Tip: To find specific information for a product, press Ctrl + F (or use "Find" from the Edit Menu) and then search for the information or topic you are looking for. If you don't find the topic the first time, try variations, different terms, or less words.

CLOSED-END SECOND LIEN

Note: For details on guidelines not specified below, please refer to the product profile of the applicable first mortgage.

10, 15, 20, and 30 Year Fixed Rate
Piggyback Second Liens

CLTV	Purpose	Units	Occupancy	Credit Score	DTI Ratio
95	Purch, R&T	1	O/O	680	35%
90	Purch, R&T	1	O/O	680	45%
85	Purch, R&T	1-4	O/O	680	45%
85	Purch, R&T	1	SH	680	45%

PRODUCT NAMES	• Closed-End Second 10 Year Fixed • Closed-End Second 15 Year Fixed • Closed-End Second 20 Year Fixed • Closed-End Second 30 Year Fixed
ELIGIBLE FIRST TRUST DEED PRODUCTS	**Must be locked, underwritten and close concurrently with one of the PRMG first trust deed programs:** • Agency Fixed (with DU Approval) • Agency High Balance • Agency LIBOR ARMs • Agency DU Portfolio
ALLOWABLE ORIGINATION CHANNELS	• Retail • Wholesale • Correspondent • **For loans going through the Correspondent channel, both the first and the second must fund in the Correspondent's name.**
PROGRAM SUMMARY	• The Closed-End Second Lien Program is a closed end, fixed rate, fully-amortizing loan that can be used with both purchase money as well as rate and term refinance first mortgages. Second liens are closed simultaneously (piggyback) with a first lien. • Non-QM Product • For purchase transactions, the second lien must be locked, underwritten and closed concurrently with an Agency First lien where the entire loan is disbursed at closing and the entire loan is used for down payment.

	• For Rate and Term Refinance transactions, the second lien will be locked, underwritten and closed concurrently with an Agency first lien. • The entire loan must be disbursed at closing, and the entire loan must be used to pay off the existing first mortgage and/or existing subordinate lien plus closing costs and discount points associated with the second lien. • There may be no liens that subordinate to the closed end second (no third lien allowed) • Cash removal or debt consolidation other than incidental cash (the lower of 1% of the combined loan amount or $2,000) is not permitted.
GEOGRAPHIC RESTRICTIONS	• Please refer to PRMG's "Eligible States" list, which can be found at this link: http://www.eprmg.net/guidelines/Eligible%20States.pdf • See State Specific Requirements in Resource Center for state specific information • Texas 50(a)(6) is not allowed • We cannot currently originate second liens in the following states: ◦ Retail only: Utah (Utah eligible for wholesale and correspondent)
COMPLIANCE REQUIREMENTS	• For retail loans that are not disclosed by centralized setup, initial disclosures must be reviewed by Compliance. Please send email with loan number and borrower name requesting review to ComplianceReview@prmg.net • All Clear to Close (CTC) conditions must be cleared before issuing CD
TERM	• 10, 15, 20 and 30 years
OCCUPANCY TYPE	• Primary Residence (O/O) and Second Homes (SH) eligible ◦ Children purchasing a home for aged parents will not be considered a primary residence and are not eligible • Investment Properties (N/O/O) are ineligible
CONSTRUCTION TO PERMANENT	• Construction-to-perm is not allowed; however, investor will allow the conversion of a Construction Loan to a longer-term traditional mortgage after construction has been completed. Documentation regarding acquisition cost is required to determine LTV.
TRANSACTION TYPES	• Purchase and Rate and Term Refinance eligible • Cash out, Land Contracts, Lease Option to Buy, and Contract for Deed are ineligible
Purchase	• Must be locked, underwritten and close concurrently with an eligible Agency first lien purchase transaction • Entire loan must be disbursed at closing • Entire loan must be used for down payment

Rate and Term	• Must be locked, underwritten and close concurrently with an eligible Agency first lien transaction
	• Entire loan must be disbursed at closing
	• Entire loan must be used to pay off existing first mortgage and/or existing seasoned subordinate lien plus closing costs and discount points associated with the second lien
	  ◦ Payoff of closed end subordinate mortgages that have been seasoned for 12 months (12 months from first payment date to application date), including a closed end second used to purchase the property are eligible
	  ◦ Payoff of HELOC subordinate mortgage that has had no draws in the last 12 months or the total of all draws in the last 12 months is less than or equal to $2,000 are eligible (seasoning is to application date)
	• Cash removal or debt consolidation other than incidental cash (the lower of 1% of the loan amount or $2,000), is not permitted.
	• If the borrower pays off an existing first lien and a seasoned second lien but is netting additional funds above the allowable incidental cash from either the first lien or the second lien, it would be considered cash out and not eligible for a rate and term transaction.

	• If the borrower pays off an existing first and a seasoned second lien, the transaction would be considered rate and term as long as the borrower only obtains incidental cash from the transaction, regardless of how the new loan amounts are structured (for instance the new second lien can be higher than the existing second lien). • If the borrower's new first lien is considered a cash out transaction due to paying off a non-purchase money second (as required per Fannie Mae), the second lien transaction would be considered rate and term as long as the existing second lien is seasoned and the borrower only obtains incidental cash from the transaction. • If the borrower is paying off a non-seasoned second lien (purchase money or non-purchase money), it would be considered cash out and not eligible for a rate and term transaction. • Refinance of a Texas Section 50(a)(6) to a Texas Section 50(f)(2) not allowed
Cash Out	• Not allowed
MINIMUM LOAN AMOUNT	• $20,000
MAXIMUM LOAN AMOUNT	• $500,000
MAXIMUM COMBINED LOAN AMOUNT	• Credit Score >=720: $2.5M • Credit Score < 720: $2.0M
PRINCIPAL REDUCTION/ CURTAILMENT	• A principal curtailment to the new refinance loan at closing is allowed up to the lesser of 2% of the new loan amount or $2000 and must be clearly reflected on the Closing Disclosure. • Unless noted above, principal curtailment/reductions are not allowed.
VALUE FOR LTV/CLTV CALCULATION	• For properties owned 12 months or greater use appraised value to determine LTV/CLTV • For properties owned less than 12 months, use the lower of the original purchase price or the appraised value to determine the LTV/CLTV (the original purchase price must be documented)
OWNERSHIP SEASONING (PURCHASE, RATE/TERM REFINANCE < = 90% CLTV)	• Minimum 12 months' ownership seasoning to use appraised value to determine LTV/CLTV • If the ownership seasoning is less than 12 months, the lower of the purchase price or the appraised value will be used to determine the LTV/CLTV. The original purchase price must be documented.
REQUIREMENTS FOR ELIGIBLE FIRST LIEN PRODUCTS	• Must have DU Approve/Eligible • Fannie Mae DU Findings Report used on first lien for the underwriting decision must be included in the file submission. • The first lien must have a minimum remaining term of no less than five years at the time of closing. • The financing must not permit the note holder to "call" the financing within the first five years following the loan closing. • The financing must not have a negative amortization feature. • The first lien may not have been modified with a deferred balance • The lender on the first lien and closed end second must be the same
INELIGIBLE FIRST LIEN PRODUCTS	• First trust deed must be eligible per standard published Fannie Mae guidelines • Homestyle, DU Refi Plus, HomeReady, Fannie Mae Swimming Pool Escrow, and Fannie Mae Conventional Repair Escrow programs are not eligible • Loans with provisions prohibiting the placement of additional liens on the mortgaged property • Loans with provisions for future advances.
AGENCY PROGRAM RESTRICTIONS	• Seller negotiated criteria/variances with Fannie Mae are not eligible.

	• Fannie Mae unique eligibility and underwriting consideration programs are not allowed including but not limited to: Homestyle, HARP, DU Refi Plus and Home Ready.
BORROWER REQUIREMENTS	• Must comply with Agency First guidelines • First-Time Homebuyers allowed (see section below) • Permanent Resident Aliens are allowed. A copy of the valid and current Permanent Resident Alien Card (Green Card – Form I-1551) is required • Non-Permanent Resident Aliens are not allowed • Non-Occupant Co-Borrowers are not allowed • Foreign Nationals are not allowed • Note: Investor limits the number of borrowers per loan to 4 • Borrowers under Deferred Action, the Dreamer's Act or DACA (EAD Code C33, C14, etc.) are not eligible. Although, these individuals may have been granted permission to remain in the U.S. for a period of time, DACA/Deferred Action does not grant a legal status. PRMG requires all borrowers to document proof of legal residency in the U.S. Additionally, they must follow the applicable guidelines for income (typically 2 year history and likely to continue for 3 years as applicable.) A borrower with DACA/Deferred Action status would not be able to meet the borrower eligibility documentation requirements (i.e., green card or meet applicable agency standard guidelines for income) and therefore is not be eligible.

FIRST TIME HOMEBUYER	• Primary Residence only
	• Eligible Property Types:
	    • 1 unit only
	    • Single Family Residence (SFR)
	    • Attached and Detached PUDs
	    • Warrantable Condos
	• A two-year verified housing history is required. Borrowers living rent-free or who are unable to provide verification are ineligible, see Mortgage/Housing History for complete requirements
	• Borrowers are considered First-Time Homebuyers (FTHB) when there is no evidence of owning residential property in the previous three years. First-Time Homebuyers generally must fulfill specific requirements in addition to the conditions stipulated for experienced homebuyers. A Borrower(s) who has experience owning a home, but has not owned one in the past three years, will be considered a FTHB.

TAX TRANSCRIPTS AND AMENDED RETURNS	• W2 transcripts (for borrowers who only earn W2 wages) or 1040 transcripts required
	• Business return transcripts are required for all self-employed borrowers using income from the business to qualify
	• 4506-T and tax transcripts are required per DU income type used for qualifying
	• If most recent year's tax transcript, for the income used to qualify, is not available for a self-employed borrower who has filed taxes the income may be verified by one of the following:
	    • Officially stamped return by the IRS as received; or
	    • Evidence that the return was electronically received (must reflect refund or amount owed to IRS); or
	    • Evidence of a refund check or payment made.
	• Follow associated first trust deed requirements for amended tax return requirements

MINIMUM BORROWER CONTRIBUTION	• 100% of any down payment must be contributed by the Borrower, no gift funds allowed
ELIGIBLE PROPERTY TYPES	• Single Family (attached and detached)

	• PUDs (attached and detached) • 2-4 Units • Fannie Mae Warrantable Condos (low, mid, and high-rise)
CONDOS	• Fannie Mae Warrantable Only (low, mid, and high-rise) • HOA certification form required. • Non-Warrantable Condos are not allowed • Seller must indicate on 1008 that the condo project is Agency Warrantable and type of review completed. • Limited Review, Full Review (with or without CPM), and PERS • Site Condos are treated like single-family detached properties.

INELIGIBLE PROPERTY TYPES	• Hawaii properties in lava zones 1 and 2
	• Hawaii Homeland Leasehold properties
	• Leaseholds
	• Condotels
	• Mixed-Use Properties, including but not limited to: properties that have been modified to accommodate home businesses (such as catering, in-home day care, animal boarding facilities, or auto repair businesses)
	• Properties that are over 20 acres
	• Agricultural/Agriculturally zoned properties, such as working farms and ranches
	• Mobile Homes
	• Manufactured Homes
	• Cooperatives
	• Log Homes
	• Non-Warrantable Condos
	• Condominiums and PUDs with pending litigation
	• Property that does not have full utilities installed to meet all local health and safety standards, including but not limited to:
	    • A continuing supply of potable water
	    • A public sewer or certified septic system
	    • Public electricity
	    • Natural or LP Gas
	• Condominium Conversions less than five years from completion
	• “Subject to” values with a Completion Certificate (Fannie Mae Form 1004D)
	• Properties with less than 700 square feet. (Note: these are eligible if there are acceptable comparables that are within 100 square feet of the size of the subject property.)
	• Earth-sheltered or Dome Home
	• Any property in below-average condition as indicate by Property Condition ratings of C5 and C6.
	• Properties located in declining markets (as determined by the appraisal, CDA, Enhanced BPO, ClearVal, or other third-party valuation performed on the subject property.
	• Unimproved land
	• Rural Zoned
	• Properties located on Indian/Native American Tribal land.
	• Bed and breakfast properties.
	• Properties not suitable for year-round occupancy regardless of location.
	• Boarding houses & Group homes.
	• Properties not readily accessible by roads that meet local standards.
	• Factory-built housing: includes Mobile, Manufactured, and Modular homes.
	• Condo-hotels.

	• Condo conversion less than 3 years from completion. • Time share units/projects. • Motel conversions • Properties with resale restrictions such as retirement or senior community with age restrictions • Properties with any type litigation • Any property with health & safety, habitability or structural issues. • Multi-family > 4 units. • Properties in Hawaiian lava zones, 1,2, and 3 as determined by the U.S. Geological Survey Hawaiian Volcano Observatory
RECENTLY DELISTED PROPERTIES	• Properties that are currently listed for sale, or that have been listed for sale in the past six months are ineligible for refinance transactions.

ANTI-FLIPPING POLICY	• Not allowed in the last 180 days
	• The following transaction types are *not* considered property flips:
	  • Property obtained through inheritance
	  • Property that is part of a settlement in a divorce agreement
	  • Property that is part of an employer relocation program
	  • Property acquired by a lender or servicer as the result of a foreclosure or deed-in-lieu of foreclosure
	• Properties that have been substantially improved by bona-fide and verified renovations since the property was acquired by the property seller. The increase in the sales prices over the property seller's acquisition costs must representative of the market.

UNPERMITTED ADDITIONS	• Not allowed

APPRAISALS	• 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
	• All appraisals obtained during the loan origination and underwriting processes must be included in the file.
	• FHA/VA appraisals are not allowed
	• A Uniform Residential Appraisal Report - Fannie Mae form 1004 ("Full Appraisal") required (PIW not allowed)
	• Recertification of values are not allowed
	  • For combined loan amounts <= $1,500,000, one full appraisal is required
	  • For combined loan amounts > $1,500,000, two full appraisals are required
	  • Third party review requirements: Collateral Desktop Analysis (CDA), which will be completed on the lower of the two appraisals)
	  • Collateral Desktop Analysis (CDA) that must include the MLS data is also required (see section below for ordering instructions) The CDA fee of $150 must be disclosed and charged to the borrower
	  • If the CDA returns a value that is <= 10% of the appraised value (which is the value determined from the original appraisal(s) obtained) or the purchase price, the lower of the appraised value or purchase price can be used to establish the LTV/CLTV
	  • If the CDA returns a value that is > 5% but <= 10% of the appraised value, two options are available:
	    • The CDA value can be used to establish the LTV/CLTV; however, the LTV/CLTV maximum is the lower of the program maximum or 70%, whichever is less.

	• A Clear Capital Broker Price Opinion (BPO) and Clear Capital Value Reconciliation of Three Reports may be ordered. If two appraisals were required, the two appraisals and the CDA can be used for the Value Reconciliation of Three Reports. The reconciled value determined by Clear Capital will be used to determine the LTV/CLTV. • If the CDA returns a value that is "indeterminate" or > 10% of the appraised value, a Clear Capital Broker Price Opinion (BPO) and Clear Capital Value Reconciliation of Three Reports must be ordered. The reconciled value determined by Clear Capital will be used to determine LTV/CLTV. The reconciliation report fee must be disclosed will be charged to the borrower if it applies • If the Clear Capital CDA returns a value greater than the appraised value, the appraised value will be used to determine the LTV/CLTV.
CDA REVIEW PROCESS	• CDA review will be submitted by the branch underwriter to JumboReview@prmg.net after approval of the loan and completion of the appraisal(s). • An email should be sent to the Jumbo Reviews advising of loan approval and completion of appraisals along with a copy of the appraisal and request for the CDA. • CDA fee of $150 must be disclosed and charged to the borrower • Must be completed prior to submission for eligibility review • All reviews should be send to JumboReview@prmg.net
DISASTER AREAS	• If the property is located in an area that is declared a federal disaster area, an interior and exterior inspection report is required.
DOCUMENT EXPIRATION	• Credit documentation may not be more than 60 days aged at time of submission for eligibility review • Follow associated first trust deed document expiration dates
AGENCY FIRST LIEN AUS REQUIREMENTS	• Approve/Eligible required • The Agency AUS for the first lien must be included in the file submission • The lower of the first or second mortgage CLTV requirements will determine the maximum allowable CLTV • Manual Underwriting is not acceptable • The first lien must be sellable to Fannie Mae. **Freddie Mac's LPA is not eligible.**
CURRENT PROPERTIES PENDING SALE OR PRIMARY RESIDENCES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES	• The borrower may use rental income from their departing residence for qualification. A copy of the signed lease, a Rent Survey (Form 1007), and an Operating Income Statement (Form 216) are required • Leases must be arm's length. Family members are not allowed • If the departing residence is not being rented, the borrower must qualify using both the current and proposed housing payments • Rental Income for second homes is not allowed • Must meet Appendix Q requirements, including equity requirements when using rental income on departing properties
INCOME REQUIREMENTS/LIMITS	• Full documentation allowed per Fannie Mae DU Findings, unless specifically addressed in the Product Profile • Foreign Income is not allowed • Restricted Stock Units are not allowed • Loan must be submitted as full documentation to the Agency AUS. • The tax returns for the current year are required as of June 30 rather than October 15th. If the borrower has filed an extension and does not file by June 30th, the loan is ineligible. However, if the borrower filed an extension and has since filed the returns and tax transcripts (or stamped IRS returns) are available, then the loan would be eligible for submission

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Verbal Verification of Employment must be completed within 10 days of loan closing.
Illegal income or assets and ownership in a business that is federally illegal is not allowed
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<tr><td>MORTGAGE/HOUSING HISTORY</td><td>
0x30 in the past 12 months
Borrowers must have a fully documented, recent, consecutive, twenty-four-month primary housing history.
If there is a private mortgage holder or the landlord is a private party then 24 months cancelled checks or bank statements are required to verify a satisfactory housing history.
Borrowers without a primary mortgage or rent history in the last 12 months are Ineligible. This includes situations where the Borrower may have received a “rent holiday”, payments lapsed due to divorce/separation, or other instances where the most recent 12-month housing history is not consecutive and complete.
At least one of the borrower(s) must have a fully documented, recent, consecutive 12-month primary housing history.
For loans with an initial credit report date on or after 9/1/17: The housing history requirement is not required in the following instances:

The borrower is a recent college/technical school graduate and has completed school within the last 12 months. Documentation to support graduation must be supplied (Primary residence only) OR
Borrowers who have moved in with family (parents, grandparents, siblings, spouse, children, aunts, and uncles) to save for a new home purchase. The length of time living rent free may not exceed twelve (12) months. A letter of explanation by the Borrower is required and documentation for the months not covered by living rent free must be provided to complete a 24-month history (Primary residence only) OR
Borrowers who own their primary residence free and Evidence property is owned free and clear must be documented in the file.

Mortgage/housing payment history on any property, regardless of the occupancy or lien status, is considered mortgage/housing history for grading purposes. A copy of the title or credit report must document the free and clear status
Any payments on a timeshare will be treated as installment debt, regardless of how it is reported on the credit report.
Each contractual delinquency must be considered separately (i.e. a first and second lien). If the first lien and the second lien on a property are delinquent, it would be considered two delinquencies in the credit grade determination of the Borrower.
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<tr><td>MINIMUM TRADELINE REQUIREMENTS</td><td>
A Borrower(s) without an established credit history is Ineligible. A valid and usable score is one that is generated based upon credit history and credit patterns that accurately reflect the Borrower’s history. It should contain at least:

Three established open and active trade lines reporting on the credit report:

One reported for a minimum of 24 months.
All active in the last 12 months (defined as last activity within 12 months of credit report date).
One with a minimum $2,500 high credit balance.

Borrower’s failing to meet the 3 trade lines criteria but have a minimum of 1 open trade line with 12 months or more reporting history can be considered without exception if the following requirements are met:

8 or more trade lines reported and
Minimum 7 years of established credit history

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BORROWER CREDIT ELIGIBILITY	• Borrower eligibility requirements apply to all properties currently or previously owned by the Borrower. For example, mortgage housing histories, Loss Mitigation, FC. • Inclusive of all liens regardless of lien position.
CONTINGENT LIABILITIES	• Follow FNMA for contingent liability requirements
DEROGATORY CREDIT	• Extenuating Circumstance not allowed • All delinquent credit that will impact title, including delinquent taxes, wage garnishments, IRS payment plans, judgments, charge-off accounts, tax liens, and mechanic's liens must be paid off prior-to or at closing. • Must meet seasoning as shown below for all derogatory items. Initial application date will be used to determine the seasoning for prior bankruptcy, loss mitigation, and foreclosure events. • 120 day late or greater that did not end in foreclosure is considered a Loss Mitigation and must meet Loss Mitigation seasoning requirements. • Tax repayment plans must be paid off prior to or at closing.

Bankruptcy	• Chapter 7: 4 years from discharge date
	• Chapter 13 and Chapter 11 personal: 2 years from discharge date to application date
	• Reduced seasoning due to extenuating circumstances is not permitted
	• Bankruptcy dismissal dates are treated the same as discharge dates
	• Multiple bankruptcies are ineligible, regardless of whether or not the bankruptcy was discharged or dismissed
	• The following are not considered to be multiple bankruptcies:
	  • A Chapter 13 Bankruptcy that rolls into a Chapter 7 Bankruptcy
	  • Cases where individual borrowers have each filed separate bankruptcies
	• **If a Foreclosure is included in the Bankruptcy, each event is treated separately.**

Foreclosure	• 7 years from the completion date to application date
	• Foreclosure limitations apply to formal foreclosure filings
	• Reduced seasoning due to extenuating circumstances is not permitted.
	• Multiple Foreclosures are ineligible. (Note: If a borrower allows multiple properties to go into foreclosure during the same timeframe and they are a result of the same event, the scenario is not considered as a multiple foreclosure.)
	• **If a Foreclosure is included in a Bankruptcy, each event is treated separately.**
	• The following are not considered as multiple foreclosures:
	  • When individual Borrowers each have separate foreclosures.
	  • Foreclosures greater than 15 years ago.

Loss Mitigation	• 4 years prior to the application date • Prior Loss Mitigation includes Deed-in-lieu, pre-foreclosure, short sale, Notice of Default (NOD), short refinance, and loan modification • Reduced seasoning due to extenuating circumstances is not permitted
Consumer Credit Counseling (CCCS)	• 2 years from discharge date
RATIOS	• See LTV matrix
QUALIFYING	• Use note rate to qualify for closed end second payment • Paying off revolving debt to qualify is not allowed. Installment debt can be paid off to qualify (but not with the proceeds of the loan and assets used to pay this off would be deducted from the available assets) • For qualifying payment for the first trust deed: • If the first lien is a Fixed Rate: • Use the fully-amortized fixed payment • If the first lien is an ARM:

	• For ARMs with an initial fixed rate period of five years or less, qualify at the greater of the note rate plus 2% or the fully indexed rate. • For ARMs with an initial fixed-rate period of greater than five years, qualify at the greater of the note rate or the fully indexed rate.
RESERVES	• All reserves are calculated per Fannie Mae guidelines and are calculated based on the combined first and second lien payment amount, not just the second lien payment amount. • Allowed per DU • Gift funds may not be used to meet reserve requirements.
GIFT FUNDS	• Gift Funds and Gifts of Equity are not allowed. Borrower must have their own funds for down payment, closing costs, and reserve requirements
CONTRIBUTIONS BY AN INTERESTED PARTY	• Interested Party Contributions (IPCs) are not allowed for the borrower's down payment, reserves, or to meet minimum borrower contribution requirements. Typical IPCs (financing concessions/seller-paid closing costs) are allowed once the down payment, reserves, or minimum borrower contribution requirements are met, up to Fannie Mae's limits and all IPCs must meet Fannie Mae requirements.
SOURCE OF FUNDS	• Funds for Earnest Money Deposit (EMD) must be sourced and seasoned for at least 60 days. • Business assets are not allowed for down payment, cash-to-close, or reserves. • Foreign assets allowed per FNMA requirements • Borrower must have their own funds for down payment, closing costs, and reserve requirements. • The Borrower must contribute 5% of their own funds to any purchase transaction • Cryptocurrency, such as Bitcoin and Ethereum, may NOT be used for purposes of down payment funds or funds for closing. The funds must be backed out of the borrower's assets.
DELAYED FINANCING	• Not allowed • Borrower must meet ownership seasoning requirements.

NON-ARM'S LENGTH TRANSACTIONS	• Not allowed
	• Loans where a borrower is employed by PRMG, broker or correspondent are considered Non-Arm's length and are ineligible for purchase
	• A Non-Arm's Length Transaction is a transaction between family members, co-workers, friends, or anyone associated with the transaction such as the listing agent, mortgage lender, or broker. Examples of non-arm's length transactions include but are not limited to:
	  • Relatives: defined as individuals related by blood, marriage, adoption, or legal guardianship. Transactions between an individual and their spouse, parent, sibling, grandparent, aunt, uncle, cousin, stepparent or stepchild, regardless of whether the relationship is by blood, adoption, marriage, or legal guardianship are considered non-arm's length. The definition also includes domestic partners and fiancées.
	    ▪ A purchase and sale transaction between relatives, including the estate of a deceased family member unless the transaction is a probate sale.
	    ▪ A financing transaction between relatives, such as the processing or origination of a Loan for a relative by an employee of the Seller.
	    ▪ Parents purchasing and financing a property for a child who then wants to refinance to pay-off the parents
	  • Employer/Employee
	    ▪ A purchase and sale transaction between the borrower and their employer
	    ▪ A financing transaction between and employer and employee, including a loan originated by the Seller or the Seller's employee, contractor, or principal.

	• Landlord/Tenant
	    ▪ A purchase and sale transaction between and landlord and tenant, including lease option purchases.
	    ▪ A financing transaction between a landlord and tenant, such as the processing or origination of a loan for a tenant when the landlord is an employee of the Seller.
	• Home Builders
	    ▪ Purchase transactions where the borrower is the owner of, or is employed by the homebuilder who has constructed the subject property.
	    ▪ Transactions where the principals of construction companies are involved in the sale and financing of the subject property, with the exception of qualifying builder owned lending operation transactions.
	    • Real Estate Brokers/Agents: defined as a transaction where the Borrower or a relative of the Borrower, is a licensed real estate broker or agent employed in the real estate industry and is involved in the financing or sale of the subject property, regardless of whether he/she receives a sales commission. This includes a Borrower or a relative of the Borrower:
	        ▪ Acting as the property seller's listing agent under a listing agreement with the seller of the property;
	        ▪ Acting as his/her selling agent for a real estate broker;
	        ▪ Acting as both the selling agent and as the buying agent (dual representation);
	        ▪ Employed by the Investor's Seller acting as the Loan interviewer.
	        ▪ A transaction where the Borrower acts as his/her own real estate agent (buyer's agent) in the purchase of a property will be considered arm's length.
	• Third Party Service Vendors: defined as a transaction where the Borrower is also a principal of a third party vendor, such as a settlement agent, escrow company, title company, appraisal company, or credit reporting company providing such service for the subject Loan.
	• Lender/Broker/Correspondent
	    ▪ A Borrower who is employed by the Lender/Broker/Correspondent of the Loan (i.e. no employee loans)
	• Seller (Property Owner) Financed
	    ▪ The payoff of a loan currently financed by the Seller of the property

CONTINUITY OF OBLIGATION	• For Refinance Transactions, there must be a continuity of obligation. This occurs when at least one of the borrowers or members of a Limited Liability Company (LLC) or corporation on the existing loan being refinanced is on the new refinance transaction secured by the subject property. When an existing lien will be satisfied as a result of a refinance transaction, the following apply:
	    • At least one borrower held title to the subject property for the most recent six-month period. The file must contain documentation evidencing that the borrower has been making the mortgage payments, including any payments for secondary financing.
	    • The borrower has recently inherited, or was legally awarded, the property (divorce, separation or dissolution of a domestic partnership).
	• If the borrower is currently on title but is unable to demonstrate an acceptable continuity of obligation, or if there is no outstanding lien against the property, the loan is considered a Cash Out Refinance and is ineligible

MAXIMUM LOANS TO ONE BORROWER	• The aggregate dollar amount of all loans sold to or serviced by the investor may not exceed $4M.

	• There is no limit to the number of loans that can be submitted for the same borrower to be sold to the investor. Rather, the maximum number of loans to one borrower is limited by the aggregate dollar amount of the total loans sold or serviced by the investor. • More stringent lending practices should be implemented in cases where the borrower's loan documents exhibit escalation of late payments and multiple refinances. New investors who have made multiple real estate acquisitions (more than 50% of the properties purchased) in the past 12 months may require additional review documentation or may be ineligible for purchase.
DOCUMENTATION	• Copies of the First Lien Note and Mortgage are required. • A transmittal summary (1008) is required for the first lien transaction and a separate transmittal summary is required for the second lien transaction.
SOLAR AGREEMENTS	• Must meet FNMA requirements for solar panels
ESCROWS	• Not required on the first lien unless required by state or federal law • Not required on the second lien
ESCROW HOLDBACKS	• Not allowed

Taxes and Hazard Insurance	• The appropriate amount of hazard insurance is determined as the lesser of:
	  ◦ 100% of the insurable value of the improvements with replacement cost coverage, as established by the property insurer, or the unpaid principal balance of the first and second mortgage (sufficient coverage for the new combined loans); OR
	  ◦ The combined unpaid principal balance of the first and any secondary financing, as long as it equals the minimum amount required to compensate for any damage or loss on a replacement cost basis, typically 80% of the insured value of the improvements. If it does not, then coverage that does provide the minimum required amount must be obtained.
	• If the First Mortgage is:
	  ◦ <u>Impounded for taxes and insurance</u>: no action is required. Proof of payment or payment at closing is not required
	  ◦ <u>Not impounded for taxes and insurance</u>: if the payment is more than 45 days or greater from the Note Date, no action is required. Proof of payment or payment at closing is not required.
	  ◦ <u>Not impounded for taxes and insurance and payment is due within 45 days of the Note Date</u>: Proof of payment must be provided, or taxes and insurance payments must be paid at closing.

PREPAYMENT PENALTIES	• Not permitted
INTEREST CREDITS	• Interest Credits (when month-end closing is missed and loan doesn't fund until a few days into the new month) are not allowed

E-SIGNATURES	• The following documents are not allowed to be electronically delivered or signed:
	  ◦ Final/Closing Documents
	  ◦ Notarized Documents
	• Any transaction involving the use of a Power of Attorney will not be permitted to use an "eSignature"
	• The Seller is responsible for determining that the documents have been properly signed by all parties (as is the case with non-electric documents) per Fannie Mae.

TITLE INSURANCE	• A full ALTA title policy with Expanded Coverage is required that insures both the 1st lien and 2nd lien positions.
TEMPORARY BUYDOWNS	• Not permitted

HPML/HIGH COST LOANS	• HPML Loans are allowed • High Cost loans are not allowed
FRAUD REPORT	• Evidence must be provided in the loan file that a third-party fraud detection report has been ordered (PRMG uses DataVerify). All red flags, discrepancies, and conflicting information must be resolved.
UNDERWRITING	• Must be underwritten by a Level 4 Designated Jumbo Underwriter • Loan must be put into the Non-Conforming UW Queue when submitting to underwriting. Person submitting the file will enter "Non-Conforming Product" as the name of the assignee from the Submittal milestone. Performing this task will add the loan to the team's pipeline view and will then be assigned to the appropriate Underwriter. • Closed End Second must be underwritten concurrently with first mortgage. • When using a PRMG Closed End second product, all guidelines, documentation and calculations in the first and second must match and will follow the more restrictive of the product guidelines, which will generally be the Closed End second program. • For any underwriting/guideline criteria not referenced in this product profile, please defer to the Fannie Mae Seller Guide that is currently in effect at the loan application date. • Exceptions to the guidelines are not allowed.
QM STATUS	• Loans must meet all QM requirements, including fee restrictions
FEES	• For **retail** transaction: $590 Underwriting Fee applies and must be disclosed • For **all** transactions: $150 CDA fee applies and must be disclosed • For **wholesale** transaction: no other fees may be changed • For Texas transactions: $75 Attorney fee applies and must be disclosed • For wholesale transactions, both first and second lien must have same compensation type, unless first lien has Lender Paid Compensation and second has Borrower Paid Compensation but charges no fees on the second
LOCK REQUIREMENTS	• The Closed End Second must be locked concurrently with the associated first mortgage lien • When using a PRMG Closed End Second, the associated first trust deed should be manually locked, or if the first is locked online it will be subject to a LLPA that may vary based on the loan amount of the first trust deed and will be manually added after the lock by Secondary
INVESTOR ELIGIBILITY REVIEW	• All review requests should be sent to JumboReview@prmg.net • Credit documentation may not be more than 60 days aged at time of submission for eligibility review • 1008, underwriter's 1003 and current approval must be uploaded into efolder before submission to JumboReview@prmg.net • CDA must be completed prior to submission for eligibility review • All applicable loan documentation must be uploaded into efolder prior to submitting request for eligibility review, it does not need to be sent to JumboReview@prmg.net as it will be downloaded directly from FT360. • Standard turn time for review is 5-7 business days from complete file submission, but is subject to change. The first 24 hours is documentation review, and if documentation is missing we will be notified and the 5-7 business days will start at submission of the missing documentation. • Any conditions from the eligibility review must be sent to JumboReview@prmg.net as individual documents (they can be in the same email) and named as the condition number to be sent to the investor for clearance (and each PDF may not exceed 10 MB, or will need to be split up into multiple PDFs that do not exceed that size). All eligibility conditions must be met prior to close.

	• If there are loan term changes after investor approval and a new 1003/1008 needs to be submitted to the investor to reflect the term changes, please submit them as a PDF labeled LoanTermRevision (do not use a condition number) and complete the Closed End Second Loan Revision Summary Form, which is available on the Resource Center or at this link: http://www.eprmg.net/ResourceCenter/JumboandNicheProductForms/ClosedEndSecondLoanRevisionSummary.pdf