PRMG
Paramount Residential Mortgage Group, Inc.

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DIAMOND JUMBO

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

Loan Amount[1]	LTV[2]	CLTV[2,3,4]	Purpose[5]	Units[1,7]	Occupancy[1]	Credit Score	Reserves[1]	DTI
$1,000,000	80%	80%	Purch, R&T	1[8,9]	O/O	700	6	43
$2,000,000	80%	80%	Purch, R&T	1[10]	O/O	720	12	43
$2,500,000	65%	65%	Purch, R&T	1[10]	O/O	760	18	43
$1,000,000	80%	80%	Purch, R&T	2	O/O	700	6	43
$2,000,000	80%	80%	Purch, R&T	2	O/O	720	12	43
$1,000,000	70%	70%	Purch, R&T	3-4	O/O	700	6	43
$1,500,000	70%	70%	Purch, R&T	3-4	O/O	720	12	43
$1,000,000	75%	75%	Purch, R&T	1[8,9]	SH	720	6	43[11]
$1,500,000	70%	70%	Purch, R&T	1[10]	SH	720	12	43[11]
$1,500,000	80%	80%	Cash Out[5, 6]	1[10]	O/O	720	12	43
$1,000,000	80%	80%	Cash Out[5, 6]	1[10]	O/O	700	6	43
$1,500,000	80%	80%	Cash Out[5, 6]	2	O/O	720	12	43
$1,000,000	80%	80%	Cash Out[5, 6]	2	O/O	700	6	43
$1,000,000	60%	60%	Purch, R&T	1[10]	N/O/O	760	12	43[11]

1. See First Time Homebuyer, Non-Permanent Resident Alien and transactions with Non-Occupant Co-Borrowers and Co-Signers and Cash Reserves for additional requirements
2. Maximum allowed LTV/CLTV is reduced by 5% if the appraisal indicates declining value.
3. New and existing subordinate financing allowed to program LTV/CLTV (seller financing not allowed)
4. No HCLTV is calculated. HELOCs are included in the CLTV calculation. See Subordinate Financing for details.
5. Cash out not allowed in TX / Texas Section 50 (a) (c) loans not allowed
6. For LTV > 65%, Max Cash Out is $300,000. For LTV <= 65%, Max Cash Out is $500,000.
7. 2-4 Unit PUDs are not allowed
8. Attached O/O Condos not located in AZ, FL, MI or NV: Max LTV/CLTV 75%; Attached O/O Condos located in AZ, FL, MI or NV: Max LTV/CLTV 70%, Attached O/O Condos in all states: max loan amount $1,000,000, 6 months reserves and min FICO 700. Attached SH Condos not located in AZ, FL, MI or NV: Max LTV/CLTV 70%; Attached SH Condos located in AZ, FL, MI or NV: Max LTV/CLTV 65%, Attached SH Condos in all states: max loan amount $1,000,000, 6 months reserves and min FICO 720
9. For high rise condos greater than four (4) stores, reduce maximum LTV/CLTV by 5%
10. Attached Condos not allowed
11. For all loans locked on or after 6/1/2018: DTI for second homes and non-owner-occupied properties is 43%. For all loans locked prior to 6/1/2018: DTI for second homes is 40% and non-owner-occupied properties is 38%

This program requires an Appraisal Review. *

***See Appraisal/Review Appraisal section for additional information**

PRODUCT NAME	• Diamond Jumbo 15 Year Fixed • Diamond Jumbo 30 Year Fixed • Diamond Jumbo 5/1 LIBOR ARM • Diamond Jumbo 7/1 LIBOR ARM • Diamond Jumbo 10/1 LIBOR ARM
ALLOWABLE ORIGINATION CHANNELS	• Wholesale • Retail • Correspondent
MINIMUM LOAN AMOUNT	• Minimum loan amounts are $1 above the Fannie/Freddie Maximum Loan Limits (not including high-cost area limits) All States, except AK and HI: • 1 Unit $453,101 • 2 Units $580,151 • 3 Units $701,251 • 4 Units $871,451 AK and HI: • 1 Unit $679,651 • 2 Units $870,226 • 3 Units $1,051,876 • 4 Units $1,307,176
MAXIMUM LOAN AMOUNT	• $2,500,000

EXPANDED GUIDELINES	• Expanded guidelines covering investor specific requirements, can be found at the following link: http://www.eprmg.net/Diamond-Expanded.pdf
	• If an item is not covered in the guidelines, this program does not waterfall to any Agency guidelines, the investor must be contacted by Corporate to ensure appropriate guidance is provided. TPO customers should contact their Account Executives for information, internal staff can contact PRMG's Deal Desk.
	• Additional information is provided in the Expanded Guidelines on the following topics, however, if it is addressed in this Product Profile, you must follow the product profile requirements if they are more restrictive:
	  • Insurance
	  • Power of Attorney
	  • Ability to Repay
	  • Disaster Policy

PRINCIPAL REDUCTIONS	• **Lender-Paid Transactions:** On transactions where the loan originator is paid by the lender, a principal curtailment is acceptable on Purchase and Refinance loan transaction unless noted below as a result of excess premium rate credit. The excess premium must be identified on the closing statement and is limited to the amount of the excess premium rate credit below. The premium rate credit is the amount associated with the lowest pricing rate option that allows for some or all of the Borrower's closing costs to be paid so the Borrower does not have to pay those closing costs out of pocket. If the premium rate credit is less than or equal to $4,000, then no further documentation is required. For premium credits greater than $4,000, evidence that the next lower pricing option would require the Borrower to pay closing costs out of pocket must be documented in the file. • **Cash Back**: If the program permits, the Borrower may also receive cash back within

	program guidelines in addition to the amount of the curtailment if allowed by the program matrix. • **Borrower-Paid Transactions:** On transactions where the loan originator is paid by the consumer, principal curtailments are not permitted. The premium rate credit may not exceed the amount of third party costs.
COMPLIANCE REQUIREMENTS	• For wholesale loans, initial disclosures must be done by PRMG (brokered disclosed files not allowed) • Closing Disclosure/Documents must be drawn by Corporate Funding/Compliance Department. Please send email with loan number and borrower requesting document to compliancereview@prmg.net • All Clear to Close (CTC) conditions must be cleared before issuing CD • Compliance Department must review initial CD prior to docs. Please send email with loan number and borrower requesting compliance review to compliancereview@prmg.net • Compliance Department must complete final review of file for compliance acceptance prior to funding. Please send email with loan number and borrower requesting review to compliancereview@prmg.net
FUNDING REQUIREMENTS	• Funding not allowed until all eligibility review conditions are cleared • Loans must be funded by designated jumbo/non-conforming/niche funders for region
REQUIRED COMPLIANCE CONDITIONS	• Underwriters must verify that the following conditions have been added to the loan prior to loan approval: • Compliance Department must complete final review of file for compliance acceptance prior to loan funding
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 • Properties located in the state of New York are not allowed (PRMG does not lend in NY) • Multiple (2-4) unit properties in the state of New Jersey are not allowed. • Properties located in any US Territories or US possessions are not allowed. • Loans that are Texas (a)(6) or were ever (a)(6). Texas Cash-out under this program is not allowed. For all Texas refinance transactions, a copy of the previous Note or security instrument is required to document that the new loan is not a Texas (a)(6) transaction. • Properties in Hawaii lava zones 1 and 2 not allowed. (PRMG does not lend in HI) • Loans secured by properties located on Indian (Native American) tribal land or Indian Trust Land or Restricted Land, and/or properties for which Borrower has a leasehold interest in same, are not eligible. • For Nebraska cash out transactions, if the credit or title commitment reflects an alimony/child support judgment/lien, the following is required: subject property mortgage must be in first lien position and title commitment must clearly state that the alimony/child support lien is in subordinate position to the new mortgage. A copy of the subordination agreement or court order must be provided. This requirement is because under the Uniform Interstate Family Support Act, orders for payment of alimony/child support in Nebraska automatically create liens and could impact a first lien position on a cash-out refinance transaction.
EXCLUSIONARY LISTS – PARTIES TO TRANSACTION	• Mortgage Loan transactions under this program are not eligible if any company or individuals who are material parties to the transaction are listed on HUD's Limited Denial of Participation (LDP) list or the Federal General Services Administration (GSA) Excluded Party list. • Both lists must be checked for all parties to the transaction. If any of the names

	appear on either list, the loan is not eligible. • Regardless of the reason for the excluded party, any material party to the transaction included on either list renders the loan ineligible.
DOCUMENTATION	• Standard FNMA full documentation, reduced documentation is not allowed. • See Income Requirements/Limits for specific income documentation requirements • See Income Requirements/Limits for tax transcript requirements • See Income Requirements/Limits for tax return requirements • See Income Requirements/Limits for amended return requirements • See Required Down payment/Source Of Funds sections for asset documentation requirements • The initial and final loan application must be complete, including a 2-year history of employment and residency and all personal information for each Borrower (Social Security number, date of birth, address, and education). If a Borrower's employment history includes unemployment, the application must reflect at least two years of employment, therefore covering a longer period of time. All declaration questions must be marked indicating the method of taking the application: face-to-face, by telephone, or by mail. The interviewer's name and employer must be completed in all cases, and all applications must be signed and dated by the Borrower(s). Final 1003 application for closing must adhere to the requirements above, including the Borrower's complete and accurate financial information relied upon by the underwriter, and be signed and dated by all Borrowers. All debt incurred during the application process and through loan closing must be disclosed on the final application. • For non-self-employed borrowers: Verbal VOE is required to be completed no more than 10 days prior to the note date for wet funding states and escrow states. If the Verbal VOE is completed more than 10 days prior to the funding date, another Verbal VOE should be completed 10 days prior to funding date for escrow states. • For self-employed borrowers: No more than 30 calendar days from to note date (or funding date for escrow states), 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 the borrower is a sole proprietorship and does not use a CPA or accountant and the file contains validation that no business license is required, verification of the business and source of income is still required. Documentation may include copies of current contracts, invoices or business references. Verbal verification to confirm the validity of the documents provided is required. The underwriter must thoroughly investigate that the business, income and proof of business is legitimate. See Income Requirements/Limits for additional Verbal VOE requirements • All loans require IRS transcripts for the personal and business tax returns (for businesses where borrower has 25% or more ownership interest and income from the businesses are being used for qualification.). Transcripts and returns must match.

	• 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. • Letter of explanation for all inquiries within the last 90 days required • If a Borrower signature is required or obtained, then the Borrower signature date must be on or prior to date of consummation of the loan. Generally, AmeriHome will use the notarization date on the Security Instrument as a proxy for “consummation date.”
SECOND REVIEW REQUIREMENTS	• PRMG has delegated authority on this product, but loan subject to second level in-house review. • Underwriter should subject second review requests to JumboReview@prmg.net. • Condo review, if applicable, must be requested separately through condoreviews@prmg.net • Turn time for second review varies based on current workflow, but generally will be 24-48 hours.
DOCUMENT EXPIRATIONS	Credit documentation: • All credit documentation must be dated within 90 days of the Note Date. Income Documentation: • All income documentation (excluding tax returns) must be dated within 90 days of the date the note is signed. Asset Documentation: • The most recent bank statement to verify the source of funds must be dated no more than 45 days earlier than the date of the loan application, and not more than 90 days earlier than the date of the Note. • Preliminary Title or Title Commitment must be no more than 90 days from the note date. • Appraisal: • If the appraisal report is more than 120 days old a new appraisal is required, or it must include an acceptable update. See appraisal section for more information.

ABILITY TO REPAY/ APPENDIX Q/QM STATUS	• Ability to Repay Rule (ATR): All Mortgage Loans in this program, must meet the requirements of the “Ability to Repay” (ATR) Rule in 12 CFR §1026.43(c) (2).
	• The following links provides information directly from the CFPB in regards to Appendix Q:
	• http://www.consumerfinance.gov/eregulations/1026
	• http://www.consumerfinance.gov/eregulations/1026-Q/2013-30108_20140118
	• The following is a link to a PDF with Appendix Q information, although the information directly from the CFPB would supersede this PDF if it has been updated:
	• http://www.eprmg.net/AppendixQtoPart1026.pdf
	• The underwriter must ensure the following is met:
	  ◦ The Borrower's current or reasonably expected income or assets other than the value of the dwelling (including any real property attached to the dwelling) that secures the loan, is in accordance with the ATR/QM Final Rule and the standards in Appendix Q; and
	  ◦ The Borrower's current debt obligations, other continuing obligations, monthly payments on revolving or open-ended accounts, regardless of the balance, (even if the account appears likely to be paid off in 10 months or less), recurring installment debts, alimony, separate maintenance and child support as

	determined in accordance with the Rule and the standards in appendix Q ;and • For which the ratio of the Borrower's total monthly debt to total monthly income at the time of consummation does not exceed 43 percent (or as otherwise restricted in the guidelines) as determined in accordance with the ATR/QM Final Rule and the standards in appendix Q • Consummation date is considered to be the notary date on the security instrument. • Qualified Mortgage (QM) Status: • Maximum points and fees for all loans in this program are limited to 3%. • All loans are covered transactions under Regulation Z and must be Qualified Mortgages meeting the requirements in 12 CFR §1026.43(e)(2). All loans, including loans secured by investment properties, must be underwritten using the standards and methods of the Qualified Mortgage rule where such standards and methods apply. • All covered transactions must be Safe Harbor QM • Rebuttable Presumption QM loans, HPML and HPCT are not eligible • Appendix Q: For the purposes of calculating and documenting income, including the calculation of DTI, all loans must be underwritten using the standards and methods of the Qualified Mortgage (QM) rule in 12 CFR §1026.43 and the Standards for Determining Monthly Debt and Income in Appendix Q to 12 CFR 1026, and except where a more restrictive standard or method is required by this Program Guide or Expanded Guidelines. • Homeownership Counseling Disclosure: A RESPA compliant Homeownership Counseling Disclosure must be provided with initial disclosures and documented in the loan file for all loans • **Under-Disclosed Total Finance Charge Requirement - Overlay to Regulation Z, 1026.23(g), Tolerances for Accuracy:** For all rescindable transactions with total finance charges under-disclosed by more than $35, the following must be documented in the loan file: If discovered prior to close Borrower refund for all under-disclosed amounts was issued, and Rescission was re-opened, and any additionally required waiting period was met before loan close; If discovered post-close: Borrower refund for all under-disclosed amounts was issued, and rescission was re-opened and additional rescission period has expired; For non-rescindable transactions with total finance charges under-disclosed by more than $100, the following must be documented in the loan file Borrower refund issued for all under-disclosed amounts
AUTOMATED UNDERWRITING	• See Below
DESKTOP UNDERWRITER (DU)	• N/A
LOAN PRODUCT ADVISOR (LPA)	• Not allowed • Formerly known as Loan Prospector (LP)
PROPRIETARY U/W ENGINE	• N/A
MANUAL UNDERWRITING	• Required
ELIGIBLE PROPERTY TYPES	• Single Family Residence (attached and detached) • Condos • Planned Unit Development (PUD) (1 Unit only) • 2-4-unit properties • Modular Pre-Cut/Panelized Housing – are treated as SFRs (Manufactured homes are not eligible, see below)

INELIGIBLE PROPERTY TYPES	• Hawaii properties in lava zones 1 and 2 • Hawaii Homeland Leasehold properties • 2-4 Unit PUDs • Mobile homes • Manufactured homes • Co-ops • Log Homes • Earth Houses • Houseboats • Geodesic domes • Working farms, ranches, orchards and/or commercial operations • Property with income producing attributes • Commercial Enterprises (i.e., Bed and Breakfast, Boarding House, Hotel) • Properties with encroachments • Unique properties • Unimproved land • Residences lacking kitchen and full bathroom facilities • Condotel • Hotel Condominiums (Condominium Hotel) • Hotel or motel conversions, or conversions of other transient properties (i.e.; lodge, motor inn, etc.) • Properties in less than average condition • Foreclosed properties located in a state where a redemption period is allowed (allowed in some states for both Tax Sales and Judicial Foreclosures) until: The redemption period has expired AND the foreclosure sale had been confirmed AND clear and marketable title can be obtained. Refer to the Title Insurance policy for title insurance requirements on properties in the redemption period. (Note: The redemption period will be identified on the purchase contract or the title commitment/preliminary title report.) • Land Trusts • Properties currently in litigation • Leasehold Estates • Properties held in a business name • Properties in a Community Development District (CDD) • Properties with C5, C6, or Q6 ratings • Properties with hauled water • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) • Properties that are not suitable for year round occupancy • Acreage: Properties with acreage greater than 15 acres (truncating acreage for appraisal purposes is not allowed) • Assisted Living Projects, board and care facilities • Bed & breakfast, boarding houses • Builder Model Leaseback • Cantilevered Property • Commercial and/or Industrial Properties • Common Interest Apartments (“own your own”) • Conversions, including hotel or motel conversions • Exotic or non-traditional types of structures such as dome homes or log homes, houseboats

	• Hawaii properties in lava zones 1 and 2. See State and Geographic Restrictions. • Kitchen: Property without full kitchen • Land loans (unimproved properties) • Litigation: Property with pending structural litigation. Non-structural litigation may be considered on a case-by-case basis. • Manufactured homes and mobile homes, manufactured home projects • Mixed Use properties • Native American Land: Properties located on Indian (Native American) tribal or Trust Land, or "Indian Leased Land." See Leasehold. • Resale deed restricted properties other than minimum age restrictions (See Deed Restrictions) • Residential properties with a permanently affixed manufactured home on the property • Square Footage: Properties with less than 650 square feet of habitable living space are not eligible • Time share or segmented ownership projects, tax sheltered syndicate • Utilities: Property without full utilities installed to meet all local health and safety standards (e.g.; continuing supply of potable water; public sewer or certified septic system) • Working farms or ranches, hobby farms, hobby ranches or orchards • Year-round occupancy: Properties not suitable for year-round occupancy are not eligible • Zoning: Property that represents a legal, but Non-Conforming use if zoning regulations prohibit rebuilding the improvements to current density in the event of full or partial destruction. Property zoned and used for commercial or industrial purposes (commercial and industrial properties are not eligible)
2 UNITS	• Borrowers may not own any other residential property of equal or greater value in the same area in which the units are located. The mailing address and property address must be verified as the same. If this verification cannot be made, the property must be treated as an investment property.
3-4 UNITS	• Borrowers may not own any other residential property of equal or greater value in the same area in which the units are located. The mailing address and property address must be verified as the same. If this verification cannot be made, the property must be treated as an investment property.

CONDOS	• All projects must be Fannie Mae Warrantable.
	• See the LTV Matrix for condominium restrictions, including credit score, transaction type, reserve and property state requirements.
	• For high-rise condos greater than four (4) stories, reduce maximum LTV/CLTV by 5%. (See the LTV Matrix.)
	Eligible Project Review Types:
	• The condominium project review must be a Fannie Mae PERS or Fannie Mae Lender Full Review with or without CPM (must be submitted to condoreviews@prmg.net, see information below for instructions on condo review submission)
	• Full Reviews must be completed within 180 days of the Note date. PERS approval must be valid (unexpired) as of the Note date.
	• Must use Diamond Condo Project Questionnaire (which is Fannie Mae's 1076 form with an addendum), which can be found on the Resource Center or at the following link:
	  • http://www.eprmg.net/ResourceCenter/JumboandNicheProductForms/DiamondCondoFullReviewWarrantableQuestionnaire.pdf
	  • Equivalent form may also be used

	• Established condominium projects only – new condominium projects or projects subject to further phasing or annexation are not eligible.
	• Condominium conversions must be completed and sold more than 3 years prior to application date. No units may have been sold to the developer.
	• 2-4 unit PUD projects, are not eligible.
	• PRMG (through submission to condoreviews@prmg.net*)* must warrant that the condominium projects are warrantable and meet Agencies eligibility standards.
	• Loan file must contain the following:
	    • The loan approval with the Type/Class indicated on the form
	    • A completed copy of the appropriate Condo Warranty Check Sheet.
	    • HOA Certification
	    • An attorney opinion letter, if applicable.
	• When a Full Lender Reviews is utilized, they are only eligible when submitted by the fulfillment center to condoreviews@prmg.net with the Condo Review Submission form and required documentation and an approval on the project is issued through Condo Reviews. Once a complete package is received, typical turn time is 48-72 business hours. Request for condo review should be submitted by the fulfillment center after underwriting approval has been issued and will be a PTD condition.
	    • The Condo Review Submission form can be found on the Resource Center or at the following link: http://www.eprmg.net/PRMGFullCondoReview.pdf *(*but must use Diamond Condo Full Review Warrantable Questionnaire (Fannie Mae's Form 1076 plus addendum) – no other questionnaire will be accepted.
	• 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), and current annual budget
	• Projects in current or pending litigation are subject to review and approval of litigation and must provide the following information:
	• Detailed outline of each lawsuit(s):
	    • plaintiff
	    • defendant
	    • reason for lawsuit
	    • damages being sought, etc. (damages cannot be unknown)
	    • Stage of the lawsuit. (The lawsuit cannot be subject to additional/pending damages or allegations)
	• If an appraisal has been obtained, the appraiser needs to indicate any effects of the lawsuit on the marketability of the unit.
	• Provide a copy of the master policy evidencing sufficient liability to cover judgments against the HOA.

INELIGIBLE CONDO TYPES	• New condominium projects or projects subject to further phasing or annexation are not eligible. • Non-warrantable condominiums • Condo-Hotel • Condominium leaseholds • Cooperative • Common Interest Apartments also known as community apartment project or "own your own". A project in which individuals have an undivided interested in a residential apartment building and land and have the right of exclusive occupancy of a specific unit in the building. The project or building is often owned by several owners as tenants in common or by a homeowners' association.

	• Hotel or motel conversions (or conversions of other similar transient properties) • Houseboat projects • Investment Securities project that have documents on file with the Securities and Exchange Commission or projects where unit ownership is characterized or promoted as an investment opportunity • Manufactured home projects • Multi-family condominium dwelling with ownership of more than one unit evidenced by a single deed and mortgage • Projects that permit lockout units are considered multi-family • New projects where the seller is offering sales/financing contributions/concessions in excess of established limitations for individual loans • Projects where the homeowners' association is named as a party to pending litigation or any project that has not been turned over to the homeowners' association for which the project sponsor or developer is named as party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project • Projects that restrict the owner's ability to occupy the unit, have mandatory rental pools or guaranteed rent-backs • Projects where more than 20% of the total space is used for nonresidential purposes • Projects where a single entity owns more than 10% of the total units in the project • Projects with recreational leases • Projects with non-incidental business operations owned or operated by the homeowners' association such as, but not limited to, a restaurant, spa, health club, etc. • PUD and condominium projects that represent a legal but nonconforming use of the land; if zoning regulations prohibit rebuilding the improvements to current density in the event of its full or partial destruction Time share or segmented ownership projects • 2-4 unit PUDs.
NON-WARRANTABLE CONDOS	• Not allowed.

PLANNED UNIT DEVELOPMENTS (PUDS)	• 1 unit PUDs only
	• Ineligible PUD types:
	    • 2-4 units
	    • PUDs with sales/financing concessions
	    • Conversions
	    • Investment Securities project
	    • PUDs with recreational leases or timeshares
	    • PUDs with litigation
	    • Mixed Use
	    • Non-Residential use
	    • PUDs with occupancy restrictions
	    • PUD projects where a single entity owns more than 10% of the total units in the project
	    • PUDs with zoning restrictions

HOBBY FARMS	• Not allowed
PROPERTIES WITH DEED RESTRICTIONS	• 55 and Older restricted properties only • Primary (principal) residence or second home only • 1 unit only • Must have "Housing Developments - Subject to Age Restrictions" form completed (See Forms section in FastTrac)

LEASEHOLD PROPERTIES	• Not allowed
MAXIMUM ACREAGE	• Maximum 15 acres
MULTIPLE PARCELS AND TAX ID NUMBERS	• Not allowed.
UN-PERMITTED ADDITIONS	• Not allowed.
CONSTRUCTION TO PERMANENT FINANCING	• Not allowed. • Loans to finance the initial construction of a dwelling, or (one time close) construction-to-permanent loans, or construction to perm financing when Borrower held title to property during the construction phase are not eligible
OCCUPANCY	• Primary Residence (O/O), Second Homes (SH)
OWNER OCCUPIED	• The occupant borrower(s) must intend to occupy as his or her principal residence, for the majority of the year, within 60 days of closing and for at least one year after. The loan documents must provide that the loan may be declared in default if the borrower makes misrepresentations for any provision of the application, including occupancy. • For refinances, the borrower must reside in and hold title to the subject property at the time of application.
SECOND HOME	• 1-unit property that the Borrower occupies for some portion of the year in addition to his or her primary residence. • The property must be suitable for year-round occupancy and must not generally be located in the same market area as the Borrower's primary residence. • Non-occupant Borrowers, co-signers and guarantors are not allowed. • Second homes may be located in a major metropolitan area that the Borrower visits on a regular basis with a letter of explanation from the Borrower stating the reason that the home is not located in a vacation/resort area. • Transactions where the property is being purchased for occupancy by someone other than the Borrower will be considered an investment property and are not eligible for this program. • The Borrower must have exclusive control over the property and the property must not be subject to any kind of time sharing agreement, rental pools, or agreements that require the Borrower to rent, share or give management firm control over occupancy. See Property Eligibility. • Rental income may not be used to qualify the Borrower. Occasional season rental is permitted. Reporting rental income on the Borrower's personal tax returns does not contradict second home status, but must be minimal. The hazard insurance policy may not contain any coverage for loss of rent.
NON-OWNER OCCUPIED	• An investment property is owned but not occupied by the borrower, regardless of revenue generation. The property must be suitable for year-round rental and occupancy.
ELIGIBLE BORROWERS	• U.S. Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens • All Borrowers must be individual, natural persons who are citizens of the United States or of a US Possession or Territory. • A maximum of 4 borrowers per loan application are allowed • Must have a valid Social Security Number • Registered Domestic Partners are treated the same as spouses • The identity must be confirmed for each Borrower whose credit is used for loan qualification. • Evidence of a valid Social Security number is required for all Borrowers. Acceptable

	documentation for a Social Security number includes, but is not limited to, a valid Social Security card, a current paystub, W2, or tax transcripts. Any Social Security number discrepancies that are identified must be resolved.
	• INELIGIBLE BORROWERS:
	  • Loans to owners and employees of PRMG, its subsidiaries or affiliates, or broker/correspondents are not allowed.
	  • Non-individual legal entities such as corporations, general or limited partnerships, LLCs, real estate syndications, or investment trusts are not allowed
	  • Borrowers with diplomatic immunity, or "foreign politically exposed" Borrowers are not allowed
	  • Foreign Nationals, Non-Resident Aliens are not allowed
	  • Borrower must take title in individual names, no trusts, etc. allowed
	  • Title may not be held in a business name
	  • Inter Vivos Revocable Trusts not allowed
	  • Irrevocable Trusts, Blind Trusts, Land Trusts, Limited/General Partnerships and Corporations are not permitted

PERMANENT RESIDENT ALIENS	• A permanent resident is a non-U.S. citizen who is legally eligible to maintain permanent residency in the U.S. and holds a Permanent Resident card. Document legal residency with one of the following: • A valid and current Permanent Resident card (form I-551) • A passport stamped "processed for I-551, Temporary evidence of lawful admission for permanent residence. Valid until_______. "Employment authorized." This evidences that the holder has been approved for, but not issued, a Permanent Resident card. See http://www.uscis.gov/ for more information.

NON-PERMANENT RESIDENT ALIENS	• Allowed
	• A non-permanent resident is a non-U.S. citizen who lawfully enters the US for specific time-periods under the terms of a Visa. A non-permanent resident status may or may not permit employment. Verification of one of the following is required:
	  • Unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS)
	  • One of the following Visas: H series, L, E-1, G series and TN Visa
	  • For further information see http://www.uscis.gov/
	  • Expiring Visas: If the authorization for temporary residency status will expire within one year and a prior history of residency status renewals exist, continuation may be assumed. If there are no prior renewals, the likelihood of renewal must be determined, based on information from USCIS.
	  • A valid passport, letter from employer/sponsor and an I-94 proving work authorization
	• Primary Residence only
	• Maximum LTV/CLTV for 1-2 units is 75%
	• Maximum LTV/CLTV for 3-4 units is 70
	• Borrowers under Deferred Action, the Dreamer's Act or DACA (EAD Code C33, C14, etc.) are not eligible. Although, these individuals may have been granted permission to remain in the U.S. for a period of time, DACA/Deferred Action does not grant a legal status. PRMG requires all borrowers to document proof of legal residency in the U.S. Additionally, they must follow the applicable guidelines for income (typically 2 year history and likely to continue for 3 years as applicable.) A borrower with DACA/Deferred Action status would not be able to meet the borrower eligibility documentation requirements (i.e., green card or meet applicable agency standard guidelines for income) and therefore is not be eligible.

FOREIGN NATIONALS	• Not Allowed

NON OCCUPYING CO-BORROWERS	• Allowed. • Owner Occupied, Purchase or Rate/Term only (Cash out is not allowed) • Max LTV/CLTV is 75% for 1-2 Units • Max LTV/CLTV is 70% for 3-4 Units • Max Qualifying DTI for the Occupant Borrower is 43%. • Occupant Borrower must make the minimum contribution required for the program from their own funds. • Must be a family member • A party with an interest in the property sales transaction (Including but not limited to the builder, seller, or real estate broker) is not eligible as a non-occupant co-borrower. • All non-occupant co-borrower must provide verification of income if income is used to qualify. • Must sign the note. • Must meet Credit Report requirements, including Credit Score and Qualifying Score. • All Borrowers whose income is being used for qualifying purposes must also meet Credit History requirements.
FIRST TIME HOMEBUYERS	• A transaction is considered to be a First-Time Homebuyer Transaction if all of the individual occupying applicants: a) Are purchasing the security property, and, b) Will reside in the security property, and c) Had no ownership interest (sole or joint) in a residential property during the three-year period preceding the application date as verified by: The Declarations section of the Uniform Residential Loan Application, or Credit report indicating no mortgage tradeline with the three-year period preceding the application date • Max loan amount $1,250,000 • 1 Unit only • Owner Occupied (principal residence) only • For first-time homebuyer borrowers currently renting, verification of 12-months rental payments is required as documented by: • 12-months cancelled checks or bank statements • A direct written verification of rent is acceptable in lieu of cancelled checks when the landlord is a large management company. • Borrowers living rent free: Provide letter of explanation. • See Reserves, Payment Shock, and Housing Payment sections for additional requirements
POWER OF ATTORNEY	• Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group • In certain situations, a specific, special, military, or limited Power of Attorney (POA) may be acceptable. • Use of Power of Attorneys is not allowed for transactions with any of the following characteristics (not all characteristics may be applicable to this program): cash-out refinance; non-owner occupied (investment) properties; title taken as trust; Texas (a)(6); identity of interest or non-arms-length transactions; non-occupant borrowers may not use a POA. • A written statement that explains the circumstances of the use of the POA must be included in the loan file. • Must also meet requirements as outlined in Expanded Guidelines
LEXIS-NEXIS SEARCH REQUIREMENT	• 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):
	• Short Sale Purchase
	• Property Flips <= 180 days
	• Contractors on a 203K loan
	• For Sale by Owner (FSBO) required for all except:
	    • 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	• 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):
	    • 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	• 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:
	    • VOE only used (when allowed by AUS) and not supported by paystub/W2 and
	    • Wholesale and Correspondent channels only (not required for retail channel)
	• A revalidation of the VOD is required by the QC Department for the if the following is used:
	    • VOD only used (when allowed by AUS) and not supported by bank statements and
	    • Wholesale and Correspondent channels only (not required for retail channel)
	• Note: A Borrower Authorization in name of PRMG may be required to obtain VOD or VOE revalidation if requested by the verifying institution.

INCOME REQUIREMENTS/LIMITS	• 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 borrowers must be qualified using current verifiable income, not projected income. **UNDERWRITER’S INCOME ANALYSIS WORKSHEET** • Income Analysis Worksheet: An underwriting worksheet or written details documenting income, debt, and debt-to-income ratio calculations must be in the loan file, supporting the data on the 1008, and must demonstrate the Borrower’s Ability to Repay. The analysis must include the underwriter’s written justification and

	calculation methodology for any non-standard income (e. g. bonus, overtime, rental, commission). The analysis must include support for any debts that are excluded from the debt-to-income ratios. • 1008: The completed, signed 1008 must be provided in the delivered loan file. **EMPLOYMENT INCOME DOCUMENTATION** • Employment verification and income documentation are not required if income from that source is not being used to qualify. • Any change in income (salaried or self-employed) over 15% from the previous year, either increasing or decreasing, requires a letter of explanation from the borrower and the underwriter's reasoning for using the income • **Employment Related Income Defined**: Salary, wage and commission income are considered to be "Employment Related" by the definition provided in Appendix Q. • **Income Analysis for Employment Related Income**: Unless otherwise, employment related income must be calculated using the requirements of Appendix Q, including Section I, Consume Employment Related Income. • **Duration:** To be considered for qualifying purposes, base pay, bonus, and overtime income must have been received for a minimum of two years. If a Borrower does not meet the employment history requirement for the two years prior to the date of the loan application, and was previously in school or the military, obtain copies of the Borrower's diploma/transcripts or discharge papers. To be considered for qualifying, all income must be reasonably expected to continue for the first 3 years of the mortgage. • **Change of Positions**: If the Borrower has recently changed positions with their employer, determine the effect of the change on the Borrower's eligibility and opportunity to receive any bonus or overtime pay in the new position. Documentation from the employer is required to determine if the bonus or overtime will continue at least the same or greater level. • **Variable Income**: A 2 year history of receipt of all variable income (such as bonus or commissions) is required. A level, upward or previously declining but stabilized trend in earnings must be established. If the trend is declining, the income may not be stable. Additional analysis must be conducted to determine if any variable income should be used, but it may not be averaged over the period when declination occurred. • **Employment Income Documentation Requirements**: At a minimum, employment related income must be supported by all of the following as they apply. • **Paystub Requirement**: Most recent year-to-date paystubs covering 30 consecutive days of earnings; providing adequate evidence of any overtime, bonus and/or commission income being used to qualify; must include gross earnings for the current pay period and year-to-date earnings for the most recent 30-day period; must be dated no earlier than 30 days prior to the loan application; if Borrower is paid hourly, the number of hours worked and year-to-date income must be noted on the paystubs or other documentation. Paystub Requirement is not met if the employer does not provide a computer-generated or typed paystub. When the Paystub Requirement is not met, the most recent year's income tax returns and a written verification of employment, VOE, completed in its entirety are both required. • **W2s:** Most recent 2 years W2s, clearly identifying the Borrower as the employee and the employer name are required for each source of employment income. • **Written VOE**: If bonus and/or commission income is being used to qualify, a verification of employment form must be used to confirm ongoing employment and break out bonus and commission earnings, and a written VOE is required if the Paystub Requirement cannot be met. See Paystub Requirement above. A written

	VOE may not be used in lieu of 2 years W2 forms and current paystubs and may not be used as "stand alone" documents for purposes of verifying the Borrower's income and employment. • **Verbal VOE, Pre-Funding**: Is required for each current employer. See Verbal Verification of Employment below. • **Personal Tax Return Requiremen**t: If a Borrower's qualifying income is limited to salaries or wages reported on IRS Form W2, personal tax returns are not required (if the Paystub Requirement has been met). For all other Borrowers, at least two years of signed and dated personal tax returns are required. See Personal Tax Return Requirements. • **Business Tax Returns Requirement**: If any of the Borrower's W2 employment earnings are being generated by a business in which the Borrower has a 25% or greater ownership interest, then the Borrower is considered to be Self-Employed. See Self-Employment and Non Employment Related Income for requirements. • **Family Owned Busines**s: If a business generating any of the Borrower's W2 employment earnings is family owned, the Borrower is considered Self-Employed unless: A letter is obtained from the business accountant verifying that the Borrower does not have a 25% or greater ownership interest in the business (and stating the actual ownership interest), and Borrower provides signed copies of 2 years personal tax returns supporting no ownership interest, Appendix Q, I.C.1.a, or a signed copy of the corporate/business tax returns is provided showing Borrower's ownership percentage as less than 25%, Appendix Q, I.C.1.b. **INELIGIBLE EMPLOYMENT INCOME SOURCES** • **Ineligible Employment Income**: (1) Any income source not meeting the requirements of this program guide or Appendix Q, and; (2) Employment-related assets (e. g. "amortized assets" or "asset depletion"); (3) Foreign income – sources outside of the United States; (4) Future income (also see Teachers); (5) Income determined to be temporary or one-time in nature; (6) Retained earnings in a company; (7) Stock options; (8) Taxable forms of employment income not declared on personal income tax returns; (9) Trailing co-Borrower income; (10) Unverifiable income; (11) Income derived from an activity that is deemed illegal by federal or state law for example, income derived from a business that is legal by state law but illegal by federal law, cannot be considered. **BONUS AND OVERTIME** • **Bonus and Overtime**: Bonus or overtime income may be acceptable if it has been for a period of more than two years. Documentation: All of the following are required: (1) Current paystub(s), and (2) Most recent two year's W2s, and (3) Verbal Verification of Employment, see Verbal Verification of Employment, and (4) Written Verification of Employment (VOE). **COMMISSION INCOME** • **Commission Income**: Commission income may be acceptable if it has been received for at least two consecutive years. Documentation: For all Borrowers whose commission earnings are being used to qualify, irrespective of the percentage of that Borrower's total annual income, all of the following are required: (1) Most recent paystub(s), and (2) Most recent two year's W2s or 1099s, and (3) Most recent two year's personal income tax returns with all schedules, and (4) Verbal Verification of Employment, (see Verbal Verification of Employment) **MILITARY INCOME** • **Military Income**: Military personnel may be entitled to different types of pay in addition to their base pay. Hazard or flight pay, rations, clothing allowance, quarters allowance and proficiency pay may be counted as income if they are verified as

	regular and continuous. Reserves or National Guard - Not Called to Active Duty: Military Reservists who have not been called to active duty may use their military reserve income to qualify, as long as they can provide a two-year history of receipt of the income. Reserves or National Guard - Called to Active Duty: If one of the Borrowers is on active duty or was called to active duty after the loan application was taken, comply with the following: (1) The Borrower must certify that the subject property is his or her primary residence; (2) The subject property must be vacant (unless occupied by a spouse or legitimate immediate family member), will remain vacant and will again be the Borrower's primary residence when the temporary assignment is completed (1) The subject property cannot be rented or tenant occupied; (2) The Borrower must certify that he or she will return to the subject property as his or her primary residence upon completion of the temporary assignment; (3) The Borrower must provide documentation regarding the temporary assignment (orders supporting the assignment including duration). Borrower Qualification: If the loan is a primary residence, Rate and Term Refinance and mortgage payment is not changing or is being reduced, qualify the Borrower using the Borrower's current job and income; If the loan is: Purchase, Cash-out Refinance, or Rate and Term Refinance and the Borrower's payment is increasing; or second home purchase or refinance; then use the lesser of the Borrower's reservist pay or their current job (or a combination of reservist pay and current job pay i.e. current employer pays reservist their standard pay minus reservist income). **"OTHER" EMPLOYMENT INCOME** • **Automobile allowances** are considered stable income if the income has been received for the past two years. Include all associated business expenditures in DTI. Either cash flow or income and debt approach may be used to qualify. If not reported on 2106, then use income and debt approach- adding the allowance to monthly income and showing the lease in the Borrower's debt. • **Multiple Employers**: A Borrower may have a history that includes different employers (e.g. nurses, union employees) as long as the income has been consistently received. • **Non-taxable Income**: If the income is verified as non-taxable, and the income and tax-exempt status are likely to continue, the percentage of nontaxable income that may be added to the consumer's income cannot exceed the appropriate tax rate for the income amount. • **Part-time Income and Second Jobs**: A Borrower should have a minimum of two years of uninterrupted history on all part-time, second or multiple jobs in order to include the income for qualification purposes. Part-time and Second Job Documentation: Follow documentation requirements for the specific second job type (Employment Income, Self-Employment Income). • **Seasonal Income**: Seasonal part-time or seasonal second job employment may be acceptable if the Borrower has worked in the same job or same line of seasonal work for the most recent 2 years. Provide ALL of the following: Most recent paystub(s), if available, and most recent two year's W2s or personal income tax returns with all schedules, and written confirmation from the Borrower's employer that there is a reasonable expectation that the Borrower will be rehired for the next season. • **Teachers**: Annual salary must be verified. 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 all of the following: copy of contract, and written verification of employment, and Verbal Verification of Employment. Borrowers with a contract for their first year of employment with the school district must be on the job prior to

	closing. For teacher income paid over a 10-month period and obtaining financing during the summer months when income is not being received, provide all of the following: Final year-end paystub from the school, and Verbal Verification of Employment, and copy of the contract or other document indicating that the Borrower is paid over a 10-month period. Qualify the Borrower based on the income received on the final year-end paystub. • **Tip Income**: Must have been received for 2 years. Provide current paystubs and most recent 2 years W2s. • **Unemployment Benefits**: Unemployment benefits, such as those received by seasonal workers, must have been received for the past two years and be predictable and likely to continue for the next three years from the date of the application. Provide all of the following: Most recent two year's personal income tax returns with all schedules and Income must be clearly associated with seasonal layoffs and expected to recur. **PART-TIME TO FULL TIME** • **Part-time to Full Time**: Borrower must meet the 2 year's receipt of income requirement. If the Borrower does not meet the employment history requirement for the two years prior to the date of the loan application, and was previously in school or the military, obtain copies of the Borrower's diploma/transcripts or discharge papers. **EMPLOYMENT GAPS** • **Employment Gaps**: For Borrowers with employment gaps within the past two years, the following are required: 1. Written letters of explanation for employment gaps over one or more months in the last two years must be provided. In addition, for borrowers who are re-entering the workforce after an extended absence may have stable employment if the following are met: 1. The borrower has been employed in his or her current job for six months or more. 2. A two-year work history prior to the absence from the workforce is documented. Note: A state or federally protected leave is not considered to be an extended absence from employment. **FURLOUGHED BORROWERS** • **Furloughed Borrowers**: Borrowers (with employment) in a state with an active furlough policy must qualify with the reduced income. Payments from a third party (credit union or other source) to supplement unfunded budgets are not permitted, even if the source is approved by the employer. Full pay may be used if there is evidence from the employer or third party documentation that the furlough will end within the next 60 days. **TEMPORARY LEAVE** • **Temporary Leave**: Temporary leave from work is generally short term in duration and for reasons of maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or the Borrower's employer. If a Borrower is currently receiving short-term disability benefits that will decrease to a lesser amount within the next three years because they are being converted to long-term benefits, the long-term benefits must be used as qualifying income. It must be determined that during and after temporary leave, the Borrower has the capacity to repay the mortgage and all other monthly obligations. Return to Work Prior to First Mortgage Payment Will be Due: (1) Use the regular employment income received prior to leave. Return to Work After First Mortgage Payment Will be Due: (1) Use the lesser of the leave income or pre-leave regular employment income. (2) If the leave income is less than the pre-leave regular employment income: (a) Supplement with available liquid reserves; (b) Total qualifying income may not exceed the gross monthly income received upon return to work; (c) Assets

	required to support the payment may not be counted towards available reserves. The following documentation is required: (a) Verification of pre-leave regular income and employment history; (b) No evidence or information from employer indicating Borrower does not have the right to return to work after leave period; (c) Written confirmation of intent to return to work and agreed upon date of return are both evidenced by documentation by the employer (or third party service); (d) Verbal Verification of Employment; the Borrower is considered employed if the employer confirms the Borrower is currently on temporary leave; (e) Amount and duration of Borrower's temporary leave income; (f) Amount of regular employment income the Borrower received prior to leave; (g) All available liquid assets used to supplement the reduced income for the duration of leave must be verifiable **VERBAL VERIFICATION OF EMPLOYMENT** • **Verbal Verification of Employment (VVOE) Requirement**: A VVOE to confirm the Borrower's current employment status is required for each Borrower within 10 business days prior to the Note date (or funding date for escrow states) for employment income. (For self-employed Borrowers, see Self-Employment VVOE). If a verbal verification cannot be obtained, a written verification of employment must be utilized to confirm employment and must be completed within the same timeframe as a verbal verification of employment. See below for additional information • **VVOE Military**: For Borrowers in the military, a military Leave and Earnings Statement (LES) dated within 30 calendar days from closing (or funding date for escrow states), or 31 days for longer months, is acceptable in lieu of a verbal verification or a verification of employment through the Defense Manpower Data Center. • **VVOE Phone Number**: The lender must independently obtain the phone number and address for the Borrower's employer. • **Verbal Verification of Employment Contents**: A VVOE must contain all of the following information: (1) Date of contact; (2) Borrower's date of employment, employment status and job title; (3) Name, phone number and title of individual contacted at entity, and entity name; (4) Name and title of associate contacting employer **SELF-EMPLOYMENT INCOME – GENERAL REQUIREMENTS** • **Self-Employment Income – General Requirements**: Self-employment, Schedule C and Schedule F documentation are not required if income from those sources is not being used to qualify. Definition: A Borrower is considered to be self-employed if any of the following conditions are true: (1) If the Borrower has a 25% or greater ownership interest in a business (including a business than generates a Borrower's W2 earnings) or receives 1099s to document income then the Borrower is considered to be self-employed. (2) Borrowers who file an IRS form Schedule C or Schedule F are considered to be Self-Employed. Income Analysis: Unless otherwise stated in this Program Guide, self-employment related income must be calculated using the requirements of Appendix Q, including Section I.D. General Information on Self-Employed Consumers and Income Analysis. Duration: Evidence that the Borrower has at least two consecutive years of self-employment operating the same business in the same general location is required to demonstrate sufficient income stability for the income from that business to be considered in qualifying. Documentation Requirements: All of the following are required (1) Personal Tax Returns: Most recent two years of signed and dated personal tax returns with all schedules are required for all Borrowers who are considered "self-employed." See Personal Tax Return Requirements. (2) Business Tax Returns: Two years of business

	tax returns are required. See Business Tax Return Requirements. (3) P & L and Balance Sheet: A year-to-date Profit and Loss Statement and Balance Sheet must be obtained for each sole proprietorship filing Schedule C or Schedule F, when income from that business is being used to qualify. See Profit and Loss Statement and Balance Sheet Requirements. P & Ls and Balance Sheets are not required to be signed and dated, but if they are signed and dated, the signature date must be prior to the loan consummation date. (4) VVOE - Self-Employed Confirmation of Employment: See Self-Employment Confirmation of Employment. (5) Income Analysis Worksheet: An underwriting worksheet or written details documenting income, debt, and debt-to-income ratio calculations must be in the loan file, supporting the data on the 1008, and must demonstrate the Borrower's Ability to Repay. See Underwriter's Income Analysis Worksheet. The analysis must include the underwriter's written justification and calculation methodology for any non-standard income (e. g. bonus, overtime, rental, commission). The analysis must include support for any debts that are excluded from the debt-to-income ratios. 1008: The completed, signed 1008 must be provided in the delivered loan file. • Other Real Estate Owned: See Other Real Estate Owned – Liabilities, and Other Real Estate Owned - Income. **NON-EMPLOYMENT RELATED INCOME – GENERAL REQUIREMENTS** • **Non-Employment Related Income – General Requirements**: Documentation of non-employment related income is not required if income from those sources is not being used to qualify. Non-Employment Related Income: "Other" forms of income are referred to as "Non-Employment Related Income" in Appendix Q and for purposes of these requirements. For example: Alimony, child support, investment, trust, rental and benefit income are considered to be Non-Employment Related Income sources. **INELIGIBLE SELF-EMPLOYMENT AND NON-EMPLOYMENT RELATED INCOME** • **Ineligible Self-Employment and Non-Employment Related Income Types**: Includes any income source not meeting the requirements of this Program Guide or Appendix Q, and the following: Foreign Income – income from sources outside of the United States; Future income; Income derived from Farming, when the subject property is being used for a specific purpose, such as a vineyard or bottling barns, Gambling, Sources outside the United States, Subject property with land being leased to another party; Income determined to be temporary or one-time in nature; Lump sum payments of lottery earnings, inheritances or lawsuit settlements that are not on-going (for at least the first 3 years of the mortgage, Appendix Q); Mortgage credit certificates; Incidental income received from farming/agricultural use of a property; Rental income received from the Borrower's single family primary residence or second home; Retained earnings in a company; Stock options; Taxable forms of personal income not declared on personal income tax returns; Trailing co-Borrower income; Unverifiable income; VA education benefits. Income derived from an activity that is deemed illegal by federal or state law, for example, income derived from a business that is legal by state law but illegal by federal law, cannot be considered. • Non-employment income documentation is not required if income from those sources is not being used to qualify. **OTHER NON-EMPLOYMENT INCOME DOCUMENTATION:** • **Income Analysis**: Unless otherwise stated in this Program Guide, non-employment related consumer income must be calculated using the requirements of Appendix Q, including Section II, Non-Employment Related Consumer Income. .

	• **Alimony and Child Support**: Alimony and child support payments will be considered provided the payment terms confirm that the income will continue for the first 3 years of the mortgage. For child support, if the child's age is not clearly defined, obtain additional documentation to ensure that income can be expected to continue for the first 3 years of the mortgage. Provide a copy of the legal agreement and evidence of stable receipt for at least the past 6 months. • **Asset Depletion**: Not allowed • **Boarder Income**: Not allowed. • **Capital Gains**: 2 years history and sufficient assets must remain to generate ongoing income at the level used for qualifying for 3 years. • **Employment Related Assets**: Annuitization of Employment-Related Assets as Qualifying Income" ("amortized assets" or "asset depletion") not allowed in this program. • **Foster Care Earnings**: Provide letter from organization providing the income and copies of deposit slips or bank statements confirming regular payments. • **Interest and Dividend Income**: Must document assets not depleted and are sufficient to continue for first 3 years of mortgage. May be used as long as tax returns or account statements support a two year receipt history. This income must be averaged over the two years. Subtract any funds that are derived from these sources, and are required for the cash investment, before calculating the projected interest or dividend income. • **Long-term Disability**: Documented long-term disability can be assumed to be on-going. • **Non-taxable Income**: If the income is verified as non-taxable, and the income and tax-exempt status are likely to continue, the percentage of nontaxable income that may be added to the consumer's income cannot exceed the appropriate tax rate for the income amount. • **Notes Receivable**: Two years history required. Provide all of the following: 1. Copy of Note, 2. most recent 2 years personal income tax returns with all schedules showing receipt of Note income, and 3. Bank statements showing regular deposit of funds. Must continue for first 3 years of new loan. • **Other Real Estate Owned**: See Other Real Estate Owned. • **Public Assistance**: Provide two-year history of receipt of income and letters or exhibits from the paying agency establishing the amount, frequency and duration of these payments. Must be expected to continue for at least first three years of loan. • **Retirement, Pension, Annuity and IRA and 401(k) Distributions**: Requires evidence of continuance for first 3 years of mortgage. (Evidence of continuance of corporate, government, social security, VA, or military retirement/pension need not be documented). To establish the monthly income for qualifying purposes, provide copy of award letter or documentation from the organizations providing the income, and one of the following: (1) Most recent personal income tax return with all schedules, or (2) Most recent W2 or 1099, or (3) Most recent two months bank statements showing deposit of funds. The Borrower must have unrestricted access without penalty to the accounts. Provide one of the following: Copy of award letter or letters from the organizations providing the income, or most recent personal income tax return with all schedules, or most recent W2 or 1099, or most recent two months bank statements showing deposit of funds. If the borrower recently has set themselves up on self-directed distributions, in addition to the evidence of three year continuance, evidence of current receipt with the two months' worth of bank statements showing consistent deposits that match what the borrower documents as being their monthly distributions required. See Asset- Reserves requirements on

	the use of retirement accounts as cash reserves. • **Royalties**: Ongoing income received from royalty payments, such as income from a work paid to its author or composer may be eligible. Provide all of the following: Documentation that income can be expected to continue for first 3 years of mortgage, and 2 years personal income tax returns, and most recent 12 months bank statements showing deposit of funds. • **Social Security Income**: SS income for retirement or long-term disability will not have a defined expiration date and therefore is expected to continue. However, if not for retirement or long-term disability, confirm that the remaining term is expected to continue for first 3 years of mortgage. Provide one of the following: Social Security Administration's award letter, or most recent personal income tax returns with all schedules, or most recent SSA-1099, or most recent bank statements showing deposit of the funds. • **Trust Income**: Confirm trust income continuance for first 3 years of mortgage. Provide a copy of the Trust Agreement or Trustee Statement to document the following: Total amount of designated trust funds, and Terms of payment, and Duration of trust, and what portion, if any, of income to Borrower is not taxable. If the Trust Agreement or trustee's statement does not provide the historical level of distributions, one of the following must be provided: Most recent two year's personal income tax returns with all schedules, or most recent two year's 1041 fiduciary tax returns with all schedules. Note: A Borrower's trust income may be taxed at a lower rate or it may be part of a partnership that writes off losses, which may result in no tax liability. Trust income is reported on the 1041 fiduciary income tax return, which includes a K-1 schedule. All beneficiaries of trust income receive IRS Form K-1 from the trust. • **VA Benefits**: Provide letter or distribution form from VA verifying that income can be expected to continue for three years. (Retirement and long-term disability can be expected to continue). **PARTNERSHIPS, LLCS, S CORPS, CORPORATE EARNINGS:** • For self-employment income (or losses) derived from Partnerships, LLCs, S Corps and Corporations, follow Appendix Q. Underwriters may, but are not required to, follow the stricter requirements of Fannie Mae found in the Fannie Mae Selling Guide, including: B3-3.2.1-08 Income or Loss Reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1, B3-3.2.2-01 Analyzing Partnership Returns for a Partnership or LLC, B3-3.2-02 Business Structures. **SELF-EMPLOYMENT LOSSES** • **Self-Employment Losses:** Net losses from self-employment and non-employment related sources must be deducted from qualifying income regardless of the longevity of the business activity, unless the business or activity producing the losses is documented to be discontinued. • Schedule C or F net losses must be deducted from qualifying income regardless of the longevity of the business activity, unless the business producing the losses is documented to be discontinued. **SELF-EMPLOYED CONFIRMATION OF EMPLOYMENT (VVOE)** • For each business the Borrower owns for which income is being used to qualify, a Self-Employed Confirmation of Employment (VVOE equivalent) is required to confirm the existence of the business through a third-party source within 30 calendar days prior to the Note date (or funding date for escrow states). • **Self-Employed Confirmation of Employment (VVOE) Requirements:** (1) Verification of the existence of the Borrower's business from a third party, such as a CPA or Accountant, regulatory agency, or the applicable licensing bureau, and (2)

	verify the listing and address for the Borrower's business using a telephone book, the internet, or directory assistance, and (3) if contact is made verbally with a third party, document the source of the information obtained and the name and title of associate. • If a verbal verification cannot be obtained, a written verification of employment must be utilized to confirm employment and must be completed within the same timeframe that would be required for a Verbal Verification of Employment (VVOE) **PROFIT AND LOSS STATEMENT AND BALANCE SHEET REQUIREMENTS** • Profit and Loss Statement and Balance Sheet are not required if net earnings are positive and income is not being used to qualify. • Year-to-date Profit and Loss Statement and Balance Sheet are required for each business where income or losses are reported on IRS form Schedule C or Schedule F, and for businesses in which the Borrower has a 25% or greater ownership interest, irrespective of which tax form or schedules the Borrower uses to report income or losses, when the income or loss from that business is being used to qualify. • Net losses from Self-Employment and/or Non-Employment Related sources must be deducted from qualifying income, unless the business or activity producing the losses is documented to be discontinued. • If tax returns for the previous year are not yet available, an additional year-end P & L and Balance Sheet for that year is required for each business when the income or loss from that business is being used to qualify. • **Signing and Dating:** P & Ls and Balance Sheets do not have to be signed by the Borrower, however, if they are signed, the signature date must be at or prior to consummation. • **Age of Documents:** The P & L and Balance Sheet provided must cover at least through the period ending in the most recent quarter that ended one month prior to the application date. For example: Application date July 21, 2015 - One month prior to application date is June 21, 2015. Most recent quarter end prior to June 21, 2015 is March 31. P & L and Balance Sheet must cover the period through the end of Q1, March 31, 2015; Application date August 3, 2015 - One month prior to application date is July 3, 2015. Most recent quarter end prior to July 3, 2015 is June 30. P & L and Balance Sheet must cover the period through the end of Q2, June 30, 2015 **OTHER REAL ESTATE OWNED -LIABILITIES** • Other Real Estate Owned Liability documentation is required irrespective of whether or not income from those sources is being used to qualify. • Mortgage payments and related expenses on any real estate owned must be included in the borrower's recurring debt obligations. • Irrespective of whether income is being used to qualify, for each property owned by the Borrower(s): Provide documentation for the current mortgage payment (P & I), taxes, insurance, and homeowners' association dues used to calculate actual PITIA. Required even if property expenses are shown on Schedule E. • Irrespective of whether income is being used to qualify, for each free and clear property owned by the Borrower(s): Provide documentation that each real estate property that is owned by the Borrower that is free and clear, currently has no outstanding liens (e. g. property profile). Required even if shown on Schedule E as free and clear. If borrower states a property is free and clear, but mortgage expense shows on Schedule E or there are mortgages which are unaccounted for on the credit report, then documentation is required. • Also see Other Real Estate Owned- Income immediately below. **OTHER REAL ESTATE OWNED - INCOME** • Current leases are not required if income from these properties are not being used

	to qualify and the entire payment is being included in debt calculations. • Income Analysis: Unless otherwise stated in this Program Guide, rental income must be calculated using the requirements of Appendix Q, including Section II.D. Non-Employment Related Consumer Income, Rental Income. • REQUIREMENT FOR COPIES OF ALL CURRENT LEASES • For all loans, Rental Income Documentation Requirements: • Appendix Q, II.D.1-8 Rental Income requires a fully executed current lease in order to use consumer rental income for qualifying purposes- • Leases must be provided for both subject property and for each rental unit the Borrower owns for which consumer rental income is being used to qualify, irrespective of whether rents from that unit(s) are supported by the Schedule E. • Use of market rents or other approaches for determining rental income are not acceptable. • REQUIREMENT FOR INCOME DOCUMENTATION FOR ROLLED-OVER LEASES - • For ALL leases that have gone beyond the original term and have rolled over into month-to-month tenancy: In order to use rental income for qualifying, the following must be obtained- a. Copy of the most recent lease, and b. Current documentation of receipt of rent; Note: "Rolled-over" leases are typical in some states, including California, where all leases rollover to month-to-month agreements at the end of the lease term, unless otherwise modified. This is to support compliance with the Stability of Income requirements of Appendix Q. **TAX RETURNS, AGE OF RETURNS** • For acceptable age of tax returns, see Fannie Mae Selling Guide B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns. **PERSONAL TAX RETURN REQUIREMENTS** • Personal tax returns are not required if a Borrower's qualifying income is limited to salaries or wages reported on IRS Form W2, if the Paystub Requirement is met and the Borrower or the Borrower's family does not own a 25% or greater interest in the company generating the borrower's W2 wages. See Employment Income Documentation. • For all other Borrowers at least two years of signed and dated personal tax returns are required. Personal Income Tax Returns (Form 1040) must be complete with all schedules and W2s, 1099s, K-1s, etc., Signatures and Dates: Tax returns must be signed and dated. Signature date must be on or prior to date of consummation of the loan (generally, date closing documents are signed, but definition may vary by property state). Must be the final copy of the return filed with the IRS. IRS transcripts may NOT be used in lieu of obtaining personal tax returns. **BUSINESS TAX RETURN REQUIREMENTS** • Two years business tax returns must are required for each business in which the Borrower has a 25% or greater ownership interest. If Borrower receives W2 wages from a company in which Borrower has 25% or greater ownership interest, this requirement applies. Business Tax Returns must be complete with all attachments and schedules, including K-1s if applicable. Per Appendix Q, Federal business tax returns for a corporation, "S" corporation, or partnership must be signed. Must be the final version filed with the IRS. IRS transcripts may NOT be used in lieu of obtaining business tax returns. • **K-1 Earnings**: Business tax returns will not be required for businesses reporting K-1 earnings if: The two most recent years K-1s reporting for that business both report positive self-employment earnings, and the income from those K-1 earnings is not being used to qualify. **TAX RETURNS – AMENDED**

	• Amended income tax returns filed by the borrower with the IRS are acceptable in the following circumstances - • Tax returns filed prior to application are acceptable for underwriting purposes. Both the original filed return and the amended return are required. If the file was amended 60 days or less prior to the application, evidence of payment must also be provided. • Tax returns filed after the application date may be acceptable when accompanied by the following: • A letter of explanation regarding the reason for the re-file • Evidence of filing • Payment and the ability to pay the tax if the check has not cancelled • Borrower does not require use of amended income for qualification. **TAX TRANSCRIPTS, PERSONAL** • IRS transcripts may NOT be used in lieu of personal tax returns. (See W2 Transcript in Lieu of 1040 Exception below). • A tax transcript must be obtained for all personal tax returns for every Borrower whose income or loss is being used to qualify, for each tax year covered by the income documentation used to qualify the Borrower(s). • If tax transcripts are not yet available, the loan file must contain a copy of an IRS or vendor document showing that no transcript is available. **TAX TRANSCRIPTS, BUSINESS** • IRS transcripts may NOT be used in lieu of business tax returns. • Business tax return transcripts are required for every business entity where the Borrower has a 25% or greater ownership interest, when the income or loss is being used to qualify. • If tax transcripts are not yet available, the loan file must contain a copy of an IRS or vendor document showing that no transcript is available. **TAX TRANSCRIPTS, INCOME VARIATIONS** • Any income variations in the current year's income > 20% from the most recent tax transcript must be adequately explained. **TAX TRANSCRIPTS, INFORMATION VARIATIONS** • Any information obtained through a transcript that is more comprehensive than the tax forms in the Mortgage Loan File (i.e., information on a 1040 transcript, where only a W2 was required by the program guidelines and used to underwrite the Loan) must be accounted for when underwriting the Borrower. **TAX TRANSCRIPTS, RETURNS NOT YET FILED** • For tax transcript timing requirements, see Fannie Mae Selling Guide B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns. • Provide an IRS Verification of Non-Filing if not yet filed. **W2 TRANSCRIPTS** • A W-2 transcript or tax transcript must be obtained for every Borrower whose W-2 income is being used to qualify, for each tax year covered by the W-2 income documentation used to qualify the Borrower(s). • Tax transcripts or W-2 transcripts may be used in lieu of W-2s. **TAX TRANSCRIPT DATES** • Tax transcripts are considered to be QA/QC documents that do not fall under the "age of credit file documents" requirements of Appendix Q, and therefore are not required that tax transcripts be dated on or before the loan consummation date.
HOMEBUYER EDUCATION	• N/A
CREDIT	• Residential Mortgage Credit Report (RMCR) or traditional tri-merge with applicable credit report supplements is required for all Borrowers.

	• 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 credit reports must include FACT Act messages and at least one repository fraud alert product (i.e. Hawk, FACS+, or SafeScan). Alerts must be resolved. • Frozen Credit: Credit reports may not have "frozen credit". If a borrower unfreezes credit after the initial report is run, then a new 3-file merged credit report must be obtained. • Inquiries: Credit reports must list all inquiries made with the previous 90 days and a written explanation for all inquiries within 90 days is required. • Extenuating circumstances are not allowed • Credit Scores: Each Borrower, including those with no income used to qualify, must have a valid social security number and generate a traditional credit score from at least two of these repositories: Experian, Equifax, and TransUnion. Foreign credit is not acceptable. • Qualifying score: For each Borrower, qualifying score is the middle of 3 or lower of 2 scores, as applicable. Qualifying score for the loan is the lowest qualifying score of any Borrower • MERS search must be run on borrower • LOE required for all inquiries within the last 90 days • Borrowers must meet seasoning in Major Derogatory Credit requirements below • Disputed accounts must be taken out of dispute and a new credit report obtained • Credit – 30 Day Accounts: For open 30 Day charge accounts that do not reflect a monthly payment on the credit report, or 30 day accounts that reflect a monthly payment that is identical to the account balance: (1) The borrower must have sufficient assets to cover the balance, in addition to fund required for closing costs and reserves, or (2) o Document that the borrower will receive reimbursement of the charge from his or her employer. If the borrower paid off the account balance prior to closing, provide verification of the payoff in lieu of verifying funds to cover the balance. The borrower must document the source of funds used to pay the balance while still having sufficient funds for down payment, closing costs and reserves.

TRADE LINE HISTORY	• All loans require a credit score, meeting two criteria: minimum credit history and trade line requirements:
	• Minimum credit history:
	    • A minimum 24 month credit history is required for each borrower whose income is used to qualify.
	• Trade line requirements:
	    • All trade line requirements are applicable to each borrower whose income is used to qualify.
	        • A minimum of 3 trade lines -
	            • Trade lines may be open or closed accounts and must have had activity within the 12 months prior to the credit report date.
	            • Each trade line must be rated and paid satisfactorily for at least 12 months.
	    • The following may not be used to satisfy the acceptable trade line or minimum credit history requirements:
	        • Authorized user accounts, or
	        • Non-traditional or foreign credit, or
	        • Loans in deferment period, or

	• Accounts discharged through bankruptcy, Judgments, charge offs, collection accounts, foreclosures, deed-in-lieu of foreclosure, short sales or pre-foreclosure sales.
MAJOR DEROGATORY CREDIT	• Mortgage Credit related "Serious Derogatory Credit Event" waiting time requirements apply to all Borrowers for all properties owned or previously owned, whether the Borrower(s) owned the property solely or jointly. "Mortgage Credit" is defined as: Payment histories on all mortgage trade lines, regardless of occupancy. Mortgage Credit includes first and second mortgage liens, HELOCs, mobile homes, and manufactured homes, even if reported as an installment loan. • Bankruptcy (any type) not allowed in the last 7 years. This includes multiple bankruptcies which will be measured from the last discharge/dismissal date to the disbursement date of the new loan. If a mortgage was included in the bankruptcy, the stricter measurement for the bankruptcy or foreclosure "required time elapsed" applies. • Prior Foreclosure, Pre-foreclosure, Short Sale or Deed-in-Lieu not allowed in the last 7 years measured from completion date of the foreclosure action to application date. • Loan modifications (restructured loans) for non-subject property are not allowed in the last 7 years to application date. If the borrower has had a prior restructured loan or short pay off, the new loan is eligible for financing subject to compliance with all foreclosure guidelines. • Any repossession, or payment equal to or greater than 120 days of any "Mortgage Credit" is considered a foreclosure for purposes of this program. • Past Due Accounts: Past due accounts must be satisfied or brought current prior to or at closing. Cash-out proceeds from the subject transaction may not be used to satisfy or bring accounts current. • Judgements, Garnishments, Liens and Potential Liens: All delinquent credit obligations that have the potential to affect the subject Mortgage Loan's lien position or diminish Borrower's equity in the subject property must be paid off at or before closing including, without limitation. Delinquent taxes, (including State or Federal income taxes) delinquent property taxes, tax liens, judgments, garnishments and mechanics' or materialmen's liens. Verification of sufficient funds to satisfy these obligations must be documented. Documentation of the pay-off or satisfaction must be provided. No payment plans or subordination is allowed. Cash-out proceeds from the subject transaction may not be used to pay off delinquent credit obligations. • Aggregate Charge-Offs and Collection Account: Accounts reporting within the past 24 months are permitted when isolated accounts have less than a $500 cumulative balance. These accounts may be left open provided they do not affect title. • Consumer Credit Counseling: Borrowers must provide a satisfactory explanation for participating in Consumer Credit Counseling. A Borrower may be eligible while they are in Consumer Credit Counseling (CCC) provided all of the following criteria are met (1) Credit score requirements are met, and (2) qualifying ratios must be calculated on the creditor's minimum monthly payment (per the credit report) versus the reduced consumer credit counseling payment, and (3) all accounts must be current, and (4) cash-out Refinance transactions are not eligible.
HOUSING PAYMENT HISTORY	• **Housing Payment History:** The occupant Borrower(s) must have a complete, most recent, 12-month rental and/or mortgage payment history documented in the loan file. • **Living Rent Free:** A borrower with a mortgage payment history (a borrower who is not a first time homebuyer) who currently, or in the recent past, lived rent free, is

	eligible subject to documentation of an acceptable 24 month housing payment history.
	• The rent free period must be no more than 6 months (including a borrower who owns their current home free and clear).
	• The 24 month housing payment history requirement can be met through a combination of mortgage payments and rent payments (covering the most recent period, with no gaps other than the rent free period).
	• Housing payment history must reflect no late payments of mortgage or rents in the 24 month period rated.
	• Example: Borrower was rent free for 6 months 12 months ago. Payment history prior to rent free period was OX30X12, payment history after rent free period was 0X30X12, is acceptable
	• Example: Borrower is currently rent free 4 months. Housing payment history must be 0X30X24 for the 24 months preceding the rent free period.
	• **First Time Homebuyers (FTHB):** must have at least 12 months minimum rental history for the occupant Borrowers who are FTHB. See First Time Homebuyers.
	• **Mortgage Credit History:** Provide the required Mortgage Payment History and Housing Payment Ratings for each property for which the borrower had a mortgage obligation for any period during the 24 months prior to subject application date.
	• **Housing Payment Rating:** Inclusive of all liens regardless of position and applicable to all mortgages on all financed properties:
	  • 0 x 30 in past 12 months
	  • No 60+ in past 24 months
	  • Subject mortgage must be current on delivery to Investor.
	• **Mortgage Payment History:** Must be on the credit report, or, Private party loans: Documented by cancelled checks or evidence of electronic transfers (VOM alone is not sufficient), or Institutional Lender: Documented by cancelled checks, evidence of electronic transfers, or through an official statement produced by the lender.
	• The credit report for the mortgage history must be updated to include the payment made for the most recent month due.
	• **Rental Payment History:** Provide the following for any period during the 24 months prior to subject application date in which the Borrower was renting: Credit report rating (if management company rates), Management company Verification of Rents (VOR), Cancelled checks, Bank statements, or Evidence of electronic transfers.
	• First Time Homebuyer rental history requirements, see First Time Homebuyers section.
	• Living Rent Free: See First Time Homebuyers section.
	• Subject Property Owned Free and Clear: eligible for cash-out refinance subject to If subject property has been owned six months or longer (Note date to subject transaction application date):
	  • Provide evidence that the property is free and clear, and
	  • Properties where borrower(s) encumbered the property by a mortgage within the past 24 months, see Mortgage Credit History requirements
	  • Refer to Cash-Out Refinance section for additional requirements.
	  • For cash-out refinance transactions, if owned less than 6 months (Note date to application date)
	• **"Mortgage Credit" Defined**: Payment histories on all mortgage trade lines, regardless of occupancy, including first and second mortgage liens, HELOCs, mobile homes, and manufactured homes are considered mortgage credit, even if reported as an installment loan.

LDP/GSA REQUIREMENT	• 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	• See LTV Matrix
	    • Monthly housing expense greater than 28% of the borrower's stable monthly income suggests questionable affordability and should be heavily scrutinized
	    • Expense Analysis: Unless otherwise stated, Borrower recurring obligations must be calculated following the requirements of Appendix Q, including Section III. Consumer Liabilities,
	    • Recurring Obligations.
	    • For transactions with non-occupant Borrowers, co-signers or guarantors, occupant Borrower(s) alone must meet the 43% DTI requirement. (Non-occupant Borrowers, co-signors or guarantors are not permitted on second home transactions.)

QUALIFYING	• Fixed: Qualify at the fully amortized payment (PITIA) at the note rate. • 7/1 and 101 ARM: Qualify at the fully amortized payment (PITIA) at the note rate. • 5/1 ARM: Qualify at the greater of the fully indexed/fully amortizing rate or the note rate plus first change cap. • When commercial properties are reflected on the Schedule E they must be treated the same as a residential rental, verifying PITIA and using the standard residential form and calculation. Also, if there is mortgage interest showing, but no lien on credit, must obtain the payment coupon to properly calculate the net rental income/loss and must also get an acceptable rating. • For any additional properties, obtain a recent payment coupon or other documentation to ensure the loan is qualified using the full PITIA. • If the 1040s or other documentation reflect the borrower owes money to the IRS the underwriter must condition for proof the money owed has been paid in full; the borrower may not be in a payment plan to the IRS. • **Alimony and Child Support:** Include if will continue for > 10 months under a legal agreement. May not be deducted from income. Provide obligation document. • **Authorized User:** Include in DTI but cannot be considered to meet minimum trade-line requirements. • **Bridge Loans:** Include in DTI. Proceeds cannot be used for Reserves. • **Business Debt in Borrower's Name**: Include in personal DTI unless all of the following are met: 1. Evidence of payment by business for past 12 months, and 2. No 30 day late payments in past 12 months, and 3. Cash flow analysis of business considered payment as a debt. Note: If included in personal DTI, do not count against business. • **Contingent Liability (Co-Signed Loans):** Include in DTI unless there is evidence, such as cancelled checks or automated savings withdrawals, that the other party made satisfactory payments for past 12 months and account is current. Documentation for any omitted contingent liabilities, such as obligor cancelled checks, must be provided in the loan file. Appendix Q, Part IV, 5.b. • **Court-Ordered Assignment of Debt**: If Borrower was not released from liability,

	include in DTI or provide 1. Copy of court order assigning debt, and 2. Proof of transfer of ownership. The payment history of the debt does not need to be considered after the transfer date to another party.
	• **Deferred (Projected) Installment Debt:** Include loans that are deferred or in forbearance in DTI. 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 that will be required at the end of the deferment period, to use for loan qualification.
	• **Deferred Student Loans Only:** If the credit report does not indicate the monthly amount that will be payable at the end of the deferment period, 1% of the original principal balance of the student loan may be used to determine the monthly payment used for loan qualification.
	• **Home Equity Lines of Credit:** If the HELOC does not require a payment and there is no recurring monthly debt obligation, or if the HELOC has a zero balance, no monthly payment needs be included in the recurring debt obligations. See Subordinate Financing.
	• **Installment Debt:** Installment debt that is not secured by a financial asset, including student loans, automobile loans and timeshares, etc., must be included in the Borrower's monthly debt obligations, if there are more than ten months remaining. Installment debt with fewer than ten monthly payments remaining should be considered as a recurring monthly debt obligation if it significantly affects the Borrower's ability to meet his or her monthly obligations.
	• **Payoff Installment Debt to Qualify:** Permitted in this program. If debts are being paid off, the source of funds must be documented and verified. If an installment debt is paid off at closing, the creditor must provide a pay-off statement for which the same balance must be reflected as the pay-off amount on the HUD-1 Settlement Statement or Closing Disclosure.
	• **Pay-Down Installment Debt to Qualify**: If debts are being paid down, the source of funds must be documented and verified. If an installment debt is paid off at closing, the creditor must provide a pay-off statement for which the same balance must be reflected as the pay-off amount on the HUD-1 Settlement Statement or Closing Disclosure.
	• **Lease Payments**: Include regardless of number of months remaining.
	• **Loans Secured by Financial Assets (e.g. life insurance policies, 401k accounts, IRAs, CDs, stocks bonds, etc.), the following are required:**
	    • The terms of the loan
	    • Verification that the party providing the secured loan is not a party to the sale or financing of the property (other than a financial institution)
	    • Confirmation that the funds have been transferred to the borrower
	    • Evidence that the loan is secured by an asset owned by the borrower
	    • The monthly payment must be included in DTI, unless the applicable loan instrument shows the borrower's financial asset as collateral for the loan.
	    • If the borrower intends to use the same asset to satisfy reserve requirements, reduce the value of the asset by the proceeds from the secured loan and any related fees to determine whether the borrower has sufficient reserves.
	• **Mortgage Assumptions**: Do not include the contingent liability (PITIA) for a property sold by the Borrower with an assumption, if all of the following are met: 1. Verification that property purchaser has at least a 12-month history of making regular and timely payments, 2. Evidence of transfer of ownership, 3. Copy of the formal, executed assumption agreement, 4. Credit report indicating consistent and

	timely payments were made. If timely payments for the most recent 12-month period cannot be documented, include PITIA for assumed property in the Borrower's recurring monthly debt obligations. • **Property Settlement Buy-Out:** Does not need to be included in the debt-to-income ratio provided there is documentation to evidence the transfer of title of the property. • **Revolving Charges/Lines of Credit:** Treat revolving charge accounts and unsecured lines as long-term debts and include in DTI. If the credit report does not show a required minimum payment amount and there is no documentation to support a payment of less than 5%, use 5% of the outstanding balance. • **Pay-Down Debt to Qualify:** Not permitted in this program. • **Pay-Down or Pay-off Revolving of Debt to Qualify**: If the revolving account is not closed, the debt must be included in the debt-to-income ratio. Paying down revolving debt to qualify is not permitted. • **Unreimbursed Employee Expenses**: When a Borrower has out-of-pocket, unreimbursed businesses, determine the recurring monthly debt by developing an average of the expenses from the Schedule A and/or IRS Form 2106 for the number of years required. When calculating the total debt-to-income ratio, the average for unreimbursed expenses should be subtracted from the Borrower's stable monthly income. • **Voluntary Recurring Debt:** Not considered in the underwriting analysis or subtracted from gross income (e.g. 401k contributions, 401k loans, union dues, commuting expenses, open accounts with zero balances, federal, state, and local taxes, or other voluntary deductions).
PAYMENT SHOCK	• Only applies for First time Homebuyer: • First Time Homebuyer Payment shock: Cannot exceed 250% over the Borrower's current rental payment. • Example: • Current rental payment = $1,000 per month • Current rent X 2.5 (250%) = $2,500 maximum increase (shock) • Maximum increase ($2,500) + $1,000 current rental payment = $3,500 maximum new payment
LANDLORD EXPERIENCE	• See Income Requirements/Limits for specific requirements
NEGATIVE CASH FLOW/ POSITIVE CASH FLOW	• Properties with negative cash flow are closely reviewed to ensure an overall acceptable risk. • See Income Requirements/Limits for specific requirements

CASH RESERVES	• See LTV Matrix for minimum number of month's required
	    ◦ Additional Financed Properties: Add two-months' subject property PITIA reserves for each additional financed property owned (other than subject property).
	    ◦ Current Residence Pending Sale: Add 6 months' reserves based on the PITIA of the property pending sale or being converted
	    ◦ First Time Homebuyer: The greater of 12 months' subject property PITI or the program minimum
	• Minimum number of months' reserves is based on the combined amount of all loans secured by subject property.
	• Additional reserve requirements and restrictions apply for First Time Homebuyers, and Current Residence Pending Sale or Conversion transactions, see below
	• All reserves must come from the Borrower's own funds and must be documented and verified.
	• Reserves are measured by the number of months of the qualifying payment (PITIA)

	for the subject property, unless otherwise noted.
	• No gifts, borrowed funds, Interested Party Contributions, or Lender Credits may be used for reserves. See Ineligible Reserve Sources in this section.
	• <u>ELIGIBLE RESERVE SOURCES:</u>
	  • Liquid Reserves: Are those liquid assets that are readily available to a Borrower after the mortgage closes, and that are easily converted to cash. For purposes of this program, liquid reserves include:
	  • Funds in a bank/financial institution – individual, joint, or trust (if Borrower has access)
	  • CD/money market funds
	  • Savings bonds with statement from financial institution confirming Borrower is the owner and with proof of bond value
	  • Stocks (in listed corporations) /bonds, use 70% of face value
	  • Stocks (in unlisted corporations): Provide company CPA validation of price per share. Use 70%.
	  • Retirement accounts: IRA SEP-IRA, KEOGH, 401(k), 403(b): Use 60% of vested funds, less any outstanding loans against the account and related fees.
	  • Business assets may be used for reserves if Borrower files under Schedule C, is 100% owner of business, and a letter from a CPA or accountant indicates that use of funds for reserves will not negatively affect the daily operations of the business.
	  • Trust Accounts where the Borrower is the beneficiary are acceptable if the value of the trust account, and the Borrowers' immediate access and conditions for access to the funds is verified by the trust manager or trustee.
	  • Sale of Real Estate Assets is allowed if the borrower's sale transaction closed prior to subject transaction, or will close concurrently with subject transaction. If closed prior to subject transaction, provide evidence of the cash the borrower received (in their role as property seller) by providing the closing disclosure or settlement statement from the borrower's sale transaction, and provide evidence of deposit to the borrower's account. If concurrent close with subject transaction, provide evidence of the cash the borrower received (in their role as property seller) by providing the closing disclosure or settlement statement for the borrower's concurrent sale transaction.
	  • Foreign Assets being used for reserves must be held in a U.S. account prior to closing. If the assets are derived from the sale of a foreign asset or from assets held in a foreign institution, the assets must be converted into US currency and placed in a US financial institution prior to closing. The sale of the foreign asset and/or conversion of foreign currency must be fully documented and verified
	  • Note: If Borrower has an outstanding obligation secured by an asset, subtract that amount from the asset value.
	• <u>INELIGIBLE RESERVE SOURCES:</u>
	  • 1031 tax deferred exchange proceeds
	  • Business assets, unless company files under Schedule C and Borrower is 100% owner of business
	  • Cash-out proceeds
	  • Credit card financing, cash advance on HELOC or other line of credit.
	  • Custodial accounts (Borrower not beneficiary)
	  • Donated or pooled funds
	  • Employer Assistance Programs, Salary Advances
	  • Foreign Assets
	  • Funds that have not been vested or cannot be withdrawn other than with the

	owner's retirement, employment termination or death • Gift funds • Individual development accounts • Interested party contributions • Loans secured by other assets • Loans secured by other real estate • Real estate commissions • Sale proceeds from assets • Stocks in unlisted corporation, unvested or restricted stocks Unsecured loans and loans secured by other assets (including bridge loans, life insurance or assets from a fund administrator) • Qualified tuition plans (529 plan)

REQUIRED DOWN PAYMENT / SOURCE OF FUNDS	• Cashier's checks/wires must clearly document the verified source. Evidence must be provided showing the withdrawal from the documented account.
	ASSET DOCUMENTATION
	• All down payment funds, funds to close, and reserves must be documented and verified.
	• Electronic Verifications are acceptable.
	• Large Deposits: Recently opened accounts and recent large deposits (generally greater than 25% of the monthly income) must be explained and documented.
	• Unverified funds may not be used for down payment, closing costs, or reserves.
	• **Eligible Documentation**: Unless otherwise specified in Assets - Funds to Close, or Assets - Reserves, acceptable asset documentation includes: 2 consecutive monthly account statements (dated within 30 days of application), or the most recent quarterly or annual account statements are acceptable with verification that funds are still available.
	• Direct verification by a third party asset verification vendor meeting the requirements of Fannie Mae Selling Guide section B3-4.2-01 Verification of Deposits and Assets is acceptable.
	• **Ineligible Documentation**: VOD – Institutional Verification of Deposit – may NOT be used as a standalone documentation, but may be used along with one month account statement. If no average balance is provided on the VOD, then two months account statements are required.
	• **Earnest Money Deposit**: Sales contract deposits must be verified by one of the following:
	  • Copy of the cancelled check
	  • Copy of the deposit check and proof the check was cashed
	  • Verification of sufficient funds on deposit in the depository account for the down payment, closing costs, etc. on deposit in an Eligible Source of Funds to Close account
	  • The source of funds for the deposit must be verified (e.g., account statement)
	  • Ensure that the deposit is not counted twice in the file (deducted from the funds to close and counted in assets.
	• 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.
	• 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.
	• 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.
	ASSETS - FUNDS TO CLOSE
	• See Assets - Reserves for eligible reserve sources.
	<u>ELIGIBLE SOURCE OF FUNDS TO CLOSE</u> (See Cash Reserve section for Ineligible Reserves):
	• **1031 Exchange:** A 1031 exchange is an acceptable source of funds on an investment property purchase transaction (only) subject to the following:
	  • The 1031 Exchange cannot be an exchange of a partnership or limited liability corporation interest.
	  • The name of the taxpayer on the sale of relinquished property must be the same as the as the purchaser of the subject property.
	  • Relinquished property sale must close before or simultaneously with the property acquired.
	• The following documentation is required for both properties in simultaneous closings:
	• Sales contract or escrow instructions
	  • Appraisal
	  • Preliminary title report
	  • Exchange agreement identifying the holder of funds, buyer and seller, expiration date, agreed upon value, closing date, closing costs, conditions of transfer and repairs, if required.
	• Statement of borrower's equity, calculated as the lower of:
	  • Sales price from the sales contract
	  • Gross trade value from the sales contract less the sum of the transfer fees and all lien balances on the currently owned property, and transfer fees on the new property
	  • Appraised value of the borrower's currently owned property plus any new transfer fees on the new property.
	• The following documentation is required for 1031 Exchange transactions occurring prior to the purchase of the new property:
	  • HUD-1/Closing Disclosure for both properties
	  • Exchange agreement
	  • Sales contract or escrow instructions for both properties
	  • Verification of funds from the Exchange holder.
	• **Bank/Financial Institution Accounts**: Individual and Joint Bank Accounts, Certificates of Deposit (CDs), Money Market Funds. Savings bonds with evidence of redemption.
	• **Bridge Loans** must be included as a liability for qualifying purposes. A copy of the Note must be in the Loan file. (Proceeds from bridge loans may not be used to meet reserve requirements). If no monthly payment is required, calculate an interest only payment at the contract rate. Bridge loans may not be cross-collateralized against subject property.
	• **Business Assets** may be used if the Borrower is 100% owner of the business and a letter from a CPA is obtained to confirm that the withdrawal will not negatively impact the daily operations of the business.
	• **Credit Card Financing**: Cannot be used for any part of the down payment, including the earnest money deposit.
	• **Foreign Assets** being used for down payment and closing costs must be held in a U.S. account prior to closing. If derived from sale of foreign asset or from assets held in a foreign institution, assets must be converted into US currency by an independent

	third party and placed in a US financial institution prior to closing. • The sale of the foreign asset and/or conversion of foreign currency must be fully documented and verified. • **Gift Funds:** See Gift Fund Section • **Gift of Equity:** Not allowed • **Income Tax Refund** may be used with verification of receipt of funds, and copy of signed, personal tax return. • **Interested Party Contributions** (IPCs), Financing Concessions: See Interested Party Contribution Section. • Life Insurance, Cash Value: Requires written statement from life insurance Company specifying the amount of net cash value available to Borrower and verification of receipt of funds. • Loans Secured by Financial Assets: Financial assets (life insurance policies, 401ks, IRAs, CDs, stocks, bonds, etc.) can be used as security for a loan. The payment on this type of loan is not required to be included in DTI provided the applicable loan instrument shows the Borrower's financial asset as collateral, see DTI Requirements Table. • **Notes Receivable, Repayment of Loans**: Provide written agreement between the Borrower and recipient of loan, evidence the funds were later withdrawn from the Borrower's account, and verification funds were withdrawn from loan recipient's account and deposited into Borrower's account. • **Retirement Accounts**: IRA SEP-IRA, KEOGH, 401(k), and 403(b): Use 60% of vested funds, less any outstanding loans against the account and related fees. • **Stocks (listed company), Bonds**: Stocks must be vested and unrestricted. Provide current statements or provide current statement or provide copy of certificate and dated internet stock list. Provide proof of liquidation and receipt. • If stocks are in unlisted corporation - provide company CPA or accountant validation of price per share and proof of liquidation and receipt- if impact to Borrowers income, CPA to address. • Trust Accounts: Funds disbursed from a trust account where the borrower is the beneficiary are acceptable if the borrower has immediate access to the funds. The trust manager or trustee must verify the value of the trust account and confirm the conditions under which the borrower has access to the funds. Accounts that do not allow the borrower to have immediate access to the funds for the above stated purposes may not be used as acceptable assets, including funds in accounts where the borrower is not the beneficiary, such as custodial accounts. • Wedding Gifts: Provide a copy of the marriage certificate (not more than 6 months old) and verification of receipt of funds
INELIGIBLE SOURCE OF FUNDS	• Funds to Close (See Cash Reserve section for Ineligible Reserves) • 1031 Tax Deferred Exchange proceeds for primary residence and second home transactions • Cash on Hand • Custodial accounts - Accounts where the Borrower is not the beneficiary, such as custodial accounts • Donated funds – typically from a church, municipality or non-profit organization, or Pooled funds – typically funds from a relative or domestic partner who resides with the Borrower • Individual Development Accounts • Real estate commissions (even if Borrower is selling agent on subject transaction) • Rent Credit or Option to purchase, or Trade Equity • Sales Concessions, such as contributions in excess of actual costs, furniture, moving

	costs, and "giveaways" must be subtracted from the sales price when determining LTV/CLTV. • Interest Rate Buy-downs and Payment Abatements are NOT acceptable, nor other contributions/concessions that are not Fannie Mae eligible – Fannie Mae Selling Guide Section B3-4.1.
1031 TAX DEFERRED EXCHANGE	• Allowed – refer to Required Down Payment/Source of Funds section above

GIFT FUNDS	• Primary residence only
	• Gifts are acceptable for primary residence transactions on loan amounts up to $1,000,000
	• A Minimum Borrower Contribution of 5% of the purchase price
	• The balance may be paid from any of the acceptable asset sources (such as Borrower funds, gift funds or eligible Secondary Financing).
	• **Gift Fund Documentation:**
	  • A gift letter providing the following must be included in the loan file:
	    • The amount of the gift
	    • The donor's name, address, and telephone number
	    • Donor's relationship to the borrower
	    • Subject property address
	    • Statement confirming that no portion of the gift is subject to repayment
	    • Donor's signature.
	• Verification and documentation that sufficient funds to cover the gift are in the donor's account or have been transferred to the borrower's account is required.
	• Donor statement that repayment is not required.
	• Eligible Donors: spouse, child, parent, sibling, grandparent, aunt, uncle, domestic partner, fiancé or fiancée.
	• Ineligible Donors: Donors may not be, or have any affiliation with; Builder, Developer, Real Estate Agent, any other interested party to the transaction.
	• Gift funds may not be used for reserves. No portion of the gift may be subject to repayment.
	• Not allowed on second homes or investment property. The entire down payment must be paid from the Borrower's own funds. Gifts are not permitted for funds to close nor reserves for second home or investment property transactions.

GIFT/GRANT FUNDS FROM A MUNICIPALITY OR NON-PROFIT COMMUNITY ORGANIZATION OR EMPLOYER	• Not Allowed
GIFTS OF EQUITY	• Not Allowed
CONTRIBUTIONS BY AN INTERESTED PARTY	• All IPCs must be disclosed on the Closing Disclosure or settlement statement. Once the Borrower has met the minimum Borrower contribution" of 6%, then, IPCs may not exceed 3% of the lesser of the sales price or appraised value. (Lender paid fees are not factored into the contribution limit). • The total IPCs may generally not exceed total closing costs and prepaid items, and may not be used to contribute to any portion of the Borrower's down payment, reserve requirements, or Minimum Borrower Contribution requirements. • Excess IPCs, as well as sales concessions that take the form of non-realty items, must be subtracted from the sales price when determining LTV/CLTV
DOWN PAYMENT	• Down Payment Assistance (DPA) Programs not allowed

ASSISTANCE	
MORTGAGE CREDIT CERTIFICATES	• Not Allowed

SUBORDINATE FINANCING	• New subordinate financing is allowed if it meets the requirements outlined in this section
	• No HCLTV is calculated for this program. HELOCs are included in the CLTV calculation as follows: The entire credit line limit based on the recorded lien (mortgage/deed of trust) must be used to calculate the CLTV and determine program eligibility. Even if a credit line has been reduced with a permanent modification of the original Note, the entire original line limit must be used to calculate the CLTV.
	• New Subordinate Lien Documentation: A copy of the Note and a certified copy of the security instrument indicating that it is being recorded subordinate to the new first lien are required.
	• Re-subordinating Lien Documentation: A copy of the Note and a certified copy of the executed subordination agreement (or equivalent, as required by applicable state law) must be delivered with the Mortgage Loan file. (Note: Virginia Automatic Subordinations meeting Va. Code Ann. § 55-58.3 are acceptable for single family residence transactions if the second lien amount is not greater than $150,000).
	• Employer Provided Subordinate Financing:
	  • Subordinate financing received from the borrower's employer may be in the form of an unsecured loan or a mortgage loan and does not need to require regular payments of either principal and interest or interest only. A copy of the contract from the employer describing the terms of the financing is required.
	  • The financing may be structured in any of the following ways:
	  • Fully amortizing level monthly payments
	  • Deferred payments for some period changing to fully amortizing level payments
	  • Deferred payment over the entire term
	  • Forgiveness of the debt over time
	  • The financing terms may provide for the employer to require full repayment of the debt if the Borrower's employment is terminated, either voluntarily or involuntarily, before the maturity date of the subordinate financing
	• Subordinate Lien Requirements:
	  • Mortgage must be clearly subordinate to the Mortgage Loan being sold to AmeriHome.
	  • Mortgage cannot have a maturity date or a call option date of less than five years (from closing date), unless it is fully amortizing (see exception above for Employer-Provided Subordinate Financing)
	  • Monthly payments on subordinate financing must be included in housing and debt ratio analysis.
	  • Scheduled payments under the subordinate financing must be due on a regular basis, e.g., monthly, quarterly, or semi-annually, but no less than semi-annually and must be at least sufficient to meet the interest due.
	  • Subordinate financing must fully amortize during its term.
	  • If Graduated or Variable Payments; The combined annual payments are graduated to increase not more than the lesser of a 2% interest rate increase or 8.5% payment increase (first and second mortgage)
	• HELOC Payment Calculation: To calculate the qualifying payment of a subordinate HELOC, follow Fannie Mae Selling Guide Section B.3.6. (If the HELOC does not report a balance, there is no recurring monthly debt obligation so the lender does not need to develop an equivalent payment amount based on the line amount or otherwise).
	• INELIGIBLE SUBORDINATE FINANCING:

	• Subordinate mortgages through a Community Second Mortgage/Down Payment Assistance Program • Subordinate mortgages held by the property seller • Tax and judgment liens • Subordinate mortgages subject to an interest rate buy-down plan • Subordinate mortgages that allow negative amortization (this does not include language in the Note warning Borrowers that the lack of payment may result in negative equity and negative amortization is not a feature of the product), contain a balloon feature, or a prepayment restriction/penalty. • Subordinate mortgages that have wraparound terms • Subordinate mortgages that contain resale or repayment restrictions • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program)

VALUE FOR LTV/CLTV CALCULATION	• See below
	• No HCLTV is calculated for this program. HELOCs are included in the CLTV calculation as follows:
	  • The entire credit line limit must be used to calculate the CLTV and determine program eligibility.
	  • If an existing HELOC is reduced without modifying the original Note, the original line limit must be used to calculate the Combined-Loan-to-Value ratio.
	  • If an existing HELOC is reduced with a modification of the original note, the modified line limit may be used to calculate the Combined-Loan-to-Value ratio.

PURCHASE	• Use lesser of current appraised values (based on lessor of two appraisals) or acquisition cost.
LIMITED CASH-OUT	• If the property has been owned 12 months or more, use the current appraised value. • If the property has been owned less than 12 months use the lesser of the appraised value or the purchase cost, regardless of any property improvements that may have been made since purchase. Property acquisition date may be measured from the purchase date on the closing statement, mortgage rating or other acceptable documentation in the loan file. Documentation covering relevant time period is required. • 12 month seasoning is purchase date to application date
CASH OUT	• If the property has been owned 12 months or more, use the current appraised value. The borrower must be the owner of record and proof that the borrower has owned the property for 12 months OR a chain of title for the last 12 months is required. • If the property has been owned less than 12 months use the lesser of the appraised value or the purchase cost, regardless of any property improvements that may have been made since purchase. Property acquisition date may be measured from the purchase date on the closing statement, mortgage rating or other acceptable documentation in the loan file. Documentation covering relevant time period is required. • 12 month seasoning is purchase date to application date
MAXIMUM CASH PROCEEDS	• 1 Unit and LTV up to 65%: $500,000 • 1 Unit and LTV > 65% to 80%: $300,000 • 2 Units and LTV up to 65%: $500,000 • 2 Units and LTV > 65% to 80%: $300,000 • Any non-seasoned junior lien not used to purchase the property is considered cash out and in included in the max cash proceeds. • Cash out may be used to pay down/off installment debt to qualify for the loan, see Qualifying section for requirements
PURCHASE	• Purchase Contract Assignment: If the Purchase Contract has been assigned to buyer

	from a previous purchaser, then the loan is not eligible • The property seller must be the owner of record. Provide a chain of title or other documentation, e.g., appraisal, title report, etc., showing the ownership history for the last 12 months. • Complete purchase agreements, including all addenda, are required. If the Purchase Contract has been assigned to buyer from a previous purchaser, then the loan is not eligible. • Identity of interest or loans with non-arms-length characteristics are not eligible in this program. • Excessive Commissions and Payouts: Total real estate commissions and marketing fee payouts (in cash or in kind) that exceed 8% of the sales price are considered excessive and must be deducted from the sales price for underwriting purposes and for calculation of LTV/CLTV. Total commissions/marketing fees for these purposes include, but are not limited to: marketing fees, finder's fees, referral fees, consulting fees, and assignment of sales fees. The settlement statement must be completed to include all fees and payouts as required by applicable regulatory compliance guidelines. • If there is evidence that borrower, a member of the borrower's family or party who has a clearly defined interest in the borrower (i.e., close family friend) previously owned a home being purchased that was a distressed sale (i.e., short sale) or foreclosure by the borrower or borrower's family member, the borrower may not purchase the property, regardless of the length of time since the distressed sale/foreclosure or the number of owners between the distressed sale/foreclosure and current owner. • All parties on the purchase contract must be on the loan; otherwise an executed amendment removing the non-borrowing party is required. The non-borrowing party may be on title, but not on the purchase contract. • Purchase contract assignment (assignment of the sales contract) not allowed. • Seller Rent Backs of the subject property are limited to 30 days or the property will be considered an investment property and not eligible

RATE/TERM REFINANCE	• A rate and term (limited cash-out) refinance is a first lien in which the loan proceeds must be equal to or less than the funds required to pay off any existing liens, related prepaids, prepayment penalties, and closing costs.
	• Maximum Cash to Borrower: Not to exceed the lesser of 1% or $5000 of the principal amount of the new loan.
	• Costs: Reasonable and customary closing costs, pre-paid items and seasoned junior liens may be incorporated into the loan amount.
	• Lien Seasoning Requirements:
	    • First Lien: If owned less than 12 months:
	    • Value should be based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value.
	    • Closed End Seconds: One year seasoning on junior liens from funding, unless documentation is provided to verify the lien was incurred as part of acquisition.
	    • HELOCs: If funds were received in excess of 1% of the new loan amount or $2,000, whichever is greater, within 12 months prior to the new loan, the new loan will be considered a cash-out refinance transaction.
	• Interim Construction Loan Pay Off: The pay off an interim construction loan is an eligible transaction.
	• Buyouts: Refinance to buyout another party's interest in subject property is allowed subject to documentation that all parties have jointly owned and occupied subject

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for the 12 months prior to application date (exception for inheritance), and there is a signed, written agreement stating the terms of the property transfer and disposition of funds (such as a divorce decree).

Installment Land Contracts and mortgage loans used to pay off a Contract for Deed are not eligible.
Texas - for owner occupied properties located in Texas: A copy of the current mortgage or note is required to determine the previous terms are not subject to Texas Section 50(a)(6) requirements.
Refinance of a Texas Section 50(a)(6) to a Texas Section 50(f)(2) not allowed
Evidence of continuity of obligation is required, see section below.
Tangible Net Benefit is required, see section below.

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<tr><td>CASH OUT REFINANCE</td><td>

Any non-seasoned junior lien not used to purchase the property is considered cash out and in included in the max cash proceeds.
Loan being paid off must be seasoned 6 months (note date to application date).
Owned Free and Clear: A cash-out refinance of a property owned free and clear is an eligible transaction, subject to the other requirements in this section.
For properties owned at least 6 months, but less than 12 Months:

Value should be based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value.
Documented improvements must be supported with receipts.
The 12-month time frame is defined as prior Note date to subject application date.
Cash-out limitations includes payoff of second mortgages seasoned less than 12 months (closed end seconds and HELOCs) and/or non-mortgage debt. The 12-month time frame is defined as prior Note date to subject application date. (Seasoned liens, as described in rate/term refinance section, secured by subject property are not included in the Cash-out limitation).

Evidence of continuity of obligation is required, see section below.
Tangible Net Benefit is required, see section below.
Texas: Primary residences located in Texas subject to Texas Section 50(a)(6) are NOT eligible.
Delayed Financing: see Delayed Financing Section

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<tr><td>DELAYED FINANCING</td><td>

Borrowers who purchased the subject property less than six months ago are eligible for a cash-out refinance if all of the following requirements are met:

The new loan amount must not be more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid items, and points.
The purchase transaction was an arm's length transaction.

If the seller of the property was a legal entity, the principals of the entity must be documented.

The purchase transaction is documented by the HUD-1 Settlement Statement or Closing Disclosure which confirms that no mortgage financing was used to obtain the subject property.

A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a HUD-1 Settlement Statement or Closing Disclosure if such a statement was not provided to the purchaser at time of sale.

The LTV/CLTV must be based on the lesser of the original purchase price or the current appraised value.
The source of funds for the purchase transaction must be documented. Funds

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cannot be from gift, borrowed, or business funds.
The preliminary title search or report must not reflect any existing liens on the subject property.
All other cash-out refinance eligibility requirements must be met and cash-out pricing is applied.
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<tr><td>CONTINUITY OF OBLIGATION</td><td>
There must be continuity of obligation if there is currently an outstanding lien that will be satisfied with the refinance transaction.
Acceptable continuity of obligation is met when:
At least one borrower obligated on the new loan was also a borrower obligated on the existing loan being refinanced, AND
At least one borrower has been on title and will be obligated on the new loan
When there is no outstanding lien against the property, refer to the Cash-Out Refinance section above
</td></tr>
<tr><td>TANGIBLE NET BENEFIT TO BORROWER</td><td>
Loans are not eligible if the transaction does not result in a tangible net Benefit to Borrower.
Must provide a “Tangible Net Benefit to Borrower” worksheet in each refinance transaction Mortgage Loan file (or in Colorado, Purchase). If a particular form is required by the state or local area that the subject property is located in, that form should be used. If there is no such requirement, underwriter may use the PRMG Diamond Jumbo Net Tangible Benefit form available in the Resource Center or at the following link:
http://www.eprmg.net/ResourceCenter/GeneralForms/DiamondJumboNetTangibleBenefitWorksheet.pdf
</td></tr>
<tr><td>SEASONING REQUIREMENTS</td><td>
See below
</td></tr>
<tr><td>RECENTLY DELISTED PROPERTIES</td><td>
Listed at Time of Application: Properties currently listed for sale (at the time of application) are not eligible for refinance transactions.
Listed within 6 months: Properties listed for sale by the Borrower within six (6) months of the application date are acceptable if the following requirements are met:
Rate and Term refinance only.
Primary and second homes only.
Documentation provided to show cancellation of listing.
Acceptable letter of explanation from the Borrower provided detailing the rationale for cancelling the listing.
Listed within 12 months: Cash-out refinances are not eligible if the property was listed for sale by the Borrower within twelve (12) months of the application date.
</td></tr>
<tr><td>TITLE SEASONING</td><td>
For Purchases, the property seller must be the owner of record and proof that the property seller has owned the property for 12 months OR a chain of title for the last 12 months is required. If the property has been owned by the seller 6 months or less, also see Anti-Flipping Policy below.
For Rate and Term refinances, borrower must have been on title (close of purchase/date of settlement to application date) for a minimum of 1 day
For cash out transactions, ALL Borrowers must have held title to subject property for a minimum of 6 months (Note date to application date) and there must be ≥ six (6) months seasoning of all existing liens on subject property (Note date to application date)
</td></tr>
<tr><td>ANTI-FLIPPING POLICY</td><td>
For all Purchase transactions:
The property seller must be the owner of record. Provide a chain of title or other documentation, e.g., appraisal, title report, etc., showing the ownership history for the last 12 months.
Prior sale of subject property occurred within 90 days, then the loan is only eligible
</td></tr>
</table>

	if: (1) Property seller is Relocation Agency, OR (2) Property seller obtained property through Foreclosure or Deed in Lieu, OR (3) Property Seller obtained property through inheritance or divorce, AND (a) Subject transaction must be for a primary residence only, AND (b) All requirements for properties re-sold within 180 days are met (below).

CURRENT PROPERTIES PENDING SALE OR PRIMARY RESIDENCES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES	• If a CURRENT primary residence is a pending sale that will NOT be closed (title transfer to new owner) prior to the close of the new loan transaction, the following guidelines will apply:
	• Calculate DTI using the PITIA of both the retained property and the new primary residence, or qualify based only on the new primary residence PITIA if the following are met: (1) A copy of an executed sales contract for the property pending sale has been provided, along with confirmation all contingencies in the sales contract have been cleared/satisfied. (2) The pending sale transaction must be arm's length. (3) The scheduled closing date of the pending sale must be within sixty (60) days after the subject transaction Note date.
	Conversion of Primary Residence to Second Home or Investment Property:
	• If the borrower's CURRENT primary residence is being converted to a second home or investment property, and/or has relocated to temporary housing, an explanation may be required when the property being purchased is of lesser value or in the same geographic location, and the following must be met:
	  • If the CURRENT primary residence is converting to a second home, the following guidelines will apply
	    • Qualify with the PITIA of both the retained property and new primary residence.
	    • 6-months reserves for the retained property.
	    • The greater of 6-months PITIA liquid reserves or program requirements for the subject property
	  • If the CURRENT primary residence is converting into an investment property, the following guidelines will apply:
	  • To use rental income for qualification:
	    • Borrower must have 25% documented equity in retained property. Equity in the retained property may be evidenced by an automated valuation model (AVM), Broker Price Opinion (BPO) or an exterior-only inspection dated no more than 60 days prior to the Note Date. A Borrower provided report of value is not acceptable to establish value.
	    • Provide evidence of receipt of security deposit from the tenant, deposited into the borrower's bank account.
	    • A family member, an individual with an Established Relationship with those involved in the transaction, or an interested party may not sign the lease agreement as the tenant.
	    • 1-Unit: Requires fully executed current lease agreement.
	    • 2- to 4-units: Current, fully executed lease agreement for unit previously occupied by borrower, and most recent two year's personal income tax returns, including Schedule E, for units not occupied by borrower, or current, fully executed lease agreement(s) if property was not acquired subsequent to filing personal income tax returns.
	  • Rental Income Analysis:
	    • 1-unit: 75% of actual rent.
	    • 2- to 4-units: 75% of actual rent for unit previously occupied by borrower, and average from Schedule E.
	  • Reserves:

	• 6-months liquid PITIA reserves for the retained property. • The greater of 6 months PITIA reserves or program requirements for the subject property. • Equity in the retained property may be evidenced by a full URAR appraisal report or an exterior-only inspection dated no more than 120 days prior to the Note date of the subject transaction. A borrower provided report of value is not acceptable to establish value. • Additional 6 months liquid PITIA reserves for the retained property and Reserve requirements per the Cash Reserves section.

APPRAISAL	• 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
	• Non-Correspondent Originations: Appraisals can be ordered through Appraisal Scope from any AMC approved in your designated region. Approved AMCs will be available in your AMC drop down on the appraisal order form. Important note: if the appraisal is ordered through PRMG's standard appraisal ordering system, the appraisal department will assign it to an appraiser on our panel and the appraisal will not be eligible.
	• Correspondent Originations: Appraisals cannot be ordered through the PRMG Appraisal Department or show PRMG's name in the LENDER CLIENT section on the appraisal. Jumbo loans are to be ordered directly by the Correspondent Lender through a Licensed AMC selected by the Correspondent Lender.
	• Appraisals must be ordered through an appraisal management company (AMC), as described above. Appraisals must be in the name of the "Lender (PRMG or Correspondent)"
	• Transferred or Ported appraisals are not acceptable. The appraisal must be ordered identifying PRMG or Correspondent as the client/lender on the appraisal report. Appraisals that have been transferred from one lender to another lender are not permitted. Appraisals generated for third parties are not eligible.
	• To be utilized without an update, appraisals must be dated within 120 days prior to the Note Date.
	• No appraisal may be dated more than 180 days prior to the Note date.
	• For appraisal reports dated more than 120 days, but less than or equal to 180 days prior to the Note date, an appraisal update is required as follows:
	  • The appraiser must provide an appraisal update based on their exterior inspection of the subject property and knowledge of current market conditions, and
	  • The appraiser must acknowledge that the value of the subject property has not declined since the original appraisal date.
	  • The update must be completed on Fannie Mae Form 1004D or Freddie Mac Form 442, and
	  • The update must be dated within 60 days of the Note date
	• Full URAR appraisal report with interior and exterior inspection on appropriate Fannie / Freddie form is required for all properties.
	• FNMA Market Conditions Addendum (Form 1004MC) must be included in the file.
	• For loan amounts <=$1,500,000, one traditional appraisal report completed by a state-licensed or state-certified appraiser required on all loans
	• For loan amounts <=$1,500,000, a Clear Capital Collateral Desktop Analysis (CDA, or CDA + MLS) **OR** a second appraisal is required if:
	  • LTV/CLTV > 75% for Purchase or Rate/Term OR

	- LTV/CLTV > 65% for Cash Out Refi OR - Subject transaction is a "flip" or resale of property where purchase contract date < 180 days after the prior sale date, and subject sales price is more than 10% over the previous sales price. **APPRAISAL(s) MUST SPECIFICALLY ADDRESS THE PRIOR SALE AND JUSTIFY THE PRICE INCREASE.** • Second Appraisal Requirements: - The second appraisal must be completed by a different appraiser not affiliated with the original appraiser or appraisal company. A second appraisal ordered through the same AMC as the original appraisal is acceptable. - The appraised value for underwriting purposes is the lower of the two appraisals. • If the CDA option is selected the following will apply - Appraisal 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, with a copy of the appraisal(s) advising of loan approval and completion of appraisal(s) along with the request for the CDA. All reviews should be send to JumboReview@prmg.net - An appraisal review charge of $150 will apply - **CDA > 10% Below Appraisal**: The CDA value may be used as the appraised value to calculate the LTV/CLTV OR a Clear Capital Broker Price Opinion (BPO) AND a Clear Capital Value Reconciliation of Three Reports (Recon Form 3.0) may be obtained (submit request to JumboReview@prmg.net for Clear Capital Broker Price Opinion (BPO) AND a Clear Capital Value Reconciliation of Three Reports. Reconciliation will take into account the original appraisal, CDA and BPO. The final value determined by Clear Capital will be used as the appraised value for the property. - **CDA Indeterminate Value**: If CDA cannot determine a value, a second full appraisal is required. • For loan amounts >$1,500,000, two traditional appraisal report completed by a state-licensed or state-certified appraiser required on all loans • When two appraisals are required, the appraisers cannot work for the same appraisal company; each appraisal must be from a different appraiser/appraisal company • Appraised value for underwriting purposes is the lower of the two appraisals, when two are obtained • Property Inspection Waiver (PIW) or exterior only inspections are not allowed. • New appraisal is required for both purchase and refinance transactions (update/recert not permitted.) The use of an appraisal report utilized for a previous loan that has closed for the subject property is not permitted. • All appraisers must hold at least the minimum required state license and a copy of the license must be submitted with the appraisal • Appraisals must be completed in compliance with FIRREA/USPAP and all applicable regulatory requirements • UDCP Requirement: Appraisals must be submitted to GSE's "UDCP" (Uniform Collateral Data Portal) and obtain a "successful" finding on the "SSR" (Submission Summary Report). The SSR must be in the delivered loan file. • On purchase transactions, the appraiser must review the sales contract • PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion • Solar Panels: For homes with solar panels, follow the guidelines in Fannie Mae Selling Guide B2-3-04, Special Property Eligibility Considerations, Properties with

	Solar Panels. • See Expanded Guidelines for additional requirements on Disaster Policies

REVIEW APPRAISALS	• For loan amounts <=$1,500,000, a Clear Capital Collateral Desktop Analysis - CA (CDA) (without MLS data) **OR** a second appraisal is required if:
	  • LTV/CLTV > 75% for Purchase or Rate/Term OR
	  • LTV/CLTV > 65% for Cash Out Refi OR
	  • Subject transaction is a "flip" or resale of property where purchase contract date < 180 days after the prior sale date, and subject sales price is more than 10% over the previous sales price. **APPRAISAL(s) MUST SPECIFICALLY ADDRESS THE PRIOR SALE AND JUSTIFY THE PRICE INCREASE.**
	• If the CDA option is selected the following will apply
	  • Appraisal 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, with a copy of the appraisal(s) advising of loan approval and completion of appraisal(s) along with the request for the CDA. All reviews should be send to JumboReview@prmg.net
	  • An appraisal review charge of $150 will apply
	  • **CDA > 10% Below Appraisal**: The CDA value may be used as the appraised value to calculate the LTV/CLTV OR a Clear Capital Broker Price Opinion (BPO) AND a Clear Capital Value Reconciliation of Three Reports (Recon Form 3.0) may be obtained (submit request to JumboReview@prmg.net for Clear Capital Broker Price Opinion (BPO) AND a Clear Capital Value Reconciliation of Three Reports. Reconciliation will take into account the original appraisal, CDA and BPO. The final value determined by Clear Capital will be used as the appraised value for the property.
	  • **CDA Indeterminate Value**: If CDA cannot determine a value, a second full appraisal is required.

DISASTER RE-INSPECTION REQUIREMENTS	• If a disaster area has been identified as requiring a re-inspection, then an appraiser must perform the property inspection.
	  • Photographs of the subject property must be included.
	  • Seller Certifications and third-party inspections are not accepted are not accepted in this program.
	• The appraiser who performs the inspection should review the original appraisal report and be able to certify that the personal inspection of improvements revealed no indications of significant disaster related damages.
	• Any of the following may be used by the appraiser to certify the property condition:
	  • Appraisal Update and/or Completion Report (Fannie Mae Form 1004D/Freddie Mac Form 442)
	  • Desktop Underwriter Property Inspection Report (Fannie Mae Form 2075)
	  • Uniform Residential Appraisal Report (Fannie Mae Form 1004/Freddie Mac Form 70)
	  • Exterior Only Appraisal Report (Freddie Mac Form 2055)
	  • Individual PUD Unit Appraisal Report (Fannie Mae Form 1073/Freddie Mac Form 465)
	• If the appraiser notes defects in the exterior inspection, a URAR with interior and exterior inspection and photographs is required. All damage revealed by the inspection must be repaired before the loan is closed
	• Underwriters are responsible for determining potential impact to a property located in an area where a disaster is occurring or has occurred, irrespective of whether a declaration or Announcement has been made.

NON-ARMS LENGTH	• Loans for transactions with identity of interest or non-arm's length characteristics are

<table>
<tr><td>TRANSACTIONS OR IDENTITY OF INTEREST</td><td>not eligible. Examples of these types of transactions (not a complete list) include:

Sales of properties between family members (see Established Relationship)
Sales of properties between business associates
Sales involving a business entity and an individual who is an officer or principal in that business
Sales involving the builder/developer of subject property and an employee or affiliate of the builder/developer
Transactions involving an assignment of the sales contract
Loans to owners and employees of the Correspondent Seller, its affiliates and subsidiaries or TPOs.
Landlord/tenant relationship is not considered non-arms length/identity of interest however, if the appraiser states that it is non-arms length for this reason, further clarification would be needed by the appraiser that it is only considered NAL due to the landlord/tenant situation. if there are other attributes to the landlord/tenant relationship that would further indicate that the relationship is more in depth (business or family) it would not be eligible.
For Sale By Owner (FSBO) would be considered ineligible if indicated as a non-arms length transaction by the appraiser
</td></tr>
<tr><td>FAMILY MEMBER – DEFINED
(FORMERLY ESTABLISHED RELATIONSHIP)</td><td>
Immediate Family: Parents, siblings, children, spouse, grandparents, aunts, uncles, domestic partner, fiancé or fiancée
</td></tr>
<tr><td>REAL ESTATE AGENT ALSO LOAN OFFICER/BROKER</td><td>
The real estate agent (listing/selling/buyer) for the subject property may not act as the loan officer/broker for the borrowers purchasing the same subject property.
</td></tr>
<tr><td>MORTGAGE INSURANCE</td><td>
N/A
</td></tr>
<tr><td>PROPERTY INSURANCE</td><td>
Hazard Insurance:

Coverage must equal to the lesser of the following:

100% of the insurable value of the improvements (replacement cost) as established by the property insurer OR
The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.
5% of the face amount of the policy is the maximum deductible

For refinances transactions, all insurance policies must have, at minimum, an expiration date after the first payment date as shown on the note.
Flood Insurance:

A Standard Flood Hazard Determination (flood certificate with life of loan service) is required for all loans. Flood insurance is required if all or part of the property improvements are located in a Special Flood Hazard Area (SFHA).

Acceptable Proof of Flood Insurance:

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.
</td></tr>
</table>

	• Flood insurance is required if there is knowledge that the property is exposed to flood risks, even if the property is located in a community that does not have FEMA flood maps. • For hazard insurance, properties in an attached condominium and attached PUD project (including 2-4 unit projects) require 100 percent of the insurable replacement cost coverage for the complete condominium (interior and exterior of the condominium).The HO-6 policy must be sufficient to repair the interior of the condominium unit, including any additions, improvements and betterments to its original condition in the event of a loss. If the HOA Master Policy does not provide coverage for the interiors of the project units, an HO-6 (or its equivalent) Policy for the individual unit is required. • 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.) • See Expanded Guidelines for additional requirements
REPAIR ESCROWS/ ESCROW HOLDBACKS	• Not allowed
TEMPORARY BUYDOWNS	• Not Allowed
INTEREST ONLY	• Not allowed
PRE-PAYMENT PENALTY	• Not allowed

MULTIPLE LOANS	• The borrower may not own more than 4 financed properties, including the subject property. This limitation applies to the total number of properties financed and any combination of ownership in 1-4 family properties.
	  ◦ Partial or joint ownership is considered the same as total ownership in the property.
	  ◦ Ownership applies to financed properties owned by the Borrower, including any properties the Borrower owns outside of the United States.
	  ◦ A Borrower who is obligated on a mortgage, regardless of whether they hold title to the property is included in this limitation.
	  ◦ These limitations apply to the total number of all financed properties, not to the number of mortgages on the property.
	  ◦ Properties are subject to this limitation even if held in title by a corporation or S corp., if the financing is in the name of the Borrower.
	• The maximum exposure to the investor is the greater of the Note amount of one loan (if greater than or equal to $2,000,000) or combined loan amounts totaling $2,000,000.

RESIDUAL INCOME EVALUATION	• This product does not allow HPML or HPCT loans, therefore all loans will fall under Safe Harbor and the Residual Income Evaluation form is not required.
HIGHER PRICED COVERED TRANSACTIONS (HPCT)	• Higher Priced Covered Transaction (HPCT) are not allowed • Higher Priced Covered Transaction (HPCT) uses the same calculation as HPML, but applies to all occupancy types
HIGHER PRICED MORTGAGE LOAN (HPML)	• Not allowed
SECTION 32 / HIGH COST LOAN	Brokers are responsible for identifying loans that are considered high cost loans as defined by federal and/or state laws and/or regulations. High cost loans are not allowed: • Loan is not a high cost loan as defined by Section 32 of the Federal Truth-in-Lending Act; *and* • Loan is not a high cost loan as defined by applicable state laws and/or regulations.
REAL ESTATE	• The maximum real estate commission allowed is 8% aggregate.

COMMISSIONS	
SERVICING OPTIONS	• N/A
ESCROW ACCOUNT	• CA: Escrows are required for LTVs ≥ 90% • NM: Escrows are required for LTVs ≥ 80% for Owner Occupied and LTVs >80% for Second Homes or Non-Owner Occupied • Other States: Escrows are required for LTVs > 80%. • Escrows for optional items (such as optional insurances) not allowed • 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	• Loans must be underwritten by designated jumbo/non-conforming/niche Level 4 underwriters ◦ 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. • Must be submitted to Jumbo Reviews for this product for submission for eligibility review. CDA Results, if applicable (must be ordered and returned prior to submission for eligibility review.) Results will be returned to underwriter to and underwriter is responsible to review and ensure all eligibility review requirements are met. • File must have all PTD conditions met prior to submission Jumbo Reviews • Appraisal Review will be submitted to Clear Capital by Jumbo Reviews when required and must be completed prior to eligibility review • Final loan approval cannot be issued without approval from eligibility review • See Eligibility Review Requirements section for more information
INELIGIBLE LOAN TYPES	• Conversion Loans • Construction Loans
ASSUMABILITY	• Fixed Rate: Not Assumable. • ARMs: Assumable after the fixed rate period. Additional guidelines and fees may apply.
INDEX	• The average of the interbank offered rates for 1 Year U.S. dollar-denominated deposits in the London Market, as published in “The Wall Street Journal”.
MARGIN	• 2.25%
INTEREST RATE CAPS 5/1 ARM	• **2% Initial Adjustment Cap** - On the first adjustment date, the interest rate cannot be increased or decreased by more than 2% from the interest rate in effect immediately prior to the interest rate adjustment date. • **2% Adjustment Cap** - Commencing with the second interest rate adjustment date, the interest rate cannot be increased or decreased by more than 2% from the interest rate in effect immediately prior to the interest rate adjustment date. • **5% Lifetime Cap** - There is a life of loan interest rate ceiling equal to the sum of the initial interest rate plus 5%.
INTEREST RATE CAPS 7/1 AND 10/1 ARM	• **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. • **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	**<u>5/1, 7/1, and 10/1 ARMs</u>**: • **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 respectively. On each 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. • **Interest Rate Change Date** - The initial interest rate change date may occur when the 60th, 84th or 120th payment is due (whichever is applicable). Subsequent interest rate changes may occur 12 months after the first interest rate change date.
MINIMUM FLOOR	• Margin
ARM DOCUMENTS	• 3528 Note and 3187 Rider

Texas Addendum

The following guidelines refer to loans in Texas only. If a topic is not addressed in this addendum, the standard Agency guidelines above should be followed. Also, please note that no underwriting exceptions are allowed on properties located in Texas.	
PURCHASE	• Allowed • Purchase transactions that include subordinate financing subject to Section 50(a)(6) provisions are limited to a maximum LTV/TLTV/CLTV of the lesser of 80% or the maximum allowed by product or loan amount.

RATE/TERM REFINANCE	• Refinance of a Texas Section 50(a)(6) to a Texas Section 50(f)(2) not allowed
	• Proceeds from a rate/term refinance may only pay off the following:
	  • 1st liens that are not considered Section (a)(6) and Second liens used entirely for the purchase of the property.
	  • When a prepayment penalty fee is assessed on an existing NON Section 50 (a) (6) loan and is included in the payoff amount, the new loan can be considered a rate/term refinance if the title company agrees and issues a new title policy for the full loan amount (including prepayment penalty fees)
	  • HOA dues may be paid off if the title company requires them to be paid. If the title company does not require them to be paid, the borrower must pay the dues outside of closing, and they must NOT be included in the loan amount.
	• Proceeds from a rate/term refinance may NOT pay off the following:
	  • Any loan that is considered a Section (a) (6) loan
	  • Any loan that the borrower received cash back on
	  • Federal tax debt liens
	  • Liens for delinquent property taxes on the property securing the new loan
	• Rate/term refinances may NOT receive any cash back to the borrower, even incidental cash. Limited cash out refinances that allow the lesser of 2% of the loan amount or $2,000 are NOT eligible under the Texas rate/term refinance program.
	• Incidental cash back to the borrower at Closing is not allowed, including incidental cash back as result of POC fees being refunded to borrower. Additionally, incidental cash back must either be handled by reducing/curtailing principal or reducing the loan amount and having the documents re-drawn.
	• For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program.
	• Principal reductions are not allowed
	• Total financed Closing costs are limited to those costs that are reasonable and actually required to close the transaction. Prepaids/escrows can't be financed into the new loan when grossed up in loan payoff. Principal reductions/curtailments are not allowed. The documents should be redrawn reflecting the new loan amount. POC fees can't be financed into the loan amount. Special title insurance coverage must be obtained when impounds for prepaid expenses* are included in the new loan amount. Note that prepaids can only be included in the new loan amount if netted from the payoff of the existing loan. The following must be included as a Schedule B Exception: Possible defect in lien of the insured mortgage because of the Insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage. * Prepaid expenses are defined as real estate taxes (includes non-delinquent taxes which are due and payable, as well as reserves), hazard insurance premiums, and monthly MI premiums covering any period after the settlement date.

	• The following P-39 Express Insurance Coverage endorsement is recommend: Company insures the Insured against loss, if any, sustained by the Insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that divests the Insured of its interest as Insured because of this right, claim or interest. Company agrees to provide the defense to the Insured in accordance with the terms of this Policy if suit is brought against the Insured to divest the Insured of its interests as Insured because of this right, claim or interest. • Certain restrictions apply to Rate/Term refinance transactions that include subordinate liens. These restrictions include: (1) Only one loan subject to Section 50(a)(6) provisions may be secured by the subject property at any given time, regardless of lien position. (2) When the subordinate lien is subject to Section 50(a)(6) provisions, the maximum LTV/TLTV/CLTV is the lesser of 80% or the maximum allowed by product or loan amount. Subordinate liens used entirely to purchase the subject property may be eligible for payoff as a rate/term refinance, subject to the following requirements: (1) The HUD-1 Settlement Statement from the transaction must be provided evidencing all funds were used to purchase the subject property. (2) The commitment for title insurance may not reflect that the loan was originated as a home equity/cash-out Section 50(a)(6) loan. (3) The financing may be paid off, paid down or re-subordinated with the refinance. (4) The borrower may not have received any cash back from the subordinate financing. If the borrower received cash back and the loan is being paid off or paid down, the lien is subject to Section 50(a)(6) provisions and considered a home equity/cash-out transaction, and therefore, ineligible. • Refinance transactions documentation must be provided (commitment for title insurance, mortgage/deed of trust and/or HUD-1) in each loan package to verify that a home equity/cash-out loan under Section 50(a)(6) has not previously been originated against the subject property. If the purpose of the loan is not clearly identified on the commitment for title insurance, it will be necessary to provide previous mortgage/deed of trust or HUD-1 for each transaction originated on or after 1/1/98 to verify the purpose of the existing Loan.
CASH OUT REFINANCE	• Not Allowed

ELIGIBLE COSTS	• A rate/term refinance of a primary residence may include only the following costs:
	  • 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 5% of the loan amount, must be deemed “necessary and reasonable”. Closing costs that may be included are noted below:
	  • Loan Origination
	  • Tax Service
	  • Recording
	  • Escrow Waiver
	  • Processing
	  • Appraisal
	  • Credit Report
	  • Final Inspection
	  • Underwriting
	  • Application
	  • Survey
	  • Title Insurance Premiums (Lender Policy)
	  • Commitment

	• Express Mail • Flood Certification • Closing
ADDITIONAL DOCUMENTATION	• 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. • For rate/term refinances, a copy of the commitment for title insurance, mortgage/deed of trust, or HUD-1 is required in order to verify that a Section 50 (a) (6) loan has not previously been originated against the subject property.

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