



PROGRAM ELIGIBILITY GUIDE

Jumbo AUS

California / Idaho / Oregon

Company NMLS ID: #92145

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JUMBO AUS

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Eligibility matrix

Fixed rate: 20, 25 and 30 years | Hybrid ARM products³

Primary residence / purchase and rate-term refinance

Units	Minimum FICO	Max LTV/CLTV/HCLTV	Maximum loan
1	680	90% ¹	\$2,000,000
1	660	80%	\$2,000,000
1	700	80%	\$3,500,000
2	680	80%	\$2,000,000

Primary residence / cash-out refinance

Units	Minimum FICO	Max LTV/CLTV/HCLTV	Maximum loan
1	680	80%	\$2,000,000
1	700	65%	\$3,000,000
2	680	70%*	\$1,000,000
2	700	80%	\$1,500,000

Second home / purchase and rate-term refinance

Units	Minimum FICO	Max LTV/CLTV/HCLTV	Maximum loan
1	680	90% ¹	\$2,000,000
1	660	80%	\$2,000,000
1	700	75%	\$3,000,000

Second home / cash-out refinance

Units	Minimum FICO	Max LTV/CLTV/HCLTV	Maximum loan
1	680	65%	\$1,500,000
1	700	75%	\$2,000,000

Cash-out limits: unlimited for all cash-out tiers shown. See program notes on page 5.

* Source displays "70"; presented as 70% in the percentage column.



Investment & program notes

Investment² / purchase, rate-term and cash-out refinance

Transaction	Units	Min. FICO	Max LTV/CLTV/HCLTV	Max loan
Purchase / rate-term	1-4	680	80%	\$2,000,000
Cash-out	1-4	700	75%	\$2,000,000

Cash-out limit: unlimited.

01 / LTV greater than 80%

- Mortgage insurance is not required.
- Secondary financing is not allowed. Maximum DTI: 43%.
- Gift funds require a minimum 5% borrower contribution.
- Escrow/impound accounts required unless prohibited by applicable laws.
- ARM terms are not available above 80% LTV/CLTV.
- Non-occupant co-borrowers are not permitted.
- For first-time homebuyers, see requirements for 80.01% LTV/CLTV or higher.

02 / Investment property

- Gift funds are not allowed. Transactions must be arm's length.
- Appraiser must provide a rent comparable schedule.
- First-time homebuyers are not allowed.
- 20-, 25- and 30-year fixed rate only.

03 / ARM loans

- Maximum DTI: 45%. Investment properties are not permitted.

Program loan notes

- Fixed transactions: minimum loan amount is \$1 over current conforming loan limits.
- ARM transactions: minimum loan amount is \$350,000.
- No exceptions allowed on the Jumbo AUS program.



PROGRAM GUIDELINES

Program overlays

Jumbo AUS Underwriting Guidelines

Overlays

- Maximum LTV/CLTV based on transaction type, occupancy, and credit score
- Maximum DTI (Refer to Debt to Income Ratio Section)
- Reserve Requirements – refer to Reserve Table
- Follow “Credit Event” Seasoning requirements
- For FTHB transactions with 80.01% LTV/CLTV or higher, the following requirements must be

met:

- › Maximum loan amount is \$1,500,000
- › 700 minimum FICO
- › No gift funds allowed
- › Primary residence only
- › Reserve requirements met for FTHB as specified in the Asset section
- Non-Occupant Co-Borrowers:
 - › May or may not have an ownership interest in the subject property as indicated on title.
 - › Maximum LTV/CLTV of 80%
- Coops are not permitted



Products & ARM features

Fixed rate: 20, 25 and 30 years.

ARM: 5/6, 7/6 and 10/6; fully amortizing 30-year term.

Subject to overlays, default to AUS findings and the FNMA/FHLMC Selling Guide for any guideline not addressed in this guide.

ARM features

- Maximum 80% LTV/CLTV; minimum loan amount \$350,000.
- Investment property is not permitted.
- Caps: 2/1/5 for 5/6 ARM; 5/1/5 permitted on 7/6 and 10/6 ARM.
- Index: SOFR (30-day average). Margin: 2.75. Floor: 2.75.
- No conversion option. Assumable.
- 5/6 ARM qualifying rate: greater of fully indexed rate or note rate + 2%.
- Rebuttable Presumption (HPCT) permitted on 5/6 ARMs: APR less than 2.25% above the applicable APOR.
- 7/6 and 10/6 ARM qualifying rate: greater of fully indexed rate or note rate.

PROGRAM GUIDELINES

Products & underwriting

Jumbo AUS Underwriting Guidelines

Ineligible Products

- High-Cost Loans (Federal (TILA 1026.32), State, Local)
- Higher-Priced Mortgage Loans (HPML) (TILA 1026.35)
- Non-Standard to Standard Refinance Transactions (ATR Exempt)
- Higher-Priced Covered Transactions (HPCT QM-Rebuttable Presumption) (TILA 1026.43(b)(4)) except for 5/6 ARM
- Balloons
- Graduated Payments
- Interest Only Products
- Temporary Buy Downs
- Loans with Prepayment Penalties
- Convertible ARMs
- Loans with bridge financing or departure residence buyout by third party, i.e.: Knock, Homelight, Prefund or Opendoor
- Investment Properties on ARM products
- Points and Fees exceeding 3%

Underwriting

Follow FNMA/FHLMC Seller Guide and AUS Findings subject to overlays.

- The loan must meet the Price Based QM definition; Safe Harbor = APR less than 1.50% above the applicable APOR
- In all cases, the loan file must document the eight (8) ATR rules.
- Loans must be fully underwritten to one of the applicable Fannie Mae (chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020) or Freddie Mac (sections 5102 through 5500 of the Freddie Mac Single-Family Seller/Service Guide, published June 10, 2020) guidelines (Only one guideline can be applied per loan)
- Fannie Mae is the default throughout this guideline; both

Fannie Mae DU and Freddie Mac LP are acceptable AUS programs to use.

- AUS findings with an Approve/Ineligible -or- Eligible due to loan amount, must be present in all closed loan files.

PROGRAM GUIDELINES

Eligible borrowers

Eligible Borrowers

- First-Time Homebuyer (FTHB) is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, first-time homebuyer requirements do not apply.
- US Citizens
- Permanent Resident Aliens with evidence of lawful residency
 - › Must be employed in the US for the past twenty-four (24) months.
- Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the

following restrictions:

- › Primary residence only.
- › Borrower must have a current twenty-four (24) month employment history in the US.
- › Unexpired Visas only. Borrowers should have a 24-month credit history based on AUS response.
- › Maximum LTV/CLTV is 80%
- › Documentation evidencing lawful residency must be met
- Inter Vivos Revocable Trust

An inter vivos revocable trust is a trust that an individual creates during their lifetime, becomes effective during their lifetime, and can be changed or canceled at any time for any reason, during their lifetime.

Investor will accept inter vivos revocable trusts as an eligible borrower for 1-2 unit owner-occupied primary residences, 1-unit second homes and 1-4 unit investment properties.

The subject property can be a single-family residence, condominium, PUD, or co-op if documentation and eligibility requirements are met. Title insurance must provide full title insurance coverage without exceptions for the trust or trustees for the inter vivos revocable trust in that state.

For inter vivos revocable trust signature requirements, please refer to (Title and Closing / Title Exceptions).

To determine whether the trust meets all the criteria required by State

and lender standards, one (1) 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 Freddie Mac (FHLMC) or Fannie Mae (FNMA), as applicable, and any applicable State requirements
- Certification from a title company evidencing compliance with all Secondary Marketing requirements as set forth by FHLMC/FNMA and any applicable State requirements
- Certification from an individual trustee evidencing compliance with all Secondary Marketing requirements as set forth by FHLMC/FNMA, and any applicable State requirements. Additionally, the following requirements

PROGRAM GUIDELINES

Borrower eligibility

Eligible Borrowers

must be met:

- › Certifications completed by an individual trustee must be notarized.

NOTE : Trust certifications must confirm the following:

- › The existence and date of the trust.
- › The Settlers 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.
- All borrowers must have a valid Social Security Number.

Ineligible Borrowers

- Foreign Nationals
- DACA Borrowers
- ITIN Borrowers
- Asylum
- Borrowers with diplomatic status/diplomatic immunity
- Life Estates
- Non-Revocable Trusts
- Guardianships
- LLCs, Corporations or Partnerships
- Land Trusts, except for Illinois Land Trust
- Borrowers with any ownership/employment in a business that is federally illegal, regardless of if the income is not being considered for qualifying.
- Illinois Land Trust

PROGRAM GUIDELINES

Documentation & DTI

Eligible Occupancy Types

- Follow FNMA/FHLMC Seller Guide and AUS Findings subject to overlays.

Documentation

- Documentation waivers based on AUS recommendations permitted subject to overlays. No Property Inspection or Drive-By Appraisal Waivers allowed.
- Income calculation worksheet or 1008 with income calculation. Current Fannie Mae Form 1084, Freddie Mac Form 91 or equivalent is required for self-employment income analysis. Full income and asset verification is required.
- All credit documents, including title commitment, must be no older than 120 days from the Note date.
- All loans must meet the Price-Based QM Safe Harbor definition. Safe Harbor =APR less than 1.50% above the applicable APOR.
- QM Designation must be provided in the loan file:
 - › QM designation is QM Safe Harbor- APOR (or similar name i.e., Price Based)
- Loan file must document the eight (8) Ability to Repay (ATR) rules identified in Part 1026- Truth-in-Lending (Regulation Z).
- If the subject transaction is paying off a HELOC that is not included in the CLTV/ HCLTV calculation, the loan file must contain evidence the HELOC has been closed.
- 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.

Debt-to-Income Ratio (DTI)

- Primary Residence and Second Home: 49.99% for LTVs $\leq$ 80%, 43% for LTVs $>$ 80%
- Primary Residence and Second Home: DTI $>$ 45% $\leq$ 49.99% requires residual income calc.
- ARMs: Maximum DTI is 45%
- 47% Investment Property

LTV/CLTV/HCLTV Calculation for Refinances

- Follow FNMA/FHLMC Seller Guide and AUS Findings subject to overlays.

PROGRAM GUIDELINES

Refinancing & secondary financing

Refinance Transactions

Rate and Term Refinance & Cash-Out Refinance Requirements:

- Follow FNMA/FHLMC Seller Guide and AUS Findings subject to overlays.

Delayed Purchase Refinancing

- Follow FNMA/FHLMC Seller Guide and AUS Findings.
 - › LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance

Continuity of Obligation:

When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met.

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 twelve (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 (12) months, or
- › It is related to the borrower on the mortgage being refinanced.
- The borrower on the new refinance transaction was added to the title twenty- four (24) 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

transfer from a trust, LLC, or partnership. The following requirements apply:

- › The 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 consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan.

NOTE: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.

Secondary Financing

- Institutional Financing only. Seller subordinate financing is not allowed.
- 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 debt- to-income ratio.
- Full disclosure must be made of the existence of subordinate financing and subordinate

financing repayment terms. The following are acceptable subordinate financing types:

- › Mortgage terms with interest at market rate.
- › Mortgage with regular payments that cover at least the interest due, resulting in no negative amortization.
- Employer subordinate financing is allowed with the following requirements:

PROGRAM GUIDELINES

Financing & credit

Secondary Financing (cont'd)

- › 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
 - › Deferred payments over the entire term.
 - › Forgiveness of debt over time
 - › Balloon payment of no less than five (5) 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.
- Secondary financing not allowed on LTVs > 80% on Jumbo AUS.

Construction-To- Permanent Financing

- Follow FNMA/FHLMC Seller Guide and AUS Findings.
- One-Time-Close Transactions are not permitted.

Credit

Tradeline Requirements: Follow FNMA/FHLMC Seller Guide and AUS Findings

- Authorized user accounts are not allowed as an acceptable tradeline.
- Non-traditional credit is not allowed as an acceptable tradeline.

Disputed Tradelines:

- Follow FNMA/FHLMC Seller Guide and AUS Findings

Rental History Requirements:

- If the borrower(s) is a First Time Homebuyer and has a rental history in the most recent twelve (12) months, a VOR must be obtained reflecting 0X30 in the last twelve (12) months. Applies to all borrowers on loan.
- First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, first-time homebuyer requirements do not apply.
- 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:

- Housing History: 0x30 for mortgage in past 24 months.
- Non-Mortgage Payment History: Follow FNMA/FHLMC Seller Guide and AUS Findings.

Follow FNMA/FHLMC Selling Guide and AUS findings for additional credit guidelines.

- Bankruptcy: Chapter 7, 11 or 13: Seven year waiting period from the discharge or dismissal date.

PROGRAM GUIDELINES

Credit & liabilities

Credit (Cont'd)

- Foreclosure: Seven year waiting period measured from the completion date of the foreclosure reported on the credit report or other foreclosure documents.
- Deed-In-Lieu, Short Sale, Pre-foreclosure, and Charge-Off of a Mortgage Account: Seven- year waiting period is required from the completion date as reported on the credit report or other documents. Multiple Credit Events: Not Allowed, however credit events more than 10 years seasoned do not need to be considered.

Past Mortgage Forbearances:

- Due to Covid, allowable six months after the end of the forbearance period, and only if the borrower made all the monthly payments during forbearance and did not utilize the forbearance terms to skip any payments. Payoff statements and mortgage statements must not reflect any deferred principal balances or any indication of current forbearance.

Outstanding Judgments/Tax Liens/Charge-offs/Past-Due Accounts:

- Follow FNMA/FHLMC Seller Guide and AUS Findings

Credit Inquiries:

- If the credit report indicates inquiries within the most recent 90 days of the credit report, the seller must confirm the borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances, the borrower must explain the reason for the credit inquiry.
- If additional credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment.
- Confirmation of no new debt may be in the form of a new credit report, pre-close credit report or gap credit report.

Credit Reports-Frozen Bureaus:

- Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

Liabilities

Liability Requirements:

Follow FNMA/FHLMC Seller Guide and AUS Findings

Contingent Liabilities:

Follow FNMA/FHLMC Seller Guide and AUS Findings.

Departure Residence Pending Sale:

Follow FNMA/FHLMC Seller Guide and AUS Findings

Departure Residence Subject to Guaranteed Buy-out with Corporation Relocation:

Follow FNMA/FHLMC Seller Guide and AUS Findings

PROGRAM GUIDELINES

Assets, reserves & income

Assets

Asset Requirements: Follow FNMA/FHLMC Seller Guide and AUS Findings

Beyond the minimum reserve requirements based on overlays and to fully document the borrowers' ability to meet their obligations, borrowers should disclose all liquid assets.

- Eligible assets must be held in a US account.
- Large deposits inconsistent with monthly income or deposits must be verified if used for down payment, reserves or closing costs.
- The Lender is responsible for verifying large deposits did not result in any new undisclosed debt.
- Asset verification by a Fannie Mae approved asset validation provider is allowed.
- Asset documentation is based on AUS requirements.

Loan amount / all occupancies	Minimum reserves (months of PITIA)
≤ \$1,000,000	6 months PITIA
\$1,000,001 - \$2,500,000	12 months PITIA
\$2,500,001 - \$3,500,000	18 months PITIA

Non-retirement asset reserves / LTV-CLTV 85.01%-90%

At least 3 months of total reserves must be liquid.

Additional 1-4 unit financed REO

- Additional three (3) -OR- six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO.
- If eligible to be excluded from the count of multiple financed properties, reserves are not required.

See Multiple Financed Properties section for full reserves and requirements

****Borrowed funds (secured or unsecured) are not allowed for reserves.**

Financing Concessions

- Follow FNMA/FHLMC Seller Guide and AUS Findings

Seller Concessions

- Follow FNMA/FHLMC Seller Guide and AUS Findings

Personal Property

- Follow FNMA/FHLMC Seller Guide and AUS Findings

Income / Employment

Stable monthly income must meet the following requirements to be considered for

qualifying:

- Stable - two (2) year history of receiving the income
- Verifiable
- High probability of continuing for at least three (3) years

When the borrower has less than a two (2) year history of receiving income, the lender must provide a written analysis to justify the determination that the income used to qualify the

PROGRAM GUIDELINES

Income & employment

Income / Employment (continued)

borrower is stable.

Declining Income: When the borrower has a declining income, the most recent twelve (12) months should be used. In certain cases, an average income for a longer period may be used when the decline is related to 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. 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.

Residual Income Requirement - DTI > 45% < 49.99% and all loans 85.01%-90% LTV

- Residual Income Calculation required for DTI exceeding 45% and not to exceed 49.99% as well as LTVs exceeding 85%. All loans must meet the residual income requirements below. Residual income equals Gross Qualifying Income Less Monthly Debt (as included in the debt-to-income ratio)

Household members	1	2	3	4	5
Required residual income	\$1,550	\$2,600	\$3,150	\$3,550	\$3,700

Add \$150 for additional family members

Gaps in Employment: Refer to AUS findings.

General Documentation Requirements:

- 4506-C / Form 8821 must be signed and completed for all borrowers. IRS will require the latest form completed in full.
- Taxpayer consent form signed by all borrowers.
- Income calculation worksheet or 1008 with income calculation. The Fannie Mae 1084, or Freddie Mac Form 91 or equivalent is required for self-employment analysis. The most recent Form 1084 or Form 91 should be used based on application date. Instructions per Form 1084 or Form 91 must be followed.
 - › Copy of liquidity analysis must be included in the loan file if the income analysis includes income from boxes 1, 2 or 3 on the K-1 that is greater than distributions indicated on the K-1.
 - › If a liquidity analysis is required and the borrower is using business funds for down payment or closing costs, the liquidity analysis must consider the reduction of those assets.
- Paystubs must meet the following requirements:
 - › Clearly identify the employee/borrower and the employer.
 - › Reflect the current pay period and year-to-date earnings.
 - › Computer generated.
 - › Paystubs issued electronically via email or internet, must show the URL address, date, and time printed and identifying information.
 - › Year-to-date pay with the most recent pay period at the time of application and

PROGRAM GUIDELINES

Income & employment

Income / Employment (continued)

no earlier than 120 days prior to the Note date.

- W-2 forms must be complete and be a copy provided by the employer.
- Verification of Employment Requirements: Requirements below apply when the income is positive and included in qualifying

income:

- › Verbal Verification of Employment (VVOE) must be performed no more than ten (10) business days prior to the Note date.
- › The Verbal VOE should include the following information for the borrower:
 - › Date of contact
 - › Name and title of person contacting the employer
 - › Name of employer
 - › Start date of employment
 - › Employment status and job title
 - › Name, phone #, and title of contact person at employer
 - › Independent source used to obtain employer phone number
- › Fannie Mae Verification of Employment alternatives allowed for non-self-employed borrowers.
- › Verification of the existence of borrower's self-employment must be verified through a third-party source and no more than 120 calendar days prior to the Note date.
- › Third party verification can be from a CPA, regulatory agency, or applicable licensing bureau. A borrower's website is not an acceptable third-party source.
- › Listing and address of the borrower's business
- › Name and title of the person completing the verification and date of verification.
- › Written Verification of Employment may be required for a borrower's income sourced from commissions, overtime and or other income when the income detail is not clearly documented on W-2 forms or paystubs.

Tax Returns must meet the following requirements when used for qualifying:

- Personal income tax returns (if applicable) must be complete with all schedules (W-2 forms, K-1s etc.) and must be signed and dated. In lieu of a signature, personal tax transcripts for the corresponding year may be provided.
- Business income tax returns (if applicable) must be complete with all schedules and must be signed and dated. In lieu of a signature, business transcripts for the corresponding year may be provided on or before the closing date.

Unfiled Tax Returns for the prior year's tax return

The following guidelines apply for the prior year's tax return:

- For loans closed between Jan 1 and the tax filing date (typically April 15), borrowers

must provide:

- › IRS form 1099 and W-2 forms from the previous year
- › Loan closing in January prior to receipt of W-2s may use the prior year year- end paystub. For borrower using 1099s, evidence of receipt of 1099 income

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Income & employment

Income / Employment (continued)

must be provided.

- Personal 1040 tax returns – For loans closed between the tax filing due date (typically April 15), and the extension expiration date (typically October 15), borrowers must

provide (as applicable):

- › Copy of the files extension. □ W-2 form □ Form 1099, when applicable □ Year-end profit and loss for prior year, if self-employed.
- Partnership (1065) or S-corporation (1120S) tax returns – For loans closed between the tax filing due date (typically March 15) and the extension expiration date (typically September 15). Borrowers must provide (as applicable)
 - › Copy of the filed extension
 - › Year-end profit and loss for prior year.
- Corporation (1120) tax returns (assuming calendar year) – For loans closed between the tax filing due date (typically April 15) and the extension expiration date (typically

October 15), borrowers must provide (as applicable):

- › Copy of the filed extension
- › Year-end profit and loss for prior year.
- After the extension expiration date, loan is not eligible without prior year tax

returns.

Unacceptable Sources of Income:

- Any unverified source
- Deferred compensation
- Temporary or one-time occurrence income
- Rental income from primary residence – One (1) unit property or one (1) unit property with accessory unit
- Rental income from a second home
- Retained earnings
- Education benefits
- 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 is 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.

Specific Income Documentation Requirements

Non-Self Employment Documentation Requirements:

Follow FNMA/FHLMC Seller Guide and DU/LP Findings

for the following income types:

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Income & employment

- Alimony/Child Support/Separate Maintenance
- Asset Depletion
- Capital Gains
- Commission Income
- Disability Income – Long Term (Private policy or employer-sponsored policy)
- Dividends and Interest Income
- Foreign Income
- K-1 Income/Loss on Schedule E
- Non-Taxable Income (Child support, military rations / quarters, disability, foster care, etc.)
- Note Income
- Overtime and Bonus Income
- Part-Time Income
- Projected Income
- Rental Income
- Rental Income - Departing Primary Residence
- Restricted Stock and Stock Options
- Retirement Income (Pension, Annuity, 401(k), IRA Distributions)
- Salaried/Hourly Income
- Social Security Income
- Temporary Leave Income
- Trust Income

Borrowers Employed by Family

- YTD paystub
- Two (2) years W-2s and
- Two (2) years personal tax returns with two (2) years tax transcripts.
- VVOE
- Borrower's potential ownership in the business must be addressed.

Income /

Self-Employment

Income / Employment (continued)

Follow FNMA/FHLMC Seller Guide and AUS Findings

- Self-Employed borrowers are defined as having 25% or greater ownership or receiving 1099 statement to document income.

The requirements below apply for Self-Employed borrowers .

- Income calculations should be based on the Fannie Mae Form 1084 or Freddie Mac Form 91 or equivalent income calculation form.
- Year-to-date financials (profit and loss statement) is not required if the income reporting is positive, not declining and not counted in qualifying income.
 - › May be either audited or unaudited, CPA prepared, or borrower prepared is acceptable.

Two-year history is generally required.

- 12-24 months self-employment history may be considered as long as the borrowers' most recent tax returns reflect income at the same or greater level in a field that provides

PROGRAM GUIDELINES

Income & employment

Income / Employment

the same products or services as the current business or in an occupation in which he or she had similar responsibilities to those in connection with the current business.

- 1-2 years signed 1040s and K-1's depending on AUS findings.
- Signature requirement may be waived if tax transcripts are obtained to support the 2 years of 1040s.
- If one year is required per AUS findings the following requirements apply:
 - › Signed 1040s and Business Tax Returns for the most recent year.
 - › Confirm the tax returns reflect at least 12 months of self-employment income.
- Verification of Self-Employment Income:
 - › Verify the existence of the client's business within 120 calendar days prior to the note date.
- Year-To-Date Profit & Loss Statement:
 - › Year-to-Date Profit & Loss is only required if self-employment income is the primary source used to qualify.
 - › Profit and Loss is not required for Secondary Self Employment.
 - › Year-to-date is defined as the period ending as of the most recent tax return through the most recent quarter ending one (1) month prior to the Note date.
 - › For tax returns on extension the entire unfilled year is also required
 - › If the Year-to-Date profit & loss statements reflects a downward income trend, the lower income reporting on the YTD Profit & Loss must be used for qualification.
 - › May be either audited or unaudited. CPA prepared, or borrower prepared is acceptable.
 - › YTD P&L is required for the current year to date if the Note date is on or after April th 30 .
- YTD P&L may be omitted if the following criteria are met:
 - › Two (2) years tax returns are provided, and no decline in income is present. th
 - › If the Note date is after April 15 , P&L may only be omitted if the most recent tax year return is filed. If an extension is filed, then YTD P&L for the prior year is required and depending on the Note date, current YTD P&L may also be required.
- Secondary Self-Employment Income:
 - › Follow FNMA/FHLMC Seller Guide and AUS Findings
- Income from Self-Employed Co-Borrower:
 - › Follow FNMA/FHLMC Seller Guide and AUS Findings

Follow FNMA/FHLMC Seller Guide and AUS Findings

for the following Self-Employment income types:

- Corporation
- Partnership/S-Corporation
- Sole Proprietorship (Includes Schedule C and Schedule F)

PROGRAM GUIDELINES

Properties & eligibility

Multiple Financed Properties

- The borrower(s) may own a total of ten (10) financed, 1–4-unit residential properties including the subject property and regardless of the occupancy type of the subject property.
 - › If the borrower owns up to four (4) financed properties:
 - › Max financing for the subject transaction is allowed
 - › Additional financed 1–4-unit residential properties require three (3) months reserves for each property
 - › If the borrower owns between five (5) and ten (10) financed properties:
 - › The subject transaction is limited to a maximum of 80% LTV/CLTV/HCLTV or program maximum (lower of the two)
 - › Subject property requires the greater of six (6) months reserves or required reserves per guidelines as indicated in the Asset Section of this guide
 - › Additional financed 1–4-unit residential properties require six (6) months reserves for each property
- The borrower may own an unlimited number of financed 1–4-unit residential properties

when the subject transaction is a primary residence with the following requirements met:

- › The subject transaction is limited to a maximum of 80% LTV/CLTV/HCLTV or program maximum (lower of the two).
- › Additional financed 1–4-unit residential properties require six (6) months reserves for each property.
- 1–4-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 (five (5) or more units) real estate is not included in this limitation.

Properties Listed For Sale

- Properties currently listed for sale (at the time of application) are not eligible for refinance transactions.

Eligible Properties

- 1-2 Unit Owner Occupied Properties
- 1 Unit Second Homes
- Condominiums – Attached – Warrantable- Follow AUS/Agency requirements.
 - › Limited review allowed for attached units in established condominium

projects:

Eligible transactions as per AUS/Agency requirements.

- › Full Review allowed. Warranty to AUS/Agency full review guidelines.
- › Projects with 2-4 units – Follow AUS/Agency requirements.
- › Condominium documents to support condominium eligibility review must be no older than 120 days from Note date.
- Condominiums – Detached (including site condominiums)
 - › Follow AUS/Agency requirements.
- Modular homes

PROGRAM GUIDELINES

Property requirements

Eligible Properties (Cont'd)

- Planned Unit Developments (PUDs)
- Properties with ≤40 acres
- 20, 25, 30-year fixed rate only for transactions over ten (10) acres.
- Properties Subject to Existing Oil/Gas Leases: Follow AUS/Agency requirements.

Miscellaneous:

Properties with leased solar panels must meet Fannie Mae requirements.

Acceptable Forms of Ownership:

- Fee Simple with title vesting as:
 - › Individual
 - › Joint Tenants
 - › Tenants in Common
- Deed/Resale Restrictions must meet AUS/Agency requirements.

Ineligible Property Types

- 2–4-unit second home properties
- 3–4-unit owner occupied properties
- Condotels / Condo Hotels
- Manufactured Homes/Mobile Homes
- Mixed-Use Properties
- Model Home Leasebacks
- Non-Warrantable Condominiums
- Properties with condition rating of C5/C6
- Properties with construction rating of Q6
- Properties located in areas where a valid security interest in the property cannot be obtained
- Properties >40 acres
- Leasehold properties
- Solar panels that will include formal Deed Restriction tied to borrower access to equipment.
- Co-Ops
- Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant
- Tenants-in-Common projects (TICs)
- Unique properties
- Working farms, ranches, or orchards

PROGRAM GUIDELINES

Transactions & disaster policy

Non-Arm's Length Transactions

The following non-arm's length transactions are eligible:

- Family sales or transfers
- Property seller acting as their own real estate agent
- Relative of the property seller acting as the seller's real estate agent
- Borrower acting as their own real estate agent
- Relative of the borrower acting as the borrower's real estate agent
- Borrower is the employee of the originating lender, and the lender has an established employee loan program. Evidence of employee program to be included in loan file.
- Originator is related to the borrower
- Originator is a current subsidiary of the builder
- Borrower purchasing from their landlord (Recent 12 months cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord).

Gifts from relatives that are interested parties to the transaction are not allowed unless it is a gift of equity.

Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations. Investment property transactions must be arm's length.

Disaster Policy

The disaster-area policy becomes effective as of the incident period end date for the disaster/event. FEMA publishes the incident period along with the declaration date once the area is presidentially declared. For example, refer to the following dates to understand when

property re-inspection requirements apply:

- › Disaster Incident Period: □ Begin Date: January 15 □ End Date: January 17
- › Disaster Declaration Date: February 2
- › Effective Date for Disaster Procedures: January 17 Based on the dates noted in the above example, all appraisals performed on or before January 17 would require the appropriate re-inspection or review. Appraisals performed after January 17 would continue to require written certification by the appraiser that indicated whether the property was free from damage and whether the disaster had any effect on value or marketability. If there was damage, the extent of that damage needs to be addressed. The disaster policy will be in effect for transactions during an ongoing disaster and transactions with a Note date that is within ninety (90) days of the end date of the disaster

PROGRAM GUIDELINES

Disaster policy & appraisal

Disaster Policy (Cont'd)

incident period. The disaster policy is also in effect for loans with a post-closing disaster and prior to date of purchase.

Appraisal and Re-Inspection Requirements

- To ensure the property value has not been impacted by the disaster, a post-disaster property inspection is required. The inspection may be performed by the original appraiser, another licensed appraiser, or licensed property inspection company.
- The property inspection must identify the following:
 - › Property is free from damage and the disaster had no effect on value or marketability.
 - › If the re-inspection indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, or other post disaster inspection report, with photos of interior, exterior, and neighborhood.

Standard Appraisal Performed After Incident Period End Date for Disaster

- Appraisal must include written certification by the appraiser that:
 - › Property is free from damage and the disaster had no effect on value or marketability.
 - › If the appraisal indicates damage, the extent of the damage must be addressed. Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, with photos of interior and exterior.

Please note that FEMA makes updates to their state lists. Sellers should closely monitor FEMA's online reference at <http://www.fema.gov/news/disasters.fema>.

Escrow Holdbacks

Not allowed.

Appraisal Requirements

- Transferred Appraisals are allowed with the following requirements:
 - › Copy of appraiser's license
 - › Copy of appraiser's E&O insurance declaration page
 - › AIR Certification from the appraisal management company who facilitated the order
 - › Assignment letter from previous lender
 - › Transferred appraisals must be dated less than 120 days from subject note date
- Appraisal Waivers also known as a PIW or Drive-By appraisals are not allowed.
- Appraisals must be completed for the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed.
- Appraisal Update (Form 1004D) is allowed for appraisals that are over 120 days aged but less than 180 days aged from Note.
 - › The appraiser must inspect the exterior of the property and provide a photo.
- Appraiser must review current market data to determine whether the property has declined in value since the date of original appraisal. If the value has declined since

PROGRAM GUIDELINES

Appraisal requirements

Appraisal Requirements (Cont'd)

original appraisal, a new full appraisal is required.

- The appraisal Update (1004D) must be dated within 120 days of the Note date.
- Investment Properties must contain a rent comparable schedule, regardless of whether rental income is used to qualify.
- Collateral Underwriter (CU) or Loan Collateral Advisor (LCA) score in lieu of a CDA or CCA .
 - › The use of the Collateral Underwriter (CU) score in lieu of a CDA is allowed with the

following requirements:

- › UCDP SSR included in loan file with a Fannie CU score of 2.5/or Loan Collateral Advisor (LCA) with a score of 2.5 -or- less Note: (CU/LCA) score cannot be used if a CDA or CCA has been pulled and value is not supported within 10% tolerance, further value support is required by either a Value nd Reconciliation from Clear Capital, Field Review, or 2 full appraisal
- Cannot interchange CU/LCA scores: Fannie Mae loans require CU score; Freddie Mac loans require LCA score.
- Collateral Desktop Analysis (CDA) ordered from Clear Capital or a Consolidated Collateral Analysis (CCA) from Consolidated Analytics is required to support the value of the appraisal if the CU score is not being applied. The Seller is responsible for ordering the CDA or CCA.
- If the CDA or CCA returns a value that is "Indeterminate" or if the CDA or CCA indicates a lower value than the appraised value that exceeds a 10% tolerance, then one (1) of the

following requirements must be met:

- › A Clear Capital BPO or Consolidated Analytics BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation or a Consolidated Analytics Value Reconciliation of three reports is required.
- › The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the BPO and Value Reconciliation through Clear Capital or Consolidated Analytics. nd
- › A field review or 2 full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. The Seller is responsible for nd providing the field review or 2 full appraisal.
- If two (2) full appraisals are provided, a CDA is not required.
- For properties purchased by the seller of the property within ninety (90) days of the fully

executed purchase contract the following requirements apply:

- › Second full appraisal is required.
- › The property seller on the purchase contract is the owner of record.
- › Increases in value should be documented with commentary from the appraiser and recent paired sales. The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu.

Appraisal requirements based on loan amount:

First Lien Amount Appraisal Requirements



PROGRAM GUIDELINES

Appraisal requirements

Appraisal Requirements (Cont'd)

Purchase / refinance loan amount	Appraisals required
≤ \$2,000,000	1 full appraisal
> \$2,000,000	2 full appraisals

When two (2) appraisals are required, the following applies:

- › Appraisals must be completed by two (2) independent companies.
- › The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion.
- › Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled.
- › If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon.