's history may not be used to satisfy this requirement<br>• Evidence that the primary residence is owned free and clear (e.g., copy of title or credit report). The mortgage/housing history will be treated as 0x30x24<br>Borrowers who lack a primary mortgage/housing history or do not have a complete history as required by the program guidelines are eligible if one of the following is met:<br>• Borrower has a fully documented, recent, consecutive 24-month mortgage history on an additional owned property. The following apply:<br>○ LTV/CLTV of 90% or the program maximum, whichever is lower<br>○ Primary residence<br>○ Mortgage history must be from an institutional lender<br>• Borrower lives rent-free or does not have a fully documented, recent, consecutive 24-month mortgage history. This includes situations where the borrower may have received a rent holiday, payments have lapsed due to divorce/separation, or other instances where the most recent 24-month housing history is not consecutive or complete. The following apply:<br>○ LTV/CLTV of 80% or the program maximum, whichever is lower<br>○ Minimum credit score of 720<br>○ Primary residence<br>**Note:** Borrowers who do not meet the above requirements for primary housing history will be reviewed on a case by case basis. The following will be considered:<br>○ Recent college or trade school graduates living with relatives<br>○ Borrowers who are temporarily living with relatives while they are in the process of purchasing a new home |
| **Housing and Debt-to-Income Ratios** | The following qualifying rates will be used to calculate the monthly housing expense:<br>• **Fixed Rate Loans** qualified using the fully amortized payment calculated at the note rate<br>• **Adjustable Rate (ARM) Loans**<br>○ **5/1 ARM** - qualified at the higher of the fully indexed rate or the initial note rate plus the periodic adjustment (2%)<br>○ **7/1 ARM** – qualified at the higher of the fully indexed rate or the initial note rate<br>○ **10/1 ARM** – qualified at the higher of the fully indexed rate or the initial note rate using the fully amortizing principal and interest payment during the principal repayment period<br>**Interest Only Loans** qualified at the note rate based on the fully amortizing principal and interest payment during the principal repayment period. Borrowers will not be qualified on the Interest Only payment amount<br>**Home equity lines of credit (HELOC)**<br>○ Use the payment noted on the credit report or recent monthly account statement, OR 1% of the maximum current available draw if the payment is not verified on the credit report or monthly account statement<br>• Commercial property owned by borrower must be analyzed to determine if the debt and payment history should be considered in the qualifying ratios<br>• Mortgage payment shock > 150% may require further review and additional compensating factors and/or documentation(s) may be required |
| **Second Trust Deeds, Junior Liens, and Secondary Financing** | The following rights and restrictions apply to second trust deeds, junior liens, and secondary financing when financing a first mortgage with non-loanDepot secondary financing:<br>• The maximum program loan amount includes combined loan balance.<br>• The CLTV ratio of the first and secondary lien must not exceed the limit outlined in the applicable Loan Program Matrix. The CLTV is calculated by adding the principal balance of the first mortgage with the current principal balance of the subordinated closed-end second lien or the maximum available credit line of a subordinated open-end second lien and then dividing the sum by the appraised value of the property<br>• A copy of the executed second lien note, recorded trust deed, and signed subordination agreement must be provided to confirm the loan amount, terms, and lien status<br>• Terms of the subordinate lien must be less than or equal to the term of the first mortgage<br>• The subordinate lien must have a minimum remaining term of no less than five years, unless the financing fully amortizes prior to that time<br>• The financing must not permit the note holder to "call" the financing within the first five years following the loan closing<br>• The note rate must be at market rates |

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| | • The secondary financing must not have a negative amortization feature<br>• The terms of the note must provide for regular monthly payments of at least the interest due with no provisions for future advances or wrap-around terms<br>• Monthly payments on the secondary financing must be included in the borrower's debt-to-income ratio<br>• Payments may be graduated or variable, as long as the annual payment adjustment of the secondary financing does not exceed a 2% interest rate increase<br>• The subordinate lien must be from an institutional lender<br>• Lienholder of the prior mortgage must subordinate their position as primary lienholder acknowledging consent to secondary lien position<br>**Home Equity Lines of Credit** - The calculation of the CLTV must include the total usable HELOC. For qualification purposes, in calculating the monthly housing payment, use the following:<br>• For an existing subordinate lien, use the payment noted on the credit report or monthly statement (1% of the maximum current available draw will be used if the payment is not verified). If there is no balance, then no payment will need to be used<br>• For a simultaneous HELOC originated with a new first mortgage, use the amount to be drawn at funding. The ATR repayment calculation method for simultaneous loans must be used<br>**Second Trust Deeds, Junior Liens, and Secondary Financing**<br>• If the secondary financing is a simultaneous closing, a copy of the loan approval from the institution providing the secondary financing prior to closing, AND a copy of the executed note at closing is required<br>• If the secondary financing is a subordinate, the terms of the current second mortgage, an unsigned copy of the subordination agreement prior to closing, AND a copy of the executed subordination agreement at closing are required |
| **Liabilities and Debt Types** | The DTI ratio includes the monthly housing expenses plus the following:<br>• **Installment debt** < 10 payments that is substantial (equals or exceeds 5% of the borrower's qualifying income). These substantial payments must be included in the borrower's DTI calculation<br>○ Paying down of installment debts to 10 or less to qualify is not allowed<br>○ Installment debt that is paid in full prior to or at closing may be excluded from the borrower's DTI calculation. All funds used to pay off debt must be sourced<br>○ Auto lease payments are included in the DTI ratio regardless of the remaining months indicated on the credit report. If the auto lease is paid in full prior to or at closing, it may be excluded from the borrower's DTI calculation<br>• **Revolving debt** – If the credit report does not show a required minimum payment amount and there is no supplemental documentation to document a monthly payment, an amount equal to a minimum of $10.00 or 5% of the outstanding balance must be used as the borrower's recurring monthly debt obligation<br>• **Monthly alimony, child support or separate maintenance fees** with 10 or more payments remaining must be included in the borrower's qualifying DTI<br>• **Divorce debt** will be considered an obligation of the borrower unless a fully executed legal separation agreement or divorce decree<br>• **Delinquent credit which belongs to an ex-spouse** may be excluded from the DTI when all of the following apply:<br>○ A copy of the filed/recorded divorce decree or recorded separation agreement shows that the derogatory accounts belong solely to the ex-spouse<br>○ Late payments have occurred after the date of the divorce or separation<br>○ If the debt is a mortgage, evidence of title transfer prior to any delinquent debt must be provided and evidence of the "buyout" must be included as part of court proceedings<br>• **Current principal residence pending sale** that will not close prior to the new subject transaction purchase; one of the following options must be met<br>○ If **not** under contract:<br>▪ A signed letter of intent from the borrower indicating that they intend to list the departure residence for sale within 90 days of closing the subject transaction<br>▪ Equity in the departure residence must be documented with an Exterior-Only Appraisal (FNMA Form 2055)<br>▪ Departure residence must have a minimum of 20% equity after deduction of outstanding liens. Note: If the equity position is less than 20%, the full payment must be included in the borrower's qualifying DTI<br>▪ Additional reserves for marketing time of 6 months or less – 12 months PITIA<br>▪ Additional reserves for marketing time of over 6 months – 24 months PITA<br>▪ Maximum LTV/CLTV on the subject transaction is 90%<br>○ If under contract:<br>▪ A copy of an executed sales contract for the property pending sale and confirmation that all contingencies have been cleared/satisfied is required<br>▪ The pending sale transaction must be arm's length<br>▪ No appraisal required for the departure residence<br>▪ The borrower must be netting positive proceeds from the sale of the property or assets must be accounted for to cover any funds the borrower may have to bring to closing on the sale of the departure residence<br>▪ No limit on LTV/CLTV, refer to the program maximum<br>▪ Maximum LTV/CLTV on the subject transaction is 90% |

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| | ○ If the above options are not met, the borrower's current residence PITIA is included in the qualifying ratio<br>• **Business debts** may be excluded via 6 months consecutive cancelled checks from the business documenting borrower is not personally liable; must include if new or < 6 months<br>• **Auto leases** must be included in DTI regardless of the number of payments remaining<br>• **Co-signed debt** payment can be excluded with minimum 12 months consecutive cancelled checks documenting the primary debtor makes the payments - 0x30. If account is delinquent, payment must be included in the DTI.<br>• **Student loans** in deferment, forbearance or in repayment, use 1% of unpaid balance or the actual documented payment<br>• **Monthly paid charge accounts** (AMEX), payment will not be included but the balance amount must be netted out of available assets |
| **Income** | Income must be considered stable, likely to continue, and sufficient to enable the borrower to repay the debt in a timely manner. Material inconsistencies must be investigated. All income used to qualify must be documented in accordance with Appendix Q guidelines. In the absence of a definition for a specific topic in Appendix Q, FNMA guidelines must be followed.<br>• A significant increase of income should be averaged and may not be used to qualify unless sufficient documentation to determine the increase is stable and likely to continue<br>• When current income decreased from prior year, the lower amount must be used for qualifying instead of the averaged income; provide an explanation for the decline income<br>• Employment gaps that extend 30 days or more require a written explanation letter from the borrower. Explanation will be reviewed for reasonableness<br>○ New employment documentation – employment contract specifying start date, position, rate of pay and no contingencies, or WVOE and copy of first paycheck stub<br>• Borrower employed by a relative must provide two years of federal tax returns<br>• Future income is not allowed |
| **Residual Income** | • DTI > 43% requires household residual income ≥ $3,500<br>• DTI ≤ 43% requires household residual income ≥ $1,500 |
| **Full Documentation Income Types** | The borrower must provide evidence of 2 years of stable income derived from employment in the same line of work or other acceptable and verifiable sources. A borrower who finished college, trade school or military service and who does not meet the length of employment required must provide a copy of their diploma or discharge papers.<br>**Salary/Wage Earner**<br>• One of the following must be supplied:<br>○ W2's for the past 2 years and paystubs for the most recent 30-day period showing YTD earnings<br>○ Written Verification of Employment (WVOE) showing earnings for the past 2 years and YTD earnings and paystubs for the most recent 30-day period showing YTD earnings<br>○ 2 years of personal tax returns with all schedules, W2s, and paystubs for the most recent 30-day period showing YTD earnings<br>**Note**: Bonus, commission, overtime and gratuity income must have a 2 year history of receipt in order for the income to be included for qualifying. If bonus or commissions represents ≥ 25% borrower's income, 2 years tax returns are required.<br>• Primary income from commissions, consultation fees, or real estate rents will be required to provide 2 years of personal tax returns<br>• Paystubs and salary vouchers must be computer-generated or typed, not handwritten. Documents must clearly identify the employer, the borrower as an employee, show the time period covered, and provide YTD earnings<br>• VVOE must be performed within **10** business days prior to the Note Date<br>**Self-Employed Income**<br>Required for all borrowers considered Self-Employed:<br>• Two years of personal tax returns with all schedules<br>• Two years of K1s (if applicable)<br>• If the borrower has 25% or more ownership interest in a Partnership, S-Corporation, or Corporation, business tax returns for the past two years including all schedules must be provided<br>• Signed and dated year-to-date Profit and Loss Statement (P&L), if more than 120 days have lapsed since filing the last tax returns<br>• Note: Income from the year-to-date P&L may be included in the income calculation if consistent with earnings from previous years<br>• Balance Sheet<br>In addition, evidence of self-employment in the same business for the past 2 years is required. One of the following may be used for verification of the business:<br>• A copy of the business license covering the most recent 2 years<br>• A copy of the business license for the current business year and a verbal verification through the issuing municipality confirming that the business is current and active and has been in existence for 2 full years<br>• Alternate documentation may be used only if a license is not required for the particular type of business. Alternative options include any of the following:<br>○ Dunn and Bradstreet report |

  - Articles of incorporation
  - Fictitious business name filing
  - Title registration
  - Liability insurance or Surety Bond
  - Letter from a certified public accountant (CPA)
  - For rental income, copies of current leases
- A verbal verification of employment must be completed within **30** Business Days prior to the Note Date

**Fixed Income**

- If a type of fixed income is used to qualify the borrower, proof of income and probability of continuance for at least three years must be provided, if applicable
- Non-taxable fixed income may be grossed up by 125% provided that the income is likely to continue for 3 years and will remain untaxed
  - Only the net income will be used for determining disposable/residual income
  - For Social Security income, use gross income prior to Medicare and insurance payments
  - The borrower's net income (before gross-up) is sufficient to pay all debts

**Temporary Leave and Short-Term Disability Income**

Maximum 80% LTV/CLTV or the program maximum, whichever is less.

Leave from work ceases being considered temporary when the borrower does not intend to return to the current employer or does not have a commitment from the current employer to return to work. The following apply:

- If the borrower will return to work prior to the first mortgage payment, then the borrower's regular employment income that will be received upon their return to work may be used for qualifying
- If the borrower will return to work after the first mortgage payment, then the borrower's temporary leave income is used for qualifying
- Documentation evidencing amount, duration, and consistency for all temporary leave income sources must be obtained when used for qualifying
  - Verify the borrower's pre-leave income and employment, regardless of leave status
  - Obtain documentation from current employer confirming the borrower's statutory right to return to work (or employer's commitment to permit the borrower to return to work), the confirmed date of return, and the borrower's post-leave employment and income
  - Obtain written statement signed by the borrower confirming that they will return to their current employer and stating the confirmed date of return
- When a borrower is currently receiving short-term disability payments that will decrease to a lesser amount within the next 3 years because they are being converted to long-term benefits, the amount of the long-term payments must be used in determining the borrower's stable income

In addition to the above guidelines, the following applies for worker's compensation:

- Benefits that have a defined expiration date must have a remaining term of at least 3 years from the date of the mortgage application in order to be used for qualifying the borrower
- A copy of the borrower's disability policy or benefits statement must be obtained to verify the amount of the disability payments and to determine whether there is a contractually established termination or modification date
- A statement from the benefits' payer (insurance company, employer, or other qualified and disinterested party) must be obtained to confirm the borrower's current eligibility for the disability benefits

**IRA Distributions**

To document IRA distributions, evidence of the following is required:

  - Two year history showing on borrower's tax returns and three years continuance, or
  - Distribution letter, evidencing at least one month's receipt and three years continuance
  - The borrower must have unrestricted access without penalty to the account(s). 70% of the value of the IRA must be used to determine the number of remaining distributions.

**Rental Income**

All investment properties require a rental income analysis to determine positive or negative cash flow.

- Provide either:
  - Borrower's most recent two years of federal income tax returns, including Schedule E, OR
  - Copies of the current lease agreement(s) if the borrower provides an acceptable explanation regarding use of lease(s) vs Schedule E (i.e., property owned less than one year). Two years tax returns, including Schedule E, would still be required to validate actual expenses and prior lease amounts
- If the property was rented:
  - The rental income must be averaged over 24 months, or
  - If the property was rented less than 24 months, the lesser of the most recent year's tax returns or 75% of the current lease, if provided, will be used to calculate rental income
- If the appraisal, including Form 1007 or Form 1025, or current leases are being used for rental income:
  - Rental income is calculated by multiplying the gross monthly rent(s) by 75%. This is referred to as "Monthly Market Rent" on the Form 1007 or 1025. If leases are provided, the lower of the market rents or leases will be used for qualifying

- For rental income calculation, refer to the Fannie Mae Seller Guide. Ineligible rental income includes:
    - Boarder income
    - Room rent (if any of the units in a property are receiving room rent, none of the rental income received for the property may be used as qualifying income.)
    - Income from accessory units
    - Income from properties listed for sale

**Short-Term Rental Income**

- Rental income from short leases, Airbnb, VRBO, Homestay or other vacation rentals (i.e., short-term rentals) will be allowed with a 2-year history of receipt as reported on the borrower's income tax returns. Evidence that the property is currently being offered for rent in the same manner is required. Market rents cannot be used for short-term rental income, a 2-year history is required
- A positive cash flow will be added to gross income; negative cash flow will be added to total liabilities and used to qualify the borrower. If the borrower owns multiple properties, rental income may be calculated on an aggregate basis
- Investment properties that generate a negative cash flow will be closely scrutinized and must be appropriate for the borrower's circumstances
- Rental income received from a family member may not be used as income without copies of a minimum of six months of cancelled rent checks provided by the tenant family member

**Departing Residence**

- If a fully executed lease is not available, a rent survey from the appraiser and 75% of the rental amount will be used
- If a fully executed lease is available (must be arm's length), 75% of the rental amount will be used and copies of the cancelled checks for the first month's rent and for the security deposit is required

**Ineligible Rental Income** – Border income, room rent (if any of the units in a property are receiving room rent, none of the rental income received for the property may be used as qualifying income), income from accessory units, income from properties listed for sale.

**Interest and Dividend Income**

Interest and dividend income may be used if verified through tax returns as stable for two years and if additional verification is obtained as proof that the funds are still on deposit in the financial institution or investment portfolio account.

Income must be proportionately reduced if funds are used to close in a purchase money transaction.

**Capital Gain Income**

Capital gain or loss that is a one-time transaction will not be considered as a gain or loss in determining the income available to the borrower. However, if the borrower's business has a constant turnover of assets that produce recurring gains or losses, the capital gain or loss may be considered in line with the following:

- An average of the gains or losses for the last two years as disclosed on the borrower's Capital Gains and Losses (IRS Schedule D)
- When the income from this source represents a substantial portion of the borrower's income, the borrower's tax returns for the past two years must be reviewed, regardless of documentation type, to determine a more accurate estimate of average earnings. For example, an asset sold during the year might be an income-producing asset, which could result in a reduction in future income.
- Borrowers must document an asset base in order to use capital gain or loss on an on-going basis

**Restricted Stock Units (RSUs)**

The following restrictions apply:

- May only be used as qualifying income if the income has been consistently received for the prior two years and is continuing and is identified on the borrower's tax returns as income
- Restricted stock income will be treated and calculated like bonus income using a prior two year average as reported on W-2s and tax returns
    - If the restricted stock income is declining, proof of stability will need to be provided and the most conservative average will be used for qualifying
- Borrower must be employed at the same company that issued the RSU
- Income verification obtained through a third-party verification service provider is not allowed when using RSUs as income
- Non-vested restricted stock is not an acceptable source of income or reserves
- Employer must be a publicly traded entity (e.g., a Fortune 500 company). It cannot be a privately held company
- RSU income must be likely to continue for three years

Required Documentation for RSU Income:

- Evidence that stock is publicly traded
- Most recent vesting schedule or issuance agreement showing continuance of RSU income for a minimum of three years
    - To prove three year continuance, take the available RSUs from note date multiplied by the 52-week low stock price divided by 36 months. The monthly amount must be greater than or equal to the monthly qualifying amount
- Evidence of the previous two year's payouts of RSUs. Acceptable verification includes:
    - Two years tax returns reflecting RSU income
    - Year-end paystubs that include RSU payout OR

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| | ○ Employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds that must, at a minimum, include:<br>▪ Date of the payout(s)<br>▪ The number of vested shares and their cash equivalent distributed to the borrower<br>• Vested RSUs cannot be used for down-payment, cash to close or reserves if they are being used for income<br>**Farm Income**<br>Net farm income reported on the borrower's income tax return Profit and Loss from Farming (IRS Schedule F) is eligible. Depreciation, pension, amortization, and depletion can be added back to income.<br>**Employed by a Relative**<br>Income derived from a family-owned business or from a relative must be fully documented.<br>**Trust Income**<br>Trust income may only be derived from an irrevocable trust or a revocable trust where a borrower who is the beneficiary has also established the trust. In order to verify trust income, a copy must be provided of the original Trust Agreement showing the length of time and amount of income that will be received. The income must continue for at least three years after closing. A borrower's trust income may be taxed at a lower rate or it may be part of a partnership that writes off losses resulting in no tax liability.<br>A complete copy of the trust agreement or certification letter from a bank trust administrator outlining total income paid to the borrower, method of payment, duration of trust and any nontaxable portion is required. Additionally, personal tax returns with all schedules, K-1s, 1041s and/or other documentation per program guidelines are required.<br>Lump sum distributions made before loan closing may be used for down payment or closing costs if they are verified by a copy of the check or the Trustee's letter that shows the distribution amount. If a distribution was made that reduces the trust income, the reduction must be taken into consideration in computing the income.<br>**Annuity Income**<br>Income from a retirement annuity may be used for qualification with proper documentation. A statement from the financial institution managing the annuity is required to verify the balance in the annuity, the monthly payments and the term of the payments to be distributed. Payments to the borrower showing one month's receipt and proof of continuance for a minimum of three years is required.<br>**Inherited and Guaranteed Income**<br>Ongoing income received from inheritance, prize earnings, or lottery winnings are eligible for loan qualification. Documentation must verify that the income will continue for at least three years.<br>**Other Income**<br>Second job, seasonal employment income, housing allowance, etc. must have a 2 year consecutive history of receipt and likely to continue for at least 3 years<br>**Ineligible Income**<br>Foreign income, Contributions or support from family members (other than alimony/child support), deferred income not presently available, educational benefits, illegal income, one-time capital gains (continuing capital gains is an acceptable source of income), projected income, refund of federal or state income tax, rental income on a 2nd home, accessory unit or an ineligible 2nd unit, reimbursable income, gambling winnings, automobile allowances (used to offset the auto payment only), per diem income, retained earnings, unverifiable sources, ownership in a business that is federally illegal, mortgage credit certificates, mortgage differential payments.<br>**Tax Returns, 4506-T, Tax Transcripts**<br>Tax extensions until October 15th are allowed. If the borrower has not filed tax returns by April 15th evidence of the tax extension (IRS Form 4868), proof of tax liability payment made and 4506-T transcripts confirming 'No Transcripts Available' for the extended year is required<br>The borrower must sign an IRS Form 4506T. Tax transcripts required (personal and business as applicable) |
| **Assets** | Assets and reserves must be sourced and seasoned for at least 60 days and need to be deposited in U.S. financial institutions.<br>• Direct, written verification of deposit (VOD) completed by the depository. In cases where the borrower has a joint account with someone other than the co-borrower(s), the VOD must clearly show the borrower has authorized access to all the funds. The VOD must cover a minimum of 60 consecutive days<br>• 2 months of current and consecutive account statements from each bank, brokerage, mutual fund account, or investment portfolio covering a minimum of 60 consecutive days<br>• Account statements must include –the borrower as the account holder, account number, time period covered, current balance, statement date, name of the depository or investment institution<br>• The borrower must explain any recent large deposits, newly opened accounts (within the last 90 days), or account balances that are considerably greater than the average balance over the previous few months. Any indications of borrowed funds must be investigated. A large deposit is any deposit greater than 50% of gross monthly income.<br>• A written explanation of the source of funds from the borrower must be obtained and the source of funds verified<br>**Minimum Down Payment**<br>The borrower is required to make a minimum down payment of 5% from his or her own funds. The balance must be paid from cash, other equity, gift funds, or secondary financing. In all instances, the borrower must meet reserve requirements with their own funds. |

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| | With an LTV of 80% or less, the full down payment may come from a gift when no secondary financing exists. In this instance, closing costs may also be in the form of a gift. Reserves must be from the borrower's own funds. The loan file should clearly state the source of funds for the down payment and closing costs.<br>Gift funds are not allowed on second homes transactions.<br>**Age of Asset Documentation**<br>May not be greater than 90 days old as of the Note Date.<br>**Ineligible Assets and Sources of Funds**<br>Stocks held by privately held corporations, stock options, non-vested restricted stock units, cash-out refinance proceeds, non-financial assets unless liquidated , assets titled in an irrevocable trust, custodial accounts, escrow accounts, 529 Accounts, accounts pledged as collateral on another loan, below investment grade corporate and municipal bonds, health savings accounts. |
| **Acceptable Assets and Sources of Funds** | **Checking/Savings and Money Market Accounts**<br>Funds held in checking, savings, certificates of deposit, money market and other deposit accounts are acceptable sources of funds provided Verification of Deposit (VOD) or acceptable alternative documentation is used to verify these accounts.<br>The source of funds for a recently opened account or for a large increase must be explained and verified. Copies of the borrower's bank statements must reliably document that the funds were not recently borrowed. The statements should show that the funds were accumulated prior to funding.<br>**Business Funds**<br>The borrower(s) must be the sole proprietor or 100% owner of the business.  If the borrower(s) do not own the business entirely, a CPA letter or other third-party verification is required to evidence that they have access to the funds and that the funds are not an advancement on future earnings or cash distributions.<br>• Business funds must be verified using standard documentation requirements<br>• Funds must be seasoned for 60 days (large deposits must be sourced and documented)<br>• A letter from the CPA (or similar third party) OR a cash-flow analysis (FNMA Form 1084 or similar form) OR 3 months business bank statements evidencing ending balances for each month that are greater than the funds being used for the transaction is required to determine the withdrawal of the funds will not have an impact on the business. The borrower (s) must be 100% owner of the business<br>**Retirement Accounts**<br>If the borrower is < 59.5 years old, 55% of the vested amount may be used. If the Borrower is ≥ 59.5 years old, 65% of the vested amount may be used.<br>**Stocks, Bonds, and Other Securities**<br>Acceptable evidence of ownership and value include a statement from the brokerage company indicating ownership of the securities and verifying the sale, verification from the bank where the securities were sold or redeemed, copies of sale documents.<br>**Foreign Assets**<br>Funds must be transferred to a United States domiciled account in the borrower's name within 30 days of closing, but in all cases 10 days prior to closing.<br>• Assets must be verified in U.S. dollar equivalency at the current exchange rate via either www.xe.com or the Wall Street Journal conversion table and a copy of the 2 most recent statements of the foreign account to verify that funds are seasoned a minimum of 60 days are required<br>**Cash Value of Life Insurance**<br>If the funds are being used for reserves, the amount must be verified but does not need to be liquidated<br>• Required documentation includes a computer-generated or physical letter from the insurance company, the insurance company, the policy holder, period covered and ending cash value must be identified on the letter<br>Repayment or additional obligation considerations and the impact on borrower qualification must be assessed<br>**Other Accounts**<br>Accounts such as annuities, trust funds and hedge funds may be utilized. Documentation must be provided to show that the funds are available to the borrower and under what conditions the funds may be withdrawn. If being used for reserves, annuities are treated the same as retirement accounts.<br>**Borrowed Funds Secured by Assets**<br>Subject to the following:<br>• The loan must be secured by an asset owned by the borrower, such as a certificate of deposit, stock, bond, real estate (other than the subject property), life insurance policy, savings account, or a bridge loan, the loan must be from an institutional lender, the DTI ratio calculation must show that the borrower is qualified to pay the additional debt and a copy of the executed note reflecting the terms and proof of the receipt of the funds must be provided<br>**Sale of Real Property**<br>If the source of funds to close is proceeds from the sale of real estate owned by the borrower, the amount of net proceeds must be documented with a copy of the final Closing Disclosure along with the receipt of the proceeds by the borrower.<br>**Gift Funds**<br>A down payment of 100% from gift funds is allowed for LTVs of less than or equal to 80% or the program maximum when no secondary financing exists. Closing costs may also be in the form of a gift. Reserve requirements must be met by the borrower's own funds. If the borrower is receiving a gift for more than the amount to close, the "excess" cannot be used as reserves. Eligible |

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| | donors include a close relative of the borrower, a close friend with a clearly-defined and documented interest in the borrower, or a fiancé.<br>If the borrower receives a gift from a relative, domestic partner, or fiancé who has lived with the borrower for the last 12 months, the gift is considered the borrower's own funds and may be used to satisfy the minimum borrower contribution requirement if all individuals currently occupy or intend to occupy the subject property.<br>Ineligible donors include:<br>• Borrower's employer or labor union<br>• Federal/state/local government agencies providing home ownership assistance without repayment or established lien requirements<br>• Corporations established for the humanitarian, welfare, or charitable purposes<br>• Individuals with an interest in the sale of the property (e.g., builder or seller, real estate broker, marketing agent, or any person/corporation/organization associated with them). Gifts of credits from these sources are considered inducements to purchase and must be subtracted from the contract sale price<br>• Nonprofit entities that provide gifts to homebuyers for the purpose of paying off installment loans, credit cards, collections, judgements, and similar debts<br>Gift funds must be verified by a signed gift letter that contains the donor's relationship to the borrower, the donor's address and phone number, subject property address, the dollar amount of the gift and certification that it is a gift with no repayment required.<br>• If the gift funds are transfer prior to the loan closing, a copy of the donor's bank statement and canceled check or other withdrawal document showing that the withdrawal is from the donor's account and the borrower's deposit receipt and bank statement showing the deposit are required<br>• If the gift funds are transferred at loan closing, the closing agent's receipt of the gift funds from the donor for the amount of the gift and a copy of the donor's bank statement to evidence that those funds came from an acceptable source are required<br>• If the donor borrowed the gift funds and cannot provide the documentation from their bank or other savings account, the donor must provide evidence that those funds were borrowed from an acceptable source. Donors may borrow gift funds from any other acceptable source provided that the borrowers are not obligors to any note to secure money borrowed to give the gift<br>• "Cash on hand" or "mattress money" is not an acceptable source of the donor's gift funds<br>**Gifts of Equity**<br>Gift of equity is defined as equity in a property given by the owner to the borrower when the borrower purchases a home from an immediate family member, defined as parents, grandparents, siblings, spouse, children, aunts, and uncles. Gift of equity is acceptable from immediate family members and no repayment is expected. Property must be owner occupied. Verification of a gift of equity must be reflected on the purchase agreement or Closing Disclosure. Gift of equity transactions must also comply with Interfamily Transfer requirements in this chapter. Gift of equity transactions should be supported by an appraisal at fair market value. Generally, sales prices that have a 10% variance from the fair market value established by the appraisal are subject to further review and documentation.<br>**Tax Deferred Exchange Proceeds**<br>A 1031 tax deferred exchange is an acceptable source of down payment for an investment property purchase transaction only. Reverse exchanges are not allowed.<br>• When the relinquished property is transferred prior to the purchase of the subject (acquired) property, a 1031 exchange agreement and title transfer and verification of the receipt of funds from the qualified intermediary/accommodator are required<br>• When both properties of a 1031 tax deferred exchange transaction are closing simultaneously, a copy of the sales contract, full appraisal, fully executed Closing Disclosure, fully executed deed transferring title, the 1031 exchange agreement (should identify the holder of funds, buyer and home seller, expiration date, agreed upon value, Closing Date, closing costs and conditions of transfer and repairs, if required), and a statement of borrower's equity for the property to be relinquished, calculated as the lesser of the appraised value or the trade-in value (sales price) from the sales contract minus any outstanding liens and transfer costs<br>• The loan closing must be handled by a qualified intermediary, typically an escrow company or licensed exchange company, who enters into a written agreement with the borrower. The qualified intermediary cannot be an agent, investment banker, broker, employee of the borrower, or related family member |
| **Transaction Types** | **Purchase**<br>• Non-Arm's length transactions are not eligible for purchase<br>• Interfamily transfers are eligible<br>○ The appraised value must support the value and existing liens on the property must be current, full documentation loans only and the CD must reflect the gift of equity as part of the transaction or the purchase price<br>▪ For owner occupied properties, the maximum LTV/CLTV is 80% or the program maximum, whichever is lower<br>▪ For non-owner occupied properties, the maximum LTV/CLTV is 70% or the program maximum, whichever is lower<br>○ Family members are defined as parents, grandparents, siblings, spouses, children, aunts and uncles<br>• Rent-Back purchase transactions where the rent-back period is greater than 30 days are ineligible<br>**Rate/Term Refinance** |

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| | Mortgage loan proceeds are used for reasonable and customary loan closing costs/fees, payoff of the first mortgage, payoff of closed end subordinate mortgage(s) that are at least 12 months seasoned, used to purchase the property, used for documented home improvements, and/or payoff of HELOCs that where a cash draw greater than $2,000 has not been taken in the last 12 months or proceeds have been used for documented home improvements.<br>**Principal Reduction/Curtailment** - Allowed up to the lesser of 2% of the new loan amount or $2000 and must be clearly reflected on the Closing Disclosure. Otherwise, principal curtailment/reductions are not allowed<br>**Cash-Out Refinance Transactions**<br>Mortgage loan proceeds are used for debt consolidation, cash-in-hand, payoff of non-seasoned, closed-end subordinate mortgage(s), payoff of HELOCs where cash has been drawn in the last 12 months and/or is greater than $2,000, payoff of property tax liens, payoff of federal and state tax liens.<br>○ Properties owned less than 12 months must use the lesser of the purchase price plus the added value of any documented improvements or the appraised value for calculating the LTV/CLTV ratios<br>○ Properties owned more than 12 months may use the appraised value for calculating the LTV/CLTV ratios. The purchase price can be documented using the Closing Disclosure from the original financing<br>**Multiple Refinances in Less Than 12 Months**<br>If the borrower has refinanced the subject property twice in the past 12 months, the borrower is ineligible for another refinance (rate/term or cash-out).<br>**Consolidation, Extension, and Modification Agreements (CEMA)**<br>These transactions are not eligible.<br>**Delayed Financing**<br>Borrowers who purchased the subject property less than six months prior to application are ineligible for a cash-out refinance. This includes transactions where the borrower purchased the subject property for cash and is looking to obtain delayed financing.<br>**Construction-to-Permanent Refinances**<br>• A construction-to-permanent transaction may be closed as a purchase, rate/term refinance, or a cash-out refinance. When a refinance is used, the borrower must have held legal title to the lot before they applied for the construction financing and must be named as the borrower for the construction loan<br>• Detached SFR primary and secondary homes only<br>**Lease Option to Purchase Transaction**<br>Lease Options must be treated as purchases as the borrower is not yet on the title. A documented lease with an option-to-purchase is required. The lesser of the Lease Option price or the appraised value will be used to determine the LTV/CLTV.<br>**Land Contracts, Installment Land Contract, Contract for Deed Refinance** (applies to both recorded and unrecorded transactions)<br>Must be treated as refinances for documentation purposes and the borrower must be given the right to rescind the transaction.<br>• Executed Less Than 12 Months - LTV will be based on the current appraised value or the purchase/contract price, whichever is less<br>• Executed at Least 12 Months - LTV will be based on the current appraised value<br>**Inherited Property**<br>If the subject property was inherited less than 12 months prior to the application, the transaction will be treated as follows for establishing LTV/CLTV<br>• Borrower(s) must have clear title<br>• Subject property must have cleared probate and is vested in the borrower's name<br>• There are no restrictions on occupancy<br>• If the borrower is paying only existing mortgages and documented heirs through settlement with cash-out, the maximum LTV/CLTV is 80% or the maximum allowed for the program, whichever is less. This will be treated as a rate-term refinance<br>• If the proceeds of the transaction are for debt consolidation or cash-in-hand, the maximum LTV/CLTV is 70% or the maximum allowed for the program, whichever is less. Ownership and cash-out seasoning program requirements apply<br>• Current appraised value is used for LTV/CLTV determination<br>• Buying out additional heirs identified in a related will is allowed. A copy of the will must be provided, along with the buyout agreement signed by all of the beneficiaries identified in the will<br>If the subject property was inherited more than 12 months prior to the application, standard refinance guidelines apply |
| **Continuity of Obligation** | • Refinance transactions require a continuity of obligation<br>○ At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced<br>○ If additional borrowers are added who are not currently on the title, the transaction is limited to a rate/term refinance. Cash-out is not allowed<br>○ The borrower has been on the title and residing in the property for at least 12 months<br>○ The borrower can demonstrate a relationship with the current borrower<br>• Spouse, domestic partner, or fiancé only |

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| | ○ The loan being refinanced and the title to the property are in the name of a Limited Liability Company (LLC) or acceptable trust. The borrower must have been (prior to the transfer) or is currently a member of the LLC or trust. Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirements<br>○ The borrower has recently inherited or was legally awarded the property through divorce, separation or dissolution of a domestic partnership<br>○ If the borrower is currently on the title but is unable to demonstrate an acceptable continuity of obligation or if there is no outstanding lien against the property, the loan is still acceptable as a cash-out refinance as detailed below:<br>▪ If the purchase date is within 6 to 12 months prior to application date and there is no lien, the LTV must be based on the lesser of the original sales price or the current appraised value<br>▪ If the purchase date is more than 12 months prior to application date and there is no lien, the LTV may be based on the current appraised value<br>▪ If there is a lien and the borrower has been on the title for at least six months, the LTV is limited to 50% or the program maximum, whichever is less based on the appraised value |
| **Sales and Financing Concessions** | Financing concessions or seller-paid closing costs are considered to be funds originating from an interested party to pay closing costs on a purchase transaction.<br>• Allowable financing concessions include:<br>○ Payments in any form that are related to the financing; for example, discount points, commitment fees, appraisal fees, and origination fees<br>○ Contributions related to the mortgage financing charges which traditionally would be paid by the borrower, including but not limited to the payment of discount points, loan fees, commitment fees and/or origination fees, property taxes, and insurance escrows<br>○ Cost of other items traditionally paid by the borrower such as application fees, appraisal fees, transfer taxes, tax stamps, attorney fees, surveys, non-recurring closing costs and title insurance, AND<br>○ HOA dues are not allowed to be included in an interested party contribution<br>• Concessions not addressed above or in excess of the allowed percentage of the purchase price are considered to be a sales concession and the subject property sales price must be reduced to reflect the amount of any sales concession that exceeds the limits below<br>○ Primary residences and second homes are limited to<br>▪ 6% of the value for loans with LTV/CLTV ratios less than or equal to 90%<br>▪ 3% of the value for loans with LTV/CLTV ratios greater than 90%<br>○ The appraisal must reflect subsidies, contributions, or sales concessions that have an effect on the market value of the property |
| **Mortgage Insurance** | • Primary mortgage insurance is not required |
| **Escrows** | • Escrows required on all loans with LTV > 80% and all HPML loans<br>• CA loans, escrows required on LTV ≥ 90% |
| **Allowable Age of Credit** | • Credit reports, employment, income, and asset documentation should not be greater than **90 days** from the Note Date<br>**Note**: All credit documents and appraisal reports must be dated within **60 days** of investor submission |

**Eligible Terms and Plan Numbers**

| | Product Code | Description | Terms |
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| **Fixed Rate** | 750 | 40 Year I/O w/10 Year IO Period | Fully Amortizing 40 Year /10 Year IO |