

**SECTION 1: MATRIX:**

**HIGHLIGHTS:** Designed for Borrower that requires alternative documentation (outside the box)..

- Self-employed and wage earners use alternative doc types.
- No 4506-T or tax returns required
- Max DTI 49%
- 100% gift funds allowed on Primary and 2<sup>nd</sup> Home.
- Business Funds allowed for borrower(s) <= 100% owner of business and associated accounts
- Non-QM waiting periods on negative credit events.
- P & I reserves on subject property only.
- Cash out proceeds may be used as reserve requirement
- Non-Warrantable Condo is allowed (subject to pre-approval by investor)

<b>Fixed / ARM Primary Residence, Second Home &amp; Investment– Purchase / Rate &amp; Term</b>					
<b>Property Type</b>	<b>Max Loan Amount</b>	<b>LTV</b>	<b>CLTV</b>	<b>Credit Score</b>	
1 Unit SFR, PUD and Condos <sup>1</sup>	\$1,000,000	80%	80%	720	
		75%		700	
		70%		680	
		65%		660	
		55%		640**	
	\$1,500,000	70%		700	
		65%		680	
		\$2,500,000		65%	700
		\$5,000,000*		60%	700
		2 – 4 Units		\$1,500,000	70%
\$2,500,000	65%		720		
\$5,000,000*	60%		720		
Foreign Nationals <sup>2</sup>	\$1,000,000	65%	80%	N/A	
	\$1,500,000	60%			
	\$2,500,000	55%			
	\$5,000,000	50%			
<b>Minimum Loan Amount: \$75,000</b>					

<b>Interest Only Option</b>	<ul style="list-style-type: none"> <li>• Max LTV 70% Minimum FICO: 720</li> </ul>
<b>Appraisal Waiver Option</b>	<ul style="list-style-type: none"> <li>• 70% Max LTV / 700 Min. FICO</li> <li>• Up to \$1,000,000 Loan Amount</li> <li>• Primary Residence only</li> <li>• <b>Purchase and R/T</b></li> <li>• 1 Unit SFR, PUDs and Condos only</li> </ul>

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<b>Cash Out Primary Residence, Second Home &amp; Investment</b>			
<b>Property Type</b>	<b>Max Loan Amount</b>	<b>LTV</b>	<b>Credit Score</b>
1 Unit SFR, PUD and Condos <sup>1</sup>	\$1,000,000	70%	700
		65%	680
		60%	660
	\$2,500,000	65%	700
	\$3,000,000*	55%	700
	\$5,000,000	50%	720
2 – 4 Units	\$1,500,000	65%	700
	\$2,500,000	65%	720
	\$3,000,000*	55%	720
	\$5,000,000*	45%	720
Foreign Nationals <sup>2</sup>	\$1,500,000	60%	N/A
	\$2,500,000	55%	
	\$3,000,000*	50%	
	\$5,000,000*	45%	

**Footnotes:**

*	Loan Amount > \$2,500,000 subject to Credit Risk and Investor Review
**	ONLY for Primary, Purchase and Rate/Term Refinance Transactions
1	Non-Warrantable condos are further restricted – subject to Investor pre-approval
2	Only Second Home and Investment Properties are allowed

**SECTION 2: Products:**

<b>PROGRAM CODES:</b>	<b>Advantage Non-QM</b>			
	<b>Product</b>	<b>Code</b>	<b>Product</b>	<b>Code</b>
	7/1 ARM	9800-35	7/1 ARM - Appraisal Waiver	9870-35
	7/1 ARM (B)	9860-35	7/1 ARM (B) - Appraisal Waiver.	9876-35
	7/1 ARM Interest Only	9500-35		
	7/1 ARM (B) Interest only	9560-35		
	15 Year Fixed	9300-35	15 Year Fixed - Appraisal Waiver	9370-35
	15 Year Fixed (B)	9360-35	15 Year Fixed (B) - Appraisal Waiver	9376-35
	30 Year Fixed	9200-35	30 Year Fixed - Appraisal Waiver	9270-35
	30 Year Fixed (B)	9260-35	30 Year Fixed (B) - Appraisal Waiver	9276-35

**Note:**  
(B) = Program Codes for Borrowers using: Borrower Prepared P&L Statements with Minimum 2 months Bank Statements.

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<b>SECTION 3: Eligibility and Underwriting Parameters:</b>	
<b>Underwriting Method</b>	Manual Underwriting only
<b>Loan Terms and Other information:</b>	<p><b>Fixed Rate Mortgage:</b> 30 and 15-Year fixed rate. Fully amortizing payments for 360 and 180 months.</p> <p><b>ARM:</b> 7/1 ARM: <b>Margin:</b> 3.250% <b>Index:</b> 1 Year LIBOR <b>Caps:</b> 2 / 2 / 6</p> <ul style="list-style-type: none"> <li>Qualify at greater of start rate or fully indexed rate with fully amortized payment for 30 years.</li> </ul> <p><b>Interest Only:</b> Interest Only option available. Interest only period is 7 years (84 months).</p> <ul style="list-style-type: none"> <li>Qualify with fully amortized payment for the remaining 23 years after the Interest Only period.</li> </ul>
<b>Interest Only Option</b>	<p><b>Max LTV:</b> 70% <b>Minimum FICO:</b> 720 <b>Interest Only Period:</b> 7 Years</p> <ul style="list-style-type: none"> <li>Qualify at greater of start rate or fully indexed with fully amortized payment for 23 years.</li> </ul>
<b>Locks</b>	<ul style="list-style-type: none"> <li>Loan must be approved by investor prior to locking rate / pricing</li> </ul>
<b>Eligible Properties</b>	<ul style="list-style-type: none"> <li>SFR, PUD (attached and detached). Condominium (low-high rise condos, attached, and detached), and 2 – 4 Unit properties.</li> <li>Properties exceeding 10 acres require pre-approval from Investor.</li> </ul>
<b>Ineligible Property Type:</b>	<ul style="list-style-type: none"> <li>Co-ops, Hobby Farms, Log Homes, Mixed Use, Manufactured Homes, Condotel, Timeshare, Leasehold Estates, and Mobile Homes.</li> </ul>
<b>Eligible Borrowers:</b>	<ul style="list-style-type: none"> <li>U.S Citizens, Permanent and Non-Permanent Resident Aliens with valid SSN, and Inter vivos revocable trusts meeting Fannie Mae guidelines are eligible. Non-Permanent Resident Aliens must have EAD card with minimum 180 days remaining at time of funding. EAD card with 30-179 days remaining requires evidence of application for extension. EAD card with less than 30 days remaining without renewed status is not eligible.</li> <li>Non-Resident Aliens (Foreign Nationals) with valid VISA or through the VISA waiver program (VWP) are eligible. The eligible countries under VWP program are found under U.S. Department of State's website: <a href="https://travel.state.gov/content/visas/en/visit/visa-waiver-program.html">https://travel.state.gov/content/visas/en/visit/visa-waiver-program.html</a></li> <li>Non-occupant co-borrower is not allowed.</li> </ul>
<b>First Time Homebuyers:</b>	<ul style="list-style-type: none"> <li>First time homebuyers are eligible.</li> <li>First time homebuyers may not use rental income to qualify on investment property purchases.</li> </ul>
<b>Foreign Nationals:</b>	<ul style="list-style-type: none"> <li>Copy of passport, I-94, and Valid VISA (F1 and F2 types are not allowed).</li> <li>Copy of passport and either I-94W or proof of ESTA Approval required for borrowers on VISA Waiver Program.</li> <li>Borrower must have US address when applying for loan (must be entered as the mailing address on 1003).</li> <li>Multiple financed properties with Investor by the same borrower restricted to the lesser of 3 loans or \$2,500,000 financed amount (includes subject property).</li> <li>Foreign Assets (down payment, closing costs, reserves, gift funds) must be transferred to and accepted by US institutional account prior to ordering loan docs.</li> <li>Income: Refer to Income section of guidelines.</li> <li>Foreign Nationals of the countries listed on the Sanctions Programs and Country Information by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) are not eligible. Refer to: <a href="https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx">https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx</a></li> </ul>
<b>Age of Credit Documents</b>	<ul style="list-style-type: none"> <li>Credit documents cannot be older than 90 days from the funding date. These documents include credit report, employment, income, and asset.</li> <li>Prelim is good for 90 days. Appraisals are good for 120 days (Note: Recertification of value will be required between 90-120 days when appraiser states that the property area is either declining or not stable)</li> </ul>

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<b>Max DTI:</b>	Max 49% DTI
<b>Credit</b>	<ul style="list-style-type: none"> <li>• Credit Inquiries: Report must list all credit inquiries made in previous 120 days. LOE required to address all credit inquiries.</li> <li>• Credit: All borrowers must have minimum of (2) FICO scores on a tri-merged credit report and sufficient credit experience.</li> <li>• Minimum Trade lines: 3 Tradelines with 12 months rating (may be open or closed).</li> <li>• Authorized User Account: Credit report tradeline that list a borrower as an authorized user cannot be considered in the minimum tradelines requirement.</li> <li>• Disputes: If credit report indicates "dispute" tradeline and the dispute does belong to the borrower with a derogatory reported within the last two years, a new credit report must be provided evidencing the dispute has been removed from all repositories. If the dispute is not the borrower's, documentation to support must be provided.</li> <li>• Collections / Charge-off Accounts: Accounts do not have to be paid off at or prior to closing if the balance of an individual account is less than \$250 or the total balance of all accounts is \$1000 or less (medical collections do not have to be paid off).</li> <li>• Judgments, Garnishments and Liens: Delinquent credit (including taxes, judgments, tax liens, mechanics' or materialmen's liens) that have an affect on the 1st lien position must be paid at or before closing.</li> </ul>
<b>Bankruptcy, Foreclosure, Deed in Lieu, Pre-Foreclosure, Short Sale:</b>	<ul style="list-style-type: none"> <li>• Bankruptcy: 3 years from discharge date – Multiple events not permitted.</li> <li>• Foreclosure: 5 years from completion date – Multiple events not permitted.</li> <li>• Deed in Lieu, Pre-Foreclosure, Short Sale: 2 years from completion date or settlement – Multiple events not permitted.</li> </ul>
<b>Restructured or Modified Loans</b>	Only eligible when the borrower(s) have made a minimum of 24 consecutive months of timely mortgage payments on the restructured loan before closing on the subject property loan.
<b>Rate/Term Refinance</b>	<p>No seasoning required. If the first mortgage being paid off with this transaction was used to payoff any subordinate financing that was not used to acquire the property and that mortgage has not been seasoned for at least 6 months prior to the date of the application, the loan is ineligible for Rate &amp; Term Refinance.</p> <p><b>The LTV calculation for a Rate and Term Refinance:</b> Current appraised value is used for calculating LTV for Rate/Term Refinance regardless of the subject acquisition date. Note: Texas loans for refinance as a rate and term do not allow:</p> <ul style="list-style-type: none"> <li>• Any principal reductions/ curtailments.</li> <li>• Impounds may not be added to new loan calculation if they are not netted from the payoff.</li> <li>• POC fees may not be refunded when financed into the loan amount, and loan must be recalculated due to any payoff reductions, (Ex. - Borrower made a payment, now payoff reduced) and,</li> <li>• Loans that fall into Texas Cash out 50(a)(6) eligibility.</li> </ul>
<b>Cash Out Refinance</b>	<p>6 month title seasoning is required.</p> <p><b>Note:</b> If the borrower inherits or is legally awarded (by divorce, dissolution of a domestic partnership etc.) a property- it is exempt from the 6 month waiting period.</p> <p><b>Note:</b> If the property was purchased by the borrower within the 6 months preceding the application for new financing, the borrower is ineligible for a cash-out refinance.</p> <ul style="list-style-type: none"> <li>• Delayed financing is allowed within the 6 months from the purchase date if the property was purchased and there is no financing evidenced by the settlement statement provided by the escrow company.</li> <li>• LTV Calculation: Use current appraised value.</li> <li>• Properties in an LLC or Partnership may count towards the 6 months title seasoning if the borrower is the majority (≥51%) owner. Ownership must be transferred out of the LLC/Partnership and into the name of the individual borrower(s) prior to or at closing.</li> </ul>

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<p><b>Student Loan Cash Out</b></p>	<ul style="list-style-type: none"> <li>• At least one student loan must be paid off. Loan proceeds must be paid directly to the student loan servicer at closing.</li> <li>• Only student loans for which the borrower is personally obligated can be paid through the transaction.</li> <li>• Student loan debt must be paid in full with the proceeds - partial payments of student loan debt are NOT permitted.</li> <li>• Maximum 60% LTV for cash out refinance.</li> <li>• Maximum cash back to borrower cannot exceed \$2,000 or 2% of the loan amount (whichever is less).</li> <li>• Mortgage Payoff: 1st mortgage and seasoned 2nd mortgage.</li> <li>• Payoff of taxes ineligible unless escrow account is established.</li> <li>• Payoff of delinquent taxes ineligible</li> </ul>
<p><b>Texas Cash Out</b></p>	<p><b>Subject to compliance with all Texas Equity loan requirements, including but not limited to:</b></p> <ul style="list-style-type: none"> <li>✓ A Section 50(a)(6) loan may not be closed sooner than 12 months after the closing of a previous Section 50 (a)(6).</li> <li>✓ Only one outstanding 50(a)(6) loan on a property at one time.</li> <li>✓ Each owner of the home and spouse must acknowledge the loan.</li> <li>✓ 12 days waiting period for closing must be met.</li> <li>✓ Texas cash out loans are eligible for fixed rate mortgages only.</li> </ul>
<p><b>Cash Out Refinance Delayed Financing Exception</b></p>	<p>Borrowers who purchased the subject property within the past six months are eligible for a cash-out refinance if all of the following requirements are met:</p> <ul style="list-style-type: none"> <li>• The original purchase transaction was an arms-length transaction</li> <li>• For this refinance transaction, the borrower(s) must meet the borrower eligibility requirements (i.e., borrowers who are natural persons that have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located). The borrower(s) may have initially purchased the property as one of the following:             <ul style="list-style-type: none"> <li>▪ A natural person</li> <li>▪ An eligible inter vivos revocable trust, where borrower is both the beneficiary &amp; individual establishing the trust or</li> <li>▪ A LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%</li> </ul> </li> <li>• The original purchase transaction is documented by Final CD, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee's deed [or similar alternative] confirming the amount paid by the grantee to trustee may be substituted for a Final CD if a Final CD was not provided to the purchaser at time of sale.)</li> <li>• The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).</li> <li>• If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the Final CD for the refinance transaction must reflect that all cash out proceeds be used to pay down, if applicable, the loan (unsecured or secured by an asset other than the subject property) used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction (Gift funds used to purchase the property may not be reimbursed with proceeds of the new loan).</li> <li>• The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for the cash out transaction based on the current appraised value).</li> <li>• All other Cash Out refinance guidelines apply and must be met.</li> </ul> <p>Maximum LTV/CLTV ratios for standard Cash Out transaction except for Investment &gt; 6 financed properties.  <b>Investment with more than 6 financed properties: Max LTV is 50%</b></p>

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<b>Income:</b>	<p><b><u>Salaried Borrowers:</u></b></p> <ul style="list-style-type: none"> <li>• Most recent 2 years W2 and 30 days YTD paystub OR</li> <li>• Written Verification of Employment (FNMA Form 1005 or equivalent) completed by the employer.</li> </ul> <p><b><u>Self-employed Borrower:</u></b></p> <ul style="list-style-type: none"> <li>• Business license for the past 2 years.</li> <li>• A Letter from the CPA, CTEC (California Tax Education Council) or EA (Enrolled Agent) on their business letterhead showing address, phone number &amp; license number is required with the following:             <ul style="list-style-type: none"> <li>▪ CPA/CTEC/EA prepared the most recent 2 years of business tax return filing.</li> <li>▪ Indication of business name, borrower's name, and percentage of business ownership by the borrower</li> </ul> </li> <li>• CPA signed/prepared Profit and Loss Statement(s) and/or Business Tax Returns are required: For applications dated on or before 6/30, one full year and YTD interim statements are required. For applications dated on or after 7/1, current YTD profit &amp; loss statement is required.</li> </ul> <p><b>Note:</b> If paystubs, W-2s, or tax returns are used to qualify, an executed 4506-T and transcripts will be required.</p> <p><b><u>For Borrower prepared P&amp;L statement with 2 months Bank Statements Option (B):</u></b></p> <ul style="list-style-type: none"> <li>• Borrower prepared/signed P&amp;L must support/exceed income calculation based on bank statements. If income on P&amp;L is lower than the income on bank statements, the P&amp;L income (lower income) will be used to qualify the borrower.</li> <li>• Personal and/or Business Bank Statements are acceptable. Please refer to below examples:</li> </ul> <p><b><u>If Personal and Business Bank Statements are used:</u></b></p> <ul style="list-style-type: none"> <li>• 100% of Personal Bank Statement and 50% of Business Bank Statement will be used.</li> </ul> <p><b>Example:</b></p> <p>Personal Bank Statement:</p> <ul style="list-style-type: none"> <li>• 100% of account is used.</li> <li>• 2 months deposits total = \$9,000/2 months = \$4,500/mo.</li> <li>• If the account is a joint account and only one account holder is on the loan, the income is divided by ½. (\$4,500/2 = \$2,250/mo)</li> </ul> <p>Business Bank Statement:</p> <ul style="list-style-type: none"> <li>• 50% of account is used (the 50% deducted is accounted for the business expenses/overhead).</li> <li>• 2 months deposit total = \$9,000/2 months X 50% = \$2,250/mo.</li> <li>• The percentage of the income used must coincide with the percentage of the business ownership.</li> </ul> <p><b><u>If Personal Bank Statement is the only account used:</u></b></p> <ul style="list-style-type: none"> <li>• 50% of account is used (the 50% deducted is accounted for the business expenses/overhead).</li> <li>• Will be considered as business account and the business account income calculation will apply.</li> </ul> <p><b><u>If Business Bank Statement is the only account used:</u></b></p> <ul style="list-style-type: none"> <li>• 50% of account is used (the 50% deducted is accounted for the business expenses/overhead).</li> <li>• The percentage of the income used must coincide with the percentage of the business ownership.</li> </ul> <p><b><u>Foreign Nationals:</u></b></p> <ul style="list-style-type: none"> <li>• Salaried borrowers and self-employed borrowers may follow above guidelines or provide equivalent documentation.</li> <li>• Document to be translated by certified translator and notarized, if necessary.</li> </ul>
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<b>Self-Employed Confirmation or Employment Requirements:</b>	<ul style="list-style-type: none"> <li>• Verification of the existence of the borrower's business from a third party, such as a CPA, CTEC, EA, regulatory agency or the application licensing bureau (CPA, CTEC or EA must be the individual who files the business taxes).</li> <li>• Verify the listing and address for the borrower's business using telephone book, the internet or directory assistance.</li> </ul>						
<b>Verbal Verification of Employment:</b>	<p>Verbal Verification of Employment is required for all borrowers:</p> <ul style="list-style-type: none"> <li>• Salaried and commission income - Verbal VOE within 10 days prior to note date.</li> <li>• Self-employed income - Verbal VOE within 30 days prior to note date.</li> </ul>						
<b>Assets &amp; Reserves:</b>	<p>Most recent 2 months Bank Statements or VOD required. Reserves required as follows:</p> <table border="1" data-bbox="512 483 1524 574"> <thead> <tr> <th>Loan Amount</th> <th>Required Reserves</th> </tr> </thead> <tbody> <tr> <td>LTV ≤ 70% and Loan Amount ≤ \$1,000,000</td> <td>6 Months Principal &amp; Interest payment</td> </tr> <tr> <td>LTV &gt; 70% or Loan Amount &gt; \$1,000,000</td> <td>12 Months Principal &amp; Interest payment</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• Stock/Bonds/Mutual Funds: 100% may be considered - funds used for closing must be documented as being liquidated.</li> <li>• Net Cash Value for Life Insurance: 100% of the vested amount may be considered for reserves.</li> <li>• Vested Retirement Account Funds: 100% may be considered for reserves.</li> <li>• Reserves are required for subject property only.</li> <li>• <b>Cash Out Net Proceed can be used for reserve requirements.</b></li> </ul>	Loan Amount	Required Reserves	LTV ≤ 70% and Loan Amount ≤ \$1,000,000	6 Months Principal & Interest payment	LTV > 70% or Loan Amount > \$1,000,000	12 Months Principal & Interest payment
Loan Amount	Required Reserves						
LTV ≤ 70% and Loan Amount ≤ \$1,000,000	6 Months Principal & Interest payment						
LTV > 70% or Loan Amount > \$1,000,000	12 Months Principal & Interest payment						
<b>Business Funds:</b>	<ul style="list-style-type: none"> <li>• Business funds: Funds in the borrower's business account(s) ≤ 100% of account balance may be counted toward down payment, closing costs, and reserves. The percentage of the account balance used towards the down payment, closing costs, and the reserves must be no more than the percentage of the borrower's ownership of the business.</li> <li>• Business funds that are in a personal account prior to application may be used for down payment, closing costs, and reserves without restriction. Large deposits must be sourced to determine there is not an undisclosed loan.</li> <li>• A CPA/CTEC/EA must provide a letter explaining that the withdrawal of the funds will not negatively affect the business operations.</li> </ul>						
<b>Gift Funds:</b>	<ul style="list-style-type: none"> <li>• Allowed on Primary Residence and Second Home transactions.</li> <li>• Minimum borrower contribution from the borrower's own funds is not required.</li> <li>• Gift funds may fund all or part of the down payment, closing costs, or financial reserves.</li> <li>• Gift donor must be blood or legal relative, a fiancé, fiancée, or domestic partner.</li> <li>• Gift letter must contain the amount of the gift, donor's name, address, phone number and relationship.</li> <li>• The donor should state that repayment is not expected.</li> <li>• Not allowed on NOO Transactions.</li> </ul>						
<b>Interested Party Contributions</b>	<p>Maximum allowable contribution from seller, builder, realtor, broker, or an affiliate who may benefit from the transaction:</p> <ul style="list-style-type: none"> <li>• 6% for Primary Residence or Second Home</li> <li>• 2% for Investment Property</li> </ul>						
<b>Maximum Number of Financed Properties:</b>	<p>The financed property limit applies to the borrower's ownership of one - to four - unit financed properties or mortgage obligations on such properties and is cumulative for all borrowers. These limitations apply to the total number of properties financed, not the number of mortgages on the property.</p> <ul style="list-style-type: none"> <li>• <b>Max number of financed properties:</b> 10</li> <li>• <b>Investment Cash Out:</b> Max LTV is 50% if subject property is an investment and borrower has &gt; 6 financed properties.</li> </ul>						

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**Monthly Debt Obligations:**

**Mortgage History**

1x30 within 12 months

- VOM required for borrower(s) that are homeowners and mortgage payment history is not reflected on credit report. VOR required when borrower(s) renting and are purchasing an investment property to verify housing payment and history. If borrower(s) is living rent free and purchasing an investment property, WesLend and/or its Investors requires rental agreement and proof someone else making payments.
- If Private Lender or Private Landlord, 12 months cancelled checks or 12 months bank statements must be provided to document mortgage or rents.

**HELOC Payment**

- Current monthly payment reflected on the credit report may be used for qualifying ratios.
- If the amount is not shown on the credit report, use the payment reflected on the billing statement.

**Installment Debts**

- Payments on installment debts with more than 10 months of remaining payment must be included in the DTI.
- Installment debts may be paid off or paid down to 10 or fewer monthly payments for qualifying. (Unless the monthly debt obligation significantly affects the borrower's ability to meet their credit obligations). \*Note: Pay downs may be limited to one installment debt per borrower/loan application if the borrower does not have sufficient liquid funds in the bank to cover the remaining balance. \*All pay downs require liquid funds to support the remaining balances of each debt being paid down to qualify the loan.

**30 Day Accounts**

Open 30-day charge accounts require the balance to be paid in full every month. Borrower must demonstrate funds to cover the account balance. The verified funds must be in addition to any funds required for down payment, closing costs and financial reserves. If the borrower paid off the account balance prior to closing, evidence of payoff may be provided in lieu of verifying funds to cover the account balance.

**Deferred Installment Debts**

Deferred Installment debts must be included in Debt Ratios as follows:

- Installment debts, other than Student loans, when minimum payment is not shown on credit report, then use:
  - ✓ a copy of the payment letter, or
  - ✓ forbearance agreement that reflects a future monthly payment

**Student Loans**

For all student loans, whether deferred, in forbearance, or in repayment, monthly payment must be included in the borrower's DTI.

- In order to calculate the repayment amount, one of the following must be used:
  - ✓ If a payment amount is provided on the credit report, that amount can be used for qualifying purpose.
  - ✓ 1% of the outstanding balance; OR
  - ✓ a calculated payment that will fully amortize the loan(s) based on the documented loan repayment terms.

**Lease Payments**

The lease payment must be included in the DTI regardless of the remaining number of payments.



	<p><b><u>Co-signed Debts (Contingent Liability)</u></b> Evidence that the borrower is not making the payments for the last 12 months documented by copies of 12 months canceled checks to show timely payments by the primary obligor required to remove liability from borrower.</p> <p><b><u>Debts Paid by Business for Self-employed Borrowers</u></b> May be excluded from the monthly obligation when all of the following requirements are met:</p> <ul style="list-style-type: none"> <li>• No late payments in the last 12 months and no more than 1x30 in the last 24 month period.</li> <li>• Evidence, such as 12 months canceled checks, that the debt has been paid from the company funds</li> </ul> <p><b><u>Revolving Accounts</u></b> Use the monthly payment shown on the credit report. If not available, use 5% of the outstanding balance.</p> <p><b><u>Payoff of Revolving Accounts</u></b> In order to qualify without the monthly payment on the current balance, evidence of pay off is required.</p>
<p><b>Property Listed for Sale:</b></p>	<p>For both Rate/Term and Cash Out Refi transactions: Subject property that is listed for sale at the time of loan application is not permitted. Evidence of cancelled listing is required at least 1 day prior to loan application date.</p>
<p><b>Condo Projects:</b></p>	<p><b><u>HOA Cert</u></b> Limited Review or Full Review per Fannie Mae Standards on all Projects.</p> <p><b><u>Full Review:</u></b></p> <ul style="list-style-type: none"> <li>• If the property will be used as an Investment Property, at least 50% of the total number of the project must have been conveyed to purchasers who occupy their unit as a primary residence or second home. Note: This requirement does not apply if the subject mortgage is for a primary residence or second home.</li> <li>• Delinquencies for HOA dues may not exceed 20% (total unit dues cannot be more than 60 days delinquent).</li> <li>• No single entity may own more than 10% of the total units (or 1 unit in a 2 to 4 unit project).</li> <li>• No more than 35% commercial usage.</li> <li>• At least 90% of the total units in the project have been conveyed to the unit purchasers.</li> <li>• The project is 100% complete (including all units and common elements).</li> <li>• The project is not subject to phasing or annexation.</li> <li>• Control of the homeowners association has been turned over to the unit owners.</li> <li>• Private transfer fees are not allowed unless established prior to 02/08/11 or provides direct benefit &amp; paid to HOA.</li> <li>• Project Litigation – Follow Fannie Mae guidelines.</li> </ul> <p><b><u>Insurance</u></b> Copy of the Master/Blanket Hazard Policy is required (To include fidelity coverage). If the blanket policy does not provide "walls in" coverage, the borrower will need to obtain a separate HO6 coverage.</p> <p><b><u>Non-warrantable Condo</u></b> Minimum Loan Amount = \$100,000.</p> <ul style="list-style-type: none"> <li>• Sale must be arms length: No blood/marriage relation, renters buying from landlord, etc.</li> <li>• Existing Building: Less than 65% of total units must be NOO</li> <li>• New Projects: Minimum 50% of units under contract</li> <li>• Not allowed on Foreign Nationals</li> </ul>

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	<b>Occupancy</b>	<b>Max Loan</b>	<b>Max LTV</b>	<b>Max C/O LTV</b>	<b>FICO</b>
Primary Residence	\$1,000,000	\$1,000,000	70%	50%	700
	\$1,500,000	\$1,500,000	65%	50%	720
	\$2,000,000	\$2,000,000	60%	50%	720
Second Home	\$1,000,000	\$1,000,000	65%	50%	700
	\$1,500,000	\$1,500,000	60%	50%	720
	\$2,000,000	\$2,000,000	55%	50%	720
Investment	\$1,000,000	\$1,000,000	55%	50%	700

- Lender full review required: Form 1073 or 1004, certification of project eligibility, HOA Questionnaire, project budget, project legal documents, insurance coverage that conforms to FNMA
- Max exposure of 20-25% of units in project, if less than or equal to 4 units in project, only 1 unit.

**Appraisal Requirements:**

A full appraisal must be ordered through an Investor's approved Appraisal Management Companies.

- Loan Amount up to \$1MM: One (1) Full Appraisal
- Loan Amounts > \$1MM or LTV > 75%: One (1) Full Appraisal and one (1) Field Review.
- Transfer Appraisals are allowed with Field Review supporting the value.
- Properties with a condition rating of C5 or C6 are not acceptable.

**Appraisal Waiver (AW) Requirements:**

**Appraisal Waiver** is an offer to waive the appraisal for eligible transactions. The Appraisal Waiver offers are issued based on Investor's In-House AVM value.

**All of the following criteria must be met for eligibility:**

- Purchase and Rate/Term Transactions
- Primary Residence Transactions only
- 70% LTV/CLTV and 700 FICO
- Up to \$1 MM Loan Amount
- 1 Unit SFR, PUDs, and Condos only
- The "proposed" value or the Sales Price must be supported by the Investor's In-house AVM, which will be completed at the time of underwriting.
  - Purchases: Allows up to 5% variance on the sales prices vs. the AVM value.
  - Refinances: The LTV will be calculated based on the Investor's In-house AVM value.
- AVMs must have a Confidence Level of up to 0.20 or less.

**Appraisal Waiver Option is not available for the following:**

- HPML Loans
- Property located in a disaster area
- Loans that already have an appraisal
- Texas 50 (a)(6) loans

**Note:** No exception may be granted on the Appraisal Waiver requirements. If any of the above parameters are not met and if a value cannot be obtained or it is questionable, a full appraisal will be required.

<p><b>Non-Permitted Additions and Garage Conversions:</b></p>	<ul style="list-style-type: none"> <li>• Appraiser to comment that the addition or conversion was completed in a workmanlike manner.</li> <li>• Appraiser to comment if there are any health and safety issues.</li> <li>• Appraiser to comment that the addition conforms to the homes structure.</li> <li>• Appraiser to comment if there is a second kitchen ( If there is an illegal 2nd kitchen, loan must meet all of the accessory unit guidelines below).</li> </ul>
<p><b>Accessory Unit (unpermitted illegal Units)</b></p>	<ul style="list-style-type: none"> <li>• The illegal unit (addition) conforms to the subject neighborhood and to the market.</li> <li>• Property must be appraised based on its current use and must report that the improvements represent illegal use.</li> <li>• Borrower cannot use rental income to qualify from the illegal 2nd unit.</li> <li>• Appraiser to comment that the improvements are typical for the market area by supporting this with "3" comparable properties that have the same illegal use.</li> <li>• Hazard insurance policy must include the total square footage of the property (including the illegal unit) &amp; note that any future claims will not jeopardize the property</li> </ul>
<p><b>Properties with Solar Panels:</b></p>	<p>If the property owner is the <b>owner</b> of the solar panels, <b>standard eligibility</b> requirements apply (for example, appraisal, insurance, and title).</p> <p>If the property owner <b>leases</b> the solar panels from a third party, the following requirements apply:</p> <ul style="list-style-type: none"> <li>• The solar panels may not be included in the appraised value of the property.</li> <li>• The property must maintain access to an alternate source of electric power that meets community standards.</li> <li>• The monthly lease payment must be included in the DTI ratio unless the payment goes entirely to pay for the energy. Any portion of the payment that is not used to purchase energy must be included in the DTI ratio.</li> <li>• The lease or power purchase agreement must indicate that:             <ul style="list-style-type: none"> <li>✓ Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panel.</li> <li>✓ Is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition.</li> <li>✓ The owner of the solar panels agrees not to be named loss payee on the property owner's property insurance policy covering the residential structure on which the panels are attached.</li> <li>✓ In the event of foreclosure, the lender or assignee has the discretion to:                 <ul style="list-style-type: none"> <li>▪ Terminate the lease/agreement and require the third-party owner to remove the equipment;</li> <li>▪ Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third party; OR</li> <li>▪ enter into a new lease/agreement with the third party, under terms no less favorable than the prior owner</li> </ul> </li> </ul> </li> <li>• The title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to the first lien position.</li> </ul>
<p><b>Property Resale less than 90 Days:</b></p>	<p>A second appraisal is required when:</p> <ul style="list-style-type: none"> <li>• Any increase over 50% regardless of documented upgrades.</li> <li>• The increase is 25% or more unless the appraiser comments and documents the upgrades.</li> </ul>

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<p><b>Non-Arms Length Transaction:</b></p>	<p><b>Non-Arm's Length Transaction</b> occurs when there is a relationship or business affiliation between the borrower and an interested party to the transaction. The list includes and is not limited to: Builder, Developer, or the Property seller. (Examples: Family transactions, Landlord/Tenant-Buyer, Property in an estate, Employer/Employee Sales, etc.)</p> <p>Non-Arm's Length Transactions are allowed when the income is documented by:</p> <p><b><u>Salaried Borrowers:</u></b></p> <ul style="list-style-type: none"> <li>• Most recent 2 years W-2 and 30 days YTD paystubs</li> </ul> <p><b><u>Self-employed Borrowers:</u></b></p> <ul style="list-style-type: none"> <li>• Most recent 2 years tax returns including all schedules</li> </ul> <p><b>Note (1):</b> When income is documented by paystubs, W-2s, and/or tax returns, 4506-T transcripts are required.  <b>Note (2):</b> For purchase transaction of newly constructed properties: If the borrower has a relationship or business affiliation with the builder, developer, or seller of the property, only Primary Residence is allowed: Mortgage loans on newly constructed homes secured by a second home or investment property where there is a non-arm's length relationship are prohibited. (FNMA 2-1.2-01) In addition, Non-arm's length transactions are not permitted on Delayed Financing. (FNMA 2-1.2)  <b>Note (3):</b> Non-arm's length transactions are not allowed on Foreign Nationals.</p>
<p><b>At-Interest Transaction:</b></p>	<p><b>At-Interest Transaction</b> involves persons who are not closely tied or related but may have a greater vested interest in the transaction, such as a party who plays more than one role in the same transaction. At-interest transactions carry increased risk due to the greater vested interest in the transaction by one of the parties, which could potentially influence the loan transaction lured by the possible dual compensation. Due to increased risk factors, the following restrictions apply:</p> <p><b><u>The following are examples of allowable at-interest transactions under this program guideline:</u></b></p> <ul style="list-style-type: none"> <li>• Builder acting as listing/selling agent,</li> <li>• Dual real estate agent (selling/listing agent),</li> <li>• Realtor/broker selling own property,</li> <li>• Selling agent acting as MLO (if allowed by State).</li> </ul> <p><b><u>The following are examples of at-interest transactions where income must be documented by Paystubs, W-2s and/or Tax Returns:</u></b></p> <ul style="list-style-type: none"> <li>• Broker acting as listing and/or selling agent as well as the MLO,</li> <li>• Seller acting as the MLO,</li> <li>• Borrower is employed by the company originating the loan,</li> <li>• Borrower's family member acting as the MLO and real estate broker at the same time             <ul style="list-style-type: none"> <li>- Salaried Borrowers: Most recent 2 years W-2 and 30 days YTD paystubs</li> <li>- Self-employed Borrowers: Most recent 2 years tax returns including all schedules</li> </ul> </li> </ul> <p><b>Note (1):</b> When income is documented by paystubs, W-2, and/or tax returns, 4506-T transcripts are required.  <b>Note (2):</b> The examples above do not represent all categories of at-interest transactions. Each transaction will be individually evaluated by the underwriters.</p>

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<b>For Sale By Owner (FSBO) Transaction:</b>	For Sale by Owner transactions are allowed with the following restrictions: <ul style="list-style-type: none"><li>• Must be an Arm's Length Transaction</li><li>• Must document the transaction is not a foreclosure bailout</li><li>• No flipping – seller must have owned the property for no less than 180 days after the recorded deed date.</li></ul>
<b>Escrow Hold Backs:</b>	Escrow Hold Backs are ineligible in all states.
<b>Power of Attorney:</b>	Power of Attorney is not allowed for Investment Properties and/or Cash-Out Transactions.