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AGENCY HIGH BALANCE

10, 15, 20 and 30 Year Fixed Rate 5/1, 7/1 and 10/1 LIBOR ARMs

LTV ³	CLTV	Purpose	Units	Occupancy	Credit Score ⁵	DTI Ratio
95	95	Purch, R&T	1	O/O	620	50
85	85	Purch, R&T	2	O/O	620	
75	75	Purch, R&T	3-4	O/O	620	
90	90	Purch, R&T	1	SH	620	
85 ^{1,2}	85	Purch	1	N/O/O ⁴	680 ²	
80	80	Purch	1	N/O/O ⁴	620	
75	75	R&T	1	N/O/O ⁴	620	
75	75	Purch, R&T	2-4	N/O/O ⁴	620	
80	80	Cash Out	1	O/O	620	
75	75	Cash Out	2-4	O/O	620	
75	75	Cash Out	1	SH	620	
75	75	Cash Out	1	N/O/O ⁴	620	
70	70	Cash Out	2-4	N/O/O ⁴	620	

1. Not eligible for "No MI" (Lender Paid MI) products
2. All MI providers allowed; 700 score required with Genworth; six months reserves required with Essent; max 45% DTI with Genworth
3. If the LTV is > 80% review Mortgage Insurance section for specific MI company requirements For non-owner occupied subject properties, if borrower owns more than one financed investment property 15, 20 and 30 year fixed or 7/1 and 10/1 ARM product only allowed. See [Agency Portfolio Product](#) to use non-allowed terms if borrower owns more than one financed investment property.
4. With DU, second homes or investment properties with 7-10 financed properties must have a 720 credit score
5. If the LTV is > 80% review Mortgage Insurance section for specific MI company requirements

See [Agency Portfolio Product](#) for expanded guideline options and limited overlays

PRODUCT NAME	<p>Standard Product Codes:</p> <ul style="list-style-type: none"> • Agency High Balance 10 Year Fixed • Agency High Balance 15 Year Fixed • Agency High Balance 20 Year Fixed • Agency High Balance 30 Year Fixed • Agency High Balance FNMA Student Loan 10 Year Fixed • Agency High Balance FNMA Student Loan 15 Year Fixed • Agency High Balance FNMA Student Loan 20 Year Fixed • Agency High Balance FNMA Student Loan 30 Year Fixed • Agency High Balance 5/1 Libor ARM • Agency High Balance 7/1 Libor ARM • Agency High Balance 10/1 Libor ARM • Agency High Balance FNMA Student Loan 5/1 Libor ARM • Agency High Balance FNMA Student Loan 7/1 Libor ARM • Agency High Balance FNMA Student Loan 10/1 Libor ARM <p>Lender Paid MI Product:</p> <ul style="list-style-type: none"> • Agency NO MI High Balance (Lender Paid) 15 Year Fixed • Agency NO MI High Balance (Lender Paid) 30 Year Fixed
ALLOWABLE ORIGINATION CHANNELS	<ul style="list-style-type: none"> • Wholesale • Retail • Correspondent
AGENCY LINKS	<ul style="list-style-type: none"> • In addition to any Product Profile requirements, you must always meet the published Agency guidelines. If published Agency guidelines are more restrictive than what is allowed in the Product Profile, you must always defer to Agency Guidelines. • All PRMG staff can access all end Agency guidelines through AllRegs Online at http://allregs.elliemae.com. Instructions on how PRMG staff can access the AllRegs service is available in the Resource Center. • Use the following link to access the Fannie Mae website, and from there, access to their guidelines: https://www.efanniemae.com/home/index.jsp or • https://www.fanniemae.com/content/guide/selling/index.html • The following link provides access to the Fannie Mae Seller Guide through All Regs: • http://www.allregs.com/tpl/public/fnma_freesiteconv_tll.aspx
MINIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • Refer to PRMG's "Eligible States" list for states currently available for business <p>For loans on or after 11/28/2018: All States, except AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$484,351 • 2 Units \$620,201 • 3 Units \$749,651 • 4 Units \$931,601 <p>For all loans on or after 11/28/2018: AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$726,526 • 2 Units \$930,301 • 3 Units \$1,124,476 • 4 Units \$1,397,401 <p>For loans prior to 11/28/2018: All States, except AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$453,101 • 2 Units \$580,151 • 3 Units \$701,251 • 4 Units \$871,451 <p>For loans prior to 11/28/2018: AK and HI:</p>

	<ul style="list-style-type: none"> • 1 Unit \$679,651 • 2 Units \$870,226 • 3 Units \$1,051,876 • 4 Units \$1,307,176
MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • Max loan amount is the Fannie/Freddie Maximum Loan Limits (which are county specific) • Max Fannie/Freddie Limits for all counties can be found here (select Fannie/Freddie for Limit Type option): • https://entp.hud.gov/idapp/html/hicostlook.cfm
DOWN PAYMENT PROTECTION OPTION (PRMG +PLUS)	<ul style="list-style-type: none"> • Available • Provides insurance option to protect initial down payment should borrower not be able to recoup their down payment when they sell, see Resource Center for additional information about this optional coverage • Must select “Down Payment Insurance” (Yes/No) when pricing loan in FT360/OB (LLPA will apply) • Max LTV/CLTV 97% • Allowed for purchases only
GEOGRAPHIC RESTRICTIONS	<ul style="list-style-type: none"> • Please refer to PRMG’s “Eligible States” list and the max loan amount list at the end of this product profile. The “Eligible States” list can be found at this link: http://www.eprmg.net/guidelines/Eligible%20States.pdf • For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) unless specific requirements are met as described in the Rate/Term Refinance section, every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program. Additionally, if this is a cash out loan, it must be processed under the Agency Texas Home Equity program. • Properties located in Lehigh Acres, FL require a due diligence review in regards to the property value before approving the loan and must include all documentation supporting any increase in value as applicable • If the subject property is located in the Alabama Restricted Lending Area (Coliseum Boulevard Area of Montgomery - this area contains a subsurface chemical contamination condition or environmental condition known as the Coliseum Boulevard Plume (CBP)) the loan must meet the following requirements: <ul style="list-style-type: none"> • A full appraisal (interior/exterior) is required. • A fully executed disclosure issued by the Montgomery Area Association of Realtors (MAAR), identified as the Coliseum Boulevard Plume Disclosure, must be a part of the purchase contract, signed, and dated by all required parties prior to closing. • If the subject property is located in West Virginia, a full appraisal (interior/exterior) is required • Properties located in Illinois in the counties of Cook, Kane, Peoria or Will requires copies of the following to be closely reviewed: (1) A copy of the Certificate of Compliance with the counseling requirements or the Certificate of Exemption, if the lender or transaction is exempt and (2) A copy of Title Commitment free from any exceptions related to the anti-predatory lending database requirements. • For Nebraska cash out transactions, if the credit or title commitment reflects an alimony/child support judgment/lien, the following is required: subject property mortgage must be in first lien position and title commitment must clearly state that the alimony/child support lien is in subordinate position to the new mortgage. A copy of the subordination agreement or court order must be provided. This requirement is because under the Uniform Interstate Family Support Act, orders for payment of alimony/child support in Nebraska automatically create liens and could impact a first lien position on a cash-out refinance transaction.
DOCUMENTATION	<ul style="list-style-type: none"> • Full/Alt Doc • See Fannie Mae’s Day 1 Certainty Section for information when loan is eligible for Fannie Mae Day 1 Certainty findings

- When all income used to qualify a loan for the borrower is made up exclusively of wage earner income reported on a W2 and/or fixed income reported on a 1099 (i.e., social security or VA benefits) transcripts are not required, unless full tax returns are required for the borrower by the AUS (i.e., borrower employed by family members). If multiple borrowers are qualifying on the loan, but the tax returns are not filed jointly, and one borrower requires full returns, but the other borrowers are qualified exclusively on W2 and/or fixed income then no transcripts are required for the W2/fixed income borrower and 1040 transcripts are required for the self-employed borrower/borrower requiring full returns. When using this option, there can also be no tax returns included in the loan file (including if tax returns are required to be reviewed by the PRMG underwriter for MCC Approval or other purpose). If the borrower earns other income that is used to qualify that would be able to be validated with 1040 transcripts (i.e., rental income from tax returns, etc.) then 1040 transcripts are required to validate that income. A completed and executable (signed) 4506T must be submitted with the loan file. For the borrowers where transcripts are not required, be sure to select the W2/1099 option only when completing the 4506-T. Do not mark the 1040 or Record of Account option.
- When tax returns are required for a borrower or when borrower's qualifying income is not made up of W2 or fixed income reported on a 1099, validated 1040 tax transcripts are required if borrower's income is utilized as a source of repayment. If multiple borrowers are qualifying but the tax returns are not filed jointly (when one borrower requires full returns), then it is acceptable to provide no transcripts for the salaried/fixed income borrower and 1040 transcripts for the self-employed borrower/borrower requiring the tax returns.
- For Fannie Mae (DU) loans: For a borrower who is qualified using either (1) base pay, (2) bonus, (3) overtime, or (4) commission income, then unreimbursed employee business expenses are not required to be analyzed or deducted from the borrower's qualifying income, or added to monthly liabilities. This applies regardless of whether unreimbursed employee business expenses are identified on tax returns (IRS Form 2106) or tax transcripts received from the IRS. Union dues and other voluntary deductions identified on the borrower's paystub do not need to be deducted from the borrower's income or treated as a liability.
- See [Agency Portfolio Product](#) for Stamped Return option
- When required, transcripts must be provided for the number of years of income documentation required to be in the loan file, in accordance with the AUS findings and/or Agency requirements. Tax transcripts are required to support the income used to qualify the borrower. The purpose of the 4506-T is to verify the income reported is accurate and when utilizing the 1040 tax transcripts to confirm that the employee does not have other expenses (such as 2106 expense) that otherwise would not be known
- Tax transcripts must come to lender directly from the IRS or through a third party vendor ordered/obtained by lender
- When business tax returns are required by AUS, business income is used to qualify or business income is used to offset a loss on personal tax returns or is included in the loan file, a separate IRS Form 4506-T must be executed (but not processed and must allow enough time to be executed post-closing after delivery to investor) for each business for the required number of years of income documented, for each self-employed borrower on the loan transaction. Allowable signatures (per IRS): 1120/1120S: Borrower must sign name with title and only the following titles are acceptable: President, Vice President, CEO, CFO, Owner, 1065: Borrower must sign name with title and only the following titles are acceptable: General Partner, Limited Partner, Partner, Managing Member, Member
- When an extension for business tax returns has been filed for the most recent tax year the IRS Form 7004 and the IRS Form 4506-T transcripts confirming "No Transcripts Available" for the applicable tax year are required. The IRS form 4868 will continue to be required for extensions filed for personal tax returns.
- W2 transcripts are allowed to take the place of a W2 when there is a reasonable explanation as to why they cannot be provided and Fannie Mae's requirements are met, as outlined in

	<p>sections B3-3.1-02, Standards for Employment Documentation of Fannie Mae’s Seller Guide.</p> <ul style="list-style-type: none"> • Preliminary Title policy must be no more than 90 days when the note is signed • Bank statements cannot be dated more than 45 days prior to the date of the loan application • When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount. • All documentation used in qualifying the borrower must be legible and if not in English, will require a full written translation of the entire documentation into English. • All loans meeting Rebuttable Presumption under QM/ATR requirements must have the Residual Income Evaluation worksheet/requirements met. See Residual Income Evaluation section for requirements. • If using a PRMG Closed End Second product in conjunction with the first trust deed, see PRMG Concurrent (Piggyback) Closed End Second section for more information.
<p>FULL/ALT DOC</p>	<ul style="list-style-type: none"> • Standard FNMA full or alternative documentation may be provided • For non-self-employed borrowers: Verbal VOE is required to be completed no more than 10 days prior to the note date for wet funding states and escrow states. If the Verbal VOE is completed more than 10 days prior to the funding date, another Verbal VOE should be completed 10 days prior to funding date for escrow states. • For self-employed borrowers: No more than 120 calendar days prior to note date, verify the existence of the borrower’s business from a third party that may include a CPA letter (cannot be vague, must state length of time doing taxes and be signed by CPA), regulatory agency, or appropriate licensing bureau; OR verify a phone listing and address for the borrower’s business through resources such as the telephone book, directory assistance, internet, or contact the appropriate licensing bureau. Verification may not be made verbally, and a certification by PRMG indicating the information was verified is not allowed. Documentation from the source used to verify the information must be obtained and in the file. Internet sites such as 411.com, Chamber of Commerce sites and Manta.com where they allow the business owner to add their own information are not acceptable. Also single source verifications, such as from superpages.com, yellowpages.com and searchbug.com are not allowed. If <u>all</u> other methods of obtaining third party verification have been exhausted, the borrower can provide letters from three clients indicating the type of service performed, length of time of business relationship, frequency of service, payment arrangements, etc. and support the income with current bank statements, deposits, etc. The underwriter must thoroughly investigate that the business, income and proof of business is legitimate. • Amended tax returns must have been filed at least sixty (60) days prior to the earliest of the purchase agreement, initial credit report date, or mortgage application date, unless the changes made are non-material to the amount of income claimed, and qualification for the mortgage loan. When using the amended returns if filed within sixty (60) days to the earliest of the purchase agreement, initial credit report date, or mortgage application date, or after, the Underwriter must provide justification and commentary regarding its use, including that borrower does <u>not</u> require use of amended income for qualification. Regardless of when the amended returns were filed, due diligence must be exercised with close examination of the original, and amended returns, to determine if the use of the amended return is warranted and the following documentation should be reviewed when income from the amended return is required: A letter of explanation regarding the reason for the re-filing; evidence of filing (must be validated with a record of account (4506T results); copy of the original 1040; any extensions filed, and evidence of payment of the taxes due, and the ability to pay, if the check has not yet cancelled. See Agency Portfolio Product or Agency LP Fixed or ARMs where amended 60 days prior is not required.

	<ul style="list-style-type: none"> • If DU allows VOD and/or VOE only and bank statements, paystubs or W2 (as applicable) are not provided, “VOD/VOE only” must be entered in Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of documentation if the loan is locked prior to approval • Paystubs must be dated no earlier than 30 days prior to the initial loan application date. • Paystubs must be computer generated (typed) and clearly identify the borrower as the employee, the employer’ name and all necessary information to calculate income, including gross year-to-date earnings, base salary with pay period specified, and must clearly specify the employer’s name. Handwritten pay stubs are acceptable if the following is provided: a written VOE completed in its entirety and the most recent year’s income tax returns. • IRS W-2 forms must computer generated (typed) and clearly identify the Borrower, Borrower’s address, social security number and employer’s name. • DU Loans: Requires standard income documentation per Fannie Mae guidelines for child support, alimony and separate maintenance payments or retirement income when using that income to qualify. DU may allow for reduced documentation with these income types and this will not be allowed. • Tax transcripts are allowed to take the place of a tax returns when they are required as long as you are meeting Fannie Mae’s requirements, as outlined in sections B3-3.1-06 and B3-3.2-01 of Fannie Mae’s Seller Guide. • Number of years self-employed/business tax returns is allowed per DU findings (one year acceptable if findings allow for it) • Self-employed borrowers must provide at least page 1 and 2 of tax returns • If AUS allows for VOD only (no bank statements), allowed for owner occupied and second home transactions only. Investment properties must also provide bank statements. • A signed IRS 4506-T is required at application and closing. • Letter of explanation for all inquiries in the past 90 days is required • Copy of photo ID for each borrower • Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers.
FANNIE MAE’S DAY 1 CERTAINTY	<ul style="list-style-type: none"> • Loans using Day 1 Certainty are acceptable with DU approvals when released to specific origination channel (currently available to retail only or delegated correspondents) • Underwriter must read DU report for Day 1 messages, confirm information, check disclaimers and review for contradictory information • Income/Employment Validation is per borrower, per employer, per income type • Asset Validation is per loan • Must provide the third party vendor report used in the DU validation process and all vendor reports must be in the file • The vendor reference number and date must match the DU messages • Tax transcripts are not required for specific income sources validated by The Work Number, but a 4506T is required to be signed at closing • If using Verification of Employment option (when available), must ensure loan closes by date indicated on DU approval • Must ensure final closing costs and assets in Du are updated to match actual figures • When gifts are used in transaction, asset verification is not allowed • If overriding Day 1 finding income calculation requires second review/approval of income by Corporate Underwriting or Operations Manager/Team Lead
PRMG CONCURRENT (PIGGYBACK) CLOSED END	<ul style="list-style-type: none"> • When using a PRMG Closed End Second product, follow any DU findings unless restricted by First Lien or Closed End Second Product Profile. • Use of PRMG’s Closed End Second allowed with DU approvals only • Must be underwritten by PRMG’s Corporate Designated Jumbo Underwriting Team

SECOND	<ul style="list-style-type: none"> • Both first and second liens must be underwritten by the same underwriter from the Corporate Designated Jumbo Underwriting Team • The field "Is this a PRMG Combo Loan" must be marked as "Yes" and the loan number from the Closed End Second must be input in the "2nd Loan #" field in the FT360 Borrower Summary Screen <u>prior</u> to submitting the file to Underwriting. Note, these fields should only be used for PRMG loans where PRMG is handling the first and second loans, not when another lender is providing the secondary financing. • The Closed End Second must be locked concurrently with the associated first mortgage lien • When using a PRMG Closed End Second, the associated first trust deed should be manually locked, or if the first is locked online it will be subject to a LLPA that may vary based on the loan amount of the first trust deed and will be manually added after the lock by Secondary
DOCUMENT EXPIRATIONS	<ul style="list-style-type: none"> • Credit documentation must not be more than 120 days old from the note date • Residential appraisal reports must be dated no more than 12 months prior to the note date but if over 120 days from note date, update within 120 days of note date is required. • Preliminary Title policy must be no more than 90 days when the note is signed • Bank statements cannot be dated more than 45 days prior to the date of the loan application • Paystubs must be dated no earlier than 30 days prior to the initial loan application date
AUTOMATED UNDERWRITING	<ul style="list-style-type: none"> • If loan was ever submitted to another AUS (DU or LPA) that is not used for approval, the unused AUS findings must be in the loan file • There are no restrictions on loans being switched from one AUS to another. An Approve/Eligible from the other AUS that it was submitted through is NOT required. This product requires a DU approval. • The last AUS finding, which must match the terms of the loan, must be in the loan file. For LPA loans, the last AUS finding must be dated prior to the note date (it cannot be the same as the note date.) For all loans, the first submission to the AUS must occur prior to the note date (it cannot be the same as the note date.)
DESKTOP UNDERWRITER (DU)	<ul style="list-style-type: none"> • Must receive an Approve/Eligible • All conditions outlined in the Findings Report must be satisfied
LOAN PRODUCT ADVISOR (LPA)	<ul style="list-style-type: none"> • Not allowed • Formerly known as Loan Prospector (LP)
PROPRIETARY U/W ENGINE	<ul style="list-style-type: none"> • N/A
MANUAL UNDERWRITING	<ul style="list-style-type: none"> • Not Allowed
DU EARLY CHECK	<ul style="list-style-type: none"> • Fannie Mae's EarlyCheck must be run at final loan approval/clear to close, and all findings must be review to ensure accuracy and all fatal errors must be corrected.
ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • Single Family Residence • Modular Homes (see section below) • 2-4 Unit Properties • PUDs • Condos • Log Homes (See section below for additional requirements) • Condo Conversions
INELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • Hawaii properties in lava zones 1 and 2 • Hawaii Homelands Leasehold properties • Co-ops • Mobile homes • Manufactured homes (See Agency Portfolio Product for this property type) • Condotels • Properties with deed restrictions (except Age Restricted Properties, see section below)

	<ul style="list-style-type: none"> • Mixed-Use (see below for properties with business use per tax returns or appraisal) • Co-ops • Geodesic dome, Earth or Geothermal homes • Community Land Trusts • PUD hotel/motel/resort type projects • Condominium hotel/motel/resort type projects • Properties in a flood zone that do not participate in the National Flood Insurance Program • Illinois Land Trusts • Working farm, ranch, or orchard • Assisted Living Projects • Builder Model Leaseback (See Agency Portfolio Product or Agency LP Fixed or ARMs for this property type) • Houseboats • Investment Securities • Properties not suitable for year-round occupancy • Property without full utilities installed to meet all local health and safety standards • Property used for commercial or industrial purposes • Tax-sheltered syndicate • Timeshares • Unimproved land • Common Interest Apartments • Properties that do not meet local health and safety standards • Multi-family dwellings over 4 units • Commercial properties • Homes purchased using HomeStyle Financing • Properties rated in "less than average" condition • Indian land (leased or fee simple) • vacant land or land development properties • properties that are not readily accessible by roads that meet local standards • on-frame modular construction • units in condo or co-op hotels • boarding houses (includes properties listed on sites like Airbnb where individual rooms are rented out like a boarding house) • bed and breakfast properties (includes properties listed on sites like Airbnb where individual rooms are rented out like a bed and breakfast) • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) unless the lien will subordinate via a subordination agreement where the lien is no longer part of the property taxes that can take first lien priority (note, the HERO subordination agreement does not provide for this and is not eligible) and meets all Agency requirements • HomePath Properties (Fannie Mae REOs) using the offered Fannie Mae guideline exceptions (See Agency Portfolio Product for HomePath using Fannie Mae guideline exceptions) • See Agency Portfolio Product for additional property types
MODULAR HOMES	<ul style="list-style-type: none"> • Factory-built housing must assume the characteristics of site-built housing and be legally classified as real property. The purchase, conveyance, and financing (or refinancing) of the property, which must be evidenced by a valid and enforceable first lien mortgage or deed of trust that is recorded in the land records, must represent a single real estate transaction under applicable state law. • Prefabricated, panelized, or sectional housing units must conform to all local building codes in the jurisdiction in which they are permanently located. • Modular homes must be built to the state building code requirement of the state in which

	<p>they are to be installed. There are several state agencies that have adopted a Uniform Building Code for modular homes.</p>
DEED RESTRICTED PROPERTIES	<ul style="list-style-type: none"> • “55 and Older” restricted properties only • Primary residence, second home or non-owner occupied properties allowed • 1-2 units only • Full appraisal required • Not eligible on 3/1 ARMs • Must have “Housing Developments - Subject to Age Restrictions” form completed (See Forms section in FastTrac) • If the loan has one of the following attributes, Underwriter must add a “note” using the following text on the loan approval (not to FastTrac notes) to assist Post-Closing’s delivery process <ul style="list-style-type: none"> • DU with Resale Restrictions and a surviving foreclosure • DU with Resale Restrictions and a terminating foreclosure • Fannie Mae is Listed as the Property Seller with Resale Restrictions
PROPERTIES WITH BUSINESS USE	<ul style="list-style-type: none"> • One-unit dwellings that the borrower occupies as a principal residence that has any business in the home as indicated on the tax return or appraisal may be eligible with the following restrictions: <ul style="list-style-type: none"> • The business use is a home office only and not a commercial type of business or a business with clientele that visits the home office • Borrower must be owner/operator of business • Room layout must be residential in nature and be appraised as a residential real estate • The business use may not exceed 20% of the total gross living area of the property as reflected on the appraisal or tax returns • The business use of the property represents a legal, permissible use of the property under the local zoning requirements. • Full appraisal is required, regardless of AUS • Multiple unit properties with any business use as determined by tax returns or appraisal are not eligible
PRIVATE TRANSFER FEE COVENANTS	<ul style="list-style-type: none"> • A Private Transfer Fee, as defined by FHFA, is a fee that may be attached to real property by the owner or another private party - frequently the property developer - and provide for a transfer fee to be paid to an identified third party - such as a developer or its trustee - upon each resale of the property. The fee typically is stated as a fixed amount or as a percentage of the sales price, and often exists for a period of 99 years. • Private transfer fees paid to the following to benefit the property are eligible: Homeowner Associations, Condominium Associations, Certain tax-exempt organizations that use private transfer fee proceeds to benefit the property. • Any property with unallowable private transfer fee covenants are ineligible if they are encumbered by private transfer fee covenants if those covenants were created on or after February 8, 2011, unless permitted by the Private Transfer Fee Regulation. • See FNMA/FHLMC seller guide for additional information
LOG HOMES	<ul style="list-style-type: none"> • Log Homes are allowed with the following requirements: <ul style="list-style-type: none"> • A minimum of two log home comparable sales must be provided. • Comparable sales provided must be of similar quality, construction, and design and have similar market appeal and amenities. • Appraiser to comment on: local demand, marketability of the property, supply of log homes and their appeal in the market. Appraiser must also comment on the sufficiency of the unit's living area, interior room size, storage, and adequacy of roof pitch, overhangs and exterior finish. • Property type of “Log Home” must be entered in Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of property type if the

	<p>loan is locked prior to approval</p> <ul style="list-style-type: none"> • Full appraisal required
PROPERTIES WITH UNEXPIRED REDEMPTION RIGHTS	<ul style="list-style-type: none"> • Allowed in states where it is common and customary • Must meet all agency requirements • Title must insure over the right of redemption • Redemption bond is required • Loan amount may not exceed the price on the foreclosure deed • Written disclosure to borrowers of properties that are subject to unexpired redemption periods must be provided • Must enter “Redemption Period” in Loan Program Comments section of Investor Overlay Screen in FT360
COMMUNITY DEVELOPMENT DISTRICT (CDD)	<ul style="list-style-type: none"> • Allowed, must meet any agency requirements in regards to special assessment districts
PROPERTIES WITH GAS, OIL AND/OR SUBSURFACE MINERAL RIGHTS	<ul style="list-style-type: none"> • Outstanding oil, gas, water, or mineral rights are acceptable if commonly granted by private institutional mortgage investors in the area where the Mortgaged Premises are located, and: • The exercise of such rights will not result in damage to the subject property, or impairment of the use, or marketability of the subject property for residential purposes, and there is no right of surface, or subsurface entry within 200 feet of the residential structure, or • There is a comprehensive endorsement to the title insurance policy that affirmatively insures the lender against damage, or loss, due to the exercise of such rights.
CONDOS	<ul style="list-style-type: none"> • Underwriter and funder to verify condo project is not on investor’s Do Not Lend list prior to approval/funding. Additionally, when the investor indicates a CVAS waiver is required, project is not eligible unless not processed as a limited review and a CVAS waiver is obtained from Fannie Mae (senior management approval required for this option). Check with manager if you need information on how to verify this information with the investor. See Agency Portfolio Product for condos on the Do Not Lend list or requiring a CVAS waiver when eligible for limited review. • Condo projects must be warrantable with a Limited Review, CPM/Full Review, FHA HRAP approvals, or PERS Approval. The following steps must be used to document warrantability: <ul style="list-style-type: none"> • Determine if the project is eligible under the Limited Project Review process. (See section below regarding Limited Review process). If the project is approved under Limited Project Review criteria, the unit is eligible for purchase by PRMG. No further steps are required. • If the project does not meet FNMA Limited Product Review guidelines, determine if the project is listed as approved on the FNMA website (full PERS Approval, not conditional) - https://www.fanniemae.com/singlefamily/project-eligibility-review-service. If the project is approved and has not expired, and it is verified there are no changes that would make it ineligible, the project is warrantable and the unit is eligible for purchase by PRMG. No further steps are required. When condo is PERS approved and not expired, LTV/CLTV allowed to product guidelines in all states. PRMG does not offer services to submit projects to Fannie Mae for PERS Approvals. • If the project does not meet eligibility criteria described above and the unit is in an established condominium project which has been approved by FHA’s HUD Review and Approval Process (HRAP) it is eligible if the following is met: (1) the project meets Fannie Mae’s criteria to be considered an established project (new/newly converted projects not eligible); (2) the project is not comprised of manufactured homes; (3) the project meets the requirements applicable to all properties in a Condo, Co-op, or PUD Project the Fannie Mae selling guide (B4-2.1-01, General Information on Project Standards; (4) the project is not an ineligible project as described in B4-2.1-03, Ineligible Projects; and (5) any additional conditions noted by FHA have been met. Important, projects approved through an FHA Direct Endorsement Lender Review and Approval Process (DELRAP) are <u>not</u>

	<p>eligible.</p> <ul style="list-style-type: none"> • If the project does not meet eligibility criteria described above, the project may be submitted for a CPM/Full Review to condoreviews@prmg.net with the Condo Review Submission form and required documentation and an approval on the project (if eligible) will be issued through Condo Reviews. (See section below regarding CPM/Full Lender Reviews). • Insurance allowed per Fannie Mae requirements, see Seller Guide Subpart B7 • See section below for condos in monetary litigation • For Florida projects, condos on Fannie Mae’s Special Area Designation (SAD) list are not allowed. See Agency Portfolio Product for condos on the SAD list • The underwriter must complete the PRMG Attached PUD/Condo Warranty Form which can be found in the Resource Center, and that is the only document that should go to the investor. The underwriter should include the project information used for the condo review in the loan file, but it should not be sent to the investor with the closed loan file. Please use the Imaging label “Condo/PUD Review Supporting Documentation (Do not send to investor)” for this information.
<p><i>Waiver of Project Review for Fannie Mae to Fannie Mae Limited Cash-Out Refinances</i></p>	<ul style="list-style-type: none"> • The project eligibility review is waived for all Fannie Mae owned loans that are being refinanced as a limited cash-out refinance with the following conditions. Must confirm: <ul style="list-style-type: none"> • the property is currently Fannie Mae Owned and information can be verified by the current servicer (if the lender is not the servicer), Fannie Mae’s Loan Lookup tool (www.fanniemae.com) or any other source as confirmed by the lender; • the loan-to-value (LTV) ratio is no higher than 80% (CLTV or HCLTV ratios may be higher); • the project has the required project-related property and flood insurance coverage; and • the project is not a condo hotel or motel, houseboat project, or a timeshare or segmented ownership project.
<p>LIMITED REVIEW (DU) LTV/OCCUPANCY LIMITS</p>	<ul style="list-style-type: none"> • Limited Review guidelines allow the lender to evaluate and approve condo projects using limited documentation. Eligibility is based on specific loan level criteria, including LTV, occupancy and the method by which the loan is evaluated and decided. • Detached Condos – All States: <ul style="list-style-type: none"> • Review not required • Attached Established Condos - <i>Non-Florida Properties:</i> <ul style="list-style-type: none"> • Max 90% LTV/CLTV/HCLTV for owner occupied properties • Max 75% LTV/CLTV/HCLTV for second homes • Max 75% LTV/CLTV/HCLTV for investment properties • Attached Established Condos – <i>Florida Properties:</i> <ul style="list-style-type: none"> • Max 75% LTV/ 90% CLTV/90% HCLTV for owner occupied properties • Max 70% LTV/ 75% CLTV/75% HCLTV for second homes • Max 70% LTV/ 75% CLTV/75% HCLTV for investment properties • See section below for requirements
<p><i>FANNIE MAE (DU) ATTACHED CONDO LIMITED REVIEW REQUIREMENTS</i></p>	<ul style="list-style-type: none"> • All Limited Reviews are performed by the underwriter • The unit must be an attached unit in an established condo project. • Limited review questionnaire may be used in conjunction with additional information that is found in the file in order to perform the review for detached and/or attached condos (questionnaire is optional). • Fannie Mae Limited Review Requirements (always defer to Fannie Mae Seller Guide): <ul style="list-style-type: none"> • The project is not an ineligible project. See below, but always defer to Fannie Mae Seller Guide, section B4-2.1-02, Ineligible Projects. • The project does not consist of manufactured homes. Note: Manufactured housing projects require a Fannie Mae PERS review. • The appraisal of the subject unit meets all applicable appraisal requirements, as stated in Fannie Mae Seller Guide, section B4-1, Appraisal Requirements.

	<ul style="list-style-type: none"> The unit securing the mortgage satisfies all insurance requirements as stated in See Fannie Mae Seller Guide, Subpart B7, Insurance, including all provision applicable to condo projects in Chapter B7-4, Additional Project Insurance. Note, per Fannie Mae, provided the project and loan transaction are eligible for and meet all of the eligibility requirements of the Limited Review process, the lender is not required to validate that the project also meets the eligibility requirements of another project review type. However, in the event the lender becomes aware of a circumstance that would cause the project or transaction to be ineligible under a Limited Review, the lender must use one of the other project review methods to determine project eligibility and the project must meet all of the eligibility requirements of that selected alternate project review type.
FANNIE MAE (DU) DETACHED CONDO REVIEW REQUIREMENTS	<ul style="list-style-type: none"> If the property is a detached condo (site condo) a review is not required
FANNIE MAE (DU) 2-4 CONDO REVIEW REQUIREMENTS	<ul style="list-style-type: none"> If the property is a 2-4 Unit condo, a review is not required, however the following must always be met: <ul style="list-style-type: none"> Standard Fannie Mae property eligibility requirements are met as described in Fannie Mae Seller Guide, section B2-3; the project is not a condo hotel or motel, houseboat project, or a timeshare or segmented ownership project priority of common expense assessments as described Fannie Mae Seller Guide, section B4-2.1-01, when an appraisal of the property is obtained, it must meet all applicable appraisal requirements as Fannie Mae Seller Guide, section B4-1 and insurance requirements Fannie Mae Seller Guide, section B7, Insurance, including all provisions applicable to project in Subpart B7-4, Additional Project Insurance.
CPM/FULL LENDER REVIEWS	<ul style="list-style-type: none"> When using a Full Lender Review, LTV/CLTV allowed to product guidelines in all states Must be used if transaction is not eligible for limited review or has not been approved through PERS If project is not eligible through CPM/Full Lender Review process, terms of loan (i.e., larger down payment) can be made to allow the project to be reviewed using the Limited Review requirements. Project must then be eligible under the Limited Review requirements. CPM/Full Lender Reviews are only eligible when submitted by the fulfillment center or retail branch to condoreviews@prmg.net with the Condo Review Submission form and required documentation and an approval on the project is issued through Condo Reviews. Request for CPM/Full Lender condo review should be submitted by the fulfillment center or retail branch when all required documentation has been obtained (loan does not have to be in an underwritten or approved status). The Condo Review Submission form can be found on the Resource Center or at the following link: http://www.eprmg.net/ResourceCenter/GeneralForms/HOA%20Full%20Lender%20Condo%20Review%20Submission%20Form.pdf When a CPM/Full Lender Review is used, the following documentation is required: condo review submission form (from Resource Center or above link), condominium questionnaire (from Resource Center, Condo Certs or similar), appraisal of subject unit (can be submitted after condo review is completed, but final project approval will not be issued until appraisal is received), current annual budget, insurance certificate for applicable types and AUS findings (showing approved); For New Construction or New Gut Rehab conversions only: all above listed documentation, copy of Declaration of Condominium including Amendments and Bylaws, presale form (available in the Resource Center)
CONDO	<ul style="list-style-type: none"> Condo conversions (new and established) allowed

CONVERSIONS	<ul style="list-style-type: none"> • New conversions (not meeting the definition of an established product - at least 90% of the total units in the project have been conveyed to the unit purchasers; the project is 100% complete, including all units and common elements; the project is not subject to additional phasing or annexation; and control of the HOA has been turned over to the unit owners) in the State of Florida must be Fannie Mae PERS approved • New conversions that are non-gut rehabs (in all states) that contain more than 4 residential units must be Fannie Mae PERS approved • Must comply with all Agency guidelines • For new conversions that are not required to be PERS approved, CPM/Full Lender Review is required. See CPM/Full Lender Reviews section for submission instructions.
NON-WARRANTABLE CONDOS	<ul style="list-style-type: none"> • Not Allowed.
PLANNED UNIT DEVELOPMENTS (PUDS)	<ul style="list-style-type: none"> • Detached PUDs are not subject to project review and information regarding the HOA such as project certs, letters from the HOA (with the exception of letter regarding ownership in regards the common elements, areas/facilities of a project for insurance purposes) must not appear in the file. • Insurance allowed per Fannie Mae requirements, see Seller Guide Subpart B7 • Attached PUD lender reviews are performed by underwriter • A Lender Review on attached PUDs must be performed and PRMG must confirm that following in the process of the review: <ul style="list-style-type: none"> • The appraisal of the unit meets all appraisal requirements in Fannie Mae Seller Guide Chapter B4-1, Appraisal Requirements. • The individual unit securing the mortgage must be complete (PRMG does not allow for Postponed Improvements.) • The unit securing the mortgage satisfies all Fannie Mae's insurance requirements in Subpart B7, Insurance, including all provisions applicable to PUD projects in Seller Guide Chapter B7-4, Additional Project Insurance. • All PUD projects (attached and detached) must be in compliance with Fannie Mae's policy for priority liens (see B4-2.1-02, Ineligible Projects). • Note: Any unit located in a condo project within a larger PUD project or master association must meet the applicable requirements for condo projects. Attached PUD/Condo Warranty form is available in the Resource Center • Documentation, as determined by underwriter, to verify the attached PUD is warrantable is required and Attached PUD Warranty must be completed (if required by underwriter). • The underwriter must complete the PRMG Attached PUD/Condo Warranty Form which can be found in the Resource Center, and that is the only document that should go to the investor. The underwriter should include the project information used for the condo review in the loan file, but it should not be sent to the investor with the closed loan file. Please use the Imaging label "Condo/PUD Review Supporting Documentation (Do not send to investor)" for this information.
CONDOS IN MONETARY LITIGATION	<ul style="list-style-type: none"> • Condo projects involved in monetary litigation may be eligible, if litigation is acceptable to the Agencies as reviewed and approved through condoreviews@prmg.net. Documentation regarding the litigation (i.e., court documents) must be submitted to condoreviews@prmg.net for review and approval.
INELIGIBLE PROJECT TYPES PER FANNIE MAE'S SELLER GUIDE	<ul style="list-style-type: none"> • See Fannie Mae Seller Guide for additional information. The below information applies to all attached condo projects. With the exception of Priority of Common Expense Assessments, the restrictions below do not apply to attached or detached PUDs and detached condos. <ul style="list-style-type: none"> • Timeshare, fractional, or segmented ownership projects. • New projects where the seller is offering sale or financing structures in excess of Fannie Mae's eligibility policies for individual mortgage loans. These excessive structures include,

	<p>but are not limited to, builder/developer contributions, sales concessions, HOA assessments, or principal and interest payment abatements, and/or contributions not disclosed on the settlement statement.</p> <ul style="list-style-type: none"> • Projects with mandatory upfront or periodic membership fees for the use of recreational amenities, such as country club facilities and golf courses, owned by an outside party (including the developer or builder). Membership fees paid for the use of recreational amenities owned exclusively by the HOA or master association are acceptable. • Projects that are managed and operated as a hotel or motel, even though the units are individually owned. (See Seller Guide for additional detail.) • Projects with covenants, conditions, and restrictions that split ownership of the property or curtail an individual borrower’s ability to utilize the property. (See Seller Guide for additional detail.) • Projects with property that is not real estate, such as houseboat projects. (See Seller Guide for additional detail.) • Any project that is owned or operated as a continuing care facility. (See Seller Guide for additional detail.) • Projects with non-incidentual business operations owned or operated by the HOA including, but not limited to, a restaurant, spa, or health club. (See Seller Guide for additional detail and exceptions to this policy.) • Projects that do not meet the requirements for live-work projects. (See Seller Guide for additional detail.) • Projects in which the HOA or co-op corporation is named as a party to pending litigation, or for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project. (See Seller Guide for additional detail.) • Any project that permits a priority lien for unpaid common expenses in excess of Fannie Mae’s priority lien limitations. (See Fannie Mae Selling Guide Section B4-2.1-01, General Information on Project Standards for additional detail.) • Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns more than the following total number of units in the project: projects with 5 to 20 units – 2 units; projects with 21 or more units – 20%; (See Seller Guide for additional detail.) • Multi-dwelling unit projects that permit an owner to hold title (or stock ownership and the accompanying occupancy rights) to more than one dwelling unit, with ownership of all of his or her owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan). (See Seller Guide for additional detail.) • The total space that is used for nonresidential or commercial purposes may not exceed 35%. (See Seller Guide for additional detail.)
MANUFACTURED HOME REQUIREMENTS	<ul style="list-style-type: none"> • N/A
LEASED LAND	<ul style="list-style-type: none"> • Allowed, but must meet all of FNMA/FHLMC requirements • All leasehold documents must be submitted with the loan file • The remaining term on the lease may not terminate earlier than five years after the maturity date of the loan • Appraisal must show market acceptance of leasehold estates • The leasehold agreement must not have any servicing reporting requirements to the lessor. • The lender must not be required to sign a subordination agreement. • Indian leased land is not acceptable
MAXIMUM ACREAGE	<ul style="list-style-type: none"> • Maximum 40 acres • More than 10 acres require very strong comparables

	<ul style="list-style-type: none"> • More than 20 acres requires additional value review and close analysis by the underwriter. • Must enter “Over 10 Acres” in Loan Program Comments section of Investor Overlay Screen in FT360 if property is over 10 acres • Working farms, commercial operations, or any other income producing properties are not allowed. • Special consideration must be given to properties with outbuildings. <ul style="list-style-type: none"> • Minimal Outbuildings: Small barn or stable, that are of relatively insignificant value in relation to the total appraised value of the subject property, are acceptable if they are typical of other residential properties in the subject area. • Atypical Minimal Outbuildings: Small barn or stable not representing typical residential improvements for the location and property type are acceptable as long as the appraiser attributes no value to them. • Significant Outbuildings: A property that has significant outbuildings, such as a large barn, large storage area, stable, or silo, might indicate that the property is agricultural in nature. It must be determined if the improvements are residential or agricultural in nature, regardless of whether the appraiser assigns any value to the outbuildings. • The acreage of the subject property must be supported by similar comparables that are limited to strictly residential use. Excess land is unacceptable for inclusion in value (i.e. the subject is considerably larger than typical lots in the neighborhood and the excess is capable of separate use) • The appraiser must consider all acres of the subject property and the comparables must be of similar size.
MULTIPLE PARCELS AND TAX ID NUMBERS	<ul style="list-style-type: none"> • The subject property may consist of more than one adjoining parcel subject to all of the following requirements: • Each parcel must be conveyed in its entirety. • Each parcel must have the same basic zoning (for example; residential, agricultural). • Only one parcel may have a dwelling unit (limited nonresidential improvements such as a garage are acceptable). An improvement that has been built across lot lines is acceptable. For example, a home built across both parcels where the lot line runs under the home is acceptable. • The mortgage must be a valid first lien on each parcel. • Two separate deeds are not permitted. • Parcels must be adjoined to each other, with the following exception: • Parcels are divided by a road. • Parcel without a residence is non-buildable (such as waterfront properties where the parcel without the residence provides access to the water). Loan file must contain evidence from the local municipality that the lot is non-buildable. Evidence may not be supplied by the appraiser.
UNPERMITTED ADDITIONS	<ul style="list-style-type: none"> • Allowed • The subject addition, improvement or conversion must comply with all Agency guidelines • The appraiser demonstrates the property’s conformity to the neighborhood and marketability • The appraiser must also comment on any effect on value, marketability, zoning and safety. • The appraiser comments on quality of the work of the addition, improvement or conversion and it is described in the appraisal and deemed acceptable (“workmanlike quality”) • The appraiser considers the contributory value or obsolescence of the addition, improvement or conversion. In some cases, the addition, improvement or conversion may not be part of the gross living area (GLA) and may be assigned no value or a negative value • If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal: <ul style="list-style-type: none"> • Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage to be part of the overall square

	<p>footage of the property.</p> <ul style="list-style-type: none"> The appraiser has no reason to believe the addition would not pass inspection for a permit. Non-permitted additions that are NOT typical for the market area cannot be included in the GLA, basement or other living area.
ACCESSORY UNITS	<ul style="list-style-type: none"> One-unit property with an accessory dwelling unit is eligible An accessory dwelling unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit, and analyze any effect it has on the value or marketability of the subject property. If the property contains an accessory unit, the property is eligible under the following conditions: <ul style="list-style-type: none"> The property is one-unit. The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use. The borrower qualifies for the mortgage without considering any rental income from the accessory unit. If it is determined that the property contains an accessory dwelling unit that does not comply with zoning, the property is eligible under the following additional conditions: <ul style="list-style-type: none"> The lender confirms that the existence will not jeopardize any future hazard insurance claim that might need to be filed for the property. The use conforms to the subject neighborhood and to the market. The property is appraised based upon its current use. The appraisal must report that the improvements represent a use that does not comply with zoning. The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least three comparable properties that have the same non-compliant zoning use.
CONSTRUCTION TO PERMANENT FINANCING	<ul style="list-style-type: none"> Two time close option must be used Use following link for information on construction to permanent financing: http://www.eprmg.net/ConstructionPermanentRequirements.pdf Mortgage insurance companies requires property to be SFR Detached
OCCUPANCY	<ul style="list-style-type: none"> Primary Residence (O/O), Second Homes (SH), Investment Properties (N/O/O).
<i>PRIMARY RESIDENCE</i>	<ul style="list-style-type: none"> Owner occupied principal residence <ul style="list-style-type: none"> At least one borrower must occupy the property as their principal residence within 60 days of signing the security instrument and intend to continue occupancy for at least one year. Disabled Child/Elderly Parent Option <ul style="list-style-type: none"> Property considered to be principal residence even though the borrower will not be occupying the property allowed with the following scenarios: <ul style="list-style-type: none"> Parents/legal guardians wanting to provide housing for their physically handicapped or developmentally disabled adult child - If the child is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the parent is considered the owner/occupant. Children wanting to provide housing for elderly parents - If the parent is unable to work or does not have sufficient income to qualify for a mortgage on his or her own, the child is considered the owner/occupant.

	<ul style="list-style-type: none"> • This is allowed for purchase or rate and term refinance transactions only. • Acceptable documentation must be included in the loan file to support the transaction. This includes, but is not limited to, tax returns or the borrower which show the disabled adult child as a dependent or tax returns of the elderly parent(s) which documents insufficient income to qualify. • The disabled child or elderly parents are not required to be on title or on the mortgage. • “Elderly parents” are defined as parents who are not able to work or have insufficient income to afford a home on their own (no minimum age requirement). • Excluding when using disabled child/elderly parent option, at least one borrower must occupy the property as their principal residence within 60 days of signing the security instrument and intend to continue occupancy for at least one year.
SECOND HOME	<ul style="list-style-type: none"> • Must be suitable for year-round occupancy • May not belong to a rental pool • Rental income from the property is allowed to be reflected on the 1040s, as long as the income is not used for qualifying purposes, and all other Agency requirements for second homes are met. • Borrowers may not be affiliated with builder or developer of the property. • Expenses relating to the borrower’s current primary residence must be used in calculating the borrower’s monthly housing ratio. Documentation of the primary residence housing expense must be provided. This includes borrowers who are currently renting or who own a primary residence.
NON-OWNER OCCUPIED	<ul style="list-style-type: none"> • Borrowers may not be affiliated with builder or developer of the property. • For N/O/O (investment property) subject properties rental history allowed per DU (two year history not required, must comply with Fannie Mae requirements). • See Multiple Loans section for restrictions on number of financed properties • For non-owner occupied subject properties, if borrower owns more than one financed investment property 15, 20 and 30 year fixed or 7/1 and 10/1 ARM product only allowed. See Agency Portfolio Product for restricted terms if borrower owns more than one financed investment property. • Rent loss insurance not required. • Expenses relating to the borrower’s current primary residence must be used in calculating the borrower’s monthly housing ratio. Documentation of the primary residence housing expense must be provided. This includes borrowers who are currently renting or who own a primary residence. • Temporary buydowns are not allowed. • All required minimum down payment plus all prepaids, escrow items and reserves are from borrower’s own cash. No gift funds allowed. • See Negative Cash Flow and Landlord Experience Sections for additional information.
ELIGIBLE BORROWERS	<ul style="list-style-type: none"> • U.S. Citizens, Permanent and Non- Permanent Resident Aliens, Non-Occupying Co-Borrowers. • A maximum of 4 borrowers per loan application is allowed. • ITIN (Individual Tax Payer Identification Numbers) are not allowed • Borrower must take title in individual names, no trusts, etc. allowed • Life estates are not eligible for financing. A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, upon whose death the right reverts to the grantor or his heirs • Illinois Land Trust Vestings are not eligible • Registered Domestic Partners are treated the same as spouses • The borrower must permanently reside in the United States. In addition, an accurate and successful AUS submission requires the borrower currently reside in the U.S. and have a U.S. address or an APO military address within the U.S. for active deployed military, regardless of citizenship. Adequate documentation must be provided to substantiate such residency in the

	U.S.
PERMANENT RESIDENT ALIENS	<ul style="list-style-type: none"> • Any non U.S. citizen who is lawfully in the United States as a permanent resident alien is now eligible for a mortgage on the same terms as a U.S. citizen. • Credit and income history allowed in accordance with Agencies • Borrowers with diplomatic immunity are not eligible • A valid SSN is required. A Tax ID number is not acceptable. • A copy of the front and back of the green card is required • One of the following must be provided: <ul style="list-style-type: none"> • A Permanent Resident Card/Alien Registration Receipt Card (USCIS Form I-551) with an original term of 10 years. • Permanent Resident Alien Card (USCIS Form I-551) that is valid for 2 years, accompanied by the applicable INS receipts. • A valid Social Security number is required. • A green card that is expired or will expire within five months of funding (funds being disbursed to the borrower) may be considered as long as the borrower provides evidence of renewal or extension including, but not limited to, an Application to Replace Permanent Resident Card (USCIS Form I-90).
NON-PERMANENT RESIDENT ALIENS	<ul style="list-style-type: none"> • See Agency Portfolio Product for requirements per Fannie Mae. • Any non-U.S. citizen who is lawfully in the United States as a non-permanent resident alien is now eligible for a mortgage on the same terms as a U.S. citizen or a permanent resident alien. • A non-permanent resident is a non-U.S. citizen who lawfully enters the United States for specific time-periods under the terms of a Visa. A non-permanent resident status may or may not permit employment. Asylees and refugees may also be eligible under this classification. • Individuals classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure or Humanitarian Parole are not eligible • All non-permanent resident aliens must provide evidence of one of the following: <ul style="list-style-type: none"> • Unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS). If using an EAD card without an allowable visa, underwriter must enter “EAD Card Used” in Loan Program Comments section of Investor Overlay Screen in FT360. • One of the following Visas: E-1, E-2, E-3, G-1, G-2, G-3, G-4, G-5, H-1, H-1B, L1, TC, TN-1, required. For further information see http://www.uscis.gov/ • Form I-797C, Notice of Action, issued by the United States Citizenship and Immigration Services (USCIS) itself is not sufficient to document that a non-U.S. Citizen is legally present in the United States. • A borrower with a resident visa that has expired or will expire within five months of funding (funds being disbursed to the borrower) may be considered, subject to each of the following: <ul style="list-style-type: none"> • Visa classification is one of the eligible visas listed in this section. • Confirmation that the borrower has submitted an application for extension or renewal of the visa, or an application for permanent status (green card), is provided. USCIS documentation includes, but is not limited to: <ul style="list-style-type: none"> • Form I-485: Application to Register Permanent residence or Adjust Status or electronic verification of receipt from the USCIS website • Approval of the application or petition, Form I-797: Notice of Action • Status of application (must not state the application has been declined), Form I-797C: Notice of Action or Form I-797E: Notice of Action • If the borrower is sponsored by the employer, the employer may verify that they are sponsoring the visa renewal. • Note: Not all visa types are eligible for renewal within five months of the expiration date. Visa types that cannot be renewed within five months of the expiration date are eligible, without evidence of renewal, as long as the date printed on the Note is before the visa

	<p>holder can apply for renewal.</p> <ul style="list-style-type: none"> All standards for determining stable monthly income, adequate credit history, and sufficient liquid assets must be applied in the same manner to each borrower – including borrowers who are nonpermanent resident aliens. A valid SSN is required. A Tax ID number is not acceptable. Credit and income history allowed in accordance with Agencies Employment should be expected to continue for 3 years from closing date. Borrowers under Deferred Action, the Dreamer’s Act or DACA (EAD Code C33, C14, etc.) are not eligible. Although, these individuals may have been granted permission to remain in the U.S. for a period of time, DACA/Deferred Action does not grant a legal status. PRMG requires all borrowers to document proof of legal residency in the U.S. Additionally, they must follow the applicable guidelines for income (typically 2 year history and likely to continue for 3 years as applicable.) A borrower with DACA/Deferred Action status would not be able to meet the borrower eligibility documentation requirements (i.e., green card or meet applicable agency standard guidelines for income) and therefore is not be eligible.
FOREIGN NATIONALS	<ul style="list-style-type: none"> Not Allowed
NON OCCUPYING CO-BORROWERS	<ul style="list-style-type: none"> Non-occupying co-borrowers are acceptable when the following can be met: The occupant borrower’s back end ratios allowed per AUS results Non-occupant co-borrower may either be an immediate family member or a non-family member as long as there is an established relationship and motivation is not equity participation for profit and may not be an interested third party in the transaction (e.g., builder or real estate agent) Actual borrower income must be input into the AUS (i.e., \$1.00 may not be entered for a borrower who does not earn income.) Additionally, the income from a non-occupying co-borrower cannot be used to offset significant or recent instances of major derogatory credit in the occupant-borrower's credit history. Blended ratios including non-occupant co-borrower allowed with DU
FIRST TIME HOMEBUYERS	<ul style="list-style-type: none"> Allowed
POWER OF ATTORNEY	<ul style="list-style-type: none"> Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group Allowed with the following requirements: <ul style="list-style-type: none"> Power of Attorney (POA) must be limited or specific to the transaction Purchase or rate and term only allowed Power of Attorney may not be used to sign loan documents if no other borrower executed such documents unless, the Attorney in Fact is a relative or Attorney at Law. POA can be used only for closing documents The attorney-in-fact may not be the seller, appraiser, broker, etc. or have any other direct or indirect financial interest in the transaction A statement that the POA is in full force and effect on the closing date, survives subsequent disability (durable), and has to be revoked in writing, or gives a specific expiration date which survives the closing date A statement of the borrower’s name exactly as it will appear on all closing documents Notarized signature of borrower (if executed outside the U.S., it must be notarized at a U.S. Embassy or a military installation) Recorder’s stamp, if previously recorded The attorney-in-fact must execute all closing documents at settlement Title policy must not contain any exceptions based on use of POA POA must be recorded along with or immediately prior to the closing documents If a lender determines a Power of Attorney is required by applicable law (so cannot be

	<p>restricted by investor requirements), lender must include a written statement explaining use of the Power of Attorney and may also be required to provide supporting documentation.</p> <ul style="list-style-type: none"> • A written statement that explains the circumstances of the use of the POA must be included in the loan file. • Must met all Agency requirements
LEXIS-NEXIS SEARCH REQUIREMENT	<ul style="list-style-type: none"> • For any of the following transaction types an email request (which includes a screenshot or snip of the loan in the FastTrac pipeline) must be sent to QC to have a LexisNexis search run on involved parties to the transactions to ensure there is no relationship between the buyer and seller. (Not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> • Short Sale Purchase • Property Flips <= 180 days • Contractors on a 203K loan • For Sale by Owner (FSBO) required for all except: <ul style="list-style-type: none"> • If the borrower and seller are related or are landlord and tenant, and the relationship is disclosed and is acceptable per PRMG guidelines • An investor, such as HUD, FNMA, FHLMC, etc. • REO lender who acquired the subject property by Trustee Sale as the Beneficiary
QC AUDIT REQUIRED	<ul style="list-style-type: none"> • A QC audit is required if the loan has any of the following high risk characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> • 5-10 financed properties for second home and investment transactions. • 3-4 Units • 2-4 Unit properties in New Jersey • Renovation (203K/Homestyle) loans (Lexis Nexis is required on all contractors as well) • VOE only used (when allowed by AUS) and not supported by paystub/W2 for Wholesale and Correspondent channels only (not required for retail channel) • If the borrower is employed by a party to the transaction • When the borrower is also a Real Estate Agent for the loan transaction • Retail loans referred to the AFS department any time the referring Loan Officer or the AFS Loan Officer are in “New” or “Watch” status • When the Real Estate Agent is also the Loan Officer on the transaction (not allowed on retail). • NOTE: The above list applies to credit qualifying loans only.
QC REVALIDATION REQUIRED	<ul style="list-style-type: none"> • A QC validation is required if the loan has any of the following characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): • A revalidation of the VOE (in addition to the audit) is required by the QC Department if the following is used: <ul style="list-style-type: none"> • VOE only used (when allowed by AUS) and not supported by paystub/W2 and • Wholesale and Correspondent channels only (not required for retail channel) • A revalidation of the VOD is required by the QC Department for the if the following is used: <ul style="list-style-type: none"> • VOD only used (when allowed by AUS) and not supported by bank statements and • Wholesale and Correspondent channels only (not required for retail channel) • Note: A Borrower Authorization in name of PRMG may be required to obtain VOD or VOE revalidation if requested by the verifying institution.
INCOME REQUIREMENTS/ LIMITS	<ul style="list-style-type: none"> • Underwriter has the discretion when evaluating the loan file to utilize a more conservative approach to income/expenses for qualification purposes based on the circumstances of the loan. • All income sources used to qualify borrowers must be legal at the local, state, and federal level. Any income derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage

earners working for a company.

- Fannie Mae requires that if the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then no further documentation of adequate business liquidity to support the withdrawal of earnings is required in order to include that income in the borrower's cash flow. If the Schedule K-1 does not reflect a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then the lender must confirm the business has adequate liquidity using the Quick (Acid Test) Ratio (for businesses that rely heavily on inventory to generate income) or the Current (Working Capital) Ratio to support the withdrawal of earnings to include the income in the borrower's cash flow and the result of one or greater for either ratio is generally sufficient to confirm adequate business liquidity. The file must contain the underwriter's written analysis and conclusions and, at underwriter's discretion additional documentation (such as a CPA letter or bank account statements) to support the liquidity decision. The analysis must provide enough detail/support so that anyone reviewing the file would come to the same conclusion. See Fannie Mae seller guide for additional guidance.
- When required to verify a self-employed borrower's business is solvent in order to use the business income to qualify and the Schedule L on the business tax returns is not completed, additional documentation will be required to support solvency of the business. Documentation may include P&L, balance sheets, business bank statements and business credit report. Specific documentation will be determined at underwriter's discretion.
- Distributions from an investment (non-employment/non-retirement related) account are not an acceptable source of income but dividends earned from those investment accounts and reported on the 1040s are an acceptable source of income.
- Follow Agency requirements for non-reimbursed business expenses. If the borrower has claimed automobile depreciation on Form 2106, this expense should be added to the borrower's income. Vehicle depreciation can be calculated one of two ways – by using the standard mileage deduction or actual depreciation expense. The method used by the borrower will be disclosed on the second page of Form 2106. If the borrower used the standard mileage deduction, multiply the business miles driven by the depreciation factor for the appropriate year and add the calculated amount to Total Income. If the borrower claimed the actual depreciation expense, add this amount to Total Income.
- Housing or Parsonage Allowance must be received for 12 months and be likely to continue for the next three years.
- Future (Projected) income is not acceptable for qualifying purposes
- For borrowers with rental income, if a lease agreement is required then the lease agreement must be executed by the landlord and the tenant and all pages of the lease agreement must be included.
- For all subject investment properties and all 2-4 unit primary residences, when rental income is not used to qualify, the gross monthly rental income for each unit must be documented with one of the following:
 - If the property is currently rented: Form 1007, Form 1025, or Current Lease Agreement(s)
 - If the property is not currently rented: an opinion of market rents by the appraiser or borrower to provide the gross monthly rent being charged or to be charged for the property. Monthly rental amounts must be stated separately for each unit. The disclosure from the borrower must be in the form of a written statement from the borrower or an addition to the loan application
- Housing Assistance Payments (HAPs), which are often known as Section 8 Homeowner Vouchers, where a portion of the mortgage payment is paid directly to the borrower/lender as a subsidy for the mortgage payment on the subject property is not allowed.
- Section 8 rents where borrower is paid a rent subsidy for other tenants from the government for the property (either for rents on units 2-4 on subject property or on other rental property)

	<p>is allowed. Must have documentation of new executed leases, or lease addendums to the new owner and to show that the Section 8 income will transfer to the new owner. Additionally there may be no obligation to the servicer to receive the Section 8 funds. Borrowers must follow standard guideline requirements to determine if rents are allowed to be used for qualifying.</p> <ul style="list-style-type: none"> • When the borrower has less than a two-year history of receiving income, the underwriter must provide a written analysis to justify the determination that the income used to qualify the borrower is stable. • If assets were used in any part of a Borrowers Qualifying Income (as allowed by Agency), Underwriter must add a “note” with the following text on the loan approval (not to FastTrac notes) to assist Post-Closing’s delivery process “Assets were used in any part of a Borrowers Qualifying Income” • If the borrower is employed by a relative or a family business, the following documentation must be obtained: <ul style="list-style-type: none"> • Documentation as required by AUS • Borrower’s signed and completed personal federal income tax returns for the most recent two year period. • A 4506-T must be included in the submission package requesting the most recent 2 years tax transcripts and will be processed for comparison between tax transcripts and income documentation. A 4506-T must be signed at application and at closing. • Note: Current income reported on the VOE or pay stub may be used if it is consistent with W-2 earnings reported on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current VOE or pay stub, further investigation is needed to determine whether income is stable. • Foreign Income: Foreign income (income generated from non-U.S. sources) may be used only if its stability and continuance can be verified, and is supported by a signed 4506 and 2 years U.S. Federal Tax Returns along with the most recent YTD paystub(s) and two years W-2s, or Written Verification of Employment and most recent YTD paystub(s) covering 30 days of income. If the income is paid in a foreign currency the file must contain a printout evidencing the source used for the conversion of the foreign currency into U.S. dollars. The income must also be verified in the same manner as U.S. income sources. • Income from gambling not allowed. See Agency Portfolio Product • Teacher Income: when a borrower is employed as a teacher, the annual salary must be verified. If monthly or weekly base pay is provided, the employer must verify the number of pay periods per year if the payout is not clear or the income must be averaged based on the most recent W-2 over 12 months. Stipends or supplemental income must be documented as regular and continuous. Borrowers with a contract for their first year of employment who have started work but have not received a paystub must provide a copy of contract, written verification of employment, and verbal verification of employment. Borrowers with a contract for their first year of employment with the school district must be on the job prior to closing. For teacher income paid over a less than 12 month period and obtaining financing during the summer months when income is not being received, provide a final year-end paystub from the school, verbal verification of employment, and copy of the contract indicating that the borrower is paid over a the applicable number of month period. Qualify the borrower based on the income received on the final year-end paystub.
HOMEBUYER EDUCATION	<ul style="list-style-type: none"> • N/A

CREDIT

- Use underwriting guidelines as per AUS recommendation. Must also comply with requirements listed in [Credit Reestablishment Periods for Agency Loans](#) which provides information regarding derogatory credit seasoning, including bankruptcy, deed-in lieu of foreclosure, short sales, foreclosures and loan modifications.
- Borrowers who are on title only to a property (not on the note) that has a major derogatory credit event (i.e. foreclosure) are not subject to seasoning on that event
- The use of a U.S. address to obtain a credit report for a borrower who resides in another country is not permitted.
- If the borrower's credit report contains a FACTA credit alert, the completed Fraud Alert Confirmation form must be in the file (available via Resource Center).
- All borrowers must have a qualifying credit score from at least 1 national repository.
- Borrower must have sufficient credit experience, as determined by underwriter review, to ensure scores are reflective of borrower's credit history
- Use of credit repair vendors designed to help a borrower falsely repair their credit profile by intentionally manipulating data to improve their credit score for purposes of loan eligibility, pricing improvement, and/or creditworthiness is prohibited. Legitimate scenarios when corrections to a borrower's credit profile are required (e.g., public records information does not belong to the borrower) are acceptable. Corrections to the borrower's credit profile should be made at the credit repository level to ensure the credit score is representative of a borrower's true creditworthiness.
- Payment histories on all mortgage tradelines, regardless of occupancy, including first and second mortgage liens, home equity lines of credit, land without improvements, mobile homes, and manufactured homes are considered mortgage credit, even if reported as an installment loan.
- MERS search must be run on borrower
- Credit documentation must not be more than 120 days old from the note date
- For disputed accounts, follow DU Results
- In addition to other listed requirements regarding disputed accounts, if a disputed account is a borrower's verified previously delinquent mortgage trade line, which may affect the credit decision of the AUS, information regarding the dispute must be obtained. The underwriter must verify that the AUS is considering the previously delinquent mortgage in the credit decision. If it is unclear if the previously delinquent mortgage is being considered (and based on underwriter discretion, the delinquent mortgage may impact the credit score/AUS decision), the dispute should be removed at the bureau level, credit report re-run to reflect accurate credit message without dispute, and the AUS re-run to include account in the AUS decision. For instance, a zero balance where the last activity is more than 3 years prior to the credit report date may be determined by the underwriter to not require the dispute to be removed.
- Borrowers with a housing payment history, including mortgage and/or rental payment history, showing excessive delinquencies (60 day or greater late in the past 12 months) are not eligible.
- Existing mortgages must be current.
- The credit report for the mortgage history must be updated to include the payment made for the most recent month due.
- If a borrower has purchased or refinanced their current primary residence in the last 12 months and is retaining the residence they are not eligible for a purchase transaction on a new primary residence without Operations Management or Corporate Underwriting review and approval of the circumstances unless the existing lender has agreed to allow the borrower to purchase a new primary residence.
- If subject or non-subject property is a restructured (modified) mortgage loan (in which the terms of the original transaction had been changed, resulting in the forgiveness or restructure of debt through a modification or origination of a new loan), borrower is eligible with no

	<p>additional seasoning requirements.</p> <ul style="list-style-type: none"> • All private non-construction mortgages require cancelled checks or proof of payment for 12 months or for the number of months the mortgage has been open if less than 12 months • Judgments, garnishments and liens must be paid off at or prior to closing. Documentation of the satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations, must also be obtained • If a judgment or tax lien is being paid off and AUS/Agency Guidelines are requiring proof of satisfaction or if it is paid off prior to closing, evidence the judgment is satisfied or the tax lien has been released is required. If the AUS/Agency Guidelines will allow a judgment or tax lien to be paid off with the transaction all AUS/Agency Guidelines must be met (i.e., must be paid through the transaction and funds must be verified and documented). • For past-due collection and charge-off accounts, always comply with AUS requirements. Additionally, accounts that are reported as past-due (not reported as collection accounts) must be brought current. If any lien threatens the first trust deed position it must be satisfied • See "Credit Reestablishment Periods for Agency Loans" for additional information (can be found in the Product Profiles in FastTrac) • PRMG does not allow use of extenuating circumstances in the credit decision for reduced seasoning or satisfactory credit requirements.
<p>LDP/GSA REQUIREMENT</p>	<ul style="list-style-type: none"> • All parties involved with and who handle the loan file (see instructions in the Resource Center for additional information) must be checked against HUD's Limited Denial of Participation (LDP) list at • https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp and the General Services Administration's (GSA) Excluded Party List at • https://www.sam.gov/portal/public/SAM/ • Any entity noted on either of the LDP and GSA lists must be removed from the transaction or will cause the loan to be ineligible. • The parties to verify include, but are not limited to, Buyers (including AKAs on the credit report), Sellers, Loan Officer, Buyers Agent, Sellers Agent, Escrow Officer, Title Officer, Appraiser, Processor, and Underwriter.
<p>RATIOS</p>	<ul style="list-style-type: none"> • See LTV grid • Blended ratios including non-occupant co-borrower allowed with DU
<p>QUALIFYING</p>	<ul style="list-style-type: none"> • Fixed Rate: Qualify at note rate. • 5/1 ARM: Qualify at the Fully Amortized Payment (PITIA) using the greater of the Note Rate + 2.00% or the Fully Indexed Rate (Index + Margin). • 7/1 and 10/1 (Prior to DU Version 9.1): Qualify at the Fully Amortized Payment (PITIA) using the Note Rate. • 7/1 and 10/1 (DU Version 9.1 and greater): Qualify at the Fully Amortized Payment (PITIA) using the greater of the Note Rate or the Fully Indexed Rate (Index + Margin) • Maryland and Massachusetts Properties 7/1 Only: Qualify at the Fully Amortized Payment (PITIA) using the greater of the Note Rate or the Fully Indexed Rate (Index + Margin) for Owner Occupied and Second Homes • Minnesota Properties: All ARMS qualify at the greater of the product's qualifying requirement or the loans fully indexed fully amortized rate • To calculate DTI for loans with subordinate HELOCS (for all properties): If there is a balance, use the payment that is reflected on the credit report. If not shown on the credit report, payments on a HELOC with an outstanding balance may be calculated at the greater of \$10.00 or 5% of the outstanding balance or payment reflected on the borrower's billing statement. If there is no balance, a payment does not need to be included. If the subject property will have a HELOC that will have a draw taken with the transaction, obtain a copy of the note or other documentation to determine what the payment will be at close and use that for qualifying. • Paying off revolving debt to qualify is allowed. The debt includes any revolving debt (including

American Express) that is being paid off and not included in the ratios. Account must be paid in full prior to or at closing and documentation must be provided evidencing repayment. Source of funds must be documented (proceeds on a cash out transaction are acceptable.) Accounts are not required to be closed.

- Installment debt may be paid down to qualify, but overall use of credit and credit history must be closely evaluated.
- Installment debt with less than 10 months remaining does not need to be included in ratios unless the payment may affect the borrower's ability to meet their credit obligations after closing, with additional consideration if the borrower has limited or no cash after closing. (Lease payments are not considered installment debt and must be included in the ratios.)
- Lease payments must be included in the ratios regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house. You cannot pay off the lease to qualify in any circumstance and the payment must be included in the ratios.
- Deferred Loans: Loans deferred or in forbearance are always included in the loan qualification. If the credit report does not indicate the monthly amount that will be payable at the end of the deferment period, copies of the borrower's payment letters or forbearance must be obtained to determine the monthly payment used for loan qualification.
- For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must include a monthly payment in the borrower's recurring monthly debt obligation when qualifying the borrower. If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the following options: (1) If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the actual monthly payment is \$0. The lender may then qualify the borrower with a \$0 payment. (2) For deferred loans or loans in forbearance, the lender may calculate (a) a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or (b) a fully amortizing payment using the documented loan repayment terms.
- If a credit report shows an asterisk next to the payment, it can be an indication that the payment listed is not the required monthly minimum payment amount, and as such will require supplemental documentation to support a payment of less than 5%. If supporting documentation is not able to be provided, use 5% of the outstanding balance as the borrower's recurring monthly debt obligation
- For non-HELOC loans, when qualifying a borrower that has a non-subject negative amortization or interest only loan, use the fully amortized payment (for the option to use the payment on the credit report, see [Agency Portfolio Product](#))
- For any additional properties, obtain a recent payment coupon or other documentation to ensure the loan is qualified using the full PITIA.
- When the current housing payment is required for qualifying (for instance, renting primary and the subject is Second/NOO) and is not reported on the credit report, provide third party verification of payment amount to verify the housing expense on the borrower's principal residence. If living rent free, a rent free letter from landlord or person obligated on lease required.
- If the borrower is on a payment plan with the IRS for prior tax years, the underwriter must condition for proof the money owed has been paid in full or verify the borrower has been in a payment plan that has been paid on time for at least 6 months (or less, but at least one

	<p>payment must be made, based on underwriter’s discretion) and count the debt in the DTI. There is no requirement for a record of account or other documentation to reflect tax payment status. For the current tax year (most recent tax filing), if the borrower is in a payment plan, the monthly tax payment amount must be included in the calculation of the borrower’s DTI ratio, with at least one month payment required to have been made. Even if the 1040s shows payment due as long as there is no other evidence of an outstanding tax debt (i.e., tax liens, payments to the IRS) no additional evidence to reflect payment of the taxes is required. For Amended Tax Returns, see the guidance in the Product Profile for further requirements.</p> <ul style="list-style-type: none"> • Tax liens must be paid off prior to, or at closing, regardless of if the borrower has a satisfactory payment plan and the government will allow subordination of the lien. • At minimum, an interest only payment must be included in the debt ratio for borrowers with a single payment Note. A single payment Note is one in which the loan, including principal and interest, is due in one lump sum payment. A single payment Note would be an unsecured Note which is not tied to the property in any way. Reserves and loan proceeds may not be used to offset payments. • When commercial properties are reflected on the Schedule E they must be documented/treated the same as a residential property for determining rental income, per agency guidelines. If there is mortgage interest reflected on Schedule E, must determine if borrower is personally obligated on the note and if so, obtain a mortgage rating that meets guidelines for mortgage payment history. • If loan is a Corporate Relocation, Underwriter must add a “note” on the loan approval (not to FastTrac notes) to assist Post-Closing’s delivery process • If borrower or non-occupant co-borrower will not be occupying the subject property (i.e., borrower on second home or investment property and any non-occupying co-borrower) does not have a current housing expense, because they state they live rent free on the 1003, proof they live rent free must be provided. Acceptable documentation would include, but is not limited to, an LOE from the owner/landlord of the residence where they currently live. • For loans secured by financial assets, evidence the loan is collateralized by the financial asset is required (i.e., 401K statement showing loan) or payment must be included in the ratios. • If a borrower is obligated on a non-mortgage debt—but is not the party who is actually repaying the debt—the lender may exclude the debt from the borrower’s recurring monthly obligations. This policy applies whether or not the other party is obligated on the debt, but is not applicable if the other party is an interested party to the subject transaction (such as the seller or realtor). Non-mortgage debts include installment, revolving, lease payments, alimony, child support, and separate maintenance. The lender must obtain the most recent 12 months’ cancelled checks (or bank statements) from the other party documenting a 12–month satisfactory payment history. There must be no delinquent payments for that debt in order to exclude it from the borrower’s debt-to-income ratio. • If borrower is on title (has ownership interest) and is on the note to other properties besides the subject property, follow agency guidelines for co-signed/contingent liabilities/debt paid by others for both the P&I payment as well as the TIA. If the PITIA is excluded because it is paid by another party, the mortgaged property must still be included in the borrower’s property count, and the property must be included in the reserve calculation for multiple financed properties. If borrower is just on title, and not obligated on the note for non-subject properties, the TIA does not have to be included in borrower’s ratios. • All loans meeting Rebuttable Presumption under QM/ATR requirements must have the Residual Income Evaluation worksheet/requirements met. See Residual Income Evaluation section for requirements.
PAYMENT SHOCK	<ul style="list-style-type: none"> • N/A
LANDLORD EXPERIENCE	<ul style="list-style-type: none"> • For 2-4 unit owner occupied subject properties, for loans with DU approvals, no minimum landlord history required.

	<ul style="list-style-type: none"> • For N/O/O (investment property) subject properties allowed per DU (two year history not required, must comply with Fannie Mae requirements). • If the borrower is qualifying for all payments on their own, a two year landlord history is not required. • For non-subject properties, with DU Approval (follow more restrictive of DU approval requirements or below): <ul style="list-style-type: none"> • With one or more complete tax years: 12-month average from Schedule E and most recent personal tax return (page 1, 2 and Schedule E) evidencing a history of receiving rental income from subject property • Less than one complete tax year (property acquired subsequent to filing the tax returns): 75% of gross rental income and fully executed lease agreement(s)
NEGATIVE CASH FLOW/ POSITIVE CASH FLOW	<ul style="list-style-type: none"> • Negative Cash Flow from investment properties and from 2-4 unit primary residences must be considered a liability for qualification purposes. • Properties with negative cash flow are closely reviewed to ensure an overall acceptable risk. • Follow agency requirements for rental income calculations, the below is provided for reference. • For DU transactions, if rental income is used to qualify on the subject property, the monthly income (or loss) must be determined with a Single-Family Comparable Rent Schedule (Form 1007) OR - Small Residential Income Property Appraisal Report (Form 1025). • For DU transactions, CASH FLOW for all subject N/O/O properties and O/O 2-4 unit properties is calculated as follows: <ul style="list-style-type: none"> • Purchase Transactions: <ul style="list-style-type: none"> • Form 1007 or Form 1025, as applicable, and copies of the current lease agreement(s). If the property is not currently rented, lease agreements are not required. Lenders may use market rent supported by Form 1007 or Form 1025, as applicable. • Refinance Transactions: <ul style="list-style-type: none"> • For properties with a history of receiving rental income, Form 1007 or Form 1025, as applicable, and either (1) the borrower’s most recent year of signed federal income tax returns, including Schedule E, or (2) copies of the current lease agreement(s) if the borrower can document a qualifying exception as allowed by Fannie Mae's seller guide. • For properties with no history of receiving rental income, Form 1007 or Form 1025, as applicable, and copies of the current lease agreement(s). • Positive Net Rental Income may be used as “Gross Monthly Income”. • Negative Net Rental Income must be included in Liabilities. • Rent loss insurance not required
CASH RESERVES	<ul style="list-style-type: none"> • With DU 10.3, All Occupancy Types, Cashout and DTI >45%: 6 Months PITIA • O/O: Use underwriting guidelines as per AU findings • For DU: Second Home and N/O/O: DU will calculate reserves for the subject property (which could be up to 6 months for a SH and 6 months for a NOO), in addition to the other financed properties which can be determined by applying a specific percentage to the aggregate of the outstanding unpaid principal balance (UPB) for mortgages and HELOCs on these other financed properties. The percentages are based on the number of financed properties: <ul style="list-style-type: none"> • 2% of the aggregate UPB if the borrower has one to four financed properties, • 4% of the aggregate UPB if the borrower has five to six financed properties, or • 6% of the aggregate UPB if the borrower has seven to ten financed properties (DU only) • The aggregate UPB calculation does not include the mortgages and HELOCs that are on (1) the subject property, (2) the borrower’s principal residence, (3) properties that are sold or pending sale, and (4) accounts that will be paid by closing (or omitted in DU on the online loan application). If a lender is processing multiple second home or investment property applications simultaneously, the same assets may be used to satisfy the reserve

	<p>requirements for both mortgage applications. Reserves are not cumulative for multiple applications.</p> <ul style="list-style-type: none"> • Gifts are an allowable source of funds for reserves (Except on NOO) • Cash-out proceeds from the subject refinance transaction as not eligible for reserves
<p>REQUIRED DOWN PAYMENT/ SOURCE OF FUNDS</p>	<ul style="list-style-type: none"> • LTV/CLTV/HCLTV <=80%, primary residence 1-4 units and second homes: a minimum borrower contribution from the borrower's own funds is not required. All funds needed to complete the transaction can come from a gift. • LTV/CLTV/HCLTV >80% for primary residence 1 unit properties require no minimum borrower contribution. All funds needed to complete the transaction can come from a gift • LTV/CLTV/HCLTV >80% primary residence 2-4 unit properties or all second homes require there be a 5% minimum overall borrower contribution. • All LTVs for non-owner occupied properties require the entire down payment must be from the borrower's own funds (no gifts) • Access letter is <u>not</u> required for any accounts where a non-borrowing party is on the account (including a non-borrowing spouse) • On non-owner occupied transactions, provided a joint account with a non-borrowing party is an established account and the borrower has unrestricted access, the funds in the account can be used for the transaction even if the joint account owner is not on the loan (the funds will <u>not</u> be considered a gift.) However, any large deposits must be sourced to the borrower. • Custodial accounts are not an acceptable asset type • The following are required to document the sale of personal assets for funds to close: the borrower's ownership of the asset, the value of the asset, as determined by an independent and reputable source, the transfer of ownership of the asset, as documented by either a bill of sale or a statement from the purchaser, the borrower's receipt of the sale proceeds from documents such as deposit slips, bank statements, or copies of the purchaser's canceled check. Depending on the significance of the funds in question, the lender may accept alternatives to this required documentation, particularly when the proceeds of the sale represent a minor percentage of the borrower's overall financial contribution. • All asset sources used to qualify borrowers must be legal at the local, state, and federal level. Any assets derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company. • Cash on hand, including cash deposits that are typical for the borrower's line of work, are not allowed to be used for down payment, closing costs and reserves unless they are sourced or seasoned. • Cryptocurrency, digital currencies or altcoins (i.e. Bitcoins, Litecoin, Ethereum, etc.) may not be included as financial assets for mortgage qualification purposes and is an ineligible source of funds for down payment, closing costs or reserves unless being converted into U.S. currency. To be used as a source of funds for down payment, closing costs, or reserves, cryptocurrency, digital currencies or altcoins must be converted into U.S. currency and be held within a U.S. Financial Institution and verified prior to underwriting final approval. In addition to the verification of U.S. currency, the borrower(s) must be able to provide acceptable documentation for the source of funds used to initially acquire the cryptocurrency prior to the conversion. • If the borrower's source of funds are from a country included on the OFAC Sanctioned Countries List that is found in the Resource Center, the funds are not eligible for use in the transaction. • Any allowable fees paid by credit card must comply with Agency requirements, including ensuring the borrower has sufficient verified funds to pay these fees and the amount charged for the fee is included in the borrower's DTI, as appropriate. • Large deposits must be evaluated when bank statements (typically covering the most recent

two months) are used. Large deposits are defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan. For refinances, documentation or explanation for large deposits is not required; however, the underwriter remains responsible for ensuring that any borrowed funds, including any related liability, are considered (if using the funds in a refinance transaction you still must confirm they are from an acceptable source). For purchases, If funds from a large deposit are needed to complete the purchase transaction (that is, are used for the down payment, closing costs, or financial reserves), the underwriter must document that those funds are from an acceptable source. Occasionally, a borrower may not have all of the documentation required to confirm the source of a deposit. In those instances, the underwriter must use reasonable judgment based on the available documentation as well as the borrower's debt-to-income ratio and overall income and credit profile. Examples of acceptable documentation include the borrower's written explanation, proof of ownership of an asset that was sold, or a copy of a wedding invitation to support receipt of gift funds. The underwriter must place in the loan file written documentation of the rationale for using the funds. Verified funds must be reduced by the amount (or portion) of the undocumented large deposit (as defined above), and the underwriter must confirm that the remaining funds are sufficient for the down payment, closing costs, and financial reserves. When the underwriter uses a reduced asset amount, net of the unsourced amount of a large deposit, that reduced amount must be used for underwriting purposes. Note: When a deposit has both sourced and unsourced portions, only the unsourced portion must be used to calculate whether or not it must be considered a large deposit. Note: If the source of a large deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer (payroll), the Social Security Administration, or IRS or state income tax refund, or a transfer of funds between verified accounts, and the source of the deposit is printed on the statement, the underwriter does not need to obtain further explanation or documentation. However, if the source of the deposit is printed on the statement, but the underwriter still has questions as to whether the funds may have been borrowed, the underwriter should obtain additional documentation.

- Sweat equity and cash on hand not allowed
- When using foreign assets, funds must be transferred into a U.S. bank/deposit account prior to closing, proof the transferred funds belonged to borrower(s) prior to transfer and verification of the source for large deposits is required
- When using a rent credit for option to purchase, property must be primary residence
- When business funds are used, the following requirements must be met: Assets must be related to the business that the Borrower owns that is documented in the loan file and if borrower is not 100% owner, evidence that borrower has access to use the funds is required; Borrower must be at least 25% owner in the business (to be considered self-employed and eligible to use the assets); Verification of funds in the account is required. (Note: Large deposits that are not in line with business revenue/income stream should be explained and verified.) Regardless of the documentation required for the process type, the underwriter must perform a cash flow analysis based on the tax returns provided, as well as analyzing, at minimum, the most current three month's business bank statements to determine that the withdrawal of funds will not have a detrimental effect on the business. The file must contain the underwriter's written analysis and conclusions and documentation (such as a CPA letter (preferred) or 12 months bank account statements) to support the decision. The cash flow analysis must provide enough detail/support so that anyone reviewing the file would come to the same conclusion.
- When wiring assets/funds (either gift funds or the borrowers own funds) for closing, like all assets, they must be appropriately and completely documented.
- If the wire is for gift funds and does not show the donor's name and account number then a statement/transaction history documenting the outgoing wire would be needed. The statement/transaction history would need to contain the account owner's information.

	<ul style="list-style-type: none"> Funds that are brought to closing (i.e., cashier’s checks or wire) by the borrower must be verified as belonging to the borrower. The required funds from the borrower do not have to be from an institution that was sourced in the loan file, as long as the borrower has sufficient funds in the sourced accounts to cover the amount of funds brought to closing. If the funds are not able to be confirmed as belonging to the borrower, the funds would be ineligible. This guidance is only in regards to borrower funds, <u>not</u> gift funds.
<p>1031 TAX DEFERRED EXCHANGE</p>	<ul style="list-style-type: none"> Allowed if the following requirements are met. Section 1031 of the Internal Revenue Code allows investors to defer payment of state and federal capital gain taxes by exchanging investment property rather than selling investment property. This code section provides a strategy for the deferral of capital gains taxes, which in turn provides a property owner with substantially more proceeds to reinvest in a replacement property. A tax deferred exchange, therefore, is the process of rolling over funds from one investment property into another, without having access to those funds. In a taxable sale, the property owner is taxed on any gain realized by the sale of the property. In an exchange; however, the tax is deferred. This section of the IRS code does not apply to primary residences. Statement of borrower's equity, calculated as the lower of: (1) Sales price from the sales contract or (2) Gross trade value from the sales contract less the sum of the transfer fees and all lien balances on the currently owned property, and transfer fees on the new property or (3) Appraised value of the borrower's currently owned property plus any new transfer fees on the new property. 1031 exchanges to be used towards down payment for investment property purchases only with the following restrictions: <ul style="list-style-type: none"> Reverse exchanges are not allowed because the borrower is not in title to the property at the time of closing. No Seller provided subordinate financing. The 1031 Exchange cannot be an exchange of a partnership or limited liability corporation interest; The purchaser of the subject property must be eligible for use of the 1031 funds in compliance with IRS requirements. Relinquished property sale must close before or simultaneously with the property acquired; The Loan closing must be handled by a qualified intermediary. A qualified intermediary is an entity (usually a subsidiary of a title company) who enters into a written agreement with the taxpayer. The qualified intermediary cannot be an agent, attorney, accountant, investment banker or broker. This Exchange Agreement requires the qualified intermediary to acquire and transfer the relinquished property and to acquire and transfer the replacement property. The relinquished property is the property "sold" and the replacement property is the property "acquired". The following documentation is required for both properties in simultaneous closings: Sales contract or escrow instructions, Appraisal, Preliminary title report, Exchange agreement identifying the holder of funds, buyer and seller, expiration date, agreed upon value, closing date, closing costs, conditions of transfer and repairs, if required. All of the following documentation is required for 1031 Exchange transactions occurring prior to the purchase of the new property: Closing Disclosure for both properties, Exchange agreement, Sales contract or escrow instructions for both properties, Verification of funds from the Exchange holder, as well as copies of all closing documents and Purchase Agreement on the relinquished property must be obtained, Settlement Statement, Title Transfer, Both Purchase Agreements (relinquished and replacement properties) must contain appropriate language to identify the 1031 exchange. An example of satisfactory language is:

	<ul style="list-style-type: none"> • Phase I (Sale): "Buyer is aware that Seller is to perform a 1031 Tax Deferred Exchange. Seller requests Buyer's cooperation in such an exchange and agrees to hold Buyer harmless from any and all claims, liabilities, costs or delays in time resulting from such an exchange. Buyer agrees to an assignment of this contract by the Seller." • Phase II (Buy): "Seller is aware that Buyer is to perform a 1031 Tax Deferred Exchange. Buyer requests Seller's cooperation in such an exchange and agrees to hold Seller harmless from any and all claims, liabilities, costs or delays in time resulting from such an exchange. Seller agrees to an assignment of this contract by the Buyer." • Seller Accommodation: If a borrower is purchasing a Seller's 1031 investment property to occupy as a primary residence, the borrower is accommodating the Seller. The transaction is not considered a 1031 Tax Deferred Exchange and is not eligible financing. • Down Payment: Equity from exchange can be used for all or part of the down payment • Reserves: Proceeds from a 1031 tax deferred exchange are not an eligible source of funds for cash reserves. • Information from the IRS on 1031 exchanges can be found at the following link: https://www.irs.gov/uac/like-kind-exchanges-under-irc-code-section-1031
GIFT FUNDS	<ul style="list-style-type: none"> • Donor may be a relative, defined as the borrower's spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner • The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction • Gift letter required and must include: donor's name and relationship to borrower, donor's mailing address and telephone number, identify the transaction (property address, borrower's name), state the amount of the gift, specifically state that the funds are a gift and it does not need to be repaid, and letter must be signed by the donor. • The transfer of the gift funds to the borrower must be documented in one of the following ways: <ul style="list-style-type: none"> • Copy of the donor's cancelled check and the borrower's deposit receipt or bank statement; or • Copy of the donor's withdrawal slip and the borrower's deposit receipt or bank statement. • If the transferred occurred with certified funds, a letter from the bank that issued the certified check must be provided stating that the funds came from the donors account and the borrower's deposit receipt or bank statement • Verification of a wire transfer from donor's account into borrower's account • If the funds have not been transferred prior to settlement, documentation must be provided that shows that the donor gave the closing agent the gift funds in the form of a certified check, a cashier's check, other official check or wire, and must be evidenced on the Closing Disclosure. • For any wire transfer of gift funds, a copy of the wire confirmation form also needs to be included and the depository institution where the wire came from must be identified, as well as donor information (name, account number, etc.) The information must match the institution, gift amount and additional information on the gift letter. • Not permitted on N/O/O • Acceptable after a minimum down payment has been made by the borrower from their own resources. Gift funds may not be used for meeting down payment requirements unless borrower has made minimum down payment as required by the transaction,. <i>If the LTV/CLTV/HCLTV is ≤ 80% then the entire down payment can come from a gift.</i> • Gifts of equity allowed, see Gifts of Equity section
GIFTS OF EQUITY	<ul style="list-style-type: none"> • A gift of equity is permitted for purchase of a primary residence and second homes. • Seller agrees to donate a portion of the equity in the subject property in lieu of all or a portion of the down payment. Additional equity in the property not gifted in the transaction can go to

	<p>the seller. All gift policy criteria must be met.</p> <ul style="list-style-type: none"> • A 1004, 1025, or 1073 is required for transactions involving a gift of equity, and the appraiser must acknowledge the use of a gift of equity on the appraisal. The subject property sales price must not exceed the market rate as determined by the appraisal. The LTV should be based on the lesser of the purchase price or appraised value. The gift may not be deducted from the sales price before calculating the LTV. • To be eligible as a source of funds for down payment, the following requirements must be met: <ul style="list-style-type: none"> • The gift of equity must be provided by a relative and • The donor may not be, or may not have any affiliation with, the builder, developer, real estate agent or any other interested party to the transaction; and • Gift letter explaining the type of gift is required; and • For all LTVs equity gifts are only allowed after the required minimum down payment has been made from the borrower's own funds. • The gift of equity must be identified in the Sales Contract; and • The subject property sales price must not exceed the market rate as determined by the appraisal; and • The gift of equity must be shown as a credit on the Closing Disclosure and the dollar amount of the gift must match the amount on the gift letter.
<p>CONTRIBUTIONS BY AN INTERESTED PARTY</p>	<ul style="list-style-type: none"> • Contributions by an interested party may be used for closing costs, prepaids and other financing costs. <ul style="list-style-type: none"> • Primary Residence and Second Home: <ul style="list-style-type: none"> • 9% of lesser of sales price or appraised value for LTV/CLTV ≤ 75%. • 6% of lesser of sales price or appraised value for LTV/CLTV > 75% and ≤ 90%. • 3% of the lesser of the sales price or appraised value for LTV/CLTV > 90% • Investment Property: <ul style="list-style-type: none"> • 2% of lesser of sales price or appraised value for all LTV/CLTVs.
<p>DOWN PAYMENT ASSISTANCE</p>	<ul style="list-style-type: none"> • To determine if DPA is approved, send an email to DPArequests@prmg.net with the property state, DPA program name, DPA contact name and phone number or review the list posted with the product Profiles in the Resource Center. If it is determined the DPA is not already approved, the DPA can be submitted for approval using the DPA Submission form (found in the Resource Center). Required information must be submitted for approval and a determination regarding the DPA will be made regarding acceptability. • Access the PRMG Eligible DPA list and a link to the synopsis that must be reviewed by the loan officer, processor and underwriter to ensure all requirements for the DPA are met at the following link: http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20DPA%20List.pdf • The underwriter must verify the DPA used on the loan is the same program that is confirmed in the email/list and that it is eligible with the product and enter the information in FastTrac. Instructions for this can be found at the following link: http://www.eprmg.net/DPA-Training.pdf • When using a DPA, loan must comply with max LTV/CLTV and all borrower minimum contributions (DPA cannot be used to meet borrower minimum contributions.) • Additionally, the following are requirements of the program and if any evidence appears that it cannot be met, it will no longer be eligible. <ul style="list-style-type: none"> • The DPA, UCAP or HAP must meet the applicable Fannie Mae or Freddie Mac requirements • The first Mortgage is not subject to any terms or conditions of a bond program; and • The DPA, UCAP or HAP does not restrict the transfer of servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the

<p>MORTGAGE CREDIT CERTIFICATES (MCC)</p>	<p>sponsoring authority in the event of the transfer of the first Mortgage's servicing rights.</p> <ul style="list-style-type: none"> • Mortgage Credit Certificates (MCC) are payment subsidies issued by a government entity to qualifying homebuyers. It may be in the form of direct payments or tax rebates/credits. • The MCC cannot restrict the transfer of ownership or servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first Mortgage's servicing rights. • When qualifying the borrower and calculating the borrower's debt-to-income ratio, treat the maximum possible MCC income as an addition to the borrower's income, rather than as a reduction to the amount of the borrower's mortgage payment. Use the following calculation when determining the available income: $[(\text{Mortgage Amount}) \times (\text{Note Rate}) \times (\text{MCC \%})] \div 12 = \text{Amount added to borrower's monthly income}$. • If the borrower obtaining the MCC needs the monthly subsidy to qualify, then the loan file must contain all of the following: <ul style="list-style-type: none"> • Copy of the Mortgage Credit Certificate (A Commitment in lieu of the Certificate will not satisfy this requirement), Copy of the W-4 and worksheet (must include calculations and adjustments to income), MCC Worksheet • PRMG is responsible for compliance with all requirements of the issuing authority and must verify PRMG is approved to participate as a lender in the program. • On wholesale transactions, broker to verify that PRMG is approved with the issuing MCC and that no specific training is required by the lender. Additionally, broker must provide evidence (i.e., email from authority or excerpt from MCC guidelines) that the MCC authority will allow wholesale originations. If PRMG needs to be approved (provided additional training is not required), broker can provide information to Account Executive who can request the application be submitted to the MCC by PRMG for approval. Broker is responsible for obtaining any paperwork, etc. from the MCC. On retail transactions, Loan Officer to verify that PRMG is approved with the issuing MCC and if specific training is required by the lender, the Loan Officer must complete the training. If any training is required by other staff (besides the loan officer) it must be approved by management. If PRMG needs to be approved by issuing MCC, Loan Officer can request application be submitted by PRMG for approval. Loan Officer is responsible for obtaining any paperwork, etc. from the MCC. • Must complete the MCC screen in FastTrac and review the below document. • Additional information about Mortgage Credit Certificates can be found here: • http://www.eprmg.net/MortgageCreditCertificates.pdf
<p>SUBORDINATE FINANCING</p>	<ul style="list-style-type: none"> • Secondary financing must meet FNMA standard secondary financing guidelines. <ul style="list-style-type: none"> • Subordinate financing must not have negative amortization, no wrap around terms, no balloon of less than five years, no maturity of less than five years unless it is fully amortizing, no financing of judgments or tax liens. • A copy of the note must be obtained for subordinating HELOC mortgages • All subordinate financing must provide documentation to show the subordinate financing repayment terms by providing a copy of mortgage deed of trust, note, and proof of the current monthly payment (i.e., current statement). For existing subordinate financing, the subordination agreement is also required. For new subordinate financing, must provide instructions to closing to ensure any subordinate financing records after/behind first lien. • For loans combined with a down payment assistance program (i.e. city seconds, etc) the income is limited to a maximum of 100% of the Area Median Income (AMI) as defined by HUD, unless the property is located in a high cost areas where a higher AMI is allowed. • The borrower must contribute a minimum of 5% from their own funds. • All additional guidelines required by the specific second mortgage/down payment assistance program must be met. • Seller carrybacks are allowed with the following requirements: <ul style="list-style-type: none"> • Owner Occupied principal residence properties only.

	<ul style="list-style-type: none"> • Borrower must have made a 5% minimum down payment/cash investment. • The maximum CLTV is the lesser of 95% or the published CLTV limits for the product. • Must meet all standard FNMA/FHLMC subordinate financing requirements. • All payments related to secondary financing must be included in the debt ratio. • The lien must be recorded and clearly subordinated. • A copy of the note must be obtained to verify the amount secured against the property. • Regular payments must cover at least the interest at the market rate. If financing provided by the property seller is more than 2% below the current standard rates for second mortgages, it must be considered a sales concession and the subordinate financing amount must be deducted from the sale price or appraised value, whichever is lower. • The subordinate loan cannot have a maturity date or a balloon or call provision of less than five years from the Note date of the new mortgage, unless the junior lien is fully amortizing • The subordinate loan must permit pre-payment at any time without a penalty. • Scheduled payments under the secondary financing must be due on a regular, monthly basis • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) unless the lien will subordinate via a subordination agreement where the lien is no longer part of the property taxes that can take first lien priority (note, the HERO subordination agreement does not provide for this and is not eligible) and meets all Agency requirements • If using a PRMG Closed End Second product in conjunction with the first trust deed, see PRMG Concurrent (Piggyback) Closed End Second section for more information.
VALUE FOR LTV/CLTV CALCULATION	<ul style="list-style-type: none"> • See below. • For loans with Fixed/Closed End subordinated financing, CLTV/HCLTV must be calculated using the current unpaid principal balance (UPB). • For loans with HELOC subordinated financing, CLTV/HCLTV must be calculated using the amount designated on the recorded lien (original mortgage/deed of trust or a recorded modification of lien amount.) A statement from the lender agreeing to a reduced line amount is not sufficient unless it is a properly recorded modification agreement. <ul style="list-style-type: none"> • If a HELOC has been permanently modified and the outstanding unpaid principal balance (UPB) is less than the permanently modified HELOC, the modified HELOC amount must be used when calculating the HCLTV. • If the outstanding unpaid principal balance is greater than the permanently modified HELOC, the outstanding unpaid principal balance must be used to calculate the HCLTV. • The loan file must contain evidence that the HELOC has been permanently modified with a copy of the recorded lien (modification agreement).
PURCHASE	<ul style="list-style-type: none"> • Use lesser of current appraised value or acquisition cost.
LIMITED CASH-OUT	<ul style="list-style-type: none"> • Use current appraised value.
CASH OUT	<ul style="list-style-type: none"> • Use current appraised value.
MAXIMUM CASH PROCEEDS	<ul style="list-style-type: none"> • No Limit
PURCHASE	<ul style="list-style-type: none"> • If there is evidence that borrower, a member of the borrower's family or party who has a clearly defined interest in the borrower (i.e., close family friend) previously owned a home being purchased that was a distressed sale (i.e., short sale) or foreclosure by the borrower or borrower's family member, the borrower may not purchase the property, regardless of the length of time since the distressed sale/foreclosure or the number of owners between the distressed sale/foreclosure and current owner.

	<ul style="list-style-type: none"> • Non-borrowing parties may be on the purchase contract and title. However, additional scrutiny should be taken if there is no relationship to the borrower, as it may present a red flag as to occupancy. • Purchase contract assignment (assignment of the sales contract) not allowed. • Purchase Transaction Seller Rent Backs of the subject property for owner occupied or second home properties are limited to 60 days, must be reflected on the sales contract and Closing Disclosure, and are not counted towards borrowers minimum investment requirements. For condos, not allowed between borrower and developer. • On auction transactions, auction terms must be included as part of the purchase contract provided to the appraiser for review
RATE/TERM REFINANCE	<ul style="list-style-type: none"> • For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program unless the following requirements are met to make it a Section 50(f)(2) transaction: <ul style="list-style-type: none"> • Application date is on or after 1/1/18 • The refinance will be closed no less than one year from the closing of the previously funded home equity loan; • The loan proceeds do not exceed any existing liens on the property being refinanced plus any costs associated to the refinance (i.e. no cash back to the borrower); • The loan proceeds cannot be used to pay off other debts; • The refinanced loan cannot exceed 80% loan to value; • The lender must provide the borrower with a notice about their rights associated with a home equity or non-home equity loan 12 more days prior to closing. • Note: for HELOC loans where the borrower has taken his/her last advance in under a year, in calculating the seasoning requirements, PRMG will look to the original advance of credit/HELOC Agreement Date . <p>FNMA LIMITED CASH-OUT CAN BE DEFINED AS FOLLOWS:</p> <ul style="list-style-type: none"> • The pay off of the outstanding principal balance of an existing first mortgage; • The pay off of the outstanding principal balance of any existing subordinate mortgage that was used in whole to acquire the subject property; • The financing of closing costs (including prepaid expenses); • Cash back to the borrower in an amount no more than the lesser of 2% of the balance of the new refinance mortgage or \$2,000. Refer to Mortgage Insurance section to determine if mortgage insurance is eligible for financing • This means that those refinance mortgages that involve the refinance of subordinate liens that were not used in whole to purchase the subject property (including home improvement, HELOC and second mortgages obtained for the purpose of taking equity out of the property, even if a portion of the subordinate lien was used to purchase the property) will be considered cash-out refinance mortgages. This requirement includes secondary financing seasoned greater than 12 months. Twelve months seasoning does not cure the “cash-out” classification. • If refinancing a loan that was a refinance of a 1st lien and non-purchase money Second lien, the loan must be seasoned for a minimum of 6 months (disbursement date of existing loan to disbursement date of new loan) old. Otherwise, the loan must be considered a Cash Out refinance • There is no specific loan seasoning requirement for a cash out 1st lien being refinanced to a rate and term refinance. • Buyout of a spouse/co-owner may be considered a rate/term if all of the following is met: <ul style="list-style-type: none"> • A transaction that requires one owner to buy out the interest of another owner (for example, as a result of a divorce settlement or dissolution of a domestic partnership) is considered a limited cash-out refinance if the secured property was jointly owned for at

	<p>least 12 months preceding the disbursement date of the new mortgage loan.</p> <ul style="list-style-type: none"> • All parties must sign a written agreement (must be “court-blessed” when buyout is part of an arrangement that would happen through the courts, such as a separation, dissolution or divorce and be dated prior to or at the application date) that states the terms of the property transfer and the proposed disposition of the proceeds from the refinance transaction. • Except in the case of recent inheritance of the subject property, documentation must be provided to indicate that the security property was jointly owned by all parties for at least 12 months preceding the disbursement date of the new mortgage loan. • Borrowers who acquire sole ownership of the property may not receive any of the proceeds from the refinancing. • The party buying out the other party’s interest must be able to qualify for the mortgage pursuant to Fannie Mae’s underwriting guidelines. • If the refinance combines the first with a Non-Purchase Money Second, it will be considered a “Cash-Out Transaction” • Must not disregard the payment history before the date of the court assignment (i.e., divorce decree) • Pay-off of PACE loans cannot be included in a rate/term (limited cash out) refinance even if all agency requirements for payoff of that loan are met that will allow the transaction to be a rate/term (limited cash out) refinance when AUS findings returns an Approve/Ineligible. If all agency requirements are not met for a rate/term refinance (including that the PACE lien was originated prior to 7/6/10), then paying off a PACE loan the new transaction must be considered a cash out refinance. See Fannie Mae B5-3.4-01 for additional information. Note, PRMG does not participate in the HomeStyle Energy for Improvements on Existing Properties. <p>SUBORDINATION OF EXISTING SECONDARY FINANCING:</p> <ul style="list-style-type: none"> • If the existing secondary financing (installment seconds or HELOCS) is subordinated to a new first mortgage and the new first mortgage is originated solely for the purpose and under the guidelines of a Rate/Term refinance (i.e. only paying off the existing first mortgage plus the addition of customary closing costs) then the transaction would be considered a Rate/Term Refinance. However, if ANY of the funds are used to payoff OR pay down the existing secondary financing, the transaction will be considered a cash-out refinance. Twelve months seasoning does not cure the “cash-out”
<p>CASH OUT REFINANCE</p>	<ul style="list-style-type: none"> • For Fannie Mae Student Loan Cash-Out Refinance Option, please refer to the section below • For owner occupied primary residence Texas loans, if this is a cash out loan, it must be processed under the Agency Texas Home Equity program. • The mortgage amount may include the present first mortgage payoff, subordinate liens, closing costs, and additional cash to the borrower. • When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount. • Borrower must have owned the property for a minimum of 6 months (close of purchase/date of settlement to note date – including for inherited properties), unless using delayed financing option below. See Agency Portfolio Product for inherited properties or delayed financing to Fannie Mae’s requirements or seasoning to disbursement date of new loan. • If the property is located in a Declining Market AND the LTV is > 80%, cash out refinances are not allowed. • A co-borrower (occupying or non-occupying) can be added to a cash out transaction for qualifying purposes, subject to underwriter discretion.

FANNIE MAE STUDENT LOAN CASH OUT REFINANCE OPTION	<ul style="list-style-type: none"> • Allows for the payoff of student loan debt through the refinance transaction with a waiver of the cash-out refinance LLPA if all of the following requirements are met: <ul style="list-style-type: none"> • The loan must show as a cash-out refinance and must have DU approval. DU cannot specifically identify these transactions, but will issue a message when it appears that only subject property liens and student loans are marked paid by closing. • At least one student loan must be paid off with proceeds from the subject transaction with the following criteria: <ul style="list-style-type: none"> • proceeds must be paid directly to the student loan servicer at closing; • at least one borrower must be obligated on the student loan(s) being paid off, and • the student loan must be paid in full - partial payments are not permitted. • The transaction may also be used to pay off one of the following: <ul style="list-style-type: none"> • an existing first mortgage loan (including an existing HELOC in first-lien position); or • a single-closing construction-to-permanent loan to pay for construction costs to build the home, which may include paying off an existing lot lien. • Only subordinate liens used to purchase the property may be paid off and included in the new mortgage. • The transaction may be used to finance the payment of closing costs, points, and prepaid items. With the exception of real estate taxes that are more than 60 days delinquent, the borrower can include real estate taxes in the new loan amount as long as an escrow account is established, subject to applicable law or regulation. • The borrower may receive cash back in an amount that is not more than the lesser of 2% of the new refinance loan amount or \$2,000. The lender may also refund the borrower for the overpayment of fees and charges due to federal or state laws or regulations, or apply a principal curtailment • Unless otherwise stated, all other standard cash-out refinance requirements apply. • Must be delivered to Fannie Mae using Special Feature Code (SFC) 003 and SFC 841. • If using this option, use one of the following product codes: <ul style="list-style-type: none"> • Agency High Balance FNMA Student Loan 10 • Agency High Balance FNMA Student Loan 15 • Agency High Balance FNMA Student Loan 20 • Agency High Balance FNMA Student Loan 30 • Agency High Balance FNMA Student Loan 5/1 Libor ARM • Agency High Balance FNMA Student Loan 7/1 Libor ARM • Agency High Balance FNMA Student Loan 10/1 Libor ARM
DELAYED FINANCING	<ul style="list-style-type: none"> • Allowed on this product as long as all the below requirements are met. • See Agency Portfolio Product for delayed financing that follows Fannie Mae requirements directly. • Must meet the following requirements: <ul style="list-style-type: none"> • Borrowers who purchased the subject property within the past six months (measured from the date of purchase to Note date of new loan) are eligible for a cash-out refinance if all of the following requirements are met: <ul style="list-style-type: none"> • The original purchase transaction was an arm's length transaction, • The borrower(s) initially purchased the property as one of the following: a natural person, an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust ,an eligible land trust when the borrower is the beneficiary of the land trust, or an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100% • The original purchase transaction is documented by the HUD-1 Settlement Statement or Closing Disclosure, 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 HUD-1 Settlement Statement or

	<p>Closing Disclosure if a HUD-1 Settlement Statement or Closing Disclosure was not provided to the purchaser at time of sale. The preliminary title search or report must confirm that there are no existing liens on the subject property.</p> <ul style="list-style-type: none"> • The source of funds used for the purchase transaction must be documented. • If the source of funds to acquire the subject property was an unsecured loan or HELOC secured by another property, the new Closing Disclosure must reflect that all cash proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratios for the refinance transaction. • Funds received as a gift and used to purchase the property may not be reimbursed with the proceeds. • The new loan amount must not be more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid items, and points (subject to the maximum LTV/CLTV/HCLTV ratios for cash-out transactions based on the current appraised value.) • All other cash-out refinance eligibility requirements are met. Cash out pricing is applied. • If the appraised value has increased more than 10%, the underwriter must consider the reason for the increase and may reduce the loan amount or take other action to ensure that the value is supported. • Loan amounts exceeding 80% of the purchase price of the transaction being refinanced are not eligible • Must meet all Agency Delayed Financing requirements
SEASONING REQUIREMENTS	<ul style="list-style-type: none"> • Use FNMA underwriting guidelines as per DU recommendation. • See sub-sections below for additional requirements.
RECENTLY DELISTED PROPERTIES	<ul style="list-style-type: none"> • The property must have been removed from the MLS at least 1 day prior to the application date for Rate & Term refinances. • The property must have been removed from the MLS at least 1 day prior to the application date for Cash Out refinances. • Borrower must provide explanation for listing and cannot be listed for sale at the time of application (must be cancelled at least 1 day prior to application). • Full Appraisal is required for recently listed properties • Evidence of listing cancellation is required. • If a primary residence, borrower must provide written confirmation of the intent to occupy
TITLE SEASONING/LOAN SEASONING	<ul style="list-style-type: none"> • For Rate and Term refinances, title must be held in the name of at least one borrower prior to or at the time of disbursement/closing of new loan • The borrower must have been on title for a minimum of 6 months (close of purchase/date of settlement to note date) on all Cash Out refinance transactions, unless using the Delayed Financing option or the subject property was either inherited or was legally awarded (for example, in the case of divorce, separation or dissolution of a domestic partnership) to at least one of the borrowers. See Agency Portfolio Product for delayed financing per Fannie Mae or seasoning to disbursement date of new loan. Six month seasoning must occur in the name of the borrower or an individual/personal trust in which the borrower is the creator of the trust and trustee or the six-month ownership seasoning can also be in the name of a limited liability corporation (LLC), as long as the LLC is majority-owned or controlled by the borrower(s) at the time it was held by the LLC (borrower must take title as an individual). • Continuity of obligation no longer applies. DU messaging referencing continuity of obligation may be disregarded until an update is released to remove the requirement.
ANTI-FLIPPING POLICY	<ul style="list-style-type: none"> • Guidance for underwriting flips can be found here: • http://www.eprmg.net/ConfFlips.pdf • The following transactions would not be considered a flip and would not be subject to additional Anti-Flipping Requirements. However, the appraiser must report and analyze a

	<p>minimum three-year sales history for the subject property AND if the value has increased by 15% or more in one year or 30% in three years from the original sales price the appraiser must analyze and explain the increase if due to a below market sale, such as a property in foreclosure. If the increase was due improvements, the appraiser must analyze and explain.</p> <ul style="list-style-type: none"> • State and Federally chartered financial institutions and government sponsored enterprises (Fannie and Freddie) • Sales by HUD of its real estate owned • Sales of properties acquired through inheritance – Must document seller’s inheritance of the property • Sales of properties acquired by employers or relocation agencies in connection with relocations of employees (Must provide relocation agreement indicating the seller acquired the property as a result of company transfer of the previous owner). <ul style="list-style-type: none"> • The property Seller must have taken title to the subject property at least 1 day prior to the contract date on the sale of the property to the applicant. • Property flip transactions are assessed by the seller's date of acquisition as the date of settlement on the seller's purchase of that property and the execution of a sales contract to another party. • Any property that is involved in a re-sale that occurred within the last 6 months, must meet the following additional criteria: • PRMG will verify that the property seller on the Purchase Contract is “In Title” and Owner. This can be verified by including a property sales history report, a copy of the deed of conveyance, a copy of the property tax bill, a computer generated print out from the assessor’s website or the title commitment or binder indication legal ownership. For refinances, this would also include a copy of the current mortgage, Deed of Trust, or Contract for Deed. The name of the owner on the title report must match the seller's name on the purchase contract. • If the seller is an entity (LLC, trust, etc.) documentation showing legal registration of the entity such as articles of incorporation with the seal, or a business license. • The borrower(s) can have no affiliation with the entity of any kind. • Since the property seller has not owned the property for 12 months, then a chain of title for the last 12 months is required. Acceptable sources for the chain of title include copies of recorded deeds, tax statements, or a 12-month chain of title on the title commitment. • A transaction where the property has been sold within the last 12 months requires scrutiny to ensure the transaction is legitimate. Some characteristics of fraudulent transactions include but are not limited to foreclosure bailouts, distressed sales, and inflated values due to stated improvements that are unsupported. • The subject transaction cannot include a transfer of personal property or other special arrangement between buyer and seller. • Non-arm’s-length transactions are prohibited. Verification that there is no apparent relationship between the parties to the transaction, either on the current sale or previous sale. • A full appraisal is required • Appraisals must indicate required sales history information. • The appraiser must report and analyze a minimum three-year sales history for the subject property AND if the value has increased by 15% or more in one year or 30% in three years from the original sales price the appraiser must analyze and explain the increase if due to a below market sale, such as a property in foreclosure. If the increase was due improvements, the appraiser must analyze and explain. • If the property value has increased from the prior sale by more than 20%, additional diligence should be used by the underwriter
CURRENT PROPERTIES	<ul style="list-style-type: none"> • When the borrower owns mortgaged real estate, the status of the property determines how the existing property's PITIA must be considered in qualifying for the new mortgage

<p>PENDING SALE OR PRIMARY RESIDENCES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES</p>	<p>transaction. If the mortgaged property owned by the borrower is</p> <ul style="list-style-type: none"> • an existing investment property or a current principal residence converting to investment use, the borrower must be qualified in accordance standard Rental Income Requirements (which may include a copy of the lease and/or other evidence as required by Fannie Mae), Reserve Requirements, and Multiple Loans requirements, as well as another other Agency requirements for qualifying. Rental income from the converted property is eligible, as long as the borrower qualifies using standard rental income documentation, requirements and calculations. There is no equity requirement in the converted property in order to use rental income to qualify • an existing second home or a current principal residence converting to a second home, the PITIA of the second home must also be counted as part of the borrower's recurring monthly debt obligations; or • the borrower's current principal residence that is pending sale but will not close (with title transfer to the new owner) prior to the subject transaction, the lender must comply with the below. <ul style="list-style-type: none"> • If the borrower's current principal residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the subject transaction, and the borrower is purchasing a new principal residence, the current PITIA and the proposed PITIA must be used in qualifying the borrower for the new mortgage loan. However, the current principal residence's PITIA does not have to be used in qualifying the borrower as long as the following documentation is provided: <ul style="list-style-type: none"> • the executed sales contract for the current residence, and • confirmation that any financing contingencies have been cleared.
<p>APPRAISAL</p>	<ul style="list-style-type: none"> • Additional appraisal requirements can be found in the PRMG Appraisal Guidelines which is available in the Resource Center or at the following link • http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Guidelines.pdf • Transferred or Ported appraisals are allowed but must meet all requirements as described in PRMG's Transfer Policy, which is posted in the Appraisal section of the Resource Center or at the following link: http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Transfer%20Policy.pdf • Additionally, if using a Transferred or Ported appraisal, "Transferred Appraisal" must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of the transferred appraisal if the loan is locked prior to approval. • If the transferred appraisal does not meet the requirements as outlined in the PRMG's Appraisal Guidelines document, the appraisal must be ordered identifying PRMG as the client/lender on the appraisal report. • Residential appraisal reports must be dated no more than 12 months prior to the note date. An Appraisal Update is required on all appraisals dated more than 120 days prior to the note date. • The Update Appraisal Form (1004D) must be used. If the value of the property is less than the original appraised value then a new appraisal will need to be ordered. If the value of the property has not declined, then the loan may process without requiring any additional fieldwork. The appraisal update must occur within the four months that precede the date of the note and mortgage. The original appraiser should complete the appraisal update; however, lenders may use substitute appraisers. When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser's opinion of market value was reasonable on the date of the original appraisal report. The lender must note in the file why the original appraiser was not used.

	<ul style="list-style-type: none"> • The use of an appraisal report (expired or unexpired) that was utilized for a different closed loan is not permitted. • Properties with a condition rating of C5 or C6 in "as is" condition or "subject to repairs" are not acceptable. A quality rating of Q6 is not acceptable. • Condominiums require two comparable sales from projects other than the subject loan project, in addition to the standard comparable sale requirements • For all refinances, if the property has been owned less than 12 months and the appraisal shows a substantial increase in value from the purchase price, the appraiser should ensure that the increase in value is valid. • The appraiser must report and analyze a minimum three-year sales history for the subject property AND if the value has increased by 15% or more in one year or 30% in three years from the original sales price the appraiser must analyze and explain the increase if due to a below market sale, such as a property in foreclosure. If the increase was due to improvements, the appraiser must analyze and explain. • Traditional appraisal report completed by a state-licensed or state-certified appraiser required on all loans. • A 2055/1075 appraisal allowed, if DU conditions for it (not allowed with DU Version 9.0 or greater). • A 2075 exterior inspection only is acceptable, if DU conditions for it (not allowed with DU Version 9.0 or greater). The 2075 is not required to be ordered via PRMG's Appraisal Department. The broker/loan officer may utilize an appraiser of their choice, but must obtain approval of the appraiser from PRMG's Appraisal Department (appraisals@prmg.net) to ensure the appraiser is acceptable to PRMG. • Appraisal Waiver (formerly known as Property Inspection Waiver (PIW)) allowed when offered by DU (see section below) • Freddie Mac's Automated Collateral Evaluation (ACE) is not allowed. • An exterior property inspection is required for properties located in an identified FEMA disaster area if the original appraisal was completed prior to the disaster being declared. For 90 days after the disaster date, a full appraisal will be required. See PRMG Disaster Guidance/Announcements for specific details and full requirements. • If property is in an area declared a disaster by FEMA, and using reduced appraisal documentation (such as a 2055/2075), immediately before or up to 90 days after a disaster, a full appraisal will be required and the appraiser must address any lingering negative impact on value, habitability or marketability of the disaster occurrence. • PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion. • Follow agency requirements in regards to addressing appraisal deficiencies. • When adjustments are made to the appraisal for the year built, whether they are made for the actual age or the effective age of the subject property, the appraiser must provide an explanation for the adjustments and the condition of the property. • If property is legal, non-conforming and a rebuild letter is required (see Appraisal Guidelines for requirements), property must be able to be rebuilt to 100%. If a rebuild letter is not required, property is not required to be rebuilt to 100%, but must meet requirements as described in Appraisal Guidelines (found in the Resource Center).
<p>REVIEW/SECOND APPRAISAL</p>	<ul style="list-style-type: none"> • AUS red flag warnings for excessive value (cash-out and limited cash-out refinance) or excessive value with valuation risk (cash-out and limited cash-out refinance) require a desk review • AUS red flag warnings for rapid appreciation or rapid appreciation with valuation risk do not require a desk review • Review appraisals must be completed by a PRMG approved Appraisal Company. • When run through Fannie Mae's Collateral Underwriter, any appraisal with a score of 5 must

	<p>have, at minimum, a desk review performed</p>
FANNIE MAE'S COLLATERAL UNDERWRITER	<ul style="list-style-type: none"> For all loans where CU results are returned: <ul style="list-style-type: none"> CU Findings must be imaged into system Underwriter must review findings and address any concerns or issues CU should be used when underwriting the appraisal to take advantage of the analysis tools Appraisal with a score of 4 or 5 requires underwriter to access the CU system, perform a thorough analysis using the tools within CU and ensure the value is supported. Appraisal with a score of 5, requires, at minimum, a desk review to support value A score of 4 may require a desk review at underwriter discretion. Fannie Mae's CU site can be accessed at the following link: <ul style="list-style-type: none"> https://www.fanniemae.com/singlefamily/collateral-underwriter
SALES CONTRACT CHANGES	<ul style="list-style-type: none"> Purchase agreements renegotiated after the completion of the appraisal that increase the sales price are only acceptable under the following circumstances: <ul style="list-style-type: none"> The sales price adjustment is due to price overruns that impact the tangible value of the property on new construction. An updated appraisal must be obtained to verify the value of the modifications. A renegotiation of only seller paid closing costs and/or prepaids occurs where seller paid closing cost/prepaids are common and customary for the market and supported by comparables. Changes in the purchase contract resulting from renegotiating terms of sale will require additional review and consideration by the appraiser.
APPRAISAL WAIVER (F/K/A PROPERTY INSPECTION WAIVER (PIW))	<ul style="list-style-type: none"> An Appraisal Waiver (formerly known as a Property Inspection Waiver (PIW)) is a DU recommendation that results in the waiver of both the property inspection and appraisal report for low risk transactions. DU findings must return option for waiver Full appraisal is required for other specific scenarios as outlined in the product profile (i.e., deed restrictions, etc.) and in that case an appraisal waiver is not eligible The value entered into DU is the value used for LTV/CLTV calculation Underwriter must mark file as using PIW/ACE in FT360 A waiver offer may not be exercised if an appraisal has already been obtained. HPML loans not eligible for an appraisal waiver Unless there is evidence the property does not comply with state, local and federal regulations, no other inspections are required <p>Eligible Transactions:</p> <ul style="list-style-type: none"> One-unit properties, including condominiums Principal residence, second home, and investment property transactions Purchase transactions up to 80% LTV/CLTV for principal residences and second homes (investment property purchases are not eligible and property must have submitted through CU on a prior transaction as determined by DU) Limited cash-out refinance transactions up to a 90% LTV/CLTV for principal residences and second homes; up to 75% LTV/CLTV for investment properties Cash-out refinance transactions up to a 70% LTV/CLTV for principal residences; up to a 60% LTV/CLTV for second homes and investment properties Loan casefiles that receive an Approve/Eligible recommendation Standard and high balance allowed <p>Ineligible Transactions (Requires a full appraisal):</p> <ul style="list-style-type: none"> Properties located in a disaster-impacted area Construction and construction-to-permanent loans Two- to four-unit properties Loan casefiles where the value of the subject property provided to DU is \$1,000,000 or greater Leasehold properties, community land trust homes, or other properties with resale

	<ul style="list-style-type: none"> restrictions Cooperative units and manufactured homes DU loan casefiles that receive an ineligible recommendation Properties using a gift of equity Properties using rental income from a subject investment property to qualify the borrower
TOTAL FINANCING ≥ \$1MM	<ul style="list-style-type: none"> Subject must be in a strong market of similarly priced homes. The relationship between final value and predominant value should be reasonable.
NON-ARM'S LENGTH TRANSACTIONS/ID ENTITY OF INTEREST	<ul style="list-style-type: none"> A non-arm's length transaction occurs when a personal or business relationship exists between the borrowers and the builder or seller. For example: <ul style="list-style-type: none"> Family sales or transfers Corporate sales or transfers Mortgagors employed in the real estate or construction trade who are involved in the construction, financing or sale of the subject property Some transactions involving principals/sellers/other vendors (such as, an appraiser, settlement agent, title company, etc) who are involved in the lending process of the subject property. Sales between landlord/tenant An at-interest transaction 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 (selling/listing agent and mortgage broker, for example). At-interest transactions carry increased risk due to the greater vested interest in the transaction by one of the parties. Examples of at-interest transactions include: Builder also acting as Realtor/broker; Realtor/broker selling own property; Realtor/broker acting as listing/selling agent as well the mortgage broker. See Agency Portfolio Product for expanded options when identity of interest exists. Property flips are not allowed Non-Arm's length transactions with family members are generally acceptable if the following requirements are met: <ul style="list-style-type: none"> The family member is the borrower's spouse, child, parent, or any other individual related to the borrowers by blood, adoption, or legal guardianship An executed purchase agreement between the purchaser and the family member is in the file The source and ownership of funds for the down payment, closing costs, and reserves are well documented. The appraised value of the property is well supported, particularly any gifts of equity or gifts of more than 20% of the LTV. If the loan is a non-arm's length transaction, the relationship must be disclosed on the purchase contract. Purchase contract must be closely reviewed. Purchase may not be a short sale Borrower must provide a copy of the canceled earnest money check to verify payment to the Seller. Verification that the borrower is not now, nor has been in the previous 24 months, in title to the property. A payment history for the existing mortgage (verification of seller's mortgage) on the subject property must be obtained and show no pattern of delinquency within the past 12 months. (does not apply to identity of interest/at-interest transactions) Full documentation is required for income, employment and assets Full appraisal is required, regardless of AU findings The appraiser must be informed of the non-arm's length transaction and address whether or not the market value has been affected by the relationship of the parties. Appraiser must verify last sale date and sales price of the subject property, and must provide

	<p>recent listing and/or marketing materials. (does not apply to identity of interest/at-interest transactions)</p> <ul style="list-style-type: none"> • Not allowed on new construction second homes or new construction non-owner occupied properties • Allowed all owner occupied properties, existing construction second home and existing construction 1 unit non-owner occupied properties. • Not allowed 2-4 unit non-owner occupied properties. For NAL on 2-4 unit non-owner occupied properties see Agency Portfolio Product. • Transactions cannot be for bail-out purposes • "Non-Arm's Length Transaction" must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of the Non-Arm's Length Transaction if the loan is locked prior to approval. • For purchases, Title must not evidence a foreclosure or Notice of Default. • For refinances, if the borrower has been on title less than 6 months from the date of application, the payoff demand from the purchase transaction must reflect the mortgage was current at the time the borrower purchased the property.
INELIGIBLE INTERESTED PARTIES TRANSACTIONS	<ul style="list-style-type: none"> • Borrower is purchasing a property from a builder who is also taking the borrower's existing residence as trade for equity or may be purchasing the borrower's existing residence. • Any type of transaction where the builder, property seller, and/or any party currently on title is a company owned by the borrower. • When the seller is the builder, if a borrower is related to and/or affiliated with the builder, property seller, or on title as a registered agent, sales agent, partner or employee. • Flip Transactions.
BORROWERS EMPLOYED BY PARTY TO TRANSACTION OR IS A PART OF THE TRANSACTION	<ul style="list-style-type: none"> • Extra diligence should be exercised • The relationship should be disclosed • The borrower cannot be involved in the processing or origination of the loan • QC Audit required
REAL ESTATE AGENT ALSO LOAN OFFICER/BROKER	<ul style="list-style-type: none"> • The real estate agent for the subject property may act as the loan officer or broker for the borrowers purchasing the same subject property and does not have to be for the same company as long as it is allowed by the state in which the property is located. • Not allowed on retail transactions. • QC Audit required
MORTGAGE INSURANCE	<ul style="list-style-type: none"> • Loans with LTVs above 80% require mortgage insurance. • Delegated MI approval is allowed, certain restriction apply, see Delegated Mortgage Insurance section below for requirements • When obtaining Mortgage Insurance in states that require an assessment/tax on the mortgage insurance, such as KY or WV, be sure to use the "Rate with Assessment/Tax", which is the standard MI factor plus the additional factor for the assessment/tax. Do not use the standard MI factor listed on the certificate, you must use the combined factor. • For all borrower paid mortgage insurance: Acceptable mortgage insurers are Radian, Essent, and Genworth except for specific scenarios below <ul style="list-style-type: none"> • Genworth: https://new.mortgageinsurance.genworth.com/rate-express?orgId=8VMJ • Radian: http://www.radian.biz • Essent: www.essent.us • National MI (NMI): https://www.nationalmi.com/ • Arch MI: https://mi.archcapgroup.com/ • For Correspondent channel only, United Guaranty Residential Insurance (UG), National Mortgage Insurance (NMI), MGIC or Arch MI allowed in addition to the other MI companies listed above for all MI products allowed in the profile except with the "No MI" program. UG,

NMI, MGIC or Arch MI not allowed with the “No MI” program. Correspondent is responsible for ensuring all UG, MGIC or Arch MI requirements are met and, as such, all program parameters may not be eligible with UG, MGIC or Arch MI.

- When using Essent, investment properties must have greater of at least six months reserves or reserves as outlined in Cash Reserves section.
- When using Genworth for investment properties max 45% DTI.
- All loans with a 2075 appraisal type must use Radian
- For loans submitted for MI **prior to 2/11/2019** and using Essent: For any MI policy (Single Premium, Monthly Premium, etc.), max 45% DTI if the credit score is <700. **(for loans submitted on or after 2/11/19, restriction no longer applies)**
- For loans submitted for MI on or after 3/19/18 and using Radian: For any Single Premium MI policy, max 45% DTI if the credit score is <700 or if the LTV is >95% (no restriction on DTI for monthly MI premiums)
- As of 6/4/18, Genworth MI will allow all DTIs of scores <700 for all MI types (Single Premium, Monthly Premium etc.)
- Monthly Borrower Paid allowed (Select “Deferred Monthly”/”Zero Monthly”)
- Borrower Paid Single Premium is allowed (any portion of the MI premium paid by the borrower must be included the QM fee calculations but portion paid by seller, lender or other interested party would be excluded from QM calculations)
- Seller Paid Single Premium allowed (portion paid by seller would not be included in QM calculations)
- Level coverage required (declining coverage not allowed)
- Financed, custom, split and reduced MI is not allowed. (See [Agency Portfolio Product](#) or [Agency LP Fixed or ARMs](#) for Split MI)
- Lender Paid MI allowed with following:
 - Must use following program codes:
 - Agency NO MI High Balance (Lender Paid) 15 Year Fixed Rate
 - Agency NO MI High Balance (Lender Paid) 30 Year Fixed Rate
 - For loans locked on or after 7/24/17: Only Essent allowed for Lender Paid MI
 - For loans locked prior to 7/24/17: Radian, Essent and Genworth allowed for Lender Paid MI
- Mortgage Insurance commitments are issued with a commitment term of 120 days. Coverage must be activated (i.e. loans must be certified) by reporting the loan closing date and/or payment of the initial premium prior to the commitment expiration date (this process is handled by PRMG). Commitment expiration dates cannot be extended.

LTV	≤ 20 Year Fixed	> 20 Year Fixed	ARMS
90.01% - 95.00%	25%	30%	30%
85.01% - 90.00%	12%	25%	25%
80.01% - 85.00%	6%	12%	12%

- Automatic Cancellation Requirements for Borrower Paid MI:
 - **DU Loans 1 Unit OO or SH:** The earlier of (1) the date the mortgage balance is first scheduled to reach 78% of the original value; or (2) the month following the mid-point of the amortization period
 - **DU Loans 2-4 Unit OO or NOO:** The month following the mid-point of the amortization period

Delegated Mortgage Insurance

- The following loan scenarios are ineligible for delegated MI and must be sent to the MI company for prior approval (not all items listed may be applicable to this product, review product profiles for what is allowed):
 - Loans that require a manual underwrite by the MI company
 - LTV >95%
 - Manufactured housing
 - Housing Authority Products

	<ul style="list-style-type: none"> • 5-10 financed properties • Non-owner occupied properties • Non-traditional credit/no-score • Employment contracts (future income) • At Underwriter’s discretion, the loan may be submitted to MI company for prior approval • Underwriter to order delegated MI through FT360 and confirm MI cert is complete and correct • Underwriter must confirm all requirements of MI company are met using the following guidelines options: <ul style="list-style-type: none"> • Radian: One Underwrite http://www.radian.biz/page?name=RatesAndGuidelinesNew • Essent: Clear2Close https://www.essent.us/rates-guidelines • Genworth: Simply Underwrite https://mortgageinsurance.genworth.com/RatesAndGuidelines/Guidelines.aspx • National MI: True Guide https://www.nationalmi.com/guidelines-summary/ • Arch MI: Underwriting Manual https://mi.archcapgroup.com/Guidelines
PROPERTY INSURANCE	<ul style="list-style-type: none"> • See PRMG’s Resource Center for PRMG Insurance Requirements and Additional Information • For refinances transactions, all insurance policies must have, at minimum, an expiration date after the first payment date as shown on the note. • Acceptable Proof of Flood Insurance: <ul style="list-style-type: none"> • Copy of Flood Insurance Policy • Copy of Declaration Page • Copy of the application for flood insurance with a paid receipt for the first year’s premium or if paid at closing, premium reflected on the HUD • Flood policies and applications provided for closing must indicate the flood zone of the property. This zone must match our flood determination provider’s zone. Otherwise, evidence that the borrower’s zone is “grandfathered” must be provided. If the improvements are in a split zone (partially in and partially out) the policy must be rated for the more hazardous zone. • Flood insurance is required if there is knowledge that the property is exposed to flood risks, even if the property is located in a community that does not have FEMA flood maps. • For hazard insurance, properties in an attached condominium and attached PUD project (including 2-4 unit projects) require 100 percent of the insurable replacement cost coverage for the complete condominium (interior and exterior of the condominium). The HO-6 policy must be sufficient to repair the interior of the condominium unit, including any additions, improvements and betterments to its original condition in the event of a loss. If the HOA Master Policy does not provide coverage for the interiors of the project units, an HO-6 (or its equivalent) Policy for the individual unit is required. An HO-6 policy should have replacement cost coverage, and if the policy does not reflect the coverage amount, then the amount of coverage should be determined by the insurer. • If the homeowners association owns the common elements, areas/facilities of a project separately (or holds them in a leasehold estate), insurance on those areas is required to insure that ownership (if there are no common areas owned by HOA a letter from them will suffice to prove it is not needed.)
TITLE INSURANCE REQUIREMENTS FOR CONDOS/PUDS	<ul style="list-style-type: none"> • The Title Insurance policy for Condo and Planned Unit Developments (PUDs) must include coverage that provides protection by: <ul style="list-style-type: none"> • Insuring that the mortgage is superior to any lien for unpaid common expense assessments. In jurisdictions that give these assessments a limited priority over a first or second mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date;

	<ul style="list-style-type: none"> • Insuring against any impairment or loss of title of PRMG’s first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. The title insurance policy must specifically insure against any loss that results from a violation that existed as of the date of the policy; • Insuring that the unit does not encroach on another unit or on any of the common elements, areas or facilities. This policy must also insure that there is no encroachment on the unit by another unit or by any of the common elements, areas or facilities; • Insuring that the mortgage is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes; • Insuring that real estate taxes are assessable and lien able only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole; and • Insuring that the owner of a PUD unit is a member of the homeowners association and that the membership is transferable if the unit is sold
REPAIR ESCROWS/ ESCROW HOLDBACKS	<ul style="list-style-type: none"> • Not allowed
TEMPORARY BUYDOWNS	<ul style="list-style-type: none"> • Not allowed
INTEREST ONLY	<ul style="list-style-type: none"> • Not Available
PRE-PAYMENT PENALTY	<ul style="list-style-type: none"> • N/A
SECOND LIEN BALLOON	<ul style="list-style-type: none"> • N/A
MULTIPLE LOANS	<ul style="list-style-type: none"> • O/O: No limitations on the number of properties that the borrower can currently be financing • Second Home and N/O/O: Maximum of 10 financed properties, including subject property and principal residence. See section below for additional requirements for any borrower with 5-10 financed properties. This limitation applies to the total number of properties financed and any combination of ownership in 1-4 family properties where the borrower is personally obligated on the mortgage • This limitation applies to the number of 1-4 unit residential properties where the borrower is personally obligated on the mortgages; applies to the total number of properties financed, includes the borrower’s principal residence if it is financed; and is cumulative for all borrowers (though jointly financed properties are only counted once). • Financed commercial property are not include that in the total number of financed properties • PRMG or its investors will only finance up to 4 loans for all borrowers and/or \$2 million total in aggregate loan amounts. Therefore, if the aggregate loan amount (total with one lender/investor and subject loan amount combined) exceed \$2 million, or the borrower has 4 or more current loans with one lender/investor, approval is required with PRMG.
5-10 FINANCED PROPERTIES FOR SECOND HOMES AND NON-OWNER OCCUPIED PROPERTIES	<ul style="list-style-type: none"> • Must comply with Fannie Mae requirements for “Multiple Financed Properties for the Same Borrower” • In FT360, must do the following: <ul style="list-style-type: none"> • Select “This is a 5+ Financed Property Loan” in FT360 Investor Overlay screen • Select 5-10 financed properties when locking in OB • Applies to Second Home and Non-Owner Occupied properties only • Requires DU Approve/Eligible • Requires QC Audit • <u>For DU, the following applies:</u> <ul style="list-style-type: none"> • Only allowed in FT360 • Requires QC Audit • Purchase, Rate/Term and Cash Out allowed

	<ul style="list-style-type: none"> • For borrowers with up to six (6) financed properties, there are no additional requirements (for example, standard LTV ratios and minimum credit scores apply), except that the reserves that are outlined in the Cash Reserves section (from the CASH RESERVES section later in the profile) must be met • If the borrower will have seven to ten (7-10) financed properties, must have a minimum credit score of 720 but all other standard eligibility policies (for example LTV ratios) apply, except that the reserves that are outlined in the Cash Reserves section must be met • Note: In order to account for the subject property, DU will add “1” to the number of financed properties on purchase and construction transactions when the REO section, number of mortgages on the application, or number of mortgages on the credit report are used as the number of financed properties. • Underwriter must ensure all Fannie Mae requirements as outlined in “Multiple Financed Properties for the Same Borrower is met” and DU accurately reflects number of financed properties • Must use the 5-10 Checklist provided by Fannie Mae and available in the Resource Center
RESIDUAL INCOME EVALUATION	<ul style="list-style-type: none"> • All loans meeting Rebuttable Presumption under QM/ATR requirements (are a Higher Priced Covered Transaction (HPCT) - which is same calculation as HPML, but applies to all occupancy types) must contain the Residual Income Evaluation worksheet, which can be found as a tab within the Income Calculations worksheet in the Resource Center. The following is a summary of requirements that trigger Rebuttable Presumption: <ul style="list-style-type: none"> • The loan is underwritten to the Agency’s u/w guidelines and is eligible for purchase or guarantee by the respective Agency • The points and fees do not exceed the QM limits • The loan term does not exceed 30 years • Fully-amortizing regular payments • No risky features • The loan is a HPCT (same calculation as HPML, but applies to all occupancy types) • Residual Income is the resulting sum when taking the gross income, less all housing and debt payments, (see worksheet for more details.) • Loans with an application date as of 1/10/14 that have Rebuttal Presumption (HPML/HPCT loans) must also meet the following requirements in regards to Residual Income (loans with an application date prior to 1/10/14 and are considered HPML should contain the document, but are not required to meet the following): <ul style="list-style-type: none"> • Principal Residence: <ul style="list-style-type: none"> • Residual Income \$2500 or greater: No minimum reserve requirement • Residual Income \geq \$800 and $<$ \$2500: Minimum reserves are the greater of three (3) months liquid (as defined by FNMA/FHLMC) PITIA reserves OR minimum program reserve requirements as described in Product Profile (Note: Underwriters should consider requiring additional reserves for loans with higher layered risks) • Residual Income $<$ \$800: Loan is not eligible with PRMG • Second Homes and Investment Properties: <ul style="list-style-type: none"> • Residual Income \$2500 or greater: Minimum program reserve requirements as described in Product Profile • Residual Income $<$ \$2500: Loan is not eligible with PRMG
HIGHER PRICED MORTGAGE LOAN (HPML)	<ul style="list-style-type: none"> • Allowed within the parameters of Section 35 of CFPB Regulation Z • Must comply with all limitations and requirements of HPML loans as described in PRMG’s Compliance Policy regarding HPML-Section 35 loans • Not allowed on 5/1 ARMs • HPML loans must have an escrow account, regardless of LTV • Property inspection waiver not allowed, full appraisal required • If loan is a HPML, “HPML” must be entered in Loan Program Comments section of Investor

	Overlay Screen in FT360 section of FastTrac/FT360. This should occur each time the HPML test is run and should be updated if the loan moves in our out of HPML status, with the last entry occurring prior to funding.
SECTION 32 / HIGH COST LOAN	<ul style="list-style-type: none"> • Brokers are responsible for identifying loans that are considered high cost loans as defined by federal and/or state laws and/or regulations. High cost loans are not allowed: • Loan is not a high cost loan as defined by Section 32 of the Federal Truth-in-Lending Act; and • Loan is not a high cost loan as defined by applicable state laws and/or regulations.
REAL ESTATE COMMISSIONS	<ul style="list-style-type: none"> • The maximum real estate commission allowed is 8%.
SERVICING OPTIONS	<ul style="list-style-type: none"> • N/A
ESCROW ACCOUNT	<ul style="list-style-type: none"> • HPML loans must have an escrow account, regardless of LTV • CA: Escrows are required for LTVs \geq 90% • NM: Escrows are required for LTVs \geq 80% for Owner Occupied and LTVs $>$80% for Second Homes or Non-Owner Occupied • Other States: Escrows are required for LTVs $>$ 80%. • Payment of monthly private mortgage insurance must always be escrowed • Escrows may not be waived for the following (unless requiring an escrow account is not permitted by applicable law): <ul style="list-style-type: none"> • Rate/Term refinance when prepaid real estate taxes are included in the loan amount • Cash-out refinance when delinquent real estate taxes are included in the loan amount • Flood insurance must be impounded (escrowed) for all loans with a note date of 1/1/16 or later if the property is in a Special Flood Hazard Area (SFHA), designated as a flood zone beginning with A or V, regardless of LTV and/or federal exemptions and is required for the life of the loan. It is not required to be impounded if the flood insurance is paid through the condominium association, HOA dues, etc. Additionally, the escrow requirement needs to be stated in the Flood Notice that is provided to the borrower.
UNDERWRITING	<ul style="list-style-type: none"> • Delegated underwriting allowed. • All loans must receive an "Approve/Eligible" from DU. • If using a PRMG Closed End Second product in conjunction with the first trust deed, first mortgage and concurrent closed end second must be underwritten by PRMG's Corporate Designated Jumbo Underwriting Team and must meet all requirements from Closed End Second product as well as from the first lien product profile. • When using a PRMG Closed End second product all guidelines, documentation and calculations in the first and second must match and follow the more restrictive of the product guidelines which will generally be the Closed End second program.
ASSUMABILITY	<ul style="list-style-type: none"> • Fixed: Not allowed • ARMs: Allowed
INDEX	<ul style="list-style-type: none"> • 1 Year LIBOR
MARGIN	<ul style="list-style-type: none"> • 2.25%
INTEREST RATE CAPS	<p><u>5/1 ARM:</u></p> <ul style="list-style-type: none"> • 2% Initial Adjustment Cap - On the first adjustment date, the interest rate cannot be increased or decreased by more than 2% from the interest rate in effect immediately prior to the interest rate adjustment date. • 2% Adjustment Cap - Commencing with the second interest rate adjustment date, the interest rate cannot be increased or decreased by more than 2% from the interest rate in effect immediately prior to the interest rate adjustment date. • 5% Lifetime Cap - There is a life of loan interest rate ceiling equal to the sum of the initial interest rate plus 5%. <p><u>7/1 & 10/1 ARMs:</u></p> <ul style="list-style-type: none"> • 5% Initial Adjustment Cap - On the first adjustment date, the interest rate cannot be increased

	<p>or decreased by more than 5% from the interest rate in effect immediately prior to the interest rate adjustment date.</p> <ul style="list-style-type: none"> • 2% Adjustment Cap - Commencing with the second interest rate adjustment date, the interest rate cannot be increased or decreased by more than 2% from the interest rate in effect immediately prior to the interest rate adjustment date. • 5% Lifetime Cap - There is a life of loan interest rate ceiling equal to the sum of the initial interest rate plus 5%.
INTEREST RATE CHANGES	<ul style="list-style-type: none"> • Interest Rate - The initial interest rate will be set at time of lock-in and will remain constant for the first 5, 7, or 10 years of the loan (except as applicable on Temporary buydowns). On the first interest rate adjustment date, the interest rate will be adjusted to equal the sum of the index plus the required margin rounded to the nearest .125%, subject to the interest rate caps. On the second interest rate adjustment date and thereafter, the interest rate will be the sum of the index plus the required margin rounded to the nearest .125% subject to the interest rate caps. • Interest Rate Adjustment Date - The initial interest rate adjustment will take place on the first day of the 61st (5/1), 85th (7/1), or 121st (10/1) full month after closing and on the first day of every 12th calendar month thereafter.
MINIMUM FLOOR	<ul style="list-style-type: none"> • Margin
ARM DOCUMENTS	<ul style="list-style-type: none"> • 3528 Note and 3187 Rider