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AGENCY TEXAS HOME EQUITY

10, 15, 20, 25 and 30 Year Fixed Rate 7/1 and 10/1 LIBOR ARM

LTV	CLTV	Purpose	Units	Occupancy	Credit Score	DTI Ratio
80	80	R&T	1	O/O	620	50
80 ¹	80 ¹	Cash Out	1	O/O	620	50

1 – Max LTV/CLTV for ARM products is 75%

PRODUCT NAME	<ul style="list-style-type: none"> Agency Texas Home Equity 10 Year Fixed Agency Texas Home Equity 15 Year Fixed Agency Texas Home Equity 20 Year Fixed Agency Texas Home Equity 25 Year Fixed Agency Texas Home Equity 30 Year Fixed Agency Texas Home Equity FNMA Student Loan 10 Year Fixed Agency Texas Home Equity FNMA Student Loan 15 Year Fixed Agency Texas Home Equity FNMA Student Loan 20 Year Fixed Agency Texas Home Equity FNMA Student Loan 25 Year Fixed Agency Texas Home Equity FNMA Student Loan 30 Year Fixed Agency Texas Home Equity 7/1 Libor ARM Agency Texas Home Equity 10/1 Libor ARM Agency Texas Home Equity FNMA Student Loan 7/1 Libor ARM Agency Texas Home Equity FNMA Student Loan 10/1 Libor ARM
ALLOWABLE ORIGINATION CHANNELS	<ul style="list-style-type: none"> Wholesale Correspondent Retail
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 though AllRegs Online at http://allregs.elliemae.com. Instructions on how PRMG staff can access the AllRegs service is available in the Resource Center. Fannie Mae: Use the following link to access the Fannie Mae website, and from there, access to

	<p>their guidelines: https://www.efanniemae.com/home/index.jsp or</p> <ul style="list-style-type: none"> • https://www.fanniemae.com/content/guide/selling/index.html • The following link provides access the Fannie Mae Seller Guide through All Regs: • http://www.allregs.com/tpl/public/fnma_freesiteconv_tll.aspx
TEXAS HOME EQUITY – FANNIE MAE SPECIFIC REQUIREMENTS	<ul style="list-style-type: none"> • Underwriter to review Fannie Mae seller guide to ensure compliance with General Requirements of Texas Section 50(a)(6) Loans section as outlined in the Fannie Mae seller guide.
MINIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • \$30,000
MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • For all loans on or after 11/28/2018: <ul style="list-style-type: none"> • 1 Unit \$484,350 • For all loans prior to 11/28/2018: <ul style="list-style-type: none"> • 1 Unit \$453,100
GEOGRAPHIC RESTRICTIONS	<ul style="list-style-type: none"> • Texas properties only • Please refer to PRMG’s “Eligible States” list, which can be found at this link: http://www.eprmg.net/guidelines/Eligible%20States.pdf
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

	<p>the borrower’s income or treated as a liability.</p> <ul style="list-style-type: none"> • 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 sections B3-3.1-02, Standards for Employment Documentation of Fannie Mae’s Seller Guide. • 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 must contain a Texas Attorney Representation letter as evidence that the closing documents were prepared or reviewed by a licensed Texas attorney prior to closing. • All individuals on title and their spouses (including non-titled spouses) must sign the Security Instrument, Closing Disclosure or TIL, Right of Rescission, if applicable, and the updated Texas Notice Concerning Extensions of Credit (12 Day Notice) (Version released for 1/1/18 amendment to 50(a)(6)).
FULL/ALT DOC	<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

	<p>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.</p> <ul style="list-style-type: none"> • 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. • 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-
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	<p>3.1-06 and B3-3.2-01 of Fannie Mae's Seller Guide.</p> <ul style="list-style-type: none"> • Two years tax returns for borrowers where tax returns are required to derive a monthly income for qualifying • 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
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 DU Approval. • The last AUS finding, which must match the terms of the loan, must be in the loan file. 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 determination. • 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) • Warrantable attached and detached condos • PUDs Attached and Detached • Log Homes (See section below for additional requirements) • Agricultural Zoned Homestead Properties
INELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • 2-4 Unit Properties • Mobile homes. • Manufactured homes. • Condotels • Condo Conversions • 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 • Properties with deed restrictions (except Age Restricted Properties, see section below) • 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 • Non-Warrantable Condos • Illinois Land Trusts • Working farm, ranch, or orchard • Assisted Living Projects • Builder Model Leaseback • 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) • Properties with Unexpired Redemption Rights

	<ul style="list-style-type: none"> • 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
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.
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 they are to be installed. There are several state agencies that have adopted a Uniform Building Code for modular homes.
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
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

	<p>the following restrictions:</p> <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
<p>PRIVATE TRANSFER FEE COVENANTS</p>	<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
<p>LOG HOMES</p>	<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. • Full appraisal required
<p>CONDOS</p>	<ul style="list-style-type: none"> • 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

	<p>product guidelines in all states. PRMG does not offer services to submit projects to Fannie Mae for PERS Approvals.</p> <ul style="list-style-type: none"> • 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> eligible. • 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 • 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><i>LIMITED REVIEW (DU) LTV/OCCUPANCY LIMITS</i></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: <ul style="list-style-type: none"> • Review not required • Attached Established Condos: <ul style="list-style-type: none"> • Max 90% LTV/CLTV/HCLTV for owner occupied properties • See section below for requirements
<p><i>FANNIE MAE (DU) ATTACHED CONDO</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.

<p>LIMITED REVIEW REQUIREMENTS</p>	<ul style="list-style-type: none"> • 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 or Full Review. • The appraisal of the subject unit meets all applicable appraisal requirements, as stated in Fannie Mae Seller Guide, section B4-1, Appraisal Requirements. • 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.
<p>FANNIE MAE (DU) DETACHED CONDO REVIEW REQUIREMENTS</p>	<ul style="list-style-type: none"> • If the property is a detached condo (site condo) a review is not required
<p>FANNIE MAE (DU) 2-4 CONDO REVIEW REQUIREMENTS</p>	<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.
<p>CPM/FULL LENDER REVIEWS</p>	<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

	<p>does not have to be in an underwritten or approved status).</p> <ul style="list-style-type: none"> • 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)
<p>NON-WARRANTABLE CONDOS</p>	<ul style="list-style-type: none"> • Not Allowed
<p>PLANNED UNIT DEVELOPMENTS (PUDS)</p>	<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, sell 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.
<p>INELIGIBLE PROJECT TYPES PER FANNIE MAE'S SELLER GUIDE</p>	<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.

	<ul style="list-style-type: none"> • 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, 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. • 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-incident 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

	<p>lessor.</p> <ul style="list-style-type: none"> • 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 • 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 • Appraiser must demonstrate the property’s conformity to the neighborhood and marketability, comment on the workmanship quality of the addition, improvement or conversion and consider 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
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"> • Allowed • Two-time close option must be used, and Texas Attorney must confirm it is eligible for Texas Home Equity financing • Mortgage insurance companies requires property to be SFR Detached
OCCUPANCY	<ul style="list-style-type: none"> • Primary Residence (O/O)
PRIMARY 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.
SECOND HOME	<ul style="list-style-type: none"> • N/A
NON-OWNER OCCUPIED	<ul style="list-style-type: none"> • N/A
ELIGIBLE BORROWERS	<ul style="list-style-type: none"> • U.S. Citizens, Permanent and Non- Permanent Resident Aliens • 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 • Registered Domestic Partners are treated the same as spouses • The borrower must permanently reside in the United States. In addition, an accurate

	<p>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.</p>
<p>PERMANENT RESIDENT ALIENS</p>	<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. • 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. • Credit and income history allowed in accordance with Agencies • Borrowers with diplomatic immunity are not eligible.
<p>NON-PERMANENT RESIDENT ALIENS</p>	<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 an expired visa may be considered, subject to each of the following: (1) Visa classification is one of the eligible visas listed; (2) Confirmation that the borrower has submitted an application for extension of the visa or an application for a green card. Documentation includes, but is not limited to: (a) USCIS Form I-797 (issued when an application or petition is approved), (b) USCIS Form I-797C or I-797E (must not state that the application has been declined), c) application for extension of current visa (USCIS Form I-539 or equivalent) or copy of application for green card (USCIS Form I-485 or equivalent) and electronic verification of receipt from the USCIS web site, (d) If the borrower is sponsored by the employer, the employer may verify that they are sponsoring the visa renewal. • 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

	<p>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.</p>
FOREIGN NATIONALS	<ul style="list-style-type: none"> • Not Allowed
NON OCCUPYING CO-BORROWERS	<ul style="list-style-type: none"> • Not Allowed
POWER OF ATTORNEY	<ul style="list-style-type: none"> • Not Allowed
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

	<p>used:</p> <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.
<p>INCOME REQUIREMENTS/LIMITS</p>	<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.
- 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) 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.
- 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 the broker, a relative or a family business, the following documentation must be obtained:
 - 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

	<p>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.</p>
HOMEBUYER EDUCATION	<ul style="list-style-type: none"> • N/A
CREDIT	<ul style="list-style-type: none"> • 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 trade lines, regardless of occupancy, including first and second mortgage liens, home equity lines of credit, land without improvement, 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 AUS requirements • 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

	<p>made for the most recent month due.</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 • 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 additional seasoning requirements. • 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.
LDP/GSA REQUIREMENT	<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.
RATIOS	<ul style="list-style-type: none"> • Max 50% DTI, regardless of AU approval.
QUALIFYING	<ul style="list-style-type: none"> • Fixed: Qualify at the fully amortized payment (PITIA) at the note rate. • 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) • To calculate DTI for loans with subordinate HELOCS: (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 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 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.

	<ul style="list-style-type: none"> • 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 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. • 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. • 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.
PAYMENT SHOCK	<ul style="list-style-type: none"> • N/A
LANDLORD EXPERIENCE	<ul style="list-style-type: none"> • 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

	<p>of receiving rental income from subject property</p> <ul style="list-style-type: none"> • 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. • Rent loss insurance is 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. • Cash-out proceeds from the subject refinance transaction as not eligible for reserves
REQUIRED DOWN PAYMENT / SOURCE OF FUNDS	<ul style="list-style-type: none"> • Custodial accounts are not an acceptable asset type • Access letter is <u>not</u> required for any accounts where a non-borrowing party is on the account (including a non-borrowing spouse) • 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

	<p>related liability, are considered (if using the funds in a refinance transaction you still must confirm they are from an acceptable source).</p> <ul style="list-style-type: none"> • 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 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. • 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.
1031 TAX DEFERRED EXCHANGE	<ul style="list-style-type: none"> • NA
GIFT FUNDS	<ul style="list-style-type: none"> • N/A
GIFTS OF EQUITY	<ul style="list-style-type: none"> • N/A
CONTRIBUTIONS BY AN INTERESTED PARTY	<ul style="list-style-type: none"> • N/A
DOWN PAYMENT ASSISTANCE	<ul style="list-style-type: none"> • N/A
MORTGAGE CREDIT CERTIFICATES (MCC)	<ul style="list-style-type: none"> • Not allowed
SUBORDINATE FINANCING	<ul style="list-style-type: none"> • No new subordinate financing is permitted. • Existing subordinate financing not subject to Section 50(a)(6) may be subordinated. • No 3rd liens permitted. • HELOCs are not eligible for secondary financing. • All subordinate financing must provide documentation to show the subordinate financing repayment terms by providing a copy of mortgage deed of trust, note, and

	<p>proof of the current monthly payment (i.e., current statement). The subordination agreement is also required.</p> <ul style="list-style-type: none"> • Subordinate financing with prepayment penalties are not permitted, unless all of the following are met: (1) The subject property is a 1-unit primary residence or second home; (2) The maximum term of the prepayment penalty does not exceed 3 years from the note date of the subordinate lien; AND (3) A prepayment penalty, or flat fee, closure or early termination fee does not exceed the lesser of 1% of the subordinate lien note at the time of prepayment or \$500. Note: HELOCs (not allowed) or closed-end second mortgages that pay for some or all of the closing costs with terms that allow the lender to recoup the closing costs paid on behalf of the borrower if the HELOC (not allowed) or second mortgage pays off early, are not defined as a prepayment penalty and is acceptable for the purpose of subordinate financing. Must meet all Fannie Mae/Freddie Mac guidelines. • 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
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"> • N/A
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"> • Limited to maximum loan amounts.
TEXAS HOME EQUITY RESTRICTIONS	<ul style="list-style-type: none"> • There can only be one outstanding Texas Section 50(a)(6) loan on a property at any given time. • If the borrower has an existing Texas Section 50(a)(6) second lien, and is getting cash out from the first mortgage, the Second lien must be paid off. • 12 months seasoning is required for all Texas Section 50(a)(6) loans (1st or Second). • If an existing Texas Section 50(a)(6) Second lien is being subordinated, and there is no cash out coming from the 1st lien, this loan can be done as a standard Rate & Term refinance and is not subject to the Texas Home Equity program. • Total fees paid by the borrower (excluding prepaids) cannot exceed 2% of the loan amount. The 2% cap includes fees paid to the lender, broker or any third party fees

	<p>that are not explicitly excluded, credit report fees, recording fees, origination fees, etc. Bona fide discount points, Appraisal Fees, Property Survey Fees, Title Policy Fee and Endorsements (state-based premium), and Title Examination Report Fees may be excluded from the 2% limit. If discount points are excluded, the rate sheet and rate lock agreement in the loan file in order to support the reduction in the borrower's interest rate.</p>
PURCHASE	<ul style="list-style-type: none"> • N/A
RATE & TERM REFINANCE	<ul style="list-style-type: none"> • CONVERTING TO A NON 50(a)(6): Refinancing previous Texas Section 50(a)(6) loans (1st or 2nd) as a non-home equity loan (Section 50(f)(2)) is permissible and can be done on standard product only if allowed in the product profile and the following requirements are met: <ul style="list-style-type: none"> • Application dated 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 • A loan is a Rate & Term refinance if the 1st mortgage being paid off is a Texas Section 50(a)(6) loan and the borrower is not getting any cash back from the refinance transaction. A Second mortgage that is not a Texas Section 50(a)(6) loan that was used in whole to acquire the subject property may be paid off. • May include closing costs and prepaids. • Buyout of a spouse-owner may be considered rate/term in accordance with agency requirements • HUD-1s or Closing Disclosures are required from any transaction within the past 6 months. If a previous transaction was a cash out, or if it combined a 1st and a non-purchase money Second into a new 1st lien, the loan must be done as a cash out refinance. If the new transaction will combine a 1st and a non-purchase money Second into a new 1st lien, the loan must be done as a cash out refinance. • For loans submitted where the previous mortgage was a purchase money transaction: <ul style="list-style-type: none"> • All borrower must have held title to the subject property for at least 120 days. • The 120 days is measured from the previous close of purchase/date of settlement to application date.
CASH OUT REFINANCE	<ul style="list-style-type: none"> • For Fannie Mae Student Loan Cash-Out Refinance Option, please refer to the section below • One borrower must have held title to the subject property for at least 6 months. <ul style="list-style-type: none"> • The 6 months is measured from the previous close of purchase/date of settlement to note date, unless delayed financing requirements (as provided below) are met. • A loan is considered a Cash Out refinance if: <ul style="list-style-type: none"> • Paying off a 1st and/or Second mortgage that is not a Texas Section 50(a)(6) loan and is getting cash out from the refinance.

	<ul style="list-style-type: none"> • Paying off a 1st mortgage that is a Texas Section 50(a)(6) loan, is not getting any cash out and is paying off a Second lien that is not a Texas Section 50(a)(6) which was not used, in whole, to acquire the subject property unless conditions for refinancing 50(a)(6) to a non cash out rate and term refi are met as discussed above. • Paying off a 1st mortgage that is not a Texas Section 50(a)(6) loan and is paying off a Second lien that is a Texas Section 50(a)(6) loan and: <ul style="list-style-type: none"> • The borrower is getting cash back from the transactions OR • The borrower is not getting cash out, but is paying off a first or second mortgage that was not used in whole to acquire the subject property and conditions for refinancing a previous 50(a)(6) to a non-cash out as discussed above are not met. • Paying off a 1st mortgage that is a Texas Section 50(a)(6) loan and getting cash out from the refinance • Paying off loans that are not Texas Section 50(a)(6) loans, but are defined as Cash Out refinances based on program guidelines, are eligible for this product. The borrower may not receive any cash back from the transaction. • 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. • A co-borrower (occupying or non-occupying) can be added to a cash out transaction for qualifying purposes, subject to underwriter discretion. • The borrower may not be required to pay unsecured debt unless it is debt owed to another lender. If a lender is a financial institution which also extends an auto, credit card, personal loans or holds any other loan to the consumer which is not secured to the subject property, that lending institution cannot require the owner to use proceeds from the Texas Equity loan to pay off this debt. So, if this debt of the lender is being paid off, the file has to be sufficiently documented with borrower intent and documented authorization which is satisfactory to the Texas attorney.
DELAYED FINANCING	<ul style="list-style-type: none"> • Allowed on this product as long as all the below requirements are met. • Must meet the following requirements: • Borrowers who purchased the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met: <ul style="list-style-type: none"> • Loan must be coded as a cash out in the system • The original purchase transaction was an arm's length transaction. • The borrower(s) may have 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 a 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

	<p>substituted for a HUD-1 or Closing Disclosure if a HUD-1 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 sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property). • If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the Closing Disclosure for the refinance transaction must reflect that all cash-out 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 ratio calculation for the refinance transaction. Note: Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan. • The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for the cash-out transaction based on the current appraised value). • All other cash-out refinance eligibility requirements are met and cash-out pricing must be applied. • Use the current appraised value for LTV purposes.
<p>FANNIE MAE STUDENT LOAN CASH OUT REFINANCE OPTION</p>	<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

	<ul style="list-style-type: none"> • 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 Texas Home Equity FNMA Student Loan 10 Year • Agency Texas Home Equity FNMA Student Loan 15 Year Fixed • Agency Texas Home Equity FNMA Student Loan 20 Year Fixed • Agency Texas Home Equity FNMA Student Loan 25 Year Fixed • Agency Texas Home Equity FNMA Student Loan 30 Year Fixed • Agency Texas Home Equity FNMA Student Loan 7/1 Libor ARM • Agency Texas Home Equity FNMA Student Loan 10/1 Libor
SEASONING REQUIREMENTS	<ul style="list-style-type: none"> • See below
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 (close of purchase/date of settlement to application date) for a minimum of 120 days on all Rate/Term refinances. • 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. For either Rate/Term, or Cash Out transaction, the property may not be in the name of an LLC to meet the seasoning requirement. 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. 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. • For Cash Out refinances, the property must have been purchased (or acquired) by the borrower at least six months prior to the disbursement date of the new mortgage loan (measured from settlement date to the disbursement date of the new loan) except for the following: There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership) or the delayed financing requirements (described above) are met. 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). Seasoning may not occur in the name of other entities such as S-Corporations, Corporations, etc.. • 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"> • N/A
CURRENT PROPERTIES PENDING SALE OR PRIMARY RESIDENCES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES	<ul style="list-style-type: none"> • N/A
APPRAISAL	<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. • Open Space Land Appraisal Method exemption (AKA Texas Ag Exempt) is not permitted. Title must insure for rollback taxes. • 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. • 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

	<p>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"> • 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 • Traditional appraisal report completed by a state-licensed or state-certified appraiser required on all loans. • A property survey is required on every loan. The survey must: <ul style="list-style-type: none"> • Provide a legal description of the property to be covered by the mortgage; • Exclude any property designated as “agricultural” or “timber” on tax records; • Show access to a public road, and • Exclude any rental use improvements or any other non-homestead use property. • 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).
REVIEW/SECOND APPRAISAL	<ul style="list-style-type: none"> • Review appraisals must be completed by a PRMG approved Appraisal Company. • 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 • When run through Fannie Mae's Collateral Underwriter, any appraisal with a score of 5 must have, at minimum, a desk review performed
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 thoroughly 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: • https://www.fanniemae.com/singlefamily/collateral-underwriter
TOTAL FINANCING ≥ \$1MM	<ul style="list-style-type: none"> • No additional restrictions
NON-ARM'S LENGTH TRANSACTIONS	<ul style="list-style-type: none"> • Not allowed
BORROWERS EMPLOYED BY PARTY TO	<ul style="list-style-type: none"> • Extra diligence should be exercised • The relationship should be disclosed

TRANSACTION OR IS A PART OF THE TRANSACTION	<ul style="list-style-type: none"> • The borrower cannot be involved in the processing or origination of the loan • QC Audit required
MORTGAGE INSURANCE	<ul style="list-style-type: none"> • N/A
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 the greater of 20% of the appraised value or 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	<ul style="list-style-type: none"> • A title insurance policy written on Texas Land Title Association short forms may be used in addition to the standard form. The policy must continue to be supplemented by an Equity Loan Mortgage Endorsement (Form T-42) and a Supplemental Coverage Equity Loan Mortgage Endorsement (Form T42.1
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; • 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;

	<ul style="list-style-type: none"> • 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.
TEMPORARY BUYDOWNS	<ul style="list-style-type: none"> • Not Allowed
INTEREST ONLY	<ul style="list-style-type: none"> • Not Allowed
PRE-PAYMENT PENALTY	<ul style="list-style-type: none"> • Not Allowed
SECOND LIEN BALLOON	<ul style="list-style-type: none"> • Not Allowed
MULTIPLE LOANS	<ul style="list-style-type: none"> • O/O: No limitations on the number of properties that the borrower can currently be financing • 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). • 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. • Financed commercial property are not include that in the total number of financed properties
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

	<ul style="list-style-type: none"> Residual Income \geq \$800 and $<$ \$2500: Minimum reserves are the greater of three (3) months liquid 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
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: <ul style="list-style-type: none"> 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 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 is allowed. Must be underwritten by a Level 4 underwriter All loans must receive an "Approve/Eligible" from DU
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	<ul style="list-style-type: none"> 5% Initial Adjustment Cap - On the first adjustment date, the interest rate cannot be increased or decreased by more than 5% 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.

	<ul style="list-style-type: none"> • 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. 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

Additional Texas Requirements

<p>ELIGIBLE COSTS</p>	<ul style="list-style-type: none"> • A rate/term refinance of a primary residence may include only the following costs: <ul style="list-style-type: none"> • Pay off of the old loan plus points • Pre-paid items, such as escrow funds and interest (See Additional Documentation section below) • Taxes due • The closing costs, whose total may not exceed 2% of the loan amount (as referenced in the Texas Home Equity Restrictions Section), must be deemed “necessary and reasonable”. Closing costs that may be included are noted below: <ul style="list-style-type: none"> • Loan Origination • Tax Service • Recording • Escrow Waiver • Processing • Credit Report • Final Inspection • Underwriting • Application • Express Mail • Flood Certification • Closing
<p>ADDITIONAL DOCUMENTATION</p>	<ul style="list-style-type: none"> • All rate/term refinances require a completed Texas Refinance Worksheet (See Exhibit A) • All rate/term refinances require a completed Borrower Acknowledgement Form (See Exhibit B) when the borrower is receiving a refund check at closing. • If impounds for prepaid expenses are included in the new loan amount, special title insurance coverage must be obtained as a Schedule B Exception.

Exhibit A

**TEXAS REFINANCE
Worksheet**

1. Is the loan being refinanced a “low-rate home loan*?” **Y/N**
 - If yes, continue.
 - If no, stop. This worksheet is not required.

2. Did a government or non-profit lender make the “low-rate home loan?” **Y/N**
 - If yes, continue.
 - If no, stop. This worksheet is not required.

3. When was the “low-rate home loan” closed? _____ (Anniversary Date)
 - If the anniversary date is less than seven years, continue.
 - If the anniversary date is equal to or greater than seven years, stop. This worksheet is not required.

4. What was the initial interest rate on the “low-rate home loan?” _____ %
 - A. In the case of a loan with a discounted introductory rate, what was the initial fully indexed rate? _____ %
 - B. Is the interest rate on the new loan less than the rate referenced in 4A? **Y/N**
 - If yes, continue.
 - If no, this loan is not eligible.

5.
 - A. What were the total points and fees paid by the borrower on the “low-rate home loan?” \$ _____
 - B. Are the points and fees being paid by the borrower on the new loan less than the points and fees referenced in 5A? **Y/N**
 - If yes, this loan is eligible.
 - If no, the loan is not eligible.

****A “low-rate home loan” is a loan with an initial rate that is two percentage points or more below the yield on treasury securities with maturities comparable to the loan term. If the loan had a discounted introductory rate, then the fully indexed rate should be used to determine whether the loan is a “low-rate home loan”.***

Exhibit B

**TEXAS REFINANCE
Borrower Acknowledgement**

Borrower's Name: _____ Loan #: _____

BORROWER ACKNOWLEDGEMENT

The undersigned acknowledge(s) that any refund check received as part of today's real estate settlement is a partial or full reimbursement of funds paid to the lender prior to or at the closing of the loan and does not constitute proceeds of the loan from lender.

Borrower

Date

Borrower

Date