

Loan Product Advisor Documentation Matrix

Income and Employment Documentation

The analysis, verification, calculation and determination of the stable monthly income amount are necessary for the overall qualification of the borrower and determination of the borrower's capacity to repay the mortgage and other monthly obligations. Refer to the Income section of the LPA guidelines for complete requirements and guidance for the analysis, stability, history, continuance and documentation for all stable monthly income and asset qualification sources.

Topic	Documentation Requirements (Streamlined and Standard)
General Requirements for Stable Monthly Income	<p>Stable monthly income is the borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the borrower, determine that both the source and the amount of the income are stable.</p> <p>The income qualification sources used to qualify the borrower and the documentation in the loan file must be evaluated for stable monthly income qualification requirements and must meet the requirements in the "Income Stability and History" and "Income Continuance" section of the LPA guidelines.</p> <p>Include a written analysis of the income qualification sources and amount in the loan file.</p>
General Requirements for Documentation Used to Verify Employment Income	<p>Employed income documentation and verification requirements:</p> <ul style="list-style-type: none"> • Year-to-Date Paystubs • W2 Forms • Written VOEs • Ten-day Pre-Closing Verifications • Third-Party Verification Service Providers <p>Tax return requirements:</p> <ul style="list-style-type: none"> • Signed Tax Returns • IRS Transcripts • Unreimbursed Employee Expenses
Employed Income Calculation Guidance and Requirements	<p>Employed Income Calculation Guidance and Requirements:</p> <p>For all income, determine how the borrower is paid in order to accurately analyze and calculate the stable monthly income used for qualifying. The documentation in the loan file must support the underwriter's income analysis and calculation. If the documentation does not support the income used for qualifying purposes, further analysis is required and additional documentation may be necessary to support the stability of the income and the amount of income used to qualify.</p> <ul style="list-style-type: none"> • For qualification of base non-fluctuating employment earnings refer to the "Income" section of the LPA guidelines. • For the calculation of fluctuating earnings refer to the "Income" section of the LPA guidelines. <p>Base Non-Fluctuating Employment Earnings:</p> <p>For determining stable monthly income, base non-fluctuating employment earnings are considered to be earnings with a pre-determined and agreed upon rate of pay and number of hours worked each pay period.</p> <ul style="list-style-type: none"> • The pay rate and number of hours worked must be reflected on an on-going consistent basis for each pay period and be fully supported by the year-to-date income. In addition, if the annual salary is reported

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	<p>on the income verification documentation that may be considered additional confirmation of base non-fluctuating earnings.</p> <ul style="list-style-type: none"> • Base non-fluctuating earnings may include: <ul style="list-style-type: none"> ▪ Both exempt (salaried) and non-exempt earnings; however, the pay rate and number of hours worked must not fluctuate between pay periods. ▪ Military base (basic) pay. For members of the United States Armed Forces, active-duty pay is considered base non-fluctuating earnings. ▪ Part-time earnings, provided the number of hours worked each pay period are pre-determined and the same as outlined above. <p>Base non-fluctuating earnings do not include additional employed income such as bonus, overtime, and tips. Refer to the “Income” section of the LPA guidelines for requirements and guidance pertaining to additional employed income.</p> <p>Fluctuating Hourly Employment Earnings</p> <p>For determining stable monthly income, fluctuating hourly employment earnings are considered to be employment earnings with hours that may fluctuate each week or pay period. The hours are not pre-determined; however, the employer and the borrower may have a general expectation of weekly hours. The hourly pay rate is a pre-determined and agreed upon fixed amount. Fluctuating hourly earnings:</p> <ul style="list-style-type: none"> • May be determined by a review of the year-to-date income verification documentation with analysis focused on hours per pay period and year-to-date earnings in relation to hours worked; • Are not considered base or salaried earnings; and • From employment that is typically representative of non-exempt earnings. <p>Fluctuating hourly employment earnings do not include additional employed income such as bonus, overtime, and tips. Refer to the “Income” section of the LPA guidelines for requirements and guidance pertaining to additional employed income.</p>
Employed Income	
<p>Primary Employment Earnings:</p> <ul style="list-style-type: none"> • Base Non-Fluctuating; and • Fluctuating Hourly Earnings 	<p>Primary Employment Earnings – Documentation Requirements: Obtain the following:</p> <ul style="list-style-type: none"> • Year-to-date paystub(s) documenting all year-to-date earnings, W2 form(s) for the most recent calendar year, and a ten-day pre-closing verification of employment. • A Written Verification of Employment by itself is not allowed. <p>Primary Employment – History Requirements: In most instances the borrower should have at least a two year history of primary employment.</p> <p>Under certain circumstances, when a borrower has less than a two year history of primary employment, underwriters may be able to justify and determine that the employment is stable. Examples that may support less than a two year history of primary employment include:</p> <ul style="list-style-type: none"> • For a borrower returning to the workforce after a period of extended absence, for any reason, documentation is obtained to support a stable employment history that directly preceded the extended absence. • For a borrower new to the workforce, documentation is obtained supporting the borrower’s recent attendance at school or in a training

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	<p>program prior to their current employment.</p> <ul style="list-style-type: none"> For a borrower who experienced recent employment gaps of 30 days, documentation is obtained from the borrower explaining the circumstances surrounding the gap(s). <p>Refer to the “Income” section of the LPA guidelines for complete requirements and guidance.</p>
<p>Secondary Employment Earnings:</p> <ul style="list-style-type: none"> Base Non-Fluctuating Earnings; and Fluctuating Hourly Earnings 	<p>Secondary Employment Earnings – Documentation Requirements: All of the following:</p> <ul style="list-style-type: none"> Year-to-Date paystub(s) documenting all year-to-date earnings, W2 forms for the most recent two calendar years, and a ten-day pre-closing verification of employment. A Written Verification of Employment by itself is not allowed.
<p>Secondary Employment History Requirements</p>	<p>Secondary Employment - History Requirements: In most instances, the borrower should have at least a two year history of secondary employment for the employment to be considered stable. Under certain circumstances, when a borrower has less than a two year secondary employment history but has at least a 12 month history, underwriters may be able to justify and determine the employment is stable. Refer to the “Income” section of the LPA guidelines for complete requirements and guidance.</p>
<p>W-2 Forms: Alternative Documentation</p>	<ul style="list-style-type: none"> Year-to-Date Paystubs: The year-end year-to-date paystub(s) or military Leave and Earnings Statement may be used in lieu of the W2 form(s) provided the documentation reflects the complete income earned in the previous calendar year; or W2 Transcripts: The W2 transcripts may be used in lieu of the W2 form(s) provided the transcripts reflect the complete income earned in the previous calendar year.
<p>Employment Characteristics</p>	<p>For certain employment characteristics, additional documentation and/or analysis may be needed. Refer to the “Income” section of the LPA guidelines for complete requirements and guidance.</p> <ul style="list-style-type: none"> Full-time and part-time employment Seasonal employment Union members Borrower employed by a family member or interested party to the transaction Employed income from a foreign source Employment contracts (educational and other industries) Temporary help services (W2 income from contract and/or temporary staffing firms) Income reported on IRS Form 1099 for services performed
<p><i>Additional Employed Income</i></p>	
<p>Additional Employed Income – History and Stability</p>	<p>Income History and Stability – Requirements and Guidance Many additional employed income types are fluctuating income. The stability of fluctuating income is determined based primarily upon historical earnings so it is imperative that a sufficient income history has been established. For this reason, most income types that fluctuate have a history requirement of two years. In certain instances, a shorter history may still be considered stable if underwriters provide a written analysis and obtain sufficient supporting documentation justifying the determination of stability. When making this determination, underwriters must take into consideration factors such as</p>

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	<p>income and/or employment characteristics and the overall layering of risk factors, including the borrower’s demonstrated ability to repay obligations. In no event may the history be less than 12 months. Refer to the “Income” section of the LPA guidelines with respect to employed income calculation requirements and guidelines.</p>
Commission Income <25%	<p>History of Receipt: Two years, consecutive Continuance: Must be likely to continue for at least the next three years Calculation: Refer to the “Income” section of the LPA guidelines for calculation guidance and requirements. Documentation:</p> <ul style="list-style-type: none"> • A Written Verification of Employment breaking down base pay vs commission income for year-to-date and for the past two years; and • Year-to-date paystub(s) documenting all year-to-date earnings, W2 forms for the most recent two calendar years and a ten-day pre-closing verification of employment. • A Written Verification of Employment by itself is not allowed.
Commission Income ≥ 25%	<p>History of Receipt: Two years, consecutive Continuance: Must be likely to continue for at least the next three years. Calculation: Unreimbursed employee expenses reflected on Schedule A and IRS <i>Form 2106</i>, if applicable, of the borrower’s federal individual income tax returns must be deducted from the borrower’s gross commission income when calculating income. Refer to the “Income” section of the LPA guidelines for calculation guidance and requirements. Documentation:</p> <ul style="list-style-type: none"> • A Written Verification of Employment breaking down base pay vs commission income for year-to-date and for the past two years; • Complete federal individual income tax returns covering the most recent two year period; and • Year-to-date paystub(s) documenting all year-to-date earnings, W2 forms for the most recent two calendar years and a ten-day pre-closing verification of employment. • A Written Verification of Employment by itself is not allowed.
Bonus Income and Overtime Income	<p>History of Receipt: Two years, consecutive Continuance: Must be likely to continue for at least the next three years Calculation: Refer to the “Income” section of the LPA guidelines for calculation guidance and requirements: Documentation:</p> <ul style="list-style-type: none"> • A Written Verification of Employment breaking down base pay vs bonus and/or overtime income for year-to-date and for the past two years; and • Year-to-date paystub(s) documenting all year-to-date earnings, W2 forms for the most recent two calendar years and a ten-day pre-closing verification of employment. • A Written Verification of Employment by itself is not allowed.
Tip Income	<p>History of Receipt: Two years, consecutive Continuance: Must be likely to continue for at least the next three years Calculation: Refer to the “Income” section of the LPA guidelines for calculation guidance and requirements. Documentation:</p> <ul style="list-style-type: none"> • A Written Verification of Employment breaking down base pay vs tip income for year-to-date and for the past two years; and • Year-to-date paystub(s) documenting all year-to-date earnings, W2 forms for the most recent two calendar years and a ten-day pre-

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	<p>closing verification of employment.</p> <ul style="list-style-type: none"> • A Written Verification of Employment by itself is not allowed <p>Tip Income – Cash and Charge Tips Reported on IRS Form 4137: Documentation:</p> <ul style="list-style-type: none"> • All of the above; • IRS Form 4137 for the most recent two years; and • Complete federal individual income tax returns covering the most recent two-year period; and a ten-day pre-closing verification of employment
<p>Restricted Stock (RS) and Restricted Stock Units (RSU) Subject to Performance-Based Vesting Provisions</p>	<p>History of Receipt:</p> <ul style="list-style-type: none"> • Two years, consecutive • To be considered for history of receipt, RS and RSU used for qualifying must have been vested and been distributed to the borrower from their current employer, without restriction. <p>Continuance: Must be likely to continue for at least the next three years Calculation: Refer to the “Income” section of the LPA guidelines for calculation guidance and requirements. Documentation</p> <ul style="list-style-type: none"> • Year-to-date paystub(s) documenting all year-to-date earnings, including payout(s) of RS or RSU, W2 forms for the most recent two calendar years and a ten-day pre-closing verification of employment. • Income verification obtained through a third-party verification service provider is not permitted. <p>Additional Documentation Requirements:</p> <p>The loan file must contain:</p> <ul style="list-style-type: none"> • Evidence the stock is publicly traded • RS and/or RSU agreement • Most recent vesting schedule(s) detailing past and future vesting • Evidence of receipt of previous year(s) payout(s) of RS/RSU, such as year-end paystubs, an employer-provided statement paired with brokerage or bank statements showing transfer of shares or funds, that must include: <ul style="list-style-type: none"> ▪ Date(s) of the payout(s) ▪ The number of vested shares or its cash equivalent distributed to the borrower (pre-tax)
<p>RS and RSU Subject to Time-Based Vesting</p>	<p>History of Receipt:</p> <ul style="list-style-type: none"> • One year • To be considered for history of receipt, RS and RSU used for qualifying must have been vested and been distributed to the borrower from their current employer, without restriction. <p>Continuance: Must continue for at least the next three years Calculation: Refer to the “Income” section of the LPA guidelines for calculation guidance and requirements Documentation:</p> <ul style="list-style-type: none"> • Year-to-date paystub(s) documenting all year-to-date earnings, including payout(s) of RS or RSU, a W2 form for the most recent calendar year, and a ten-day pre-closing verification of employment. • Income verification obtained through a third-party verification service provider is not permitted.

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	<p>Additional Documentation Requirements:</p> <p>The loan file must contain:</p> <ul style="list-style-type: none"> • Evidence the stock is publicly traded • RS and/or RSU agreement • Most recent vesting schedule(s) detailing past and future vesting • Evidence of receipt of previous year(s) payout(s) of RS/RSU, such as year-end paystubs, an employer provided statement paired with a brokerage or bank statements showing transfer of shares or funds, that must include: <ul style="list-style-type: none"> ▪ Date(s) of the payout(s) ▪ The number of vested shares or its cash equivalent distributed to the borrower (pre-tax)
<p>Automobile Allowance</p>	<p>History of Receipt: Two years, consecutive Continuance: Must be likely to continue for at least the next three years Calculation: Underwriters may add the full amount of the allowance to the borrower’s qualifying income, and when calculating the borrower’s debt-to-income (DTI) ratio, underwriters must include the full amount of the monthly automobile payment in the calculation of the DTI. Underwriters may not subtract the automobile allowance from the monthly automobile payment. Documentation:</p> <ul style="list-style-type: none"> • A Written Verification of Employment breaking down base pay vs automobile allowance for year-to-date and for the past two years; and • Year-to-date paystub(s) documenting all year-to-date earnings, W2 forms for the most recent two calendar years, and a ten-day pre-closing verification of employment. • A Verification of Employment by itself is not allowed.
<p>Mortgage Differential</p>	<p>Overview: Payments from the borrower’s employer for all or part of the housing payment difference between the borrower’s present mortgage payment and proposed mortgage payment. The employer must not be an interested party to the transaction. History of Receipt: A history of receipt is not required for the income to be considered stable Continuance: Must continue for at least the next three years Calculation: Underwriters may add the mortgage differential payments to the borrower’s income. The payments may not be used to offset the monthly housing payment amount used for qualification. Documentation:</p> <ul style="list-style-type: none"> • Agreement from the employer stating the terms, including the scheduled amount and duration of the payments. • The documentation must show that the payments are pursuant to an established, ongoing and documented employer program. <p>This income type is only eligible for the Agency programs. Not eligible for the Platinum and Select programs.</p>
<p>Unemployment Compensation Associated with Seasonal Employment</p>	<p>History of Receipt: Two years, consecutive Continuance: Must continue for at least the next three years Calculation: Refer to the “Income” section of the LPA guidelines for calculation guidance and requirements Documentation:</p> <ul style="list-style-type: none"> • Proof of receipt of unemployment compensation for the most recent two year period, such as IRS <i>Form 1099-G</i> and/or equivalent documentation.

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Military Income	
Military Base Pay	<p>Primary Employment Earnings – Military Base (Basic) Pay History of Receipt: For borrowers who are active-duty members of the United States Armed Forces, a history of military employment is not required for the employment to be considered stable. Documentation:</p> <ul style="list-style-type: none"> • Year-to-date Military Leave and Earnings Statement (LES), W2 form(s) for the most recent calendar year, and a ten-day pre-closing verification of employment.
Military Entitlements (Flight Pay or Hazardous Duty Pay, Rations, Clothing, Quarters Allowances)	<p>History of Receipt: A history of receipt is not required for the income to be considered stable Continuance: Must be likely to continue for the next three years Calculation: Current fixed monthly amount Documentation:</p> <ul style="list-style-type: none"> • Year-to-date Leave and Earning Statement (LES)), W2 form(s) for the most recent calendar year, and a ten-day pre-closing verification of employment.
Military Reserve and National Guard Income	<p>History of Receipt: One year Continuance: Must be likely to continue for at least the next three years Calculation: 12 month average Documentation:</p> <ul style="list-style-type: none"> • Year-to-date Leave and Earnings Statement (LES), W2 form for the most recent calendar year, and a ten-day pre-closing verification of employment
Employed Income: Income While on Temporary Leave	
Income While on Temporary Leave	For requirements and guidance for underwriting borrowers on temporary leave from their current employment refer to the “Income” section of the LPA guidelines.
Self-Employed Income	
Self-Employed Indicator	A borrower who has an ownership interest of 25% or more in a Partnership, S Corporation and/or Corporation is considered to be self-employed. A borrower who is a sole proprietor is considered to be a self-employed borrower. The self-employment status of the borrower must be input to Loan Product Advisor. This is required in all cases where the self-employment income and/or loss will be used to determine the borrower’s stable monthly income for qualifying.
Business Income and Analysis	<p>Refer to the “Income” section of the LPA guidelines for requirements and guidance pertaining to the business and income analysis:</p> <ul style="list-style-type: none"> • Business and Income Analysis: <ul style="list-style-type: none"> ▪ Business review and analysis ▪ Use of business income reported on the borrower’s personal returns ▪ Use of business income not reported on the borrower’s personal returns ▪ Access to business income ▪ Income calculation ▪ Income fluctuation • Business financial statements • Income analysis – adjustments (such as mortgages and notes payable in less than one year) • Borrower debt paid by the business • IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation

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Documentation Requirements	<p>Establish and calculate the stable monthly qualifying income using at least the following required documentation. Additional documentation may be warranted in order to support income stability.</p> <ul style="list-style-type: none"> • Freddie Mac <i>Form 91, Income Analysis Form</i> or an alternative form that provides the same information (Note: Effective November 30, 2018 a revised version of <i>Form 91</i> applies) • Verification of the current existence of the business • Federal income tax returns, including all applicable schedules and forms must reflect at least 12 months of self-employed income. • Verification of how long the business has been in existence <ul style="list-style-type: none"> ▪ For partnerships, S Corporations and Corporations, the federal income tax return(s) for the business must indicate the number of years that the business has been in existence ▪ For sole proprietorships, the federal individual income tax return(s) and any other documentation or information received must not contradict the number of years that the business has been in existence as reported on the loan application 																
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 35%;">Business in Existence ≥ 5 Years</th> <th style="width: 35%;">Business in Existence < 5 Years</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Sole Proprietorship</td> <td>Obtain completed signed federal individual (<i>Form 1040</i>) income tax return for the most recent year.</td> <td>Obtain complete signed federal individual (<i>Form 1040</i>) income tax returns for the most recent two years.</td> </tr> <tr> <td style="text-align: center;">Partnership</td> <td>Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (<i>Form 1065</i>) income tax returns, including Schedule K1(s) for the most recent year.</td> <td>Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (<i>Form 1065</i>) income tax returns, including the Schedule K1(s) for the most recent two years.</td> </tr> <tr> <td style="text-align: center;">S Corporation</td> <td>Verify the number of years that the business has been in existence and obtain complete signed federal individual and S Corporation (<i>Form 1120s</i>) income tax returns, including the Schedule K1(s), <i>Form 1125-E</i> and W2(s) if applicable for the most recent year.</td> <td>Verify the number of years that the business has been in existence and obtain complete signed federal individual and S Corporation (<i>Form 1120s</i>) income tax returns, including the Schedule K1(s), <i>Form 1125-E</i> and W2(s) if applicable for the most recent two years.</td> </tr> <tr> <td style="text-align: center;">Corporation</td> <td>Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (<i>Form 1120</i>) income tax returns, including <i>Form 1125-E</i> and W2(s) as applicable for the most recent year.</td> <td>Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (<i>Form 1120</i>) income tax returns, including <i>Form 1125-E</i> and W2(s) as applicable for the most recent two years.</td> </tr> </tbody> </table>		Business in Existence ≥ 5 Years	Business in Existence < 5 Years	Sole Proprietorship	Obtain completed signed federal individual (<i>Form 1040</i>) income tax return for the most recent year.	Obtain complete signed federal individual (<i>Form 1040</i>) income tax returns for the most recent two years.	Partnership	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (<i>Form 1065</i>) income tax returns, including Schedule K1(s) for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Partnership (<i>Form 1065</i>) income tax returns, including the Schedule K1(s) for the most recent two years.	S Corporation	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S Corporation (<i>Form 1120s</i>) income tax returns, including the Schedule K1(s), <i>Form 1125-E</i> and W2(s) if applicable for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and S Corporation (<i>Form 1120s</i>) income tax returns, including the Schedule K1(s), <i>Form 1125-E</i> and W2(s) if applicable for the most recent two years.	Corporation	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (<i>Form 1120</i>) income tax returns, including <i>Form 1125-E</i> and W2(s) as applicable for the most recent year.	Verify the number of years that the business has been in existence and obtain complete signed federal individual and Corporation (<i>Form 1120</i>) income tax returns, including <i>Form 1125-E</i> and W2(s) as applicable for the most recent two years.
		Business in Existence ≥ 5 Years	Business in Existence < 5 Years														
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<p>Refer to the “Self-Employed” section of the LPA guidelines for complete requirements and guidance.</p>																	

<p>Self-Employed Income not Used for Qualification</p>	<p>Self-Employed Disclosed on the Loan Application but not Used to Qualify If the borrower is self-employed and the self-employment is not considered for qualification purposes, pages 1 and 2 of the borrower’s tax returns and the applicable schedules, such as Schedule C or Schedule E, are still required to determine if there is a business loss that may have an impact on the stable monthly income. Refer to the “Self-Employed” section of the LPA guidelines for complete requirements and guidance.</p> <ul style="list-style-type: none"> • If a business loss is reported and the borrower qualifies with the loss, then no further documentation is needed relating to the business loss. • If a business loss is reported and the borrower does not qualify with the loss, then the underwriter must perform a business and income analysis to determine whether depreciation adjustments or other factors such as business closure or evidence of a one-time non-recurring event justify a reduction of the reported loss when calculating the stable monthly income. The underwriter must obtain any additional documentation needed in order to fully evaluate the loss and support the analysis, such as business tax returns (final or otherwise) and/ or evidence of a one-time non-recurring event. <p>If the tax returns or other documentation in the loan file, such as IRS transcripts and/or additional K1(s), reflect positive income from self-employment but that income is not used to qualify, additional documentation is not required. The Loan Product Advisor self-employed indicator is not required.</p>						
<p>Verification of Current Existence of the Business</p>	<p>Verification of the current existence of the business is required when positive income from the business is used as stable monthly income.</p> <table border="1" data-bbox="505 1020 1430 1755"> <tr> <td data-bbox="505 1020 740 1446"> <p>Acceptable Third Party Sources</p> </td> <td data-bbox="740 1020 1430 1446"> <p>Acceptable third party sources include:</p> <ul style="list-style-type: none"> • Regulatory agencies • Phone directories • Internet sources • Directory assistance • Applicable licensing bureaus <p>Verification of current existence of the business obtained verbally from an acceptable third party source must be documented and include all the following:</p> <ul style="list-style-type: none"> • Name and address of the business • Name of the individual and entity contacted to obtain the verification • Date the information was verified • The name and title of the individual who completed the verification </td> </tr> <tr> <td data-bbox="505 1446 740 1698"> <p>Alternative Sources</p> </td> <td data-bbox="740 1446 1430 1698"> <p>Consider alternative sources if the above are not available, such as:</p> <ul style="list-style-type: none"> • The accountant who prepared the tax returns for the business provided the accountant has an arm’s length relationship with the borrower • At least one month’s business bank statement that supports the current existence of the business and the level and type of income and expenses reported on the business tax returns </td> </tr> <tr> <td data-bbox="505 1698 740 1755"> <p>Date Requirements</p> </td> <td data-bbox="740 1698 1430 1755"> <p>The verification must be completed prior to loan closing but no more than 120 days prior to the Note date.</p> </td> </tr> </table>	<p>Acceptable Third Party Sources</p>	<p>Acceptable third party sources include:</p> <ul style="list-style-type: none"> • Regulatory agencies • Phone directories • Internet sources • Directory assistance • Applicable licensing bureaus <p>Verification of current existence of the business obtained verbally from an acceptable third party source must be documented and include all the following:</p> <ul style="list-style-type: none"> • Name and address of the business • Name of the individual and entity contacted to obtain the verification • Date the information was verified • The name and title of the individual who completed the verification 	<p>Alternative Sources</p>	<p>Consider alternative sources if the above are not available, such as:</p> <ul style="list-style-type: none"> • The accountant who prepared the tax returns for the business provided the accountant has an arm’s length relationship with the borrower • At least one month’s business bank statement that supports the current existence of the business and the level and type of income and expenses reported on the business tax returns 	<p>Date Requirements</p>	<p>The verification must be completed prior to loan closing but no more than 120 days prior to the Note date.</p>
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Other Income – Non-Employment	
Other Income General Requirements	<p>Evaluate the stability and consistency of receipt of all other non-employment income in accordance with the requirements in the “Other Income” section of the LPA guidelines.</p> <p>Factors that must be considered in determining the likelihood of continued consistent receipt of all other non-employment income below include the following:</p> <ul style="list-style-type: none"> • Whether the payments are received pursuant to a written agreement, court decree, government program, law and/or regulation • The length of time the payments have been received • The regularity of receipt of the income • The consistency of the amount of income • The availability of procedures to compel payment • Whether full or partial payments have been made • The age of each child for which support and/or benefit payments are received • Applicable eligibility criteria governing the continued receipt of the income
Alimony, Child Support or Separate Maintenance	<p>History of Receipt: Most recent six months</p> <p>If the payer has been obligated to make payments for less than six months, if the payments are not for the full amount or are not received on a consistent basis, the income must not be considered for qualifying.</p> <p>Continuance: Document and verify the payer is obligated to make payment to the borrower for at least the next three years</p> <p>Calculation: Use the documented fixed monthly payment amount</p> <p>Documentation: Obtain the following:</p> <ul style="list-style-type: none"> • Documentation to evidence receipt of the alimony, child support, and/or separate maintenance payments for the most recent six months; and • A copy of the signed court order, legally binding separation agreement and/or final divorce decree verifying the payer’s obligation, including the amount and the duration of the obligation; and • For child support income, proof of the ages of the children for whom child support is received
Tax-Exempt Income	<p>History of Receipt: Most recent two years</p> <p>Continuance: Must be likely to continue to remain tax-exempt</p> <p>Calculation: To determine the amount to adjust (gross-up) the borrower’s income, use:</p> <ul style="list-style-type: none"> • 25% of the tax-exempt portion of the income; or • The current federal and state income tax withholding tables <p>Documentation:</p> <ul style="list-style-type: none"> • A copy of the complete individual federal tax returns for the most recent one-year period; or • Other documentation evidencing that the income, or a portion of the income, is tax-exempt.
Dividend and Interest Income	<p>History of Receipt: Most recent two years</p> <p>Continuance: Document that sufficient assets remain after closing to support continuance of the dividend and interest income, at the level used for qualifying, for at least the next three years</p> <p>Calculation: Two year average</p>

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	<p>Documentation:</p> <ul style="list-style-type: none"> • Complete federal individual income tax returns for the most recent two year period; or • Year-end asset account statements for the most recent two years evidencing all dividend and interest income for each year from the income producing asset(s); and • Evidence of sufficient assets to support the qualifying income 																
<p>Retirement Income</p>	<table border="1"> <tr> <th colspan="2" data-bbox="505 426 1430 457">Existing and Established Retirement Income</th> </tr> <tr> <td colspan="2" data-bbox="505 457 1430 569"> <p>For retirement income, such as social security, pension, annuity, or other similar benefits, evidence of the type, source, pre-determined payment amount, payment frequency and current receipt must be obtained. These requirements do not include retirement account distributions as income.</p> </td> </tr> <tr> <td data-bbox="505 569 971 940"> <p>History of Receipt: A history of receipt is not required for the income to be considered stable</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Use the documented fixed monthly payment amount</p> </td> <td data-bbox="971 569 1430 940"> <p>Document income type, source, payment frequency and pre-determined payment amount with a copy of a benefit verification letter, award letter, pay statement, 1099 or other equivalent documentation. Age of documentation requirements do not have to be met.</p> <p>Document current receipt with a copy of a bank statement, pay statement, benefit verification letter, award letter, or other equivalent documentation. Age of documentation requirements must be met.</p> </td> </tr> <tr> <th colspan="2" data-bbox="505 951 1430 982">Newly Established Retirement Income</th> </tr> <tr> <td colspan="2" data-bbox="505 982 1430 1066"> <p>Verification of current receipt is not required; however, the finalized terms of the new income must be documented</p> </td> </tr> <tr> <td colspan="2" data-bbox="505 1066 1430 1150"> <p>The income must commence prior to loan closing</p> </td> </tr> <tr> <td colspan="2" data-bbox="505 1150 1430 1381"> <p>The terms that must be verified include the source, type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to closing</p> </td> </tr> <tr> <td colspan="2" data-bbox="971 982 1430 1381"> <p>Document the finalized terms of the newly established income including the source, type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or other equivalent documentation from the payer that provides and establishes these terms.</p> <p>The income must commence prior to loan closing. The documentation must be dated no more than 120 days prior to the Note date. Verification of current receipt is not required.</p> </td> </tr> </table>	Existing and Established Retirement Income		<p>For retirement income, such as social security, pension, annuity, or other similar benefits, evidence of the type, source, pre-determined payment amount, payment frequency and current receipt must be obtained. These requirements do not include retirement account distributions as income.</p>		<p>History of Receipt: A history of receipt is not required for the income to be considered stable</p> <p>Continuance: Must be likely to continue for at least the next three years</p> <p>Calculation: Use the documented fixed monthly payment amount</p>	<p>Document income type, source, payment frequency and pre-determined payment amount with a copy of a benefit verification letter, award letter, pay statement, 1099 or other equivalent documentation. Age of documentation requirements do not have to be met.</p> <p>Document current receipt with a copy of a bank statement, pay statement, benefit verification letter, award letter, or other equivalent documentation. Age of documentation requirements must be met.</p>	Newly Established Retirement Income		<p>Verification of current receipt is not required; however, the finalized terms of the new income must be documented</p>		<p>The income must commence prior to loan closing</p>		<p>The terms that must be verified include the source, type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to closing</p>		<p>Document the finalized terms of the newly established income including the source, type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or other equivalent documentation from the payer that provides and establishes these terms.</p> <p>The income must commence prior to loan closing. The documentation must be dated no more than 120 days prior to the Note date. Verification of current receipt is not required.</p>	
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<p>Other Income</p>	<p>Refer to the “Other Income” section of the LPA guidelines for history of receipt, continuance, calculation and documentation requirements:</p> <ul style="list-style-type: none"> • Notes receivable • Trust income • Capital gains • Royalty payments <p>For the following sources of income refer to the “Other Income” section of the LPA guidelines for requirements and guidance:</p> <ul style="list-style-type: none"> • Retirement account distributions as income • Survivor and dependent benefit income • Long-term disability income • Social Security Supplemental Security Income (SSI) • Income from a foreign source • Foster care income 																

Rental Income	Refer to the Rental Income Matrix
Asset Qualification Sources	
Assets as a Basis for Repayment of Obligations	Refer to the “Income section” of the LPA guidelines for requirements. Freddie Mac’s policy for assets as a basis for mortgage qualification is not allowed on the Select program.

Asset Documentation

Topic	Documentation Requirements
Required Funds	<p>All funds used to qualify the borrower for the loan transaction (any funds required to be paid by the borrower and borrower reserves) must come from eligible sources as described in the “Asset” section of the LPA guidelines.</p> <ul style="list-style-type: none"> • For purchases, document the borrower has sufficient funds verified from eligible sources to qualify for the mortgage transaction. • For refinances, verification of funds is per LPA findings. • For non-occupant co-borrower transactions, funds may come from the occupant and/or non-occupant borrower. • For mortgages secured by second homes refer to the “Asset” section of the LPA guidelines. <p>Asset documentation must meet the requirements of the “Asset” section of the LPA guidelines as applicable. In addition:</p> <ul style="list-style-type: none"> • For purchase transactions, document the source of funds for any large deposit when the deposit is needed to qualify the borrower for the loan transaction. A large deposit is any single deposit that exceed 50% of the sum of: <ul style="list-style-type: none"> ▪ The total qualifying income for the mortgage. ▪ The amount derived from the asset calculation for establishing the DTI ratio. • When a large deposit is not verified and is not needed to qualify the borrower for the loan transaction. <ul style="list-style-type: none"> ▪ Reduce the funds used for qualifying purposes by the amount of the unverified deposit. • When a single deposit consists of both verified and unverified funds, use just the unverified amount when determining whether the deposit is a large deposit. • When the source of funds can clearly be identified, such as payroll deposits or tax refunds, additional documentation is not required. • If an account was opened within 90 days of a direct verification (VOD) and/or reflects a current balance significantly greater than the average balance, document the source of funds. • Consider any liabilities resulting from all borrowed funds.
Depository Accounts	<p>For Streamlined Accept documentation obtain depository account statements covering a one month period.</p> <p>For Standard documentation obtain depository account statements covering a two month period.</p> <p>A Verification of Deposit only is not allowed. Depository statement(s) are always required.</p>
Securities	<p>Obtain one of the following:</p> <ul style="list-style-type: none"> • For Streamlined Accept documentation obtain an account statement covering a one month period. • For Standard documentation obtain an account statement covering a two month period. <p>A Verification of Deposit only is not allowed. Account statements are always required.</p>

	<p>If the borrower does not receive a stock/security account statement:</p> <ul style="list-style-type: none"> • Provide evidence the security is owned by the borrower; and • Verify value using current stock prices from a financial publication or website. <p>Value must not include margin accounts. Stock with limitations on its accessibility, such as restricted stock which has not vested and been distributed to the recipient, is not eligible</p> <p>*See below topic: "Evidence of Liquidation" for requirements</p>
Retirement Accounts	<p>Obtain the following:</p> <ul style="list-style-type: none"> • For Streamlined Accept documentation obtain account statements covering a one month period. • For Standard documentation obtain account statements covering a two month period. <p>A Verification of Deposit only is not allowed. Account statements are always required.</p> <p>When evidence of liquidation is not obtained:</p> <ul style="list-style-type: none"> • To use the vested amount of an IRS qualified employer retirement account to qualify the borrower, the loan file must include documentation confirming the borrower is permitted to make withdrawals and severance from the borrower's current employment is not required. <p>*See below topic: "Evidence of Liquidation" for requirements</p>
Government Bonds (Federal, State, or Municipal)	<p>Obtain documentation verifying the ownership and the value. The value must be based on the lower of the purchase price or current reasonable value.</p> <p>*See below topic: "Evidence of Liquidation" for requirements</p>
Proceeds from a Loan Fully Secured by the Borrower's Assets other than Real Estate	<p>Obtain the following:</p> <ul style="list-style-type: none"> • Documentation verifying the value and ownership of the asset used to secure the loan as well as the amount and terms of the loan. • Evidence of receipt of the loan proceeds.
Proceeds from the Sale or Refinance of the Borrower's Real Property Including a 1031 Exchange	<p>Obtain the following:</p> <ul style="list-style-type: none"> • The Settlement/Closing Disclosure Statement verifying the proceeds from the sale or refinance of the borrower's real property. The Settlement/Closing Disclosure statement must be signed by the buyer and the seller; and/or • An executed buy-out agreement that is part of an employer relocation plan that takes responsibility for the outstanding mortgage(s).
Proceeds from the Sale of the Borrower's assets other than Real Property or Exchange-Traded Securities	<p>Obtain the following:</p> <ul style="list-style-type: none"> • A signed bill of sale documenting the asset and transfer of ownership • Evidence of receipt of the proceeds
Borrower's Real Estate Commission	<ul style="list-style-type: none"> • The borrower must be a licensed real estate agent that is due to receive a sales commission from the purchase of the subject property. • The Settlement/Closing Disclosure Statement must reflect the commission earned by the borrower and credited toward the mortgage transaction.
Funds from a Trust	<p>Obtain a copy of the trust agreement or a signed statement from the Trustee or Trust Manager that documents the following:</p> <ul style="list-style-type: none"> • Identifies the borrower as the beneficiary • Confirms the borrower has access to all or a certain specific amount of the funds • Confirms the trust has sufficient assets to disburse funds needed by the borrower <p>When trust funds are needed for closing, evidence of receipt of the disbursed funds from the trust is required.</p>

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<p>Individual Development Accounts (IDA) – Agency Matching Funds not Subject to Recapture</p>	<p>Obtain documentation of the IDA program verifying:</p> <ul style="list-style-type: none"> • The matching funds are not subject to recapture • The ratio of matching funds by the agency (maximum of four-to-one match permitted) • Regular payments made to the IDA by the borrower and the matching organization • The vested balance or the percentage of vesting
<p>Community Savings System Accounts – Borrower Contributions</p>	<p>Obtain Community Savings Systems account statements or direct account verification which:</p> <ul style="list-style-type: none"> • Identifies the nonprofit community organization as the administrator; and • Shows all borrower contributions
<p>Pooled Funds on Deposit from Related Persons Who Reside with the Borrower</p>	<p>Obtain the following:</p> <ul style="list-style-type: none"> • Evidence that the borrower and the related person have resided together for at least one year • Documentation verifying the pooled funds per the requirements for the applicable asset type • A written statement by the borrower executed at application meeting the requirements specified in the "Assets" section of the LPA guidelines.
<p>Borrower's Revolving Credit Card (Charges/Cash Advances) or Unsecured Line of Credit (Used to Pay Fees Associated with the Mortgage)</p>	<p>Obtain the following:</p> <ul style="list-style-type: none"> • A copy of the account statement or receipt showing the amount charged or advanced; and • Verification of sufficient funds to pay the amount charged or advanced if the amount charged or advanced is not included in the monthly DTI ratio <p>Note:</p> <ul style="list-style-type: none"> • The maximum amount charged or advanced may not exceed the greater of 2% of the mortgage amount or \$1,500 <p>AND</p> <ul style="list-style-type: none"> • The borrower must have sufficient verified funds to pay these fees in addition to the funds needed for the loan transaction; however, the borrower is not required to pay off these charges at closing; <p>OR</p> <ul style="list-style-type: none"> • The amount charged or advanced must be included in the borrower's total outstanding debt and the repayment of such amount must be included when determining the borrower's monthly DTI ratio
<p>Cash Value of Life Insurance Policy (Not Face Value)</p>	<p>Obtain documentation from the life insurance company verifying the following information:</p> <ul style="list-style-type: none"> • Policy Owner(s) • Period covered and current cash value; and • Any outstanding loans <p>When the cash value of the life insurance policy is needed for closing, evidence of liquidation is required.</p>
<p>Rent Credits</p>	<p>Obtain the following:</p> <ul style="list-style-type: none"> • A copy of the rental/purchase agreement • Evidence of rental payments (Refer to the "Rental Income" section of the LPA guidelines for acceptable documentation for rental verification) • Appraiser's determination of the market rent for the subject property
<p>Gift Funds or a Gift of Equity</p>	<p>Obtain a gift letter signed by the donor. Information provided in the gift letter must:</p> <ul style="list-style-type: none"> • State the donor's name and the funds are given by a related person • Include the donor's mailing address and telephone number • State the amount of the gift funds or gift of equity • Establish the gift funds or gift of equity are a gift that does not have to be repaid <p>Gift funds: If the gift funds have not been deposited in the borrower's account, the borrower must provide evidence of the transfer of funds from the donor to the borrower.</p> <p>Gift of equity: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.</p>

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	<p>Note:</p> <ul style="list-style-type: none"> Investment Property Mortgages: Gift funds or gifts of equity are not an eligible source of funds. Second Home Mortgages with LTV/TLTV/HTLTV ratios greater than 80%: When gift funds or grants are used for the transaction, the minimum contribution from the borrower's personal funds must be 5% of the value.
Gift Funds Received as a Wedding Gift	<p>Obtain the following:</p> <ul style="list-style-type: none"> A copy of the marriage license or certificate A verification of the gift funds in the borrower's depository account <p>The gift funds must be on deposit in the borrower's depository account within 60 days of the date of the marriage license or certificate.</p>
A Gift or Grant from an Agency	<p><u>Note: This option is not currently available – stay tuned</u></p> <p>Obtain documentation supporting a gift or grant from an agency. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the borrower. The documentation must:</p> <ul style="list-style-type: none"> Establish that the funds were provided by an Agency Establish that the organization has an established gift or grant program Establish that the funds are a gift or grant that does not have to be repaid Provide evidence that the funds were received by the borrower or by Lenox/Weslend on the borrower's behalf Identify the donor's mailing address <p><u>Note: This option is not currently available – stay tuned</u></p>
Individual Development Accounts (IDA) – Agency Matching Funds Subject to Recapture	<p><u>Note: This option is not currently available – stay tuned</u></p> <p>Obtain documentation of the IDA program verifying:</p> <ul style="list-style-type: none"> The matching funds are subject to recapture The ratio of matching funds by the agency (maximum of three-to-one match permitted) Regular payments made by the borrower and the matching organization The vested balance or the percentage of vesting <p>Documentation of matching funds subject to a recapture provision must also meet the requirements for a gift or grant from an Agency.</p> <p><u>Note: This option is not currently available – stay tuned</u></p>
Employer Assisted Homeownership (EAH) Benefit	<p>In addition to the documentation requirements for specific benefit types, the following requirements must be met:</p> <ul style="list-style-type: none"> EAH Benefits must be documented with a copy of the employer's benefit program that provides the amount of the benefit and the terms of the program Evidence of receipt of the EAH Benefit must be provided, such as funds on deposit in the borrower's account or funds reflected on the Settlement/Closing Disclosure Statement.
Interested Party Contributions	<ul style="list-style-type: none"> Document the amount and source of all interested party contributions in the loan file and the amount must be reflected on the Settlement/Closing Disclosure Statement
Earnest Money Deposit	<p>The source of the earnest money deposit for a purchase transaction must be from an eligible source meeting the requirements of the "Earnest Money Deposit" section of the LPA guidelines and documented in accordance with the requirements for the applicable asset type. Account statement(s) must cover the period up to and including the date the earnest money deposit funds cleared the account.</p> <p>Note: Ensure the earnest money deposit is not counted twice in the evaluation of the mortgage (deducted from the funds to close and counted in the assets)</p>

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Evidence of Liquidation	When assets that are invested in stocks, bonds, mutual funds, U.S. government securities, retirement accounts or other securities are needed for closing, evidence of liquidation is required.
Business Assets	Document according to the asset type. Documentation of large deposits is not required provided the underwriter: <ul style="list-style-type: none"> • Reviews a minimum of the most recent two months of the business account statements; and • Determines the deposits are typical for the borrower's business Refer to the "Self-Employment Income" section of the LPA guidelines for additional requirements when self-employed income from the business is used for qualifying.
Source of Funds from Outside the United States and its Territories	<ul style="list-style-type: none"> • The funds must be transferred into a United States or State regulated financial institution and verified in U.S. dollars prior to the closing of the loan transaction.

Credit and Liabilities

Topic	Documentation Requirements
Completing the Liabilities Section of the Loan Application	Review the loan application, credit report, borrower's paystubs and other file documentation for borrower liabilities. The liabilities portion of the application may be completed directly from the credit report either manually or through an automated process. Include other debts in the monthly debt as detailed under the Monthly Debt Payment section below.
Credit Data for Loan Product Advisor	Obtain the same type of credit report for all borrowers from: <ul style="list-style-type: none"> • In-file(s) or merged/joint merged obtained through Loan Product Advisor • In-file(s), merged/joint merged, or RMCR obtained outside of Loan Product Advisor All credit reports must be dated within 120 days before the Note date.
Credit Report Inquiries within the Previous 120 Days	Determine if additional credit was granted. If additional credit was granted, verification of the debt must be obtained and the debt must be considered when qualifying the borrower. A letter from the creditor, or if such a letter is unavailable, a signed statement from the borrower may be used to determine whether additional credit was obtained.
Verification or Housing Debt	Third-party documentation to verify the housing payment amount is required if the credit report does not contain a required monthly payment. Examples of acceptable third-party documentation include a Settlement/Closing Disclosure Statement (if recently purchased), billing coupons, tax statement, insurance statement and, if applicable, HOA/Condo statement. Reminder: When the application indicates property is owned free and clear, the total monthly debt must include taxes, insurance and HOA or condo fees, as applicable.
Direct Verification of other Debts	Obtain documentation to verify the payment amount for any installment debt if the credit report does not contain a required monthly payment. Example: When the application indicates an alimony, child support or separate maintenance fee, selected pages from the applicable agreement may be used to evidence the required monthly payment and duration of the debt.
Monthly Debt Payment	Must include the following, as applicable: <ul style="list-style-type: none"> • Monthly housing expense • Payments on installment debts with more than ten months remaining, including debts that are in a period of deferment or forbearance. <ul style="list-style-type: none"> ▪ For student loans (see Student Loans in this table) ▪ Other installment debt, other than a student loan: If not reported on the credit report or is listed as deferred or in forbearance, obtain documentation verifying the monthly payment amount. ▪ Payments on installment debts secured by financial assets made by a financial institution may be excluded for qualifying purposes; however, the payments must be included on the loan application. • Alimony, child support or separate maintenance payments with more than 10 months remaining

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	<ul style="list-style-type: none"> • Monthly payments on revolving or open-end accounts, regardless of the balance. In the absence of a stated payment on the credit report, and if there is no documentation in the loan file indicating the monthly payment amount, 5% of the outstanding balance will be considered to be the required monthly payment amount. Monthly payments on open-end accounts (accounts which require the balance to be paid in full monthly) are not required to be included in the monthly debt payment if the borrower has sufficient verified funds to pay off the outstanding account balance. The funds must be in addition to any funds used to qualify the borrower for the loan transaction. • Monthly lease payments regardless of the number of payments remaining • Aggregate net rental loss from all investment properties owned • Monthly payment amounts for other properties, including principal and interest on the first lien and any secondary financing, real estate taxes, property hazard insurance premiums and, when applicable, mortgage insurance premiums, leasehold payments, and homeowners association dues. 						
<p>Student Loans</p>	<table border="1"> <tr> <td data-bbox="505 665 764 835"> <p>In Repayment</p> </td> <td data-bbox="764 665 1443 835"> <p>Use the greater of:</p> <ul style="list-style-type: none"> • The monthly payment amount reported on the credit report, or • 0.5% of the original balance or outstanding balance as reported on the credit report, whichever is greater </td> </tr> <tr> <td data-bbox="505 835 764 1005"> <p>In Deferment or Forbearance</p> </td> <td data-bbox="764 835 1443 1005"> <p>Use the greater of:</p> <ul style="list-style-type: none"> • The monthly payment reported on the credit report; or • 1% of the original loan balance or outstanding balance as reported on the credit report, whichever is greater </td> </tr> <tr> <td data-bbox="505 1005 764 1478"> <p>In Loan Forgiveness, Cancellation, Discharge and Employment-Contingent Repayment Programs</p> </td> <td data-bbox="764 1005 1443 1478"> <p>The monthly payment amount may be excluded from the monthly DTI ratio provided the loan file contains documentation that indicates the following:</p> <ul style="list-style-type: none"> • The student loan has ten or less monthly payments remaining until the full balance of the student loan is forgiven, cancelled, discharged or paid; or • The monthly payment on a student loan will be forgiven, cancelled, discharged or paid at the end of the deferment or forbearance period <p>AND</p> <ul style="list-style-type: none"> • The borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and the underwriter is not aware of any circumstances that will make the borrower ineligible in the future. </td> </tr> </table>	<p>In Repayment</p>	<p>Use the greater of:</p> <ul style="list-style-type: none"> • The monthly payment amount reported on the credit report, or • 0.5% of the original balance or outstanding balance as reported on the credit report, whichever is greater 	<p>In Deferment or Forbearance</p>	<p>Use the greater of:</p> <ul style="list-style-type: none"> • The monthly payment reported on the credit report; or • 1% of the original loan balance or outstanding balance as reported on the credit report, whichever is greater 	<p>In Loan Forgiveness, Cancellation, Discharge and Employment-Contingent Repayment Programs</p>	<p>The monthly payment amount may be excluded from the monthly DTI ratio provided the loan file contains documentation that indicates the following:</p> <ul style="list-style-type: none"> • The student loan has ten or less monthly payments remaining until the full balance of the student loan is forgiven, cancelled, discharged or paid; or • The monthly payment on a student loan will be forgiven, cancelled, discharged or paid at the end of the deferment or forbearance period <p>AND</p> <ul style="list-style-type: none"> • The borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program, as applicable, and the underwriter is not aware of any circumstances that will make the borrower ineligible in the future.
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<p>Loans of Financial Assets</p>	<p>Payments on loans secured by financial assets that may be repaid through liquidation of the asset may be excluded from the qualifying ratio provided the loan was made by a financial institution, and the asset is reduced by the outstanding balance of the loan when including it in the funds available to the borrower.</p>						
<p>Excluding Contingent Liabilities from Monthly Debt-to-Income Payment Ratio</p>	<p>For installment, revolving and monthly lease payments, obtain documentation that indicates:</p> <ul style="list-style-type: none"> • A party other than the borrower has been making timely payments for the most recent 12 months • The party making the payments is not an interested party to the transaction. <p>For mortgages, provide documentation that indicates:</p> <ul style="list-style-type: none"> • A party other than the borrower has been making timely payments for the most recent 12 months • The party making the payments is obligated on the Note for the mortgage 						

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	<p>being excluded</p> <ul style="list-style-type: none"> • The borrower is not on the title for the mortgaged property • The party making the payments is not an interested party to the transaction. <p>For assumed mortgages:</p> <ul style="list-style-type: none"> • Verify that the borrower no longer owns the property by documenting the property transfer; and • Obtain a copy of any assumption agreement executed by the transferee <p>For assigned debt:</p> <ul style="list-style-type: none"> • A liability (secured debt including a mortgage) may be excluded if assigned to another by a court order such as a divorce decree. Obtain: <ul style="list-style-type: none"> ▪ A copy of the court order; and ▪ Evidence of transfer of the title out of the borrower's name. <p>Reminder: All borrower debt incurred through the Note date must be considered when qualifying the borrower. The final loan application must reflect accurate and complete information as of the Note date of the subject mortgage.</p>
Excluding Self-Employed Borrower Debt Paid by the Business	<p>When a self-employed borrower is obligated on a debt that has been paid by the borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly debt-to-income ratio if the following requirements are met:</p> <ul style="list-style-type: none"> • The loan file contains evidence that the debt has been paid timely by the borrower's business for no less than the most recent 12 months; and • The tax returns evidence that business expenses associated with the debt, such as interest, lease payments, taxes, insurance, have been reported and support that the debt has been paid by the business.
Derogatory Credit	Loan Produce Advisor Accept decision: No documentation required
Payoff of Existing Judgments and Tax Liens	<p>The mortgage must be a valid first lien on the mortgaged premises. The mortgaged premises must be free and clear of all prior liens and encumbrances and no rights or condition may exist that could give rise to such liens except for:</p> <ul style="list-style-type: none"> • Liens for real estate taxes and special assessments not yet due and payable.

General Underwriting Requirements

Eligibility
<p>Loan Product Advisor assumes that the last information submitted to LPA is the same as the information that is verified and documented in the loan file. If the information changes or an error is identified in a prior submission, the mortgage information must be resubmitted to LPA. Incorrect information in Loan Product Advisor may invalidate the LPA Feedback Certificate. To qualify as a Loan Product Advisor mortgage, the loan must meet all of the following criteria:</p> <ul style="list-style-type: none"> • Be submitted to LPA no more than 120 days before and no later than the Note date • Have all credit reports, including LPA credit reports, dated no more than 120 days before and not later than on the Note date • Receive a "complete" AUS status on the Feedback Certificate based on the last submission to LPA on or before the Note date. • Comply with all requirements of the LPA guideline section "Using Loan Product Advisor" • Have a Settlement date that is not more than 12 months after the Note date <p>For Accept mortgages, LPA makes the determination that borrower capacity is acceptable so long as the amount of stable monthly income used by Loan Product Advisor is correct and meets the applicable requirements of the LPA guidelines.</p>
Permanent and Non-Permanent Resident Aliens
<p>Permanent and Non-Permanent Resident Aliens lawfully residing in the United States are eligible for mortgages on the same terms as a U.S. citizen.</p>
Financing Concession
<p>Financing concessions for primary residences and second homes are within allowable percentages:</p> <ul style="list-style-type: none"> • 9% of value for mortgages with LTV/TLTV ratios less than or equal to 75% • 6% of value for mortgages with LTV/TLTV ratios greater than 75% up to and including 90% • 3% of value for mortgages with LTV/TLTV ratios greater than 90%

The maximum financing concession for investment properties is 2% regardless of the LTV ratio.

Note: Maximum financing concessions are based on the LTV ratio when there is no secondary financing and TLTV ratio when secondary financing is present. Contributions in excess of the above limitations are considered sales concessions.

- Sales concessions are deducted from the purchase price and the LTV is calculated using the lower of the reduced purchase price or appraised value.
- Interested party contributions used to reimburse the borrower for payment of short sale fees must be considered and treated as a sales concession.

Payment Abatements

A payment of up to 12 months of homeowners' association dues by an interested party is not considered to be an abatement but is considered an interested party contribution and is subject to all requirements for interested party contributions and other conditions.

Note: HOA payment abatements are not allowed on the Platinum and Select programs.

Lender Credit

- Lender credit may only be used as a credit towards the borrower's closing costs and must not exceed the amount of the borrower's closing costs.
- Lender credit derived from an increase in the interest rate must not be used as a credit towards funding a temporary subsidy buy down plan on a "no cash-out" refinance transaction.

Property

Ensure that the subject property is eligible and that it supports the transaction. The LPA Minimum Assessment Feedback (MAF) will advise of the type of appraisal report required.

For units in condominium projects the project must meet Freddie Mac eligibility criteria for existing, new, 2-4 unit projects, or detached condominium projects.

Mortgages secured by a manufactured home, must be submitted to Loan Product Advisor and must identify the property as a multi-wide manufactured home. In addition:

- An appraisal reported on Appraisal Form 70B, Manufactured Home Appraisal Report, is required for all manufactured home.

Note: Manufactured homes are not eligible on the Platinum and Select products.

For purchase transactions verify the property seller is the Owner of Record. For refinance transactions, verify the borrower is an Owner of Record. For transactions involving the payoff of a land contract, verify that the borrower is a vendee on the recorded land contract and the property seller is the vendor and Owner of Record.

Note: Land contracts are not eligible on the Platinum and Select products.

If Loan Product Advisor returns an "excessive value" message or a message notifying of REO activity within the preceding 24 months, review the appraisal report carefully to ensure the property value is supported.

Date and Verification Requirements

- A loan that was processed through Loan Product Advisor and received a complete assessment (a Risk Class of Accept) on the last Feedback Certificate must have a Settlement date no more than 12 months after the Note date
- Loan Product Advisor results must be dated within 120 days prior to the Note date. If it is determined after the Note date that the information entered into LPA was not true, complete and accurate and does not match the terms of the mortgage, the loan must be resubmitted to LPA after the Note date, as applicable, but prior to the LPA Assessment Expiration Date.
- Verification of employment, income, current receipt of income, sources of funds and payment history must be dated within 120 days prior to the Note date. Any information verified more than 120 days before the Note date must be re-verified. **Verifications made after the Note date are not acceptable.**

General Requirements for Verifying Documents

Written Verifications:

- Standard verification forms such as verifications of employment (VOE), verifications of deposit (VOD) and mortgage or rental verification forms must be sent directly from the originator to the borrower's employer, depository, creditor or landlord and upon completion, returned directly from the entity to the originator.
- Facsimile verification forms are acceptable if it is clear from the document that the information was sent by facsimile transmission directly from the source to the originator and are considered to be originals.
- Original documents must not contain any alterations, erasures, white-out fluid or correction tape.
- Legible copies are required
- The copies must have been made by the originator or the borrower directly from the originals. Copies

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provided by any other sources, such as the agent or builder, are not acceptable. Electronic verifications (VOE, VOD, VOM/R) are computer generated documents, accessed and printed from an Intranet or Internet. This includes online bank statements, investment account statements and employment and/or income statements. The borrower may provide the electronic verification directly, or the originator may obtain it directly from the employer, depository or other institution.

Income and Asset Qualification Sources

- IRS Form 4506-T:
 - All borrowers whose income is used to qualify or whose assets are used as a basis for repayment of obligations must sign IRS Form 4506-T on the application date and again on the Note date. Transcripts are required per the income documentation type contained in the loan file.
 - Year-to-date paystubs must:
 - Identify the employer's name, the borrower as the employee and the date issued. The paystubs must show the time period covered and both the current pay period dates and earnings and the complete year-to-date earnings.
 - W2 forms must be the complete IRS *Form W-2* distributed by the employer for the preceding tax year(s).
 - Written VOEs must contain:
 - A signature, printed name, title and contact information of the authorized employer representative who verified the information and the date completed.
 - The borrower's name and employer's name and address.
 - Ten-day pre-closing verifications (10-day PCVs), when required, must be obtained no more than ten business days prior to the Note date. Types may include a verbal VOE, written VOE, Military Leave and Earnings Statement or third-party employment verification service.
 - Verbal VOEs must be completed using Freddie Mac *Form 90*, or a similar written document that includes the following:
 - Name of the borrower, employer's name, name and title of the individual contacted at the employer's, date of contact, and the phone number used to contact the employer.
 - Name of the third-party source used to obtain the phone number for the employer, such as the phone directory, reliable Internet source, directory assistance, etc.
 - Borrower's current employment status.
 - Any additional information that was verified.
 - The name, title and employer of the representative who contacted the borrower's employer and who completed the verbal VOE.
 - Third party employment and income verifications obtained through third-party verification service providers are acceptable. The verifications must be received by the originator directly from the third-party verification service provider. A copy of the verification must meet the following requirement:
 - Sufficient information to determine stable monthly income.
 - Ten-day PCVs for employment
 - If verification is completed using employment and/or income information from an electronic database, the verification must evidence that the information in the database is no more than 35 days old.
- Note:** *If any required information is missing, obtain additional documentation to supplement the third-party verification. Lenders are responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services.*
- Tax returns must be the borrower's signed copy of the complete U.S. federal income tax return(s) that were filed with the IRS, and include all schedules and forms.

Asset Account Verifications

- Verifications of Deposit must:
 - Identify the issuing financial institution, the account owner(s), the account number, which at a minimum, must include the last four digits, the type of account, the account open date, the current account balance, the average balance for the previous two months, and any outstanding loans secured by the asset.
 - Include the title, signature and phone number of the depository representative who completed the verification.
- Asset account statements must:
 - Identify the issuing financial institution, the account owner(s), and the account number, which at a minimum must include the last four digits.
 - Show all transactions, the time period covered, ending balances, and any outstanding loans secured by the asset.

A transaction history that is computer generated and downloaded by the borrower from the Internet, or

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by a financial institution representative from the institution's system is acceptable. It must identify the name of the institution and the source, and include the information required above for asset account statements, unless it is used in combination with other asset verifications containing the missing information and it can clearly be established that the transaction history pertains to the same account

- Third-party asset verification:
 - Asset verifications obtained through third-party verification service providers are acceptable.
 - They must be received by the originator directly from the third-party verification service provider.
 - They must contain the same information as required for verifications of deposit or asset account statements above, except when verification is generated electronically and is not completed or provided by a representative of the employer or the depository institution, as applicable, the representative's information is not required.

Note: If any required information is missing, obtain additional documentation to supplement the third-party verification. Lenders are responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services.

Date Requirements for Credit Reports

All credit reports used in conjunction with Loan Product Advisor, including the credit data provided through LPA, including those reports not used by the underwriter, must be dated within 120 days prior to the Note date.

Re-Submission to Loan Product Advisor

If the information submitted changes or an error is identified in the prior submission, the mortgage must be re-submitted to LPA with the new data. Re-submission of loan data to LPA is required prior to closing if:

- The information on the previous submission is not true, complete or accurate. For example:
 - Information on the previous submission is inaccurate, invalid, or changes during the origination process
 - Borrowers are added to or deleted from the loan application
 - Property information changes, the property information included an inaccurate or incomplete property address, or an appraisal provides a different value for the property
 - A different loan program is requested
- The loan has not closed and the most recent submission exceeds the date requirements
- Any information used by LPA changes. A change from the previous submission involving the following does not require resubmission:

Debts and Income:

- The monthly debt payment decreases including the monthly housing expense
- The income for any borrower increase. **If the income used to qualify borrowers increases for Home Possible transactions, resubmission is required (Home Possible is not eligible on the Platinum and Select products)**
- The income for any borrower decreases and/or the monthly debt payment including the monthly housing expense increase; and
- The total difference does not change the total DTI ratio by more than three percentage points, and the total DTI ratio on the previous submission did not exceed 45%

Assets and Reserves:

- The amount of verified assets increases
- The amount of verified reserves increase
- The amount of verified reserves decreases to an amount that is no less than the reserves required to be verified on the Feedback Certificate

Loan Amount:

- The loan amount decreases by no more than 1% on a refinance transaction and at the time of the most recent LPA submission mortgage insurance is not required
- The loan amount decreases by no more than 1% on a refinance transaction and at the time of the most recent LPA submission mortgage insurance is required; and
 - The change does not impact the amount of the mortgage insurance coverage; and
 - The amount of the mortgage insurance premium collected is based on the new loan amount and a new mortgage insurance certificate is obtained.

If the Risk Class and/or Documentation Level changes as a result of the re-submission, the new requirements must be met.

Re-Submission to Loan Product Advisor after the Note Date

A mortgage cannot be re-submitted to Loan Product Advisor after the Note date if:

- Re-submission is more than 120 days after the LPA Assessment Expiration Date displayed on the Feedback Certificate in effect as of the Note date; or

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- A borrower is being added or deleted, or a change is being made to a borrower's last name or social security number; or
- A new credit report company needs to be selected; or
- The single or joint merged credit report indicator changes; or
- The order of borrowers' changes on a joint merged credit request; or
- The merged credit report number does not match the merged credit report number from the most recent complete transaction
- If the mortgage cannot be re-submitted to Loan Product Advisor after the Note date, the loan is not eligible.

Note: Select the appropriate Loan Processing State, which is "Post Closing Quality Control". Once Post Closing Quality Control is selected, that processing stage must remain for the life of the loan.