PRMG
Paramount Residential Mortgage Group, Inc.

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RUBY JUMBO
STANDARD AND INTEREST ONLY

Standard (Non-Interest Only)
15 and 30 Year Fixed Rate
5/1, 7/1 and 10/1 LIBOR ARMs

Loan Amount[5]	LTV[2,3,4]	CLTV[2,3,4]	Purpose	Units	Occupancy[4]	Credit Score
$1,000,000	90%[1]	90%	Purch	1	O/O	700
$1,500,000	90%[1]	90%	Purch	1	O/O	720
High Balance Limit[8]	80%	90%	Purch/R&T[6]	1	O/O	700
$1,000,000	80%	90%	R&T[6]	1	O/O	700
$1,500,000	80%	90%	R&T[6]	1	O/O	720
$2,000,000	80%	80%	Purch, R&T[6]	1	O/O	680
$2,000,000	80%	90%	Purch, R&T[6]	1	O/O	740
High Balance Limit[8]	75%	75%	Purch, R&T[6]	2-4	O/O	700
$2,000,000	75%	75%	Purch, R&T[6]	2-4	O/O	700
$3,000,000	70%	70%	Purch, R&T[6]	1	O/O	720
High Balance Limit[8]	80%	80%	Purch, R&T[6]	1	SH	680
$2,000,000	80%	80%	Purch, R&T[6]	1	SH	680
$2,000,000	80%	80%	Purch, R&T[6]	1	SH	680
$3,000,000	65%	65%	Purch, R&T[6]	1	SH	720
$1,500,000	75%	75%	Purch, R&T[6]	1-4	N/O/O	700
$2,000,000	70%	70%	Purch, R&T	1-4	N/O/O	720
High Balance Limit[8]	75%	75%	Cash Out[5,7]	1	O/O	700
$2,000,000	75%	75%	Cash Out[5,7]	1	O/O	700
High Balance Limit[8]	75%	75%	Cash Out[5,7]	1	SH	720
$1,000,000	75%	75%	Cash Out[5,7]	1	SH	720
$1,500,000	65%	65%	Cash Out[5,7]	1	SH	720
$2,000,000	50%	50%	Cash Out[5,7]	1	SH	720

1. Fixed rate only for LTVs > 80%
2. For properties in declining markets, reduce max LTV/CLTV by 5% (max 85% LTV/CLTV)
3. First Time Homebuyers: Max LTV/CLTV of 80%. Max $1,500,000 loan amount, O/O only
4. Non-Permanent Resident Aliens: Max LTV/CLTV of 80%. O/O Single Family only. Interest-Only not allowed
5. Max Cash Out: O/O $500,000; SH >50% LTV/CLTV $350,000; SH <=50% LTV/CLTV $500,000;
6. Delayed Financing as Rate/Term: O/O only, reduce max LTV/CLTV by 5%
7. Subordinate financing not allowed
8. Max loan amount for this option is county specific, and only applies to high balance areas. See High Balance Areas section for additional information and expanded DTI options for loan amount within the high balance county limit.

Interest-Only

5/1, 7/1 and 10/1 LIBOR ARMs

Loan Amount	LTV[1,2]	CLTV[1,2]	Purpose	Units	Occupancy	Credit Score
$1,500,000	75%	75%	Purch, R&T[3]	1-4	O/O	740
$1,500,000	70%	70%	Purch, R&T[3]	1	SH	740

1. For properties in declining markets, reduce max LTV/CLTV by 5%
2. Non-Permanent Resident Aliens and First Time Homebuyers not allowed
3. Delayed Financing as Rate/Term: O/O only, reduce max LTV/CLTV by 5%

PRODUCT NAME	• Ruby Jumbo 15 Year Fixed • Ruby Jumbo 30 Year Fixed • Ruby Jumbo 5/1 Libor ARM • Ruby Jumbo 7/1 Libor ARM • Ruby Jumbo 10/1 Libor ARM • Ruby Jumbo 5/1 IO Libor ARM • Ruby Jumbo 7/1 IO Libor ARM • Ruby Jumbo 10/1 IO Libor ARM
ALLOWABLE ORIGINATION CHANNELS	• Wholesale • Retail • Correspondent
EXPANDED GUIDELINES	• Expanded guidelines covering investor specific requirements, can be found at the following link: http://www.eprmg.net/RubyExpanded.pdf • Use the more conservative of the requirements from expanded guidelines or Product Profile • 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.
MINIMUM LOAN AMOUNT	• For loan locked prior to 12/17/18: $453,101 • For loan locked on or after 12/17/18: $484,351
MAXIMUM LOAN AMOUNT	• $3,000,000

HIGH BALANCE AREAS	For properties in areas with a high balance limit where the max loan amount is at or under the county specific high balance limit:
	• When using this option, max limits for all counties can be found here (select Fannie/Freddie for Limit Type option): https://entp.hud.gov/idapp/html/hicostlook.cfm
	• DU Approve/Eligible required
	• Max DTI 45%, except as listed below
	    • For Non-Permanent Resident Aliens: Max DTI 43% and Max 40% DTI for LTV/CLTV > 80%
	    • For rate/term refinance paying off a seasoned non-purchase second lien: Max DTI 43% and Max 40% DTI for LTV/CLTV > 80%
	• Follow Fannie Mae documentation requirements, except as listed below
	    • Non-Permanent Resident Aliens must meet Appendix Q requirements, reduced documentation per Fannie Mae not allowed
	    • Rate/term refinance paying off a seasoned non-purchase second lien must meet Appendix Q requirements, reduced documentation per Fannie Mae not allowed

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 • Early Closing Disclosure (FastTrac CD) option not allowed • 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	• Funding not allowed until all eligibility review conditions are cleared

REQUIREMENTS	• 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
PRINCIPAL REDUCTIONS	• Not allowed
GEOGRAPHIC RESTRICTIONS	• Please refer to PRMG's "Eligible States" list, which can be found at this link: http://www.eprmg.net/guidelines/Eligible%20States.pdf • See State Specific Requirements in Resource Center for state specific information • Cash Out **and** refinances of Section 50(a)(6) not allowed in TX • 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. • Hawaii properties: (lava zones 3-9 only) • Illinois Land Trusts are not allowed
DOCUMENTATION	• Standard FNMA full or alternative documentation must be provided, reduced documentation per DU is not allowed • Regardless of the AUS/DU income and asset requirements, all loans must be fully documented. • Tax transcripts must come to lender directly from the IRS or through a third party vendor ordered/obtained by lender • 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. • Verbal verification of employment for the last two years required for all borrowers. • For self-employed borrowers: No more than 30 calendar days prior to note date, verify the existence of the borrower's business from a third party that may include a CPA letter (cannot be vague, must state length of time doing taxes and be signed by CPA), regulatory agency, or appropriate licensing bureau; OR verify a phone listing and address for the borrower's business through resources such as the telephone book, directory assistance, internet, or contact the appropriate licensing bureau. Verification may not be made verbally, and a certification by PRMG indicating the information was verified is not allowed. Documentation from the source used to verify the information must be obtained and in the file. Internet sites such as 411.com, Chamber of Commerce sites and Manta.com where they allow the business owner to add their own information are not acceptable. Also single source verifications, such as from superpages.com, yellowpages.com and searchbug.com are not allowed. If 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.

	• A signed IRS 4506-T is required at application and at closing and will be required to be processed. • Amended tax returns must have been filed at least sixty (60) days prior to the earliest of the purchase agreement, initial credit report date, or mortgage application date, unless the changes made are non-material to the amount of income claimed, and qualification for the mortgage loan. When using the amended returns if filed within sixty (60) days to the earliest of the purchase agreement, initial credit report date, or mortgage application date, or after, the Underwriter must provide justification and commentary regarding its use, including that borrower does not require use of amended income for qualification. Regardless of when the amended returns were filed, due diligence must be exercised with close examination of the original, and amended returns, to determine if the use of the amended return is warranted and the following documentation should be reviewed when income from the amended return is required: A letter of explanation regarding the reason for the re-filing; evidence of filing (must be validated with a record of account (4506T results); copy of the original 1040; any extensions filed, and evidence of payment of the taxes due, and the ability to pay, if the check has not yet cancelled. • 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. • See expanded guidelines

ELIGIBILITY REVIEW REQUIREMENTS	• After underwriting approval, all review requests should be sent to JumboReview@prmg.net by the Jumbo underwriter
	• The following must be included in the file prior to submission for eligibility review.
	    • Internal Jumbo Corporate UW Submission Checklist Form **must be completed and attached to the email** request sent to JumboReview@prmg.net which can be found on the Resource Center or at the following link: http://www.eprmg.net/ResourceCenter/Checklists/Internal%20Jumbo%20Corporate%20UW%20Submission%20Checklist%20.pdf
	    • 1008, underwriter's 1003 and current approval must be uploaded into efolder before submission to JumboReview@prmg.net
	    • CDA Results, if applicable (must be ordered and returned prior to submission for eligibility review) **must be attached to the email** request sent to JumboReview@prmg.net
	    • All documentation required on Review Documentation list, which can be found at the below link must be uploaded into efolder prior to submitting request for eligibility review, it does not need to be sent to JumboReview@prmg.net as it will be downloaded directly from FT360.
	• All eligibility conditions must be sent to JumboReview@prmg.net for review and approval
	• Typical turn time for review is 72 hours from **complete** file submission. The first 24 hours is documentation review, and if documentation is missing we will be notified and the 72 hours will start at submission of the missing documentation.
	• Conditions from eligibility review must be submitted to JumboReview@prmg.net for acceptance by reviewer
	• All eligibility review conditions must be cleared prior to docs/close (as appropriate)

DOCUMENT EXPIRATIONS	• For all transaction types credit documents may not be older than 90 days from the Note date.

ABILITY TO REPAY/ APPENDIX Q	• All loans must be underwritten in compliance with the Ability to Repay standards set forth in Appendix Q to Part 1026 by the CFPB.
	• 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

AUTOMATED UNDERWRITING	• See Below
DESKTOP UNDERWRITER (DU)	• Must receive an Approve/Eligible or Approve/Ineligible determination. • Ineligible is only allowed for loan amount, ARM products that are not eligible with Fannie Mae, LTVs that do not fit Fannie Mae guidelines. The LTV/CLTV, loan amount, ARM plan, etc. must conform with the Ruby program requirements. Ineligible may also be for exceeding limited cash out requirements, as long as it complies with investor guidelines. • Any red flags outlined in the Findings Report must be addressed and satisfied.
LOAN PRODUCT ADVISOR (LPA)	• Not required • Formerly known as Loan Prospector (LP)
PROPRIETARY U/W ENGINE	• N/A
MANUAL UNDERWRITING	• Required
ELIGIBLE PROPERTY TYPES	• Single family • 2-4 units • PUD • Condo (FNMA warrantable) • For properties in declining markets, reduce max LTV/CLTV by 5%, (max 85% LTV/CLTV)
INELIGIBLE PROPERTY TYPES	• Properties with income producing attributes • Log Homes • Condominiums with HOA in litigation • Timeshares

	• Properties with an oil and gas lease. • Properties with more than 10 acres • Hawaii properties in lava zones 1 and 2 • Hawaii Homeland Leasehold properties • Non-Warrantable Condos • Mobile homes • Manufactured homes • Modular homes • Co-ops • Houseboats • Geodesic domes • Working farms, ranches, orchards and/or commercial operations • Manufactured housing • Property used for commercial purposes • 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 • Properties sold at auction by the builder, developer, or construction lender are not eligible. • Previously approved condominium and Planned Unit Development (PUD) projects are often no longer acceptable if they have been sold at auction. • 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.) • Leasehold Estates • Factory built housing • Indian land (leased or fee simple) • 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)
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 at the same. If this verification cannot be made, the property must be treated as an investment property. • Allowed, see expanded guidelines
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 at the same. If this verification cannot be made, the property must be treated as an investment property. • The loan documentation (credit report, income, asset verification) must show the borrower's current primary residence as the borrower's address. • Allowed, see expanded guidelines

CONDOS	• Allowed
	• Low/mid/high-rise new and established Fannie Mae or Freddie Mac warrantable condominiums must meet the following (underwriter to confirm):
	    • Warrantable condominium types S and T.
	    • Limited review is not eligible. All attached condominiums require full lender review with or without Condo Project Manager (CPM). The conventional Condo and PUD warranty form must be used to warrant the condo project.
	    • The project must be reviewed within the 3 months preceding the date of the note.
	    • New condominiums (type R). New condominiums may not be subject to additional phasing or annexation.
	    • All supporting documentation used by the lender to determine eligibility and warranty type criteria must be submitted in the file; including the project acceptance certification generated by CPM, and unexpired PERS approval, as applicable.
	    • Minimum 400 sq ft
	• PRMG 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.
	• Must be 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/ResourceCenter/GeneralForms/HOA%20Full%20Lender%20Condo%20Review%20Submission%20Form.pdf
	• The following documentation is required: condo review submission form (from Resource Center or above link), condominium questionnaire (from Resource Center, Condo Certs or similar), appraisal of subject unit (can be submitted after condo review is completed, but final project approval will not be issued until appraisal is received), current annual budget, insurance certificate for applicable types and AUS findings (showing approved); For New Construction or New Gut Rehab conversions only: all above listed documentation, copy of Declaration of Condominium including Amendments and Bylaws, presale form (available in the Resource Center)
	• Projects in current or pending litigation are not eligible

NON-WARRANTABLE CONDOS	• Not allowed.
PLANNED UNIT DEVELOPMENTS (PUDS)	• Allowed, see expanded guidelines
PROPERTIES WITH DEED RESTRICTIONS	• Not allowed
LEASED LAND	• Leasehold properties not allowed
MAXIMUM ACREAGE	• Maximum 10 acres, see expanded guidelines
MULTIPLE PARCELS AND	• Allowed, see expanded guidelines

TAX ID NUMBERS	• The lots/parcels must be adjoining • The lots/parcels must be zoned residential • Only one lot/parcel may have a dwelling unit Adjoining lot/parcel may have either no improvements or limited, nonresidential improvements such as a garage • The mortgage must be a first lien on each lot/parcel • Partial release for any lot/parcel is not allowed, each parcel must be conveyed in its entirety.
UNPERMITTED ADDITIONS	• Allowed on a case by case basis un-permitted additions in which are grandfathered in may be allowed with similar comparable sales.
GUEST HOUSES/ ACCESSORY (IN-LAW) APARTMENTS	• Allowed on a case by cases basis would be allowed with comparable sales supporting that the they are common for the area
CONSTRUCTION TO PERMANENT FINANCING	• Payoff of construction financing allowed, see expanded guidelines for requirements • Must be underwritten by underwriter with construction to permanent experience
OCCUPANCY	• Primary Residence (O/O), Second Homes (SH), Non-Owner Occupied (N/O/O)
OWNER OCCUPIED	• See expanded guidelines
SECOND HOME	• The property must be occupied by the borrower from time-to-time and is suitable for year-round use. Typically, the property is located in either a resort or vacation area or for convenience in a city where the borrower works when the primary residence is in a distant suburb. • 1 unit only • Property may not be a time share, subject to a rental agreement or other shared ownership arrangements. • The property must be a reasonable distance from the borrower's primary residence. • Rental income and expenses on Schedule E of the borrower's personal tax return(s) must not be significant. • Rental income from a second home cannot be used to qualify the borrower. • See expanded guidelines
NON-OWNER OCCUPIED	• Allowed • See expanded guidelines

ELIGIBLE BORROWERS	• U.S. Citizens
	• Permanent Resident Aliens
	• Non-Permanent Resident Aliens
	• Must have a valid Social Security Number
	• Borrowers must have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower. All borrowers must have a valid social security number.
	• Maximum of 4 borrowers per loan
	• Ownership must be fee simple only and must be in the name of the individual Borrower(s) or Trust. Borrower(s) may hold title as follows:
	    • Individual
	    • Joint Tenants
	    • Tenants in Common
	• 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.
INELIGIBLE BORROWERS	• Borrowers with only an ITIN (individual taxpayer identification number). • Irrevocable trusts. • Corporations, limited partnerships, general partnerships, and limited liability companies. • Non-occupant co-borrowers contributing income. • Foreign Nationals. • Borrowers with Diplomatic Immunity.
PERMANENT RESIDENT ALIENS	• Allowed • Copy of valid resident alien card must be included in loan file. • See expanded guidelines

NON-PERMANENT RESIDENT ALIENS	• Must be legally present in the U.S with an acceptable visa type. Acceptable visa types are as follows:
	  ◦ E Series (E-1, E-2, E-3)
	  ◦ G Series (G-1, G-2, G-3, G-4, G-5)
	  ◦ H Series (H-1B, H-1C)
	  ◦ L Series (L-1, L-1A, L-1B, Spouse L-2 with EAD)
	  ◦ NATO Series (NATO 1 – 6)
	  ◦ O Series (O-1)
	  ◦ TN-1, Canadian NAFTA visa
	  ◦ TN-2, Mexican NAFTA visa
	• See USCIS.gov for more information.
	• Must have a valid Social Security Number. ITIN numbers not allowed
	• Maximum LTV/CLTV of 80%.
	• Must have a minimum of two (2) year employment history in the U.S and qualifying income must be from the U.S.
	• Must be able to verify that current employment has a probability of three (3) year continuance. VOE form may be used to document.
	• Must have a two (2) year credit history in U.S. and must meet minimum credit requirements
	• Funds to close must be deposited in a U.S. financial institution. No funds to close from outside the U.S are allowed.
	• Owner-occupied, single family primary residences only.
	• Interest only not allowed.
	• Note, "Non-Perm Resident Alien" must be entered in Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of the borrower type if the loan is locked prior to approval
	• See expanded guidelines

FOREIGN NATIONALS	• Not Allowed
INTER-VIVOS REVOCABLE TRUSTS	• Not allowed
ILLINOIS LAND TRUSTS	• Not allowed
COMMUNITY LAND TRUSTS	• Not eligible
NON OCCUPYING CO-BORROWERS	Non-occupying co-borrowers are acceptable when the following can be met: • Allowed, but cannot contribute income for qualifying purposes • See expanded guidelines for additional information

FIRST TIME HOMEBUYERS	• A first time homebuyer is defined as a borrower who has not had ownership interest in a property within the last three (3) years from the application date.
	  ◦ Allowed with the following requirements:
	  ◦ Owner occupied only;
	  ◦ 12 months PITI Reserves;

	• Max $1,500,000 loan amount. • Max 80% LTV/CLTV. • Interest Only not allowed.
POWER OF ATTORNEY	• Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group • Must meet Fannie Mae requirements • Hardship letter required • Not allowed on a cash out transaction

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 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 income sources used to qualify borrowers must be legal at the local, state, and federal level. Any income derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company
	• Borrower(s) must have a minimum of two (2) years employment and income history. Gaps in employment over thirty (30) days during the most recent two (2) year period require a satisfactory letter of explanation from the borrower. All borrowers contributing income for qualification must be employed at present employment for a minimum of six (6) months to qualify if there is a gap in employment during the previous two (2) years.
	• Asset Depletion not allowed
	• Projected income is acceptable for qualifying purposes for a borrower scheduled to start a new job within 60 days of loan closing if there is a guaranteed, non-revocable contract for employment. Additionally, the creditor must verify that the consumer will have sufficient income or cash reserves to support the mortgage payment and any other obligations between loan closing and the start of employment. Examples of this type of scenario are teachers whose contracts begin with the new school year, or physicians beginning a residency after the loan closes fall under this category. Finally the loan is not eligible if the loan funds more than 60 days before the consumer starts the new job. A pay stub indicating the borrower has started the new job is not required.
	• Verbal VOE dated within 10 business days of closing documented in writing. The verbal VOE must cover 24 months of employment. If the borrower has changed jobs during the past two years the verbal VOE must show the start and end dates for each job. Any employment gaps exceeding 30 days must be addressed with a satisfactory letter of explanation from the borrower. Any employment gap over 30 days must be addressed
	• Various types of income or compensation are disallowed. Refer to expanded guidelines for a list of unacceptable income.
	• Salaried borrowers
	  • W-2s from all employers for the past two (2) years. All W-2s must be computer generated.
	  • If the borrower does not have 2 years of employment due to previously being in school a copy of the school transcript is required.
	  • Most recent paystubs, covering a thirty-day (30) period with YTD earnings. All paystubs must be computer generated.
	  • Tax returns are not required for salaried borrowers if wage income is the only source of income used for qualification.
	  • Unreimbursed business expenses must be deducted from income regardless if the borrower's commission income is less than 25% of total income.
	  • Borrowers employed in a family business must provide evidence that they are not owners of the business with a CPA letter from the business and personal tax returns.
	  • Signed IRS Form 4506T. The 4506T transcripts need to be obtained from the IRS

	prior to closing and used to validate the income documentation used to underwrite the loan. Wage transcripts are acceptable. Any income documentation discrepancy between the IRS transcripts and the supporting income documentation (Paystubs, W-2s, tax returns, etc.) as provided by the borrower must be reconciled and adequately addressed by the lender. The transcripts must be included in the file submission. • Verbal VOE dated within 10 business days of closing documented in writing. The verbal VOE must cover 24 months of employment. If the borrower has changed jobs during the past two years the verbal VOE must show the start and end dates for each job. Any employment gaps exceeding 30 days must be addressed with a satisfactory letter of explanation from the borrower. Any employment gap over 30 days must be addressed. • <u>Salaried Borrowers who also file Self-Employed and/or Supplemental Income/Loss Tax Return Schedules:</u> • Salaried borrowers who also own 25% or more of a business or other entity are required to provide a year-to-date P&L and balance sheet for that business or entity even if the income from that business or entity is not being used to qualify. This requirement includes all businesses and entities including those organized as pass through entities. • Salaried borrowers who file a schedule C (sole proprietorship) will be considered as self-employed and required to provide a year-to-date P&L and balance sheet. This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes. • Most recent signed two (2) years business tax returns are required for businesses where the borrower owns 25% or more and the business reports an income loss on the schedule K-1. Loss must be deducted from income. • <u>Salaried Borrowers with Commission/Bonus:</u> • For borrowers receiving bonus, commission, or any other non-base salary compensation in addition to base salary, a 2 year history of the receipt of the income is required. • This must be addressed with a written VOE breaking down the bonus or commission income for the past 2 years, further supported by a year-to-date paystub. • A year-to-date paystub, W-2s and tax returns alone will not satisfy the documentation requirements for bonus, commission or any other non-base salary compensation. • <u>Self-employed borrowers</u>: • Borrowers with a 25 percent or greater ownership interest in a business are considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes. • Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used. • For business income being used for qualifying the most recent signed two (2) years tax returns, including all schedules, both individual and business returns are required. All personal and business tax returns must be signed and dated prior to closing. • Self-employed borrowers using wage income to qualify paid by their business need to fully document the income with W-2's for the past two (2) years and most recent paystubs, covering a thirty-day (30) period with year-to-date earnings. W-2 and paystubs must be computer generated. • If tax return schedules show a loss in the prior year for any business where the borrower owns 25% or more, business tax returns including all schedules are

	required for this business in order to calculate the average loss. This is required regardless if this business income is being used to qualify. Tax returns must be signed and dated prior to closing.
	• Signed IRS Form 4506T. The 4506T transcripts must be obtained from the IRS for personal tax return prior to closing and used to validate the income documentation used to underwrite the loan. Business tax transcripts are not required. Any income documentation discrepancy between the IRS transcripts and the supporting income documentation (Paystubs, W-2's, tax returns, etc.) as provided by the borrower must be reconciled and adequately addressed by the lender. The transcripts must be included in the file submission.
	• The lender must verify the existence of the borrower's business within 30 calendar days prior to closing. Methods of verifying business include:
	  ◦ Verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau. If CPA letter is used it must indicate the borrower has been self-employed for a minimum of 2 years.
	• P&L and Balance Sheet Requirements:
	  ◦ Year-to-date P&L statement and balance sheet are required if note date is beyond 120 days from the end of the last fiscal year.
	  ◦ All borrowers owning 25% or more of a business or entity must provide a year-to-date P&L statement and balance sheet for that entity, regardless of whether or not the business income is being used to qualify. This requirement includes all business entities including those organized as pass through entities.
	  ◦ If the tax return for the previous tax year is not filed a 12 month P&L and balance sheet for this period is required.
	  ◦ If the most recent year's tax returns have not been filed by the IRS deadline, an executed copy of the borrower's extension request for both personal and business tax returns must be provided.
	  ◦ The P&L and balance sheet is required even if the borrower does not have a business checking account.
	  ◦ P&L and tax returns must show stable or increasing income from all business entities and income sources for the period relative to previous periods. Income cannot decline by 20% or more from the prior tax period.
	• Rental Income:
	  ◦ Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for all properties where rental income is being used to qualify.
	  ◦ Proposed rental income from the comparable rent schedule may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property.
	  ◦ Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 12 months or the time period after the lease expired.
	  ◦ A 25% vacancy factor must be applied to the gross rent used for qualifying. Multiply the gross rent by 75% and subtract the PITI to arrive at the rental income/loss used for qualifying.
	  ◦ Commercial properties owned on schedule E must be documented with a rent roll and evidence that the primary use and zoning of the property is commercial.
	• Retirement or Pension income must be verified by the following:
	  ◦ Copies of retirement award letters.
	  ◦ Copies of last two (2) months bank statements to document the regular deposit of payments.

	• Distributions from a retirement account (401K, IRA, Keogh, SEP) must be documented with a distribution letter and copies of last two (2) months bank statements to document the regular deposit of payments. • Annuity retirement benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income. • Social Security Income must be verified by the following: • Copy of the Social Security Administrations award letter. • Copies of last two (2) months bank statements to document the regular deposit of payments. • Benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income. • Alimony and Child Support Income • Alimony and Child Support are allowable sources of income with proof of a minimum of three year continuance. • Alimony income can be considered in qualifying income if the income is likely to continue for three years (need copy of divorce decree) and evidence of payments received for the past twelve months (banks statements). • See expanded guidelines for additional income requirements and for unacceptable income
HOMEBUYER EDUCATION	• N/A
CREDIT	• Refer to LTV/CLTV matrix for credit scores • Non traditional credit not acceptable. All borrowers must have a minimum of 2 credit scores. • The representative credit score for qualification purposes for an individual borrower is the middle score of the three (3) scores reported. If two (2) scores are reported the representative credit score is the lower of the two scores. Credit scores from all three repositories must be requested (Equifax, Experian and TransUnion). • For multiple borrowers the credit score is the lowest of all representative credit scores. • If only one credit score or no credit score is reported borrower is not eligible. • A borrower who doesn't meet the above trade line requirement may still be eligible if the credit history meets the following: • No fewer than eight (8) trade lines are reporting, one (1) of which must be a mortgage or a rental history. • At least one (1) trade line has been open and reporting for a minimum of twelve (12) months. • The borrower has an established credit history for at least ten (10) years. • Non-traditional/alternative credit accounts are not considered acceptable trade lines. • Authorized user accounts are not considered acceptable trade lines. • Trade lines may not show significant adverse history. • All inquiries that have taken place within 120 days of the credit report date must be explained by the borrower and documented accordingly. • Borrower must be qualified with any new debt. • Satisfactory explanation for any delinquent credit from the borrower is required. • Borrower must pay off all delinquent credit that has the potential to impact lien position. • Collection accounts or charged-off accounts do not need to be paid off if the balance of an individual account is less than $1000.00 or if there are multiple accounts the total balance of all accounts cannot exceed $2,500.00. • See expanded guidelines for requirements and clarification on loan modifications
TRADE LINE HISTORY	• Each borrower contributing income must have three (3) open and active trade lines

	for 24 months with a 24 month history. Two (2) of the three (3) trade lines must show activity within the last 12 months from date of application. • One trade line must be an installment, rental or mortgage account. • See expanded guidelines for additional information and clarification
MAJOR DEROGATORY CREDIT	• See expanded guidelines for additional information and clarification • At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, notice of default (NOD), short sale or deed-in-lieu measured from the date of completion to the date of application. • A satisfactory letter of explanation for the event from the borrower is required. • Borrower must show reestablished credit and meet the minimum credit requirement. • Borrowers with a loan modification must meet requirements in expanded guidelines
RESIDENCE HISTORY	• See expanded guidelines for additional information and clarification • A minimum 24-month history of the borrower's residence must be provided. This is independent of the housing payment history verification. • Mortgage payment history must reflect 0 x 30 dates in most recent 24 months.
HOUSING PAYMENT HISTORY	• See expanded guidelines for additional information and clarification • For borrowers with mortgage or rental history borrower must have 0X30 lates in the past 24 months. • A minimum of twenty four (24) months verified housing history is required.
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	• Max DTI 43%
	• Max 40% DTI for LTV/CLTV > 80%
	• For loans in high balance areas, with max loan amount at or less than county limit:
	    • Max DTI 45%, except as listed below
	        • For Non-Permanent Resident Aliens: Max DTI 43% and Max 40% DTI for LTV/CLTV > 80%
	        • For rate/term refinance paying off a seasoned non-purchase second lien: Max DTI 43% and Max 40% DTI for LTV/CLTV > 80%

QUALIFYING	• Fully-Amortizing ARMs
	    • 5/1 ARM products must be qualified at the higher of the maximum potential Note rate after first adjustment or the fully indexed rate. The fully indexed rate is the sum of the index and the margin.
	    • 7/1 and 10/1 ARM products must be qualified at the higher of the Note rate or the fully indexed rate
	• Interest Only 5/1, 7/1, and 10/1 LIBOR ARMs
	    • 120 month IO period only. All LIBOR ARM's are non-convertible.
	    • Interest Only 5/1 ARM products must be qualified at the fully amortizing PITI based on 240 month amortizing term at the higher of the Note rate plus 2% or the fully indexed rate. The fully indexed rate is the sum of the index and the margin.

	- Interest Only 7/1 and 10/1 ARM products must be qualified at the fully amortizing PITI based on 240 month amortizing term at the higher of the Note rate or the fully indexed rate. - Fixed: Qualify at the fully amortized payment (PITIA) at the note rate. - Installment debt, including car lease payments, must be included in the qualifying ratio regardless of months remaining. - Student loans must be included as a long term debt even if payments are deferred. If the monthly amount of a student loan is not shown on the credit report a payment of one percent (1%) of the balance may be used for qualifying. - The Debt-to-Income (DTI) ratio is based on the total of existing monthly liabilities and any planned future monthly liabilities divided by gross monthly income. Liabilities include but are not limited to all housing expenses, revolving debts, installment debts, other mortgages, rent, alimony, child support, and other consistent and recurring expenses. The seller must ensure that all liabilities are included in qualifying. This includes debts paid by another entity such as the borrowers business or debts being paid by a family member. - Payments related to a 401(K) loan do not need to be included in total debt obligation. - Child support payments with 10 months or less remaining do not need to be included in total debt obligation. - Installment debt may be paid off to qualify either before or at closing using cash-out proceeds. - Gift funds may not be used to pay off debt to qualify. - All revolving debt is included for qualifying regardless of number of payments remaining. - The monthly payment amount of a revolving account shown on the credit report may be used for qualifying. - If the monthly payment amount of a revolving account is not shown on the credit report a payment of five percent (5%) of the balance may be used for qualifying. - The payment may only be excluded if the account is documented as paid in full and closed. - Revolving debt may be paid off to qualify either before or at closing using cash-out proceeds. Documentation that the revolving debt has been paid off and the account is closed is required. - For HELOC loans paid off at closing the line must be closed to any future draws. Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document. - See expanded guidelines for additional information
PAYMENT SHOCK	- N/A
LANDLORD EXPERIENCE	- For all properties, the borrower does NOT have to have a two-year history of managing rental properties to offset the PITIA, but must have two years landlord experience to use rental income to qualify. - Commercial properties on Schedule E must use 24 month average (like other standard rental properties) and utilize the rental income analysis worksheets. Do not use average of net income/ loss with depreciation added back.
NEGATIVE CASH FLOW/ POSITIVE CASH FLOW	- Properties with negative cash flow are closely reviewed to ensure an overall acceptable risk. - See Reserves section for additional reserve requirements on subject property using rental income to qualify - 24 month average must be used from Schedule E for qualifying
CASH RESERVES	- All loans require a minimum cash reserve. Reserves must be verified and comprised

	of liquid assets that borrower can readily access. If a borrower owns multiple financed properties, the borrower also must have six (6) months cash reserves for each additional property. Equity lines of credit, gift funds, and cash out from refinance transactions are not acceptable sources to meet the reserve requirement. • Vested funds from individual retirement accounts (IRA/SEP/Keogh/401K accounts) are acceptable sources of funds for reserves. If the retirement assets are in the form of stocks, bonds, or mutual funds, in order to be considered for reserves, the account must be discounted by 30% to account for market volatility. • Reserves are based off the qualifying payment for ARMs and Interest-Only loans • All Occupancies (may be further restricted below) LTV/CLTV <= 80% • <= $1,000,000 = 6 months PITI reserves • > $1,000,000 to <= $2,000,000 9 months PITI reserves. • > $2,000,000 to <= $3,000,000 24 months PITI reserves. • All Occupancies (may be further restricted below) LTV/CLTV > 80% • <= $1,500,000 = 18 months PITI reserves • >$1,500,000 to <= $2,000,000 = 24 months PITI reserves • Non-owner occupied = 12 months PITI reserves (Loan amounts > $1,500,000 = 18 months PITI reserves) • Second Homes: > $1,000,000 to <= $2,000,000 = 12 months PITI reserves • Interest Only: 18 months PITI reserves • First Time Home Buyer: 12 months PITI reserves • Borrowers must have six (6) months PITI reserves for each additional financed property owned. • See current properties pending sale or primary residences being converted to second homes or investment properties section for additional information on those properties

REQUIRED DOWN PAYMENT / SOURCE OF FUNDS	• The borrower must have sufficient liquid assets to meet the requirements for down payment, pre-paid items, closing costs and reserves.
	• Funds needed for closing must be verified with copies of the most recent two (2) months bank statements including all pages.
	• Large deposits, defined as a single deposit that exceeds 50% of the total monthly qualifying income, must be sourced.
	• Acceptable sources of verified funds include:
	    • Bank deposits
	    • Stocks, stock options, bonds, and mutual funds. Stocks and bonds will be discounted at 70% of value for reserves.
	    • 529 accounts are acceptable if the borrower has unrestricted access to the funds
	    • Sale of real property.
	    • Sale of personal property with supporting documentation.
	    • Disbursement from a Trust Fund.
	    • Disbursement from an IRA/401K.
	    • Disaster relief grants. Borrowers may use lump sum grant for down payment. No minimum contribution is required. Grant may not be used for closing costs or reserve requirements. Document that payment received is an actual grant and not a loan. Subordinate lien against the property is ineligible.
	• Business funds can be used for down payment with a letter from an accountant verifying the following:
	    • The amount of business assets that can be used must correspond to the borrower's percentage of ownership in the business.
	    • The funds are not a loan.

	• Withdrawal of the funds will not negatively impact the business. • Business funds may not be counted toward cash reserves. • Refer to [expanded guidelines]() for additional requirements and clarification

UNISON DOWN PAYMENT OPTION (EQUITY SHARING)	• Retail Channel Only
	• Owner occupied purchase only
	• Loan Officer must be certified by Unison and property pre-approved by eligibility
	• Unison property eligibility certificate required to be reviewed by underwriter
	• Unison's contribution to the down payment may not exceed 10% of the purchase price
	• Maximum LTV/CLTV of 80%
	  • Note that Unison funds are not included as part of the CLTV calculation. (Example: Unison provides 10%, borrower provides 10%, loan amount at 80%)
	• All parties that on title must be applicants for the Unison Program
	• No tenants in common (TIC)
	• Non-permanent resident aliens not allowed, must be US Citizen, or permanent resident alien with a green card
	• No rural atypical properties for the area
	• More restrictive of Ruby product seasoning requirements or following seasoning:
	  • No Short Sales or Bankruptcies in last 5 years
	  • No Foreclosures in last 7 years
	• Copy of executed Unison subordination agreement required for loan file
	• Copies of executed Unison homebuyer document set required for loan file
	• After Underwriter review of appraisal, underwriter to request the appraisal, 1003 and 1008 to be submitted to Unison by JumboReviews@prmg.net for final property acceptability
	• Currently available in the following states (see Unison's website (https://www.unison.com) for any updates: Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Oregon, Pennsylvania, Virginia, Washington, District of Columbia/Washington D.C.
	• Must enter "Unison Down Payment Used" in Loan Program Comments section of Investor Overlay Screen in FT360 (if already locked, please advise Secondary this option is being used.)
	• Additional information on Unison program, as well as Resources and Training information can be accessed from the Resource Center or at the following link: http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/UnisonProgramInformation.pdf

INELIGIBLE SOURCE OF FUNDS	• Cash advance on credit card • Signature loan • Unsecured financing • Personal loan • A gift that must be repaid • Cash for which the source cannot be verified (cash on hand) • Commission from sale of subject property unless shown on CD as a credit and disclosed on sales contract • Salary advance • Sweat equity (contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash) • Unverifiable source of funds • Reverse mortgage • Pension fund (pension income would be acceptable)

	• Seller Real Estate Tax Credit unless credit on CD • Margin accounts • Funds/commissions received from subject property transactions unless shown on CD as a credit and disclosed on sales contract • Funds donated by the property seller, builder, real estate agent or any other party not related to the borrower to satisfy down payment requirements • UTMA and UGMA custodial college funds accounts unless borrower has full access to funds

1031 TAX DEFERRED EXCHANGE	• Allowed for investment properties if the following requirements are met.
	• Section 1031 of the Internal Revenue Code allows investors to defer payment of state and federal capital gain taxes by exchanging investment property rather than selling investment property. This code section provides a strategy for the deferral of capital gains taxes, which in turn provides a property owner with substantially more proceeds to reinvest in a replacement property.
	• A tax deferred exchange, therefore, is the process of rolling over funds from one investment property into another, without having access to those funds. In a taxable sale, the property owner is taxed on any gain realized by the sale of the property. In an exchange; however, the tax is deferred. This section of the IRS code does not apply to primary residences.
	• Statement of borrower's equity, calculated as the lower of: (1) Sales price from the sales contract or (2) Gross trade value from the sales contract less the sum of the transfer fees and all lien balances on the currently owned property, and transfer fees on the new property or (3) Appraised value of the borrower's currently owned property plus any new transfer fees on the new property.
	• 1031 exchanges to be used towards down payment for investment property purchases only with the following restrictions:
	    • Reverse exchanges are not allowed because the borrower is not in title to the property at the time of closing.
	    • No Seller provided subordinate financing.
	    • The 1031 Exchange cannot be an exchange of a partnership or limited liability corporation interest;
	    • The purchaser of the subject property must be eligible for use of the 1031 funds in compliance with IRS requirements.
	    • Relinquished property sale must close before or simultaneously with the property acquired;
	    • The Loan closing must be handled by a qualified intermediary. A qualified intermediary is an entity (usually a subsidiary of a title company) who enters into a written agreement with the taxpayer. The qualified intermediary cannot be an agent, attorney, accountant, investment banker or broker. This Exchange Agreement requires the qualified intermediary to acquire and transfer the relinquished property and to acquire and transfer the replacement property. The relinquished property is the property "sold" and the replacement property is the property "acquired".
	    • The following documentation is required for both properties in simultaneous closings: Sales contract or escrow instructions, Appraisal, Preliminary title report, Exchange agreement identifying the holder of funds, buyer and seller, expiration date, agreed upon value, closing date, closing costs, conditions of transfer and repairs, if required.
	    • All of the following documentation is required for 1031 Exchange transactions occurring prior to the purchase of the new property: Closing Disclosure for both properties, Exchange agreement, Sales contract or escrow instructions for both

	properties, Verification of funds from the Exchange holder, as well as copies of all closing documents and Purchase Agreement on the relinquished property must be obtained. Settlement Statement, Title Transfer, Both Purchase Agreements (relinquished and replacement properties) must contain appropriate language to identify the 1031 exchange. An example of satisfactory language is: • Phase I (Sale): "Buyer is aware that Seller is to perform a 1031 Tax Deferred Exchange. Seller requests Buyer's cooperation in such an exchange and agrees to hold Buyer harmless from any and all claims, liabilities, costs or delays in time resulting from such an exchange. Buyer agrees to an assignment of this contract by the Seller." • Phase II (Buy): "Seller is aware that Buyer is to perform a 1031 Tax Deferred Exchange. Buyer requests Seller's cooperation in such an exchange and agrees to hold Seller harmless from any and all claims, liabilities, costs or delays in time resulting from such an exchange. Seller agrees to an assignment of this contract by the Buyer. • Seller Accommodation: If a borrower is purchasing a Seller's 1031 investment property to occupy as a primary residence, the borrower is accommodating the Seller. The transaction is not considered a 1031 Tax Deferred Exchange and is not eligible financing. • Down Payment: Equity from exchange can be used for all or part of the down payment • Reserves: Proceeds from a 1031 tax deferred exchange are not an eligible source of funds for cash reserves. • Information from the IRS on 1031 exchanges can be found at the following link: https://www.irs.gov/uac/like-kind-exchanges-under-irc-code-section-1031
GIFT FUNDS	• Gift funds are an acceptable source of funds as follows for primary residences and second homes with LTV/CLTV <= to 80% as follows: • Borrower must contribute at least 5% from their own funds. • Gift donor must be a relative, defined as the borrower’s spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé or domestic partner. • Gift letter from donor that incudes name, address, telephone number and relationship to borrower • Evidence of funds transfer and receipt prior to closing. • Gift funds are not allowed for investment property transactions. • Gift funds may not be used to pay off debt to qualify. • Gift funds are not allowed to be used for reserves • See expanded guidelines for additional requirements and clarification
GIFTS OF EQUITY	• Not allowed to be used as a source of funds
CONTRIBUTIONS BY AN INTERESTED PARTY	• Seller Concessions: Maximum 6% of sales price • Interested party contributions include funds contributed by the property seller, builder, developer, real estate agent or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses. Interested party contributions exceeding the allowed amount per program highlights found in section 3.4 will be deducted from the sales price to determine LTV.
DOWN PAYMENT ASSISTANCE	• Down Payment Assistance (DPA) Programs not allowed
MORTGAGE CREDIT	• MCC not allowed

CERTIFICATES	
SUBORDINATE FINANCING	• New subordinate financing is permitted up to the maximum allowable LTV/CLTV. Only institutional financing is permitted. • See expanded guidelines for additional requirements
VALUE FOR LTV/CLTV CALCULATION	• See below • See expanded guidelines for additional requirements
PURCHASE	• Use lesser of current appraised value or acquisition cost.
LIMITED CASH-OUT	• For properties purchased within six (6) months of closing date the LTV will be based upon the lesser of the original sales price or the current appraised value conclusion from the appraiser. Original sales price will be determined from the Closing Disclosure from the subject acquisition transaction. • For properties purchased more than six (6) months prior to the closing date the current appraised value may be used to calculate LTV.
CASH OUT	• Properties that have been listed for sale within the past 6 months of closing date are not eligible for a cash-out refinance. If the property was listed within the previous 6 – 12 months from closing date, a letter from the borrower explaining the reason for retaining the property is required. • If the subject property was purchased within the 6-12 month period prior to the closing date for the new loan the LTV will be based on the lesser of the sales price or the current appraised value. • If the subject property was purchased more than 12 months from the closing date for the new loan LTV will be based off the current appraised value.

MAXIMUM CASH PROCEEDS	• Primary Residence: $500,000
	• Second Home:
	  • >50%: $350,000
	  • <=50%: $500,000

PURCHASE	• Must adhere to Agency guidelines.
	• LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property.
	• If Seller has taken title to the subject property within ninety (90) days prior to the date of sales contract the following requirements apply;
	  • Property seller on the purchase contract is the owner of record.
	  • Second full appraisal is required.
	  • Increases in value should be documented with commentary from the appraiser.
	• Loans that are bank or relocation sales are exempt from the above requirements.
	• Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property

RATE/TERM REFINANCE	• Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of closing. • Minimum of 6 months seasoning from the note date of the new transaction required if previous refinance was cash-out, including the pay-off of a non-seasoned subordinate lien. • For properties purchased within six (6) months of closing date the LTV will be based upon the lesser of the original sales price or the current appraised value conclusion from the appraiser. Original sales price will be determined from the Closing Disclosure from the subject acquisition transaction. • Inherited properties are exempt from this seasoning requirement. LTV will be calculated off current appraised value.

	• For properties purchased more than six (6) months prior to the closing date the current appraised value may be used to calculate LTV.
	• The mortgage amount may include the:
	  • Principal balance of the existing first lien.
	  • Pay off of a purchase second lien with no draws exceeding $2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. 12 months seasoning is not required.
	  • Pay off of a co-owner pursuant to a written agreement.
	  • Financing of the payment of prepaid items and closing costs.
	  • Pay off of a non purchase second lien seasoned a minimum of 12 months from date of application. The second lien must not evidence draws exceeding $2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. Note, "Non-Purchase Money Second Payoff" must be entered in Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of transaction type if the loan is locked prior to approval
	• Cash back to the borrower is limited to the lesser of $2000 or 1% of the new mortgage loan.
	• Continuity of Obligation is required, see expanded guidelines for requirements
	• See expanded guidelines for additional requirements and clarification

CASH OUT REFINANCE	• Borrower must have held title for a minimum of 6 months from closing date. Inherited properties are exempt from this seasoning requirement. LTV will be calculated off current appraised value. • Properties that have been listed for sale within the past 6 months of closing date are not eligible for a cash-out refinance. If the property was listed within the previous 6 – 12 months from closing date, a letter from the borrower explaining the reason for retaining the property is required. • If the subject property was purchased within the 6-12 month period prior to the closing date for the new loan the LTV will be based on the lesser of the sales price or the current appraised value. • If the subject property was purchased more than 12 months from the closing date for the new loan LTV will be based off the current appraised value. • Texas Cash-Out refinances are ineligible. • Cash out is limited to the maximum amounts stated in the Max Cash Back section • Continuity of Obligation is required, see expanded guidelines for requirements • See expanded guidelines for additional requirements and clarification
DELAYED FINANCING	• Delayed financing refinances in which the borrowers purchased the subject property for cash within ninety days (90) from the date of the application are eligible for purchase. Cash back to the borrower in excess of the original purchase price or appraised value (whichever is less) is not allowed. Delayed financing refinances are not subject to cash-out refinancing program limitations. • The original purchase transaction must be documented by a Closing Disclosure confirming that no mortgage financing was used to obtain the subject property. • See expanded guidelines for additional requirements, including LTV reductions and clarifications
CONTRACT FOR DEED/LAND CONTRACT	• The payoff of an installment loan land contract is not eligible
SEASONING REQUIREMENTS	• See below
RECENTLY DELISTED	• Properties listed for sale are ineligible for refinance unless the listing was withdrawn

PROPERTIES	(or expired) prior to the date of closing. • See [expanded guidelines]() for additional requirements
TITLE SEASONING	• See [expanded guidelines]() for additional requirements • All transactions require a minimum twelve (12) month chain of title. • For purchase transactions seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of sales contract.
ANTI-FLIPPING POLICY	• Seller must have held title for a minimum of 90 days before selling property

CURRENT PROPERTIES PENDING SALE OR PRIMARY RESIDENCES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES	• See [expanded guidelines]() for additional requirements
	• If the current primary residence is being converted to an investment property the following applies:
	  • The rental income from the departing residence may be used if the borrower has a loan to value of 75% or less, as evidenced by either:
	  • A current residential appraisal (no more than 6 months old from application date) and outstanding liens as evidenced by a mortgage statement or credit report reference or;
	  • An Exterior Only appraisal (2055) (no more than 6 months old from application date) and outstanding liens as evidenced by a mortgage statement or credit report reference or;
	  • An automated valuation model (AVM) listing the prior sales price minus outstanding liens as evidenced by a mortgage statement or credit report reference. The AVM may not be used as a current valuation to determine the borrower's equity percentage.
	  • A 25% expense /vacancy deduction must be applied to all rental income. Copies of the signed lease are required.
	  • Reserves of six (6) months of PITI must be documented in addition to the required reserves for the primary residence.

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. • 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. • Transferred or Ported appraisals are not acceptable. The appraisal must be ordered identifying PRMG as the client/lender on the appraisal report. • Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old a new appraisal needs to be performed. For new construction an appraisal update on form 1004D is required. • Two (2) full appraisals are required for loan amounts > 1.5 million. Appraisals assigned from another lender are not acceptable. LTV will be based on lower of the two values. All inconsistencies between the two appraisals must be addressed and reconciled. • When two appraisals are required, the appraisers cannot work for the same appraisal company; each appraisal must be from a different appraiser/appraisal company • PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion

REVIEW APPRAISALS	• Every loan will be subject to a Collateral Desktop Analysis (CDA) • A copy of the appraisal desk review report should be submitted in the loan file. The review must not be over 120 days old from the date of the Note. • If the desk review produces a value in excess of a 10% negative variance to the appraised value, the loan is not eligible for purchase; provided, the seller has the option to then ask the Exchange to order a Field Review to support the appraised value. If the field review also produces a value in excess of a 10% negative variance to the appraised value, then the loan will remain ineligible for purchase. • All appraisals are reviewed for eligibility as well as value support. However, the use of an appraisal review product does not relieve the seller of its representations and warranties relating to the property and the appraisal including the underwriting thereof. • A CDA review fee will be charged • A field review fee will be charged to the borrower for all loans requiring a field review; with an additional charge for any rush requests • 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 • If there is more than one appraisal both appraisals must both be sent in for the review, but the appraisal with the lower value will receive the CDA review or if the values of both appraisals are the same the underwriter must indicate which appraisal to perform the CDA on when submitting it for review. • Loan cannot move to docs until reviews are submitted to and returned from JumboReview@prmg.net and the underwriter ensures the results meets the program requirements.
PROPERTIES IN A DISASTER AREA	• For properties located in a FEMA declared disaster area a re-inspection is required to be performed by the original appraiser. A written certification is required from the appraiser to confirm that the property value has not been impacted by the disaster. • For FEMA declared natural disasters, the inspections must be dated after the disaster end date is declared by FEMA.
NON-ARMS LENGTH TRANSACTIONS	• See expanded guidelines for additional requirements
BORROWERS EMPLOYED BY A RELATIVE, DOMESTIC PARTNER, FIANCÉ/FIANCÉE, FAMILY BUSINESS, PROPERTY SELLER OR REAL ESTATE BROKER	• Borrower cannot be real estate broker/owner of real estate broker company • Two years personal tax returns would be required
REAL ESTATE AGENT ALSO LOAN OFFICER/BROKER	• 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.
MORTGAGE INSURANCE	• N/A
PROPERTY INSURANCE	• Properties where the insurance coverage on the declaration page does not cover the loan amount must be have a cost estimate from the insurance company or agent evidencing the property is insured for its replacement cost. • Hazard insurance must have the same inception date as the date of disbursement on purchase money mortgages. This may be documented with a post-closing Closing Disclosure or the correction of the inception date on the hazard policy.
REPAIR ESCROWS/ ESCROW HOLDBACKS	• Not allowed

TEMPORARY BUYDOWNS	• Not Allowed
INTEREST ONLY	• Interest Only period = 120 months
PRE-PAYMENT PENALTY	• Not allowed
LOAN RECAST	• Not allowed
MULTIPLE LOANS	• Borrowers may not own more than four (4) residential 1-4 unit financed properties regardless of the occupancy of the subject property. • Financed properties held in the name of an LLC or other corporation, commercial properties, and unimproved land can be excluded from the calculation of number of properties financed where the borrower is not personally obligated for repayment of the sums secured by the mortgage on the financed property.
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 COMMISSIONS	• The maximum real estate commission allowed is 8% aggregate.
SERVICING OPTIONS	• N/A
ESCROW ACCOUNT	• See expanded guidelines for additional requirements • 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%. • 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 second underwrite/signature. Results will be returned to underwriter to second review ensure all requirements are met. • Final loan approval cannot be issued without approval from eligibility review • Appraisal Review will be submitted to Clear Capital by Jumbo Reviews • All loans must receive an "Approve/Ineligible" from DU and the ineligible may only be for loan amount Ineligible is only allowed for loan amount, ARM products that are not

	eligible with Fannie Mae, LTVs that do not fit Fannie Mae guidelines. The LTV/CLTV, loan amount, ARM plan, etc. must conform with the Ruby program requirements. Ineligible may also be for exceeding limited cash out requirements, as long as it complies with Ruby investor guidelines. • If a loan amount changes on a locked loan by more than $150,000, Secondary must review with investor for approval and an additional pricing hit may apply. • See Eligibility Review Requirements section
ASSUMABILITY	• ARMs are assumable to a qualified customer that is approved by the investor after the fixed rate period.
INDEX	• 1 Year LIBOR
MARGIN	• 2.25%
INTEREST RATE CAPS	<u>**5/1, 7/1, 10/1 ARM**</u>: • **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 CHANGES	<u>**5/1, 7/1, 10/1 ARM**</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. On the first interest rate adjustment date, the interest rate will be adjusted to equal the sum of the index plus the required margin rounded to the nearest .125%, subject to the interest rate caps. On the second interest rate adjustment date and thereafter, the interest rate will be the sum of the index plus the required margin rounded to the nearest .125% subject to the interest rate caps using the index figure in effect on the day that is 45 days before the interest rate adjustment date. • **Interest Rate Adjustment Date** - The initial interest rate adjustment will take place on the first day of the 61st (5/1), 85th (7/1), or 121st (10/1) full month after closing and on the first day of every 12th calendar month thereafter.
MINIMUM FLOOR	• 2.25%
ARM DOCUMENTS	Fully Amortized: • 3528 Note and 3187 Rider Interest Only: • 5/1 and 7/1: 3535 Note and 3153 Rider • 10/1: 3530 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.
	• 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. 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