JUMBO PRODUCT MATRIX (Fixed & ARM)

Loan Amount[1]	LTV/CLTV	Units	Credit Score	DTI[3]
Primary Residence - Purchase				
$1,000,000	85[3]	1	760	43
$1,000,000	70	1	700	43
$1,500,000	80	1	720	43
$2,000,000	75	1	720	43
$2,500,000[2]	70	1	720	43
$1,000,000	65	2	700	43
$1,500,000	60	2	720	43
Primary Residence – Rate & Term				
$1,000,000	85[3]	1	760	43
$1,500,000	80	1	720	43
$1,000,000	70	1	700	43
$2,000,000	75	1	720	43
$2,500,000	70	1	720	43
$2,500,000[2]	60	1	720	43
$1,000,000	65	2	700	43
$1,500,000	60	2	720	43
2ND Home – Purchase and Rate & Term				
$1,000,000	80[4]	1	720	43
$1,000,000	75	1	720	43
$1,500,000	70	1	720	43
$2,000,000	65	1	720	43
$2,500,000[2]	50	1	720	43
Investment – Purchase[6]				
$1,000,000	70	1-4	740	43
Investment – Rate & Term[6]				
$1,000,000	70	1-4	740	43

Loan Amount	LTV/CLTV	Max Cash Out	Units	Credit Score	DTI
Primary Residence – Cash Out					
$1,000,000	70	$250,000	1	720	43
$1,000,000	65	$250,000	1	700	43
$1,500,000	65	$500,000	1	720	43
$2,000,000	60	$500,000	1	720	43
$2,500,000[2]	50	$750,000	1	720	43
2ND Home – Cash Out[5]					
$1,000,000	60	$250,000	1	740	43
$1,500,000	55	$500,000	1	740	43
$2,000,000	50	$750,000	1	740	43

Footnotes:

1. $1,000,000 maximum loan amount for 1st Time Homebuyers ($1,500,000 allowed in CA, NJ, & CT)
2. Loan amounts > $2,000,000 are eligible for 20, 25, and 30 year fixed term only
3. The following requirements apply for transactions > 80% LTV:
   - MI not required
   - Secondary financing not allowed
   - Maximum DTI 36%
   - Non-permanent Resident Aliens not allowed
   - Gift funds not allowed
   - Agency High Balance loan amounts are ineligible
   - Escrow account required
4. 2nd Home purchases with LTV between 75.01% and 80% are limited to 20, 25, or 30 year fixed terms
5. The following requirements apply for 2nd Home Cash Out refinances
   - No rental income showing on Schedule E for the subject property
   - No other financed REO other than subject and primary residence
   - 20, 25, and 30 year fixed rate terms only
6. The following requirements apply for Investment property purchase and rate & term refinances:
   - Florida condos limited to 50% max LTV/CLTV
   - Gift funds not allowed
   - Transaction must be arms-length
   - Appraiser to provide rent comparable schedule
   - First time homebuyers not allowed
   - 20, 25, and 30 year fixed rate terms only

JUMBO PRODUCT MATRIX (Fixed & ARM)

Section 1	Program Parameters
Fannie Mae Guidelines	All loans must be in accordance with Fannie Mae's guidelines. Unless otherwise stated herein, Fannie Mae underwriting guidelines should be followed. When the guidelines differ, the more restrictive of the two guidelines must be used
Minimum Loan Amount	• Minimum loan amount is $453,101 for 1 unit properties, or $1 above the conforming loan limits for properties with 2-4 units • Loan amounts between Conforming loan limits and Agency High Balance loan limits are eligible except on loans with LTVs greater than 80%
Maximum Loan Amount	$2,500,000
Interest Only	Not available
Temporary Buydowns	Not Allowed
High Priced Mortgage Loans (HPML)	Not Allowed
Interest Rate Adjustment Caps	**5/1 ARMs:** 2/2/5 (Initial/Subsequent/Lifetime) **7/1, 10/1 ARMs:** 5/2/5 (Initial/Subsequent/Lifetime)
Margin	2.25%
Index	1 Year LIBOR
Floor	Equal to the margin
Change Dates	For 5/1, 7/1 and 10/1 ARM terms, the first change date is the 60^{th}, 84^{th} and 120^{th} payment due date, respectively; and every 12 months thereafter
Conversion Option	None Available
Assumability	**Fixed Rate:** Not Assumable **ARMs:** Assumable

Purchases	• Purchase money transactions (purchases) are proceeds used to finance the purchase of the subject property, as defined in a sale and purchase agreement executed by the borrower and property seller
	• Non-Arm's length transactions are not eligible. Examples include but are not limited to:
	  o Family sales are transfers
	  o Renters buying from landlord
	  o Property trades between buyer and seller
	  o Employer to employee sales and transfers
	  o Borrowers or co-borrowers employed in the real estate or construction trades who are involved in the construction, financing or sale
	  o Borrower(s) purchasing from a builder who in turn is purchasing the borrower's existing property

Rate & Term Refinances	• The new loan amount is limited to the payoff of the present first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepays
	  o A seasoned non-first mortgage is a purchase money mortgage or a mortgage that has been in place for 12 months. A seasoned equity line is defined as not having any draws greater than $2000 in the past 12 months (the total draws cannot exceed a total of $2,000 in the last 12 months) Withdrawal activity must be documented with a transaction history for the Line of credit
	• Cash to borrower is limited to 1% of the principal amount of the new mortgage
	• Properties that were listed, or are for sale, within six (6) months prior to the date of application are acceptable for a refinance transaction, if the following requirements are met:
	  o No Cash out
	  o Required Documentation:
	    ▪ Proof of canceled listing prior to closing
	    ▪ Acceptable letter of explanation from the borrower detailing the rationale for changing the intention to sell

Cash Out Refinances	• Borrower(s) must have owned the property for at least 6 months, prior to the application date, unless the requirements for a Delayed Purchase Refinance are met • Maximum cash out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand • Properties listed for sale within the past 12 months of loan application are not eligible for cash out refinances • Inherited properties may not be refinanced prior to 12 months ownership

Inherited Properties	• LTV is based in the current appraised value
	• Property must be fully transferred from the estate ownership for a minimum of 12 months
	• If the property was inherited less than 12 months ago, the transaction can be considered for a Rate & Term refinance, provided the borrower:
	  o Has a clear title, or copy of probate, evidencing the borrower was awarded the property
	  o Provides a copy of the will or probate document, along with the buy-out agreement signed by all beneficiaries
	  o Retains sole ownership of the property after the pay out of other beneficiaries
	  o Would receive cash in hand not to exceed 1% of the loan amount
	• Inherited properties are not eligible for a Cash Out refinance prior to 12 months of ownership

Flip Transactions	For properties purchased by the seller of the property within 90 days of the fully executed purchase contract, these additional requirements apply: • Second appraisal required • Property seller on the purchase contract is the owner of record • Increases in value should be documented with commentary from the appraiser and recent paired sales
Delayed Purchase Refinances	Defined as the refinance of a property purchased by the borrower for cash within six (6) months (as measured by the date the property was purchased to the application date of the new mortgage loan), and requires the following: • Property was purchased by borrower for cash within six (6) months of the loan application • HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property • Preliminary title reflects the borrower as the owner and no liens • Funds used to purchase the property are fully documented and sourced and must be the borrower's own funds (no borrowed funds, gift funds, business funds) • LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance If funds used to purchase the property were secured by a pledged asset or retirement account, it is not considered the borrower's own funds and the transaction would not be eligible for Delayed Financing. See Cash-Out Refinance Requirements section below for additional guidance • Investment properties are allowed as long as borrower is not a builder or in the construction industry and prior transaction was arm's length
Construction to Perm	The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a Borrower for the purpose of replacing interim construction financing that the Borrower has obtained to fund the construction of a new residence. The Borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction. **Rate & Term and Cash Out Refinance Transactions** • For lots owned ≥12 months from application date for subject transaction, LTV, CLTV, HCLTV is based on the current appraised value of the property • For lots owned < 12 months from application date for subject transaction, LTV, CLTV, HLCTV is based on the lesser of the current appraised value of the property or the total acquisition costs (sum of construction costs and purchase price of lot)
Ineligible Transactions	• Interest Only • Negative Amortization • Graduated Payments • Temporary Buydowns • Balloon Payments • Loans with Prepayment Penalties
Section 2	Borrower Eligibility
Maximum Number of Borrowers	The maximum number of borrowers, per loan transaction, is four (4)

First Time Homebuyers	Applicable when *all borrowers* on the loan have not owned a home in the last 3 years
	• $1,000,000 maximum loan amount
	• $1,500,000 allowed in CA, NJ, and CT, if the following requirements are met:
	  o 720 minimum FICO
	  o No gift funds
	  o Owner Occupied only
	• 12 months PITI reserves required

Trusts	Loans closing in a trust are not eligible
Resident Aliens	**Permanent Resident Aliens** • Can provide acceptable documentation to verify that a non-U.S. citizen borrower is legally present in this U.S. • Must be employed in the United States for the past 24 months **Non- Permanent Resident Aliens** • 20, 25 and 30 year fixed rate terms only • Owner Occupied properties only • Maximum 75% LTV/CLTV • No other real estate ownership in the U.S • Unexpired passport from the country of citizenship containing INS form I-94, which must be stamped *Employment Authorized* • An Employment Authorization Card along with a copy of the Petition for Non-Immigrant Worker (form I-140) is required in file • Unexpired H1B, H2B, E1, L1 and G Series Visas only. G Series Visas must have no diplomatic immunity • Borrower must have a current 24 month employment history in the US
Multiple Financed Properties	Number of financed properties permitted: • Maximum 4 financed properties, including the borrower's primary residence and the subject property. All financed properties, other than the subject property, require an additional 6 months PITI reserves, for each property • 1-4 unit financed properties, held in the name of an LLC or other corporation, can be excluded from the number of financed properties only if the borrower is not personally obligated for the mortgage • 2nd Home cash out transactions limit the number of financed properties to the subject property and a primary residence

Ineligible Borrowers	• Trusts • Limited Partnerships • General Partnerships • Corporations • Limited Liability Companies • Non-Occupant Co-Borrowers • Borrowers with only an ITIN
Section 3	**Credit Criteria**
Underwriting	All loans must be manually underwritten and fully documented. No documentation waivers based on Agency AUS recommendations are permitted. All loans must receive an Approve/Eligible or Approve/Ineligible, for Non-Conforming Loan Amount, from DU Unless otherwise noted, the more restrictive of either the Fannie Mae Selling Guide or Appendix Q to part 1026, 12CFR Chapter X - Truth-in-Lending (Regulation Z), should be followed
Age of Documentation	• Credit Report - No more than 90 days before the Note is signed • Income - No more than 90 days before the Note is signed • Assets - No more than 90 days before the date the Note is signed • Appraisal - No more than 120 days before the Note is signed • Title Commitment - No more than 90 days before the Note is signed
Credit Requirements	• A 3 bureau merged in-file report must contain at least 2 credit scores for each borrower • A "representative score" (middle of 3 or lower of 2) will be chosen for each borrower on the loan. Then, the lowest of all the borrower's "representative scores" will be the score used for qualifying. All borrowers must have a minimum of 2 FICO scores • Borrowers without credit scores are not permitted • Written explanation for all inquiries within 120 days is required • Trade line Requirements: o Minimum 3 trade lines. At least 1 must be open for 2 years and active within the last 6 months The other 2 must be rated for 12 months and may be open or closed o 2 open trade lines are acceptable if the borrower has a satisfactory mortgage rating for at least 12 months, within the last 24 months, and 1 additional open trade line o Authorized user accounts are not allowed as an acceptable trade line o An exception to the minimum trade line requirement will not be required if the borrower's credit history meets the following: ▪ No fewer than 10 trade lines are reporting, one of which must be a mortgage; ▪ At least one trade line has been open, and reporting, for a minimum of 12 months; ***and*** ▪ The borrower has established a credit history of at least 10 years o Non-traditional credit will not be considered acceptable trade lines o If the borrower is an authorized user, the account may be used as a trade line, if: ▪ The borrower is an "authorized user spouse" on the account ▪ The applicant requests that an account in the name of the applicant's spouse, or former spouse, be considered when it demonstrates that the account reflects the applicant's credit worthiness ▪ If the authorized user is not a spouse, at the applicant's request, the account can be considered a trade line if the applicant can provide evidence that they have been paying the debt, and the payment is included in the DTI ratio ***Note:*** Borrowers not contributing income for qualifying purposes are not subject to the minimum trade line requirements
Housing History and Mortgage Lates	• 24 months housing history required on all loans • 0 X 30 in the past 24 months on any mortgage payments • 0 X 30 in the past 24 months on any rental payments • Mortgage accts. that were settled for less, negotiated or short payoffs are not allowed
Restructured Mortgages	None allowed, unless the restructure is unrelated to hardship and there is no debt forgiveness
Bankruptcy	None allowed
Foreclosure	None allowed
Deed-in-Lieu Pre-Foreclosure Short Sale	None allowed
Consumer Credit Counseling	None allowed
Collections, Liens, Charge-Offs, & Judgments	Must be paid off at, or prior to, closing. Payment plans on prior year tax liens/liabilities are not allowed. They must be paid in full
Disputed Accounts	All disputed trade lines must be included in the total expense ratio (Debit-to-Income / DTI) if the account belongs to the borrower(s), unless documentation can be provided that authenticates the dispute Derogatory accounts must be considered in analyzing the borrower(s) willingness to repay debt. However; if a disputed account has a zero balance, and no late payments, it can be disregarded
Debt to Income	The Debt-to-Income ("DTI") ratio is based on the total of existing monthly liabilities plus any planned future liabilities based on credit inquiries or otherwise disclosed by the borrower, and then divided by the calculated gross monthly income. Refer to the Product Matrices for the maximum allowable DTI. Liabilities include all housing expenses, revolving debt, installment debts, real estate loans, rent, alimony, child support, and other consistent and recurring expenses

	For other properties owned, documentation to confirm the P&I, taxes, insurance, HOA dues, lease payments or other property-related expenses must be provided
Qualifying Rate	**Fixed Rate Terms:** Note Rate **5/1 ARM:** Greater of the fully indexed rate or the Note Rate + 2.0% **7/1 and 10/1 ARMs:** Greater of the fully indexed rate or the Note Rate
Payment Shock	N/A
Gap Credit Report	A gap credit report is required
Section 4	**Program Eligibility**
LTV/CLTV Calculation	• **Purchase Transactions:** The lesser of the purchase price or appraised value will be used to determine the LTV/CLTV • **Rate & Term with < 12 Months Seasoning:** Calculate the LTV/CLTV using the lesser of the original purchase price, plus documented improvements, or current appraised value. Documented improvements must be supported with receipts • **Rate & Term with ≥ 12 Months Seasoning:** Calculate the LTV/CLTV using the current appraised value • **Delayed Purchase Transactions:** The lesser of the purchase price or appraised value will be used to determine the LTV/CLTV • **Cash Out with < 12 Months Seasoning:** Calculate the LTV/CLTV using the lesser of the original purchase price or current appraised value. For homes with documented capital improvements, the cost of the improvements can be added to the original purchase price. Receipts are required to document the cost of improvements • **Cash Out with ≥ 12 Months Seasoning:** Calculate the LTV/CLTV using the current appraised value
Seasoning	• **Rate & Term:** No seasoning required • **Cash Out:** 6 months title and mortgage seasoning is required

Subordinate Financing	• Institutional financing ONLY up to the maximum LTV/CLTV
	• Subordinate liens must be recorded and clearly subordinate to the first mortgage lien
	• Full disclosure must be made on the existence of subordinate financing and payment terms
	• Acceptable Subordinate Financing Types:
	  o Mortgages with regular payments that cover at least the interest due so that negative amortization does not occur
	  o Mortgage terms that require interest at a market rate
	  o Seller subordinate financing not allowed
	  o Employer subordinate financing allowed when the following conditions are met:
	    ▪ The employer must have an Employee Financing Assistance program in place
	    ▪ The employer may require full repayment of the debt if the borrower's employment ceases before the maturity date
	    ▪ Financing can be structured in any of the following ways:
	      • Fully amortizing, level monthly payments
	      • Deferred payments for a specified period of time, then changing to amortizing payments
	      • Forgiveness of debt over time
	      • Balloon payment in no less than 5 years, or borrower must have sufficient liquidity to pay off the loan

Employment & Income	A minimum of 2 full years' employment and income history is required to be documented. Gaps in employment in excess of 30 days during the past 2 years require a satisfactory letter of explanation. The borrower must be employed with their current employer for a minimum of 6 months to qualify. Extended gaps of employment (6 months or more) require a documented 2 year work history prior to the absence.

Type	Documentation Requirements
	Employment Income
Salaried	An earnings trend must be established and documented. Large increases in salary over the previous two years must be explained and documented • W-2 forms for prior 2 years • Personal tax returns, all schedules, prior 2 years • Most recent 30 days paystubs with YTD earnings. No earlier than 90 days prior to the Note date • If borrower is claiming overtime pay, it must be shown on the YTD pay stub - 24 months average from same employer is required
Hourly & Variable Income	An earnings trend must be established and documented. Stable to increasing income should be average over a minimum two year period. Declining income must be explained by the employer/borrower and a written determination by the underwriter must be provided if declining income is used for qualifying • W-2 forms or personal tax returns, including all schedules, for prior 2 years • Year-to-date pay stub up through and including the most current pay period at the time of application
Part Time Income	Borrower must have worked the part-time job uninterrupted for the past two years, and plans to continue. If the part-time income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. • W-2 forms for prior 2 years

	• Year-to-date pay up through and including the most current pay period at the time of application
Commission	• W-2 forms for prior 2 years, if commissions are < 25% of total income • Personal tax returns, all schedules, for prior 2 years, if commissions are ≥ 25% of total income • YTD pay stub up through and including the most current pay period at the time of application and not earlier than ninety (90) days prior to the Note date - 24 months average from same employer is required • Unreimbursed business expenses (form 2106) must be subtracted from income
Bonus & Overtime	An earnings trend for bonus and overtime must be established and documented. A period of more than two years must be used in calculating the average overtime and bonus income if the income varies significantly from year to year. If either type of income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used • W-2 forms for prior 2 years • Personal tax returns, all schedules, for prior 2 years • YTD pay stub up through and including the most current pay period at the time of application and not earlier than 90 days prior to the Note date - 24 months average from same employer is required
Self-Employed Income	

Self-employed borrowers are defined as those individuals who have 25% or greater ownership interest or receive a 1099 statement to document income

Borrowers who are employed by a family member are considered self-employed, regardless of the percentage of ownership, and self-employed documentation is required. Potential ownership by the borrower must be addressed

Sole Proprietorship

- Year to date through current quarter P&L
- Balance Sheet
- Personal tax returns, including all schedules, for prior 2 years, signed and dated before the closing date

Partnership/S-Corporation

- Two (2) years personal tax returns
- Two (2) years K-1s reflecting ownership percentage if counting more income from this source in qualifying (K-1 income, W2 income, capital gains or interest/dividends) or if Schedule E reflects a loss
- Two (2) years business tax returns (1065s or 1120s) signed if 25% or greater ownership. Business returns are not required if the income reporting is positive, not declining and not counted as qualifying income
- YTD profit and loss statement is 25% or greater ownership
- YTD balance sheet if 25% or greater ownership
- Stable to increasing income should be averaged for two (2) years

Corporation

- Two (2) years personal tax returns
- Two (2) years business returns (1120) signed if 25% or greater ownership
- Business returns must reflect % of ownership for borrower
- YTD profit and loss statement if 25% or greater ownership
- YTD balance sheet if 25% or greater ownership
- Stable to increasing income should be averaged for two (2) years

Rental Income	
All Properties	• Personal tax returns, including all schedules, for prior (2) two years • Current leases are required (residential and commercial) where rental income is being utilized in the income calculation. Current leases must be a minimum of 1 year in term, • For properties listed on Schedule E of the borrower's tax returns, net rental income should be calculated as the total of ((rents received – total expenses) + (depreciation + interest + taxes + insurance + HOA)) divided by the applicable months minus the current PITI • If rental income is not available on the borrower's tax returns, a copy of the current lease agreement(s) may be obtain (only if the property is not listed on Schedule E because it was acquired subsequent to filing tax returns). Net rental income should be calculated as the gross monthly rent multiplied by 75% • Net rental income must be added to the borrower's total monthly income. Net rental losses must be added to the borrower's total monthly obligations
Converting Primary Residence to Rental	For a borrower departing a primary residence for occupancy in another primary residence: • Equity of 25% needs to be validated • Full appraisal, or exterior only appraisal, allowed, OR • Documented equity may be evidenced by the original sales price and the current unpaid principal balance

	• Copy of current lease agreement • Copy of security deposit and evidence of deposit to borrower's account
Retirement Income (pension annuity and IRA distributions)	• Fixed income payments such as social security or pension income can be used at full value/distribution and may not be considered in any annuitization calculation • Existing distribution of assets from an IRA, 401K or similar retirement asset account must be sufficient to sustain income continuance for a minimum of 5 years • Verification of the assets of the plan and verification of receipt of the distribution of at least six (6) months is required ***Note:*** Distributions from asset accounts cannot be set up, or changed, solely for loan qualification purposes
Asset Depletion	May be used as qualifying income. Fannie Mae requirements must be met
Social Security	• Benefits (for children or surviving spouse) with a defined expiration date must have a remaining term of at least three 3 years • Social Security income must be verified by a Social Security Administration benefit verification letter (sometimes called a "proof of income letter," "budget letter," "benefits letter," or "proof of award letter"). If any benefits expire within the first full 3 years of the loan, the income source may not be used in qualifying
Alimony, Separate Maintenance & Child Support	• Will be considered with a divorce decree, court ordered separation agreement, court decree, or other legal agreement providing the payment terms confirming that income will continue for at least 3 years. If the income is the borrower's primary income source and there is a defined expiration date (even if beyond 3 years), the income may not be acceptable for qualifying purposes • Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 12 months • See non-taxable income for child support income treatment
Capital Gains	Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. If the trend results in a gain, it may be added as effective income. If the trend consistently shows a loss, it must be deducted from the total income • Tax returns for the prior 3 years, including Schedule D • Gains must be consistent amounts from consistent sources
Dividend & Interest	Interest and Dividend income may be used as long as documentation supports a two-year history of receipt • Tax returns for the prior two years • Proof of assets to support the continuation of interest and dividend income (assets used for transaction must be deducted)
Stock Options & Restricted Stock	May not be used as qualifying income
Note Income	• A copy of the Note must document the amount, frequency and duration of payments • Regular receipt of note income for the past 12 months must be documented, and evidence of note income must be reflected on tax returns • Verification that income is expected to continue for a minimum of 3 years
Trust Income	Income from trusts may be used if guaranteed and regular payments will continue for at least 3 years • Regular receipt of trust income for the past 12 months documented • Copy of the Trust Agreement/Trustee Statement showing: o Total amount of borrower-designated trust funds o Terms of payment o Duration of trust o Portion of income that is not taxable • Non-taxable trust income must include proof of distribution
Foreign Income	• Documentation must be provided to support continuation of income for a minimum of 3 years • Income may be grossed up. However, the percentage that may be added cannot exceed the appropriate tax rate for the income amount (using the same tax rate the borrower used to calculate their income tax from the previous year)
Non-Taxable Income (Child support, disability, fosters care, military, retirement, etc…)	• Documentation must be provided to support continuation of income for a minimum of 3 years • Income may be grossed up. However, the percentage that may be added cannot exceed the appropriate tax rate for the income amount (using the same tax rate the borrower used to calculate their income tax from the previous year)
Trailing Co-Borrowers	Trailing Co-Borrowers will not be considered

<table>
<tr><td></td><td>Unacceptable Income

Deferred Compensation
Income from unverified sources
Income that is temporary or a one-time occurrence
Rental income from the borrower’s single family primary residence, or second home
Retained Earnings
Education Benefits
</td></tr>
<tr><td>Written VOE</td><td>A written verification of employment may be required for a borrower’s income sourced from commissions, bonus, overtime, or other income when the income detail is not clearly documented on W-2 Forms or paystubs</td></tr>
<tr><td>Verbal VOE</td><td>A verbal verification of employment confirming the borrower’s employment status is required for all borrowers whose income is used for qualification purposes. The VVOE should be completed within 10 business days before the Note date (or funding date for escrow states) for wage income. Verification of self-employed businesses by a third-party source should be obtained within 30 calendar days from the Note or funding date</td></tr>
<tr><td>4506-T & Tax Transcripts</td><td>
A completed, signed, and dated IRS form 4506-T must be completed for all borrowers at closing whose income is used to qualify for the mortgage
The 4506-T must be processed and tax transcripts obtained (for each year requested) to validate against all tax returns used for qualifying and/or W-2 forms
Tax transcripts must match documentation in the file
In the case where taxes have been filed and the tax transcripts are not available from the IRS, evidence of filing must be provided and the IRS response to the request must reflect “No Record Found.” In these cases, an additional prior year’s tax transcript should be obtained and provided. Large increases in income that cannot be validated through a tax transcript may only be considered for qualifying on a case-by-case basis
</td></tr>
<tr><td>Assets</td><td>Checking and Savings Accounts

The two most recent, consecutive months’ statements for each account are required
Large deposits inconsistent with monthly income or other deposits must be verified

Marketable Securities

Two most recent, consecutive months stock/securities account statements are required
Full value of stock accounts can be considered in the calculation of assets for closing and reserves
Non-vested or restricted stock accounts are not eligible for use as down payment or reserves

Retirement Accounts

Most recent retirement account statement covering a minimum 2 month period
Evidence of liquidation is required when funds are used for down payment or closing costs
If the borrower is ≥ 59½ years old, retirement assets should be reduced to 70% of the vested value after the reduction of any outstanding loans
If the borrower is < 59½ years old, retirement assets should be reduced to 60% of the vested value after the reduction of any outstanding loans
Retirement accounts that do not allow any type of withdrawal are ineligible for use as reserves

Business Funds

Business funds may be used for down payment and/or closing costs, not for purposes of calculating reserves
Cash flow analysis required using 3 months business bank statements to determine no negative impact to business based on withdrawal of funds

Borrower must have access to funds
The borrower must be the sole proprietor or 100% owner of the business (or all borrowers combined own 100%)

Gift Funds

Allowed for purchase transactions after minimum contribution of 5% from borrower’s own funds
Gift funds must not be used to meet reserve requirements
Donor must be an immediate family member, spouse, or domestic partner living with borrower
It must be verified that sufficient funds to cover the gift are either in the donor’s account, or have been transferred to the borrower’s account. Acceptable documentation includes the following:

A copy of the donor’s check and the borrower’s deposit slip
A copy of the donor’s withdrawal slip and the borrower’s deposit slip
A copy of the donor’s check to the closing agent
A settlement statement showing receipt of the donor’s check

Note: When the funds are not transferred prior to settlement, it must be documented that the donor gave the closing agent the gift funds in the form of a certified check, cashier’s check or other official check</td></tr>
<tr><td>Cash Reserves</td><td><table>
<tr><th>Loan Amount</th><th>Required PITI – Fixed</th><th>Required PITI - ARMs</th></tr>
<tr><td colspan="3">Owner Occupied</td></tr>
<tr><td>≤ $1,000,000 w/ LTV ≤ 80%</td><td>6 Months</td><td>9 Months</td></tr>
<tr><td>≤ $1,000,000 w/ LTV > 80%</td><td>12 Months</td><td>N/A</td></tr>
<tr><td>$1,000,001 - $1,500,000</td><td>9 Months</td><td>12 Months</td></tr>
<tr><td>$1,500,001 - $2,000,000</td><td>12 Months</td><td>15 Months</td></tr>
<tr><td>$2,000,001 - $2,500,000</td><td>24 Months</td><td>27 Months</td></tr>
<tr><td colspan="3">Second Home</td></tr>
<tr><td>≤ $1,000,000</td><td>12 Months</td><td>15 Months</td></tr>
<tr><td>$1,000,001 - $1,500,000</td><td>18 Months</td><td>21 Months</td></tr>
<tr><td>$1,500,001 - $2,000,000</td><td>24 Months</td><td>27 Months</td></tr>
<tr><td>$2,000,001 - $2,500,000</td><td>36 Months</td><td>39 Months</td></tr>
<tr><td colspan="3">Investment Properties</td></tr>
<tr><td>≤ $1,000,000</td><td>18 Months</td><td>N/A</td></tr>
</table></td></tr>
</table>

	• Beyond the minimum reserve requirements, and in an effort to fully document the borrower's ability to meet their obligations, borrowers should disclose and verify all other liquid assets • First time homebuyers (borrowers who have not owned a property in the last 3 years) require reserves of 12 months PITI for loan amounts up to $1,000,000, 15 months PITI for loan amounts of $1,000,001 - $1,500,000 and 18 months PITI for LTVs > 80% • All financed properties, other than the subject property, require an additional 6 months of PITI in reserves for each property
Real Estate Obligations	**Pending Sale, Listing or Conversion of Primary Residence** If the Borrower's current Primary Residence in on the market and the sale will not close before the closing of the new Primary Residence; or the borrower is retaining their current residence and converting it to a second home or investment property, please follow standard Fannie Mae guidelines
Documentation Types	Full income and asset verification is required. In an effort to fully document the borrower's ability to meet their obligations, borrowers should disclose and verify all liquid assets (in addition to minimums required as specified by the program)
Section 5	Property and Appraisal

Eligible Properties	• 1-2 Unit Owner Occupied Properties
	• 1 Unit Second Homes
	• 1-4 Unit Investment Properties
	• Condominiums , Fannie Mae Warrantable
	  o Must meet Fannie Mae full requirements
	  o CPM or PERS certificates allowed
	  o Site (detached) Condos
	  o Limited Review is not eligible
	  o Florida condominiums limited to 50% LTV/CLTV on Investment properties
	Note: For additional clarity, refer to FNMA Guidelines B4-2 "Project Standards."
	• Planned Unit Developments (PUDs)
	• Properties with ≤ 40 acres
	  o For properties with > 10 to ≤ 40 acres:
	    ▪ Maximum 35% land to value
	    ▪ No Income producing attributes
	    ▪ Transactions must be 10% below maximum LTV/CLTV/HCLTV
	    ▪ 20, 25, 30 year fixed rate only for transactions over twenty (20) acres.
	• Properties subject to existing oil and/or gas leases that meet the following:
	  o Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease
	  o No active drilling
	  o No lease executed after the home construction date (re-recording date of lease after home construction is permitted)
	  o Must be connected to public water

Ineligible Properties	• 3-4 Unit Owner Occupied Properties • 2-4 Unit Second Homes • Unwarrantable or Limited Review Condominiums • Co-Ops • Manufactured/Mobile homes • Condo-hotel units • Unique properties • Working farms, ranches or orchards • Mixed Use Properties • Properties located in Hawaii Lava Zones 1 & 2 • Properties with > 20 acres • Texas Cash-Out
State Restrictions	• Properties located in Hawaii Lava Zones 1 & 2 are not eligible

Appraisal	• Purchases with Loan Amounts greater than $2,000,000 require two appraisals
	• Refinances with Loan Amounts greater than $1,500,000 require two appraisals
	• Appraisals should not include comparable greater than 6 months old at the time of underwriting review
	• Properties with values significantly in excess of the predominant value of the subject property's market area may be ineligible
	• Fannie Mae/Freddie Mac Forms 1004/70, 1025/72, 1073/465 or 2090 must be used
	• A Clear Capital CDA is required on all loans
	• Appraisals must be dated within 120 days of the Note date. After a 120 day period, a new appraisal is required (re-certification of value is not acceptable)
	• Transferred appraisals are not allowed
	• Investment properties must contain a comparable rent schedule
	• Escrow holdbacks are not allowed
	• For properties purchased by the seller of the property within 90 days of the fully executed purchase contract, the following requirements apply:
	  o Second appraisal required
	  o Property seller on the purchase contract is the owner of record
	  o Increases in value should be documented with commentary from the appraiser and recent paired sales
	• When two appraisals are required, the following apply:
	  o Appraisals must be completed by two independent companies

	o The LTV will be determined by the lower of the two appraised values as long as the lower appraisal supports the value conclusion o The underwriter must review both reports and address any inconsistencies between the two reports and all discrepancies must be reconciled
Escrow Holdbacks	Loans with escrows for postponed improvements (escrow holdbacks) are not eligible
Properties Affected by Disasters	FEMA Declared Disaster Area Policy applies to all areas eligible for Individual and/or Public Assistance due to a federal government disaster declaration **Effective Date of Disaster Policy** The disaster-area policy becomes effective as of the incident period end date for the disaster/event. FEMA publishes the incident period along with the declaration date once the area is presidentially declared For example, refer to the following dates to understand when property re-inspection requirements apply: • Disaster Incident Period: o Begin Date: January 15 o End Date: January 17 • Disaster Declaration Date: February 2 Effective Date for Disaster Procedures: January 17 Based on the dates noted in the above example, all appraisals performed on or before January 17 would require the appropriate re-inspection or review. Appraisals performed after January 17 would continue to require written certification by the appraiser that indicated whether the property was free from damage and whether the disaster had any effect on value or marketability. If there was damage, the extent of that damage needs to be addressed. **Appraisal and Re-Inspection Requirements** To ensure the property value has not been impacted by the disaster, post disaster **Appraisal Performed on or Before Disaster Incident End Date** Property must be re-inspected by the original appraiser or, if not available, another licensed appraiser. The appraiser must provide the following commentary/evidence: • Property is free from damage and the disaster had no effect on value or marketability • If the re-inspection indicates damage, the extent of the damage must be addressed Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or Completion Report, or other post disaster inspection report, with photos of interior, exterior, and neighborhood **Standard Appraisal Performed After Incident Period End Date for Disaster** • Appraisal must include written certification by the appraiser that: o Property is free from damage and the disaster had no effect on value or marketability o If the appraisal indicates damage, the extent of the damage must be addressed o Completion of repairs is required as evidenced by Form 1004D/442, Appraisal Update and/or o Completion Report, with photos of interior and exterior o The appraisal must include a minimum of three comparable sales, post-disaster Please note that FEMA makes updates to their state lists, so Sellers should closely monitor FEMA's online reference at *http://www.fema.gov/news/disasters.fema*.
Condo Projects	• Low/Mid/High-Rise Condominiums , Fannie Mae Warrantable o Warrantable Types S, T or U o New condominium projects (Type R) with Condo Project Manager ("CPM") or PERS approval o Site (detached) Condos o Limited Review is not eligible ***Note:*** For additional clarity, refer to FNMA Guidelines B4-2 "Project Standards." If the HOA is involved in any litigation, arbitration, mediation or other dispute resolution process, obtain the details from the HOA. This information should be verified with an attorney's letter, insurance information, structural report and/or other documentation
Leasehold Properties	In areas where leasehold estates are commonly accepted, loans secured by leasehold estates are eligible. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and the improvements must constitute real property, must be subject to the mortgage lien, and must be insured by the title policy
Section 6	**Insurance and Escrows**
Mortgage Insurance	Not Applicable
Hazard Insurance	Hazard insurance is required for each property, in accordance with FNMA guidelines.
HO-6 Policy (Condos)	Walls-in hazard insurance coverage policy is required (commonly known as HO-6 policy) unless the master insurance policy of the HOA covers the interior of the unit
Rent Loss Insurance	Owner Occupied 2-4 unit rent loss insurance sufficient to cover 6 months is required
Flood Insurance	Loans must demonstrate compliance with the Flood Disaster Protection Act of 1973
Escrows and Impound Accounts	Escrows may be established for funds collected by the originator or servicer that are required to be paid under the Security Instrument. These funds include, but are not limited to, taxes, insurance (hazard, flood, and mortgage) premiums, special assessments, ground rents, water, sewer, and other governmental impositions. Loans without

	escrows established are subject to a price adjustment. At a minimum, taxes must be escrowed in order to avoid the loan level price adjustment
Escrow Holdbacks	Not Eligible
Section 7	**Title and Closing Agents**
Title Documentation	Title must be in the Borrower's name at time of application for refinance transactions and at time of closing for all transactions. Borrower(s) may hold title as follows: • Fee Simple with Title Vesting as: o Individual: Individual vesting is an individual borrower taking sole ownership to a property o Joint Tenants: Joint tenancy is a form of co-ownership giving each tenant equal interest and equal rights in a property, including the right of survivorship o Tenants in Common: Tenants in Common is a form of individual ownership interest by two or more persons that provides for no right of survivorship. The interest need not be of equal percentage • Leasehold Estates: In areas where leasehold estates are commonly accepted, loans secured by leasehold estates are eligible for purchase. The mortgage must be secured by the property improvements and the borrower's leasehold interest in the land. The leasehold estate and the improvements must constitute real property, must be subject to the mortgage lien, and must be insured by the lender's title policy
Section 8	**Fees and Miscellaneous**
Fee Limitations	All loans must pass the Qualified Mortgage (QM) Points and Fees Test, in accordance with 12 CFR 1026.32(b) Rebuttable Presumption Qualified Mortgages (AKA "Higher-Priced Covered Transactions") are not eligible
Interested Party Contributions	Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses, and may never be applied to any portion of the down payment or contributed to the borrower's financial reserve requirements **Up to 6% Interested Party Contributions are allowed for CLTVs ≤ 80%, 3% for Primary Residences with LTVs > 80% and 2% for Investment Properties**
Seller Concessions	All seller concessions must be addressed in the sales contract, appraisal and HUD-1. A seller concession is defined as any interested party contribution beyond the stated limits, in the above section, or any amounts not being used for closing costs or prepaid expenses (i.e. funds for repairs not completed prior to closing is a seller concession). If a seller concession is present, both the appraised value and sales price must be reduced by the concession amount for purposes of calculating the LTV, CLTV
Personal Property	Any personal property transferred with a property sale must be deemed to have zero transfer value, as indicated by the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV
Power of Attorney	• When a POA is used to sign closing documents, at a minimum, the borrower granting the POA must sign the initial loan application and initial disclosures • POAs are not allowed on Cash Out refinances

Product and ADP Codes

Product	Product Code
15 Year Fixed Rate	JF15
20 Year Fixed Rate	JF20
30 Year Fixed Rate	JF30
5/1 ARM	JA51
7/1 ARM	JA71
10/1 ARM	JA11