



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

HOMEReady® BY FANNIE MAE

10, 15, 20 and 30 Year Fixed Rate⁵ 5/1 LIBOR ARMs

| LTV | CLTV ⁴ | Purpose | Units | Occupancy | Credit Score | DTI Ratio |
|-----------------------|-------------------|-------------------------|-------|-----------|--------------|-----------|
| 97 ^{1,2,3,6} | 97 ³ | Purch, R&T ² | 1 | O/O | 620 | 50 |
| 95 ³ | 95 ³ | Purch, R&T | 1 | O/O | 620 | 50 |
| 85 ³ | 85 | Purch, R&T | 2 | O/O | 620 | 50 |
| 75 | 75 | Purch, R&T | 3-4 | O/O | 640 | 50 |

1. Non-occupying borrower transactions limited to 95% LTV
2. See **97% Financing** section below for additional requirements (limitations apply for rate and term refinances and allowed for fixed rate products only)
3. If the LTV is > 80% review Mortgage Insurance section for specific MI company requirements
4. Maximum 105% CLTV with Community Second approved for Fannie Mae’s HomeReady program (see Down Payment Assistance Section)
5. Community Second/Down Payment Assistance Program (DPA) allowed on 30 year fixed term only (see Down Payment Assistance Section for details)
6. If LTV > 95% with Borrower Paid MI and using Radian MI, borrower will be provided with Job Loss Protection at no additional cost (see Mortgage Insurance Section)

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| PRODUCT NAME | <p>Standard Products:</p> <ul style="list-style-type: none"> • HomeReady 10 Year Fixed • HomeReady 15 Year Fixed • HomeReady 20 Year Fixed • HomeReady 30 Year Fixed • HomeReady 5/1 LIBOR ARM <p>Lender Paid MI Products:</p> <ul style="list-style-type: none"> • HomeReady No MI (Lender Paid) 10 Year Fixed • HomeReady No MI (Lender Paid) 15 Year Fixed • HomeReady No MI (Lender Paid) 20 Year Fixed • HomeReady No MI (Lender Paid) 30 Year Fixed • HomeReady No MI (Lender Paid) 5/1 LIBOR ARM |
| ALLOWABLE ORIGINATION CHANNELS | <ul style="list-style-type: none"> • Wholesale • Retail • Correspondent |
| AGENCY LINKS | <ul style="list-style-type: none"> • In addition to any Product Profile requirements, you must always meet the published Agency guidelines. If published Agency guidelines are more restrictive than what is allowed in the Product Profile, you must always defer to Agency Guidelines. • All PRMG staff can access all end Agency guidelines through AllRegs Online at http://allregs.elliemae.com. Instructions on how PRMG staff can access the AllRegs service is available in the Resource Center. • Use the following link to access the Fannie Mae website, and from there, access to their guidelines: https://www.efanniemae.com/home/index.jsp or • https://www.fanniemae.com/content/guide/selling/index.html • Use the following link to access the Fannie Mae HomeReady website: https://www.fanniemae.com/singlefamily/homeready • The following link provides access the Fannie Mae Seller Guide through All Regs: http://www.allregs.com/tpl/public/fnma_freesiteconv_tl.aspx |
| HOMEReady® PROGRAM REQUIREMENTS | <ul style="list-style-type: none"> • Homebuyer Education (See Homebuyer Education section below) • Income Restrictions (See HomeReady® Specific Income Requirements/Limits section below) • Note, requirement for Borrower's Authorization for Counseling was removed from per Fannie Mae SEL 2015-13 and can be disregarded until DU is updated. |
| MINIMUM LOAN AMOUNT | <ul style="list-style-type: none"> • \$30,000 |
| MAXIMUM LOAN AMOUNT | <ul style="list-style-type: none"> • Refer to PRMG's "Eligible States" list for states currently available for business <p>For all loans on or after 11/28/2018: All States, except AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$484,350 • 2 Units \$620,200 • 3 Units \$749,650 • 4 Units \$931,600 <p>For all loans on or after 11/28/2018: AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$726,525 • 2 Units \$930,300 • 3 Units \$1,124,475 • 4 Units \$1,397,400 <p>For all loans prior to 11/28/2018: All States, except AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$453,100 • 2 Units \$580,150 |

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| | <ul style="list-style-type: none"> • 3 Units \$701,250 • 4 Units \$871,450 <p>For all loans prior to 11/28/2018: AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$679,650 • 2 Units \$870,225 • 3 Units \$1,051,875 • 4 Units \$1,307,175 |
| DOWN PAYMENT PROTECTION OPTION (PRMG +PLUS) | <ul style="list-style-type: none"> • Available • Provides insurance option to protect initial down payment should borrower not be able to recoup their down payment when they sell, see Resource Center for additional information about this optional coverage • Must select “Down Payment Insurance” (Yes/No) when pricing loan in FT360/OB (LLPA will apply) • Max LTV/CLTV 97% • Allowed for purchases only |
| GEOGRAPHIC RESTRICTIONS | <ul style="list-style-type: none"> • Please refer to PRMG’s “Eligible States” list, which can be found at this link: http://www.eprmg.net/guidelines/Eligible%20States.pdf • If the property is in Texas, please refer to the addendum at the end of this product profile. • For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) unless specific requirements are met as described in the Rate/Term Refinance section, every subsequent refinance is considered a Section 50(a)(6) loan and is not allowed • If the subject property is located in the Alabama Restricted Lending Area (Coliseum Boulevard Area of Montgomery - this area contains a subsurface chemical contamination condition or environmental condition known as the Coliseum Boulevard Plume (CBP)) the loan must meet the following requirements: <ul style="list-style-type: none"> • A full appraisal (interior/exterior) is required. • A fully executed disclosure issued by the Montgomery Area Association of Realtors (MAAR), identified as the Coliseum Boulevard Plume Disclosure, must be a part of the purchase contract, signed, and dated by all required parties prior to closing. • If the subject property is located in West Virginia, a full appraisal (interior/exterior) is required • Properties located in Illinois in the counties of Cook, Kane, Peoria or Will requires copies of the following to be closely reviewed: (1) A copy of the Certificate of Compliance with the counseling requirements or the Certificate of Exemption, if the lender or transaction is exempt and (2) A copy of Title Commitment free from any exceptions related to the anti-predatory lending database requirements. |
| 97% FINANCING | <ul style="list-style-type: none"> • Applies to LTV/CLTV/HCLTVs >95% • Fixed Rate products only • Non-Occupant co-borrowers not allowed (LTV limited to 95% with non-occupant co-borrower) • Rate/Term Transactions (does not apply when CLTV >95% due to community second) <ul style="list-style-type: none"> • Property must be currently Fannie Mae Owned <ul style="list-style-type: none"> • Must inform DU that Fannie Mae owns the existing mortgage by indicating “Fannie Mae” in the Owner of Existing Mortgage field on the online loan application. • Information can be verified by: the current servicer (if the lender is not the servicer), Fannie Mae’s Loan Lookup tool (www.fanniemae.com) or Servicing |

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| DOCUMENTATION | <p style="text-align: center;">System</p> <ul style="list-style-type: none"> • See Mortgage Insurance section for MI requirements |
| | <ul style="list-style-type: none"> • Full/Alt Doc • See Fannie Mae’s Day 1 Certainty Section for information when loan is eligible for Fannie Mae Day 1 Certainty findings • When all income used to qualify a loan for the borrower is made up exclusively of wage earner income reported on a W2 and/or fixed income reported on a 1099 (i.e., social security or VA benefits) transcripts are not required, unless full tax returns are required for the borrower by the AUS (i.e., borrower employed by family members). If multiple borrowers are qualifying on the loan, but the tax returns are not filed jointly, and one borrower requires full returns, but the other borrowers are qualified exclusively on W2 and/or fixed income then no transcripts are required for the W2/fixed income borrower and 1040 transcripts are required for the self-employed borrower/borrower requiring full returns. When using this option, there can also be no tax returns included in the loan file (including if tax returns are required to be reviewed by the PRMG underwriter for MCC Approval or other purpose). If the borrower earns other income that is used to qualify that would be able to be validated with 1040 transcripts (i.e., rental income from tax returns, etc.) then 1040 transcripts are required to validate that income. A completed and executable (signed) 4506T must be submitted with the loan file. For the borrowers where transcripts are not required, be sure to select the W2/1099 option only when completing the 4506-T. Do not mark the 1040 or Record of Account option. • When tax returns are required for a borrower or when borrower’s qualifying income is not made up of W2 or fixed income reported on a 1099, validated 1040 tax transcripts are required if borrower’s income is utilized as a source of repayment. If multiple borrowers are qualifying but the tax returns are not filed jointly (when one borrower requires full returns), then it is acceptable to provide no transcripts for the salaried/fixed income borrower and 1040 transcripts for the self-employed borrower/borrower requiring the tax returns. • For Fannie Mae (DU) loans: For a borrower who is qualified using either (1) base pay, (2) bonus, (3) overtime, or (4) commission income, then unreimbursed employee business expenses are not required to be analyzed or deducted from the borrower’s qualifying income, or added to monthly liabilities. This applies regardless of whether unreimbursed employee business expenses are identified on tax returns (IRS Form 2106) or tax transcripts received from the IRS. Union dues and other voluntary deductions identified on the borrower’s paystub do not need to be deducted from the borrower’s income or treated as a liability. • When required, transcripts must be provided for the number of years of income documentation required to be in the loan file, in accordance with the AUS findings and/or Agency requirements. Tax transcripts are required to support the income used to qualify the borrower. The purpose of the 4506-T is to verify the income reported is accurate. • Tax transcripts must come to lender directly from the IRS or through a third party vendor ordered/obtained by lender • When business tax returns are required by AUS, business income is used to qualify, business income is used to offset a loss on personal tax returns or is included in the loan file, a separate IRS Form 4506-T must be executed (but not processed and must allow enough time to be executed post-closing after delivery to investor) for each business for the required number of years of income documented, for each self-employed borrower on the loan transaction. Allowable signatures (per IRS): |

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| | <p>1120/1120S: Borrower must sign name with title and only the following titles are acceptable: President, Vice President, CEO, CFO, Owner, 1065: Borrower must sign name with title and only the following titles are acceptable: General Partner, Limited Partner, Partner, Managing Member, Member</p> <ul style="list-style-type: none"> • When an extension for business tax returns has been filed for the most recent tax year the IRS Form 7004 and the IRS Form 4506–T transcripts confirming “No Transcripts Available” for the applicable tax year are required. The IRS form 4868 will continue to be required for extensions filed for personal tax returns. • W2 transcripts are allowed to take the place of a W2 when there is a reasonable explanation as to why they cannot be provided and Fannie Mae’s requirements are met, as outlined in sections B3-3.1-02, Standards for Employment Documentation of Fannie Mae’s Seller Guide. • Preliminary Title policy must be no more than 90 days when the note is signed • Bank statements cannot be dated more than 45 days prior to the date of the loan application • When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount. • All documentation used in qualifying the borrower must be legible and if not in English, will require a full written translation of the entire documentation into English. • All loans meeting Rebuttable Presumption under QM/ATR requirements must have the Residual Income Evaluation worksheet/requirements met. See Residual Income Evaluation section for requirements. |
| <p>FULL/ALT DOC</p> | <ul style="list-style-type: none"> • Standard FNMA full or alternative documentation may be provided • For non-self-employed borrowers: Verbal VOE is required to be completed no more than 10 days prior to the note date for wet funding states and escrow states. If the Verbal VOE is completed more than 10 days prior to the funding date, another Verbal VOE should be completed 10 days prior to funding date for escrow states. • For self-employed borrowers: No more than 120 calendar days prior to note date, verify the existence of the borrower’s business from a third party that may include a CPA letter (cannot be vague, must state length of time doing taxes and be signed by CPA), regulatory agency, or appropriate licensing bureau; OR verify a phone listing and address for the borrower’s business through resources such as the telephone book, directory assistance, internet, or contact the appropriate licensing bureau. Verification may not be made verbally, and a certification by PRMG indicating the information was verified is not allowed. Documentation from the source used to verify the information must be obtained and in the file. Internet sites such as 411.com, Chamber of Commerce sites and Manta.com where they allow the business owner to add their own information are not acceptable. Also single source verifications, such as from superpages.com, yellowpages.com and searchbug.com are not allowed. If all other methods of obtaining third party verification have been exhausted, the borrower can provide letters from three clients indicating the type of service performed, length of time of business relationship, frequency of service, payment arrangements, etc. and support the income with current bank statements, deposits, etc. The underwriter must thoroughly investigate that the business, |

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| | <p>income and proof of business is legitimate.</p> <ul style="list-style-type: none"> • Amended tax returns must have been filed at least sixty (60) days prior to the earliest of the purchase agreement, initial credit report date, or mortgage application date, unless the changes made are non-material to the amount of income claimed, and qualification for the mortgage loan. When using the amended returns if filed within sixty (60) days to the earliest of the purchase agreement, initial credit report date, or mortgage application date, or after, the Underwriter must provide justification and commentary regarding its use, including that borrower does <u>not</u> require use of amended income for qualification. Regardless of when the amended returns were filed, due diligence must be exercised with close examination of the original, and amended returns, to determine if the use of the amended return is warranted and the following documentation should be reviewed when income from the amended return is required: A letter of explanation regarding the reason for the re-filing; evidence of filing (must be validated with a record of account (4506T results); copy of the original 1040; any extensions filed, and evidence of payment of the taxes due, and the ability to pay, if the check has not yet cancelled. • Paystubs must be dated no earlier than 30 days prior to the initial loan application date. • Paystubs must be computer generated (typed) and clearly identify the borrower as the employee, the employer's name and all necessary information to calculate income, including gross year-to-date earnings, base salary with pay period specified, and must clearly specify the employer's name. Handwritten pay stubs are acceptable if the following is provided: a written VOE completed in its entirety and the most recent year's income tax returns. • IRS W-2 forms must computer generated (typed) and clearly identify the Borrower, Borrower's address, social security number and employer's name. • Requires standard income documentation per Fannie Mae guidelines for child support, alimony and separate maintenance payments or retirement income when using that income to qualify. DU may allow for reduced documentation with these income types and this will not be allowed. • Tax transcripts are allowed to take the place of a tax returns when they are required as long as you are meeting Fannie Mae's and Freddie Mac's requirements, as outlined in sections B3-3.1-06 and B3-3.2-01 of Fannie Mae's Seller or 37.23 of Freddie Mac's Seller Guide (as applicable) • Number of years self-employed/business tax returns is allowed per DU findings (one year acceptable if findings allow for it.) • Self-employed borrowers must provide at least page 1 and 2 of tax returns • If AUS allows for VOD only (no bank statements), allowed for owner occupied • A signed IRS 4506-T is required at application and closing. • Letter of explanation for all inquiries in the past 90 days is required • Photo ID not required for file • Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers. |
| <p>FANNIE MAE'S DAY 1 CERTAINTY</p> | <ul style="list-style-type: none"> • Loans using Day 1 Certainty are acceptable with DU approvals when released to specific origination channel (currently available to retail only or delegated correspondents) • Underwriter must read DU report for Day 1 messages, confirm information, check disclaimers and review for contradictory information • Income/Employment Validation is per borrower, per employer, per income type |

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| | <ul style="list-style-type: none"> • Asset Validation is per loan • Must provide the third party vendor report used in the DU validation process and all vendor reports must be in the file • The vendor reference number and date must match the DU messages • Tax transcripts are not required for specific income sources validated by The Work Number, but a 4506T is required to be signed at closing • If using Verification of Employment option (when available), must ensure loan closes by date indicated on DU approval • Must ensure final closing costs and assets in Du are updated to match actual figures • When gifts are used in transaction, asset verification is not allowed • If overriding Day 1 finding income calculation requires second review/approval of income by Corporate Underwriting or Operations Manager/Team Lead |
| DOCUMENT EXPIRATIONS | <ul style="list-style-type: none"> • Credit documentation must not be more than 120 days old from the note date • Residential appraisal reports must be dated no more than 12 months prior to the note date but if over 120 days from note date, update within 120 days of note date is required. • Preliminary Title policy must be no more than 90 days when the note is signed • Bank statements cannot be dated more than 45 days prior to the date of the loan application • Paystubs must be dated no earlier than 30 days prior to the initial loan application date |
| AUTOMATED UNDERWRITING | <ul style="list-style-type: none"> • If loan was ever submitted to another AUS (DU or LPA) that is not used for approval, the unused AUS findings must be in the loan file. • There are no restrictions on loans being switched from one AUS to another. An Approve/Eligible from the other AUS that it was submitted through is NOT required. • The last AUS finding, which must match the terms of the loan, must be in the loan file. If resubmitting to AUS after the note date, must comply with applicable AUS resubmission requirements. For all loans, the first submission to the AUS must occur prior to the note date (it cannot be the same as the note date.) |
| DESKTOP UNDERWRITER (DU) | <ul style="list-style-type: none"> • Must receive an Approve/Eligible • Must indicate eligible for HomeReady® financing • Out of Scope/Refer not allowed • All conditions outlined in the Findings Report must be satisfied. • Must indicate Community Lending product, and Fannie Mae’s Community Lending Product “HomeReady” must be selected • Findings must indicate Special Feature Code 900 - HomeReady |
| LOAN PRODUCT ADVISOR (LPA) | <ul style="list-style-type: none"> • Not allowed • Formerly known as Loan Prospector (LP) |
| PROPRIETARY U/W ENGINE | <ul style="list-style-type: none"> • N/A |
| MANUAL UNDERWRITING | <ul style="list-style-type: none"> • Not allowed |
| DU EARLY CHECK | <ul style="list-style-type: none"> • Fannie Mae’s EarlyCheck must be run at final loan approval/clear to close, and all findings must be review to ensure accuracy and all fatal errors must be corrected. |
| ELIGIBLE PROPERTY TYPES | <ul style="list-style-type: none"> • Single Family Residence. • 1-4 Units • Modular Homes (see section below) • Log Homes (See section below for additional requirements) • Warrantable Condos Attached and Detached • PUDs Attached and Detached |

INELIGIBLE PROPERTY TYPES

- Hawaii properties in lava zones 1 and 2
- Hawaii Homelands Leasehold properties
- Mobile homes
- Manufactured homes
- Condotels
- Properties with deed restrictions (except Age Restricted Properties, see section below)
- Mixed-Use (see below for properties with business use per tax returns or appraisal)
- Co-ops
- Geodesic dome, Earth or Geothermal homes
- Community Land Trusts
- Non-Warrantable Condos
- Illinois Land Trusts
- Working farm, ranch, or orchard
- Assisted Living Projects
- Builder Model Leaseback
- Houseboats
- PUD hotel/motel/resort type projects
- Condominium hotel/motel/resort type projects
- Properties in a flood zone that do not participate in the National Flood Insurance Program
- Investment Securities
- Properties not suitable for year-round occupancy
- Property without full utilities installed to meet all local health and safety standards
- Property used for commercial or industrial purposes
- Tax-sheltered syndicate
- Timeshares
- Unimproved land
- Common Interest Apartments
- Properties that do not meet local health and safety standards
- Multi-family dwellings over 4 units
- Commercial properties
- Homes purchased using HomeStyle Financing
- Properties rated in "less than average" condition
- Indian land (leased or fee simple)
- Properties with Unexpired Redemption Rights
- vacant land or land development properties
- properties that are not readily accessible by roads that meet local standards
- on-frame modular construction
- units in condo or co-op hotels
- boarding houses (includes properties listed on sites like airbnb where individual rooms are rented out like a boarding house)
- bed and breakfast properties (includes properties listed on sites like Airbnb where individual rooms are rented out like a boarding house)
- Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) unless the lien will subordinate via a subordination agreement where the lien is no longer part of the property taxes that can take first lien priority (note, the HERO subordination agreement does not provide for this and is not eligible) and meets all Agency

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| | <p>requirements</p> <ul style="list-style-type: none"> • HomePath Properties (Fannie Mae REOs) using the offered Fannie Mae guideline exceptions |
| MODULAR HOMES | <ul style="list-style-type: none"> • Factory-built housing must assume the characteristics of site-built housing and be legally classified as real property. The purchase, conveyance, and financing (or refinancing) of the property, which must be evidenced by a valid and enforceable first lien mortgage or deed of trust that is recorded in the land records, must represent a single real estate transaction under applicable state law. • Prefabricated, panelized, or sectional housing units must conform to all local building codes in the jurisdiction in which they are permanently located. • Modular homes must be built to the state building code requirement of the state in which they are to be installed. There are several state agencies that have adopted a Uniform Building Code for modular homes. |
| DEED RESTRICTED PROPERTIES | <ul style="list-style-type: none"> • “55 and Older” restricted properties only • Primary residence, second home or non-owner occupied properties allowed • 1-2 units only • Full appraisal required • Must meet all applicable Agency requirements • If the loan has one of the following attributes, Underwriter must add a “note” using the following text on the loan approval (not to FastTrac notes) to assist Post-Closing’s delivery process • DU with Resale Restrictions and a surviving foreclosure • DU with Resale Restrictions and a terminating foreclosure • Fannie Mae is Listed as the Property Seller with Resale Restrictions |
| PROPERTIES WITH BUSINESS USE | <ul style="list-style-type: none"> • One-unit dwellings that the borrower occupies as a principal residence that has any business in the home as indicated on the tax return or appraisal may be eligible with the following restrictions: • The business use is a home office only and not a commercial type of business or a business with clientele that visits the home office • Borrower must be owner/operator of business • Room layout must be residential in nature and be appraised as a residential real estate • The business use may not exceed 20% of the total gross living area of the property as reflected on the appraisal or tax returns • The business use of the property represents a legal, permissible use of the property under the local zoning requirements. • Full appraisal is required, regardless of AUS • Multiple unit properties with any business use as determined by tax returns or appraisal are not eligible |
| PRIVATE TRANSFER FEE COVENANTS | <ul style="list-style-type: none"> • A Private Transfer Fee, as defined by FHFA, is a fee that may be attached to real property by the owner or another private party - frequently the property developer - and provide for a transfer fee to be paid to an identified third party - such as a developer or its trustee - upon each resale of the property. The fee typically is stated as a fixed amount or as a percentage of the sales price, and often exists for a period of 99 years. • Private transfer fees paid to the following to benefit the property are eligible: Homeowner Associations, Condominium Associations, Certain tax-exempt organizations that use private transfer fee proceeds to benefit the property. • Any property with unallowable private transfer fee covenants are ineligible if they are encumbered by private transfer fee covenants if those covenants were created |

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| | <p>on or after February 8, 2011, unless permitted by the Private Transfer Fee Regulation.</p> <ul style="list-style-type: none"> • See FNMA/FHLMC seller guide for additional information |
| LOG HOMES | <ul style="list-style-type: none"> • Log Homes are allowed with the following requirements: <ul style="list-style-type: none"> • A minimum of two log home comparable sales must be provided. • Comparable sales provided must be of similar quality, construction, and design and have similar market appeal and amenities. • Appraiser to comment on: local demand, marketability of the property, supply of log homes and their appeal in the market. Appraiser must also comment on the sufficiency of the unit's living area, interior room size, storage, and adequacy of roof pitch, overhangs and exterior finish. • Property type of "Log Home" must be entered in Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of property type if the loan is locked prior to approval • Full appraisal required |
| COMMUNITY DEVELOPMENT DISTRICT (CDD) | <ul style="list-style-type: none"> • Allowed, must meet any agency requirements in regards to special assessment districts |
| PROPERTIES WITH GAS, OIL AND/OR SUBSURFACE MINERAL RIGHTS | <ul style="list-style-type: none"> • Outstanding oil, gas, water, or mineral rights are acceptable if commonly granted by private institutional mortgage investors in the area where the Mortgaged Premises are located, and: • The exercise of such rights will not result in damage to the subject property, or impairment of the use, or marketability of the subject property for residential purposes, and there is no right of surface, or subsurface entry within 200 feet of the residential structure, or • There is a comprehensive endorsement to the title insurance policy that affirmatively insures the lender against damage, or loss, due to the exercise of such rights. |
| CONDOS | <ul style="list-style-type: none"> • Underwriter and funder to verify condo project is not on investor's Do Not Lend list prior to approval/funding. Additionally, when the investor indicates a CVAS waiver is required, project is not eligible. Check with manager if you need information on how to verify this information with the investor condo projects must be warrantable with a Limited (DU), CPM/Full Review, FHA HRAP approvals, or PERS Approval. The following steps must be used to document warrantability: <ul style="list-style-type: none"> • Determine if the project is eligible under the Limited Project Review process. (See section below regarding Limited Review process). If the project is approved under Limited Project Review criteria, the unit is eligible for purchase by PRMG. No further steps are required. • If the project does not meet Limited/Streamline Project Review guidelines, determine if the project is listed as approved on the FNMA website (full PERS Approval, not conditional) - https://www.fanniemae.com/singlefamily/project-eligibility-review-service. If the project is approved and has not expired, and it is verified there are no changes that would make it ineligible, the project is warrantable and the unit is eligible for purchase by PRMG. No further steps are required. When condo is PERS approved and not expired, LTV/CLTV allowed to product guidelines in all states. PRMG does not offer services to submit projects to Fannie Mae for PERS Approvals. • If the project does not meet eligibility criteria described above and the unit is in an established condominium project which has been approved by FHA's HUD Review and Approval Process (HRAP) it is eligible if the following is met: (1) the project meets Fannie Mae's criteria to be considered an established project |

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| | <p>(new/newly converted projects not eligible); (2) the project is not comprised of manufactured homes; (3) the project meets the requirements applicable to all properties in a Condo, Co-op, or PUD Project the Fannie Mae selling guide (B4-2.1-01, General Information on Project Standards; (4) the project is not an ineligible project as described in B4-2.1-03, Ineligible Projects; and (5) any additional conditions noted by FHA have been met. Important, projects approved through an FHA Direct Endorsement Lender Review and Approval Process (DELRAP) are <u>not</u> eligible.</p> <ul style="list-style-type: none"> • If the project does not meet eligibility criteria described above, the project may be submitted for a CPM/Full Review to condoreviews@prmg.net with the Condo Review Submission form and required documentation and an approval on the project (if eligible) will be issued through Condo Reviews. (See section below regarding CPM/Full Lender Reviews). • Insurance allowed per Fannie Mae or Freddie Mac requirements. For Fannie Mae, see Seller Guide Subpart B7; for Freddie Mac, see Seller Guide Chapter 58 • See section below for condos in monetary litigation • For condos properties with an appraisal waiver, additional documentation must be provided to ensure the project is warrantable. For properties eligible for a limited review, this will generally require, at minimum, the FNMA/FHLMC Short Form Condo Questionnaire to be completed (which is available on the Resource Center). For properties requiring a full review, a full HOA condo questionnaire as well as additional supporting documentation is needed (see full lender condo review section). • For Florida projects, condos on Fannie Mae’s Special Area Designation (SAD) list are not allowed. • The underwriter must complete the PRMG Attached PUD/Condo Warranty Form which can be found in the Resource Center, and that is the only document that should go to the investor. The underwriter should include the project information used for the condo review in the loan file, but it should not be sent to the investor with the closed loan file. Please use the Imaging label “Condo/PUD Review Supporting Documentation (Do not send to investor)” for this information. |
| <p><i>Waiver of Project Review for Fannie Mae to Fannie Mae Limited Cash-Out Refinances</i></p> | <ul style="list-style-type: none"> • The project eligibility review is waived for all Fannie Mae owned loans that are being refinanced as a limited cash-out refinance with the following conditions. Must confirm: <ul style="list-style-type: none"> • the property is currently Fannie Mae Owned and information can be verified by the current servicer (if the lender is not the servicer), Fannie Mae’s Loan Lookup tool (www.fanniemae.com) or any other source as confirmed by the lender; • the loan-to-value (LTV) ratio is no higher than 80% (CLTV or HCLTV ratios may be higher); • the project has the required project-related property and flood insurance coverage; and • the project is not a condo hotel or motel, houseboat project, or a timeshare or segmented ownership project. |
| <p><i>LIMITED REVIEW (DU) LTV/OCCUPANCY LIMITS</i></p> | <ul style="list-style-type: none"> • Limited/Streamlined Review guidelines allow the lender to evaluate and approve condo projects using limited documentation. Eligibility is based on specific loan level criteria, including LTV, occupancy and the method by which the loan is evaluated and decisioned. A limited review is performed with a DU approval. • Detached Condos – All States: <ul style="list-style-type: none"> • Review not required • Attached Established Condos - <u>Non-Florida Properties:</u> |

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| | <ul style="list-style-type: none"> • Max 90% LTV/CLTV/HCLTV for owner occupied properties • Limited Review (DU only) Attached Established Condos – <u>Florida Properties</u>: <ul style="list-style-type: none"> • Max 75% LTV/90% CLTV/90% HCLTV for owner occupied properties • See sections below for requirements, as applicable |
| FANNIE MAE (DU) ATTACHED CONDO LIMITED REVIEW REQUIREMENTS | <ul style="list-style-type: none"> • All Limited Reviews are performed by the underwriter • The unit must be an attached unit in an established condo project. • Limited review questionnaire may be used in conjunction with additional information that is found in the file in order to perform the review for detached and/or attached condos (questionnaire is optional). • Fannie Mae Limited Review Requirements (always defer to Fannie Mae Seller Guide): <ul style="list-style-type: none"> • The project is not an ineligible project. See below, but always defer to Fannie Mae Seller Guide, section B4-2.1-02, Ineligible Projects. • The project does not consist of manufactured homes. Note: Manufactured housing projects require a Fannie Mae PERS review or Full Review. • The appraisal of the subject unit meets all applicable appraisal requirements, as stated in Fannie Mae Seller Guide, section B4-1, Appraisal Requirements. • The unit securing the mortgage satisfies all insurance requirements as stated in See Fannie Mae Seller Guide, Subpart B7, Insurance, including all provision applicable to condo projects in Chapter B7–4, Additional Project Insurance. • Note, per Fannie Mae, provided the project and loan transaction are eligible for and meet all of the eligibility requirements of the Limited Review process, the lender is not required to validate that the project also meets the eligibility requirements of another project review type. However, in the event the lender becomes aware of a circumstance that would cause the project or transaction to be ineligible under a Limited Review, the lender must use one of the other project review methods to determine project eligibility and the project must meet all of the eligibility requirements of that selected alternate project review type. |
| FANNIE MAE (DU) DETACHED CONDO REVIEW REQUIREMENTS | <ul style="list-style-type: none"> • If the property is a detached condo (site condo) a review is not required |
| FANNIE MAE (DU) 2-4 CONDO REVIEW REQUIREMENTS | <ul style="list-style-type: none"> • If the property is a 2-4 Unit condo, a review is not required, however the following must always be met: <ul style="list-style-type: none"> • Standard Fannie Mae property eligibility requirements are met as described in Fannie Mae Seller Guide, section B2-3; • the project is not a condo hotel or motel, houseboat project, or a timeshare or segmented ownership project • priority of common expense assessments as described Fannie Mae Seller Guide, section B4-2.1-01, • when an appraisal of the property is obtained, it must meet all applicable appraisal requirements as Fannie Mae Seller Guide, section B4-1 and • insurance requirements Fannie Mae Seller Guide, section B7, Insurance, including all provisions applicable to project in Subpart B7-4, Additional Project Insurance. |
| CPM/FULL LENDER REVIEWS | <ul style="list-style-type: none"> • When using a Full Lender Review, LTV/CLTV allowed to product guidelines in all states • Must be used if transaction is not eligible for limited/streamline review or has not been approved through PERS • If project is not eligible through CPM/Full Lender Review process, terms of loan (i.e., larger down payment) can be made to allow the project to be reviewed using the Limited/Streamline Review requirements. Project must then be eligible under the |

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| | <p>Limited/Streamline Review requirements.</p> <ul style="list-style-type: none"> • CPM/Full Lender Reviews are only eligible when submitted by the fulfillment center or retail branch to condoreviews@prmg.net with the Condo Review Submission form and required documentation and an approval on the project is issued through Condo Reviews. • Request for CPM/Full Lender condo review should be submitted by the fulfillment center or retail branch when all required documentation has been obtained (loan does not have to be in an underwritten or approved status). • The Condo Review Submission form can be found on the Resource Center or at the following link: • http://www.eprmg.net/ResourceCenter/GeneralForms/HOA%20Full%20Lender%20Condo%20Review%20Submission%20Form.pdf • When a CPM/Full Lender Review is used, the following documentation is required: condo review submission form (from Resource Center or above link), condominium questionnaire (from Resource Center, Condo Certs or similar), appraisal of subject unit (can be submitted after condo review is completed, but final project approval will not be issued until appraisal is received), current annual budget, insurance certificate for applicable types and AUS findings (showing approved); For New Construction or New Gut Rehab conversions only: all above listed documentation, copy of Declaration of Condominium including Amendments and Bylaws, presale form (available in the Resource Center) |
| <p>PLANNED UNIT DEVELOPMENTS (PUDS)</p> | <ul style="list-style-type: none"> • Detached PUDs are not subject to project review and information regarding the HOA such as project certs, letters from the HOA (with the exception of letter regarding ownership in regards the common elements, areas/facilities of a project for insurance purposes) must not appear in the file. • All PUD projects (attached and detached) with DU approvals must be in compliance with Fannie Mae’s policy for priority liens (see B4-2.1-02, Ineligible Projects). • See below for Attached PUD review requirements • Attached PUD lender reviews are performed by underwriter • Documentation, as determined by underwriter, to verify the attached PUD is warrantable is required and Attached PUD Warranty must be completed (if required by underwriter). • Attached PUD/Condo Warranty form is available in the Resource Center • The underwriter must complete the PRMG Attached PUD/Condo Warranty Form which can be found in the Resource Center, and that is the only document that should go to the investor. The underwriter should include the project information used for the condo review in the loan file, but it should not be sent to the investor with the closed loan file. Please use the Imaging label “Condo/PUD Review Supporting Documentation (Do not send to investor)” for this information. |
| <p>PUDS WITH DU APPROVAL</p> | <ul style="list-style-type: none"> • Insurance allowed per Fannie Mae requirements, see Seller Guide Subpart B7 • Attached PUD lender reviews are performed by underwriter • A Lender Review on attached PUDs must be performed and PRMG must confirm that following in the process of the review: <ul style="list-style-type: none"> • The appraisal of the unit meets all appraisal requirements in Fannie Mae Seller Guide Chapter B4-1, Appraisal Requirements. • The individual unit securing the mortgage must be complete (PRMG does not allow for Postponed Improvements.) • The unit securing the mortgage satisfies all Fannie Mae's insurance requirements in Subpart B7, Insurance, including all provisions applicable to PUD projects in Seller Guide Chapter B7-4, Additional Project Insurance. |

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| | <ul style="list-style-type: none"> • Must be in compliance with Fannie Mae’s policy for priority liens (see B4-2.1-02, Ineligible Projects). • Note: Any unit located in a condo project within a larger PUD project or master association must meet the applicable requirements for condo projects. Attached PUD/Condo Warranty form is available in the Resource Center • Documentation, as determined by underwriter, to verify the attached PUD is warrantable is required, and may include the project insurance information, information regarding project litigation and Attached PUD Warranty Questionnaire. • The underwriter must complete the PRMG Attached PUD/Condo Warranty Form which can be found in the Resource Center, and that is the only document that should go to the investor. The underwriter should include the project information used for the condo review in the loan file, but it should not be sent to the investor with the closed loan file. Please use the Imaging label “Condo/PUD Review Supporting Documentation (Do not send to investor)” for this information. |
| CONDO IN MONETARY LITIGATION | <ul style="list-style-type: none"> • Condo projects involved in monetary litigation may be eligible, if litigation is acceptable to the Agencies as reviewed and approved through condoreviews@prmg.net. Documentation regarding the litigation (i.e., court documents) must be submitted to condoreviews@prmg.net for review and approval. |
| INELIGIBLE PROJECT TYPES PER FANNIE MAE’S SELLER GUIDE | <ul style="list-style-type: none"> • See Fannie Mae Seller Guide for additional information. The below information applies to all attached condo projects. With the exception of Priority of Common Expense Assessments, the restrictions below do not apply to attached or detached PUDs and detached condos. <ul style="list-style-type: none"> • Timeshare, fractional, or segmented ownership projects. • New projects where the seller is offering sale or financing structures in excess of Fannie Mae’s eligibility policies for individual mortgage loans. These excessive structures include, but are not limited to, builder/developer contributions, sales concessions, HOA assessments, or principal and interest payment abatements, and/or contributions not disclosed on the settlement statement. • Projects with mandatory upfront or periodic membership fees for the use of recreational amenities, such as country club facilities and golf courses, owned by an outside party (including the developer or builder). Membership fees paid for the use of recreational amenities owned exclusively by the HOA or master association are acceptable. • Projects that are managed and operated as a hotel or motel, even though the units are individually owned. (See Seller Guide for additional detail.) • Projects with covenants, conditions, and restrictions that split ownership of the property or curtail an individual borrower’s ability to utilize the property. (See Seller Guide for additional detail.) • Projects with property that is not real estate, such as houseboat projects. (See Seller Guide for additional detail.) • Any project that is owned or operated as a continuing care facility. (See Seller Guide for additional detail.) • Projects with non-incidentual business operations owned or operated by the HOA including, but not limited to, a restaurant, spa, or health club. (See Seller Guide for additional detail and exceptions to this policy.) • Projects that do not meet the requirements for live-work projects. (See Seller Guide for additional detail.) • Projects in which the HOA or co-op corporation is named as a party to pending litigation, or for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or |

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| | <p>functional use of the project. (See Seller Guide for additional detail.)</p> <ul style="list-style-type: none"> Any project that permits a priority lien for unpaid common expenses in excess of Fannie Mae’s priority lien limitations. (See Fannie Mae Selling Guide Section B4-2.1-01, General Information on Project Standards for additional detail.) Projects in which a single entity (the same individual, investor group, partnership, or corporation) owns more than the following total number of units in the project: projects with 5 to 20 units – 2 units; projects with 21 or more units – 20%; (See Seller Guide for additional detail.) Multi-dwelling unit projects that permit an owner to hold title (or stock ownership and the accompanying occupancy rights) to more than one dwelling unit, with ownership of all of his or her owned units (or shares) evidenced by a single deed and financed by a single mortgage (or share loan). (See Seller Guide for additional detail.) The total space that is used for nonresidential or commercial purposes may not exceed 35%. (See Seller Guide for additional detail.) |
| CONDO CONVERSIONS | <ul style="list-style-type: none"> Condo conversions (new and established) allowed New conversions (not meeting the definition of an established product - at least 90% of the total units in the project have been conveyed to the unit purchasers; the project is 100% complete, including all units and common elements; the project is not subject to additional phasing or annexation; and control of the HOA has been turned over to the unit owners) in the State of Florida must be Fannie Mae PERS approved New conversions that are non-gut rehabs (in all states) that contain more than 4 residential units must be Fannie Mae PERS approved Must comply with all Agency guidelines For new conversions that are not required to be PERS approved, CPM/Full Lender Review is required. See CPM/Full Lender Reviews section for submission instructions. |
| NON-WARRANTABLE CONDOS | <ul style="list-style-type: none"> Not Allowed. |
| MANUFACTURED HOME REQUIREMENTS | <ul style="list-style-type: none"> N/A |
| LEASED LAND | <ul style="list-style-type: none"> Allowed, but must meet all of FNMA/FHLMC requirements All leasehold documents must be submitted with the loan file The remaining term on the lease may not terminate earlier than five years after the maturity date of the loan Appraisal must show market acceptance of leasehold estates The leasehold agreement must not have any servicing reporting requirements to the lessor. The lender must not be required to sign a subordination agreement. Indian leased land is not acceptable |
| MAXIMUM ACREAGE | <ul style="list-style-type: none"> Maximum 40 acres More than 10 acres require very strong comparables More than 20 acres requires additional value review and close analysis by the underwriter. Must enter “Over 10 Acres” in Loan Program Comments section of Investor Overlay Screen in FT360 if property is over 10 acres Working farms, commercial operations, or any other income producing properties are not allowed. Special consideration must be given to properties with outbuildings. <ul style="list-style-type: none"> Minimal Outbuildings: Small barn or stable, that are of relatively insignificant |

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

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| | <p>overall square footage of the property.</p> <ul style="list-style-type: none"> The appraiser has no reason to believe the addition would not pass inspection for a permit. Non-permitted additions that are NOT typical for the market area cannot be included in the GLA, basement or other living area. |
| ACCESSORY UNITS | <ul style="list-style-type: none"> One-unit property with an accessory dwelling unit is eligible See Rental Income section for using ADU rental income An accessory dwelling unit is typically an additional living area independent of the primary dwelling unit, and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit, and analyze any effect it has on the value or marketability of the subject property. If the property contains an accessory unit, the property is eligible under the following conditions: <ul style="list-style-type: none"> The property is one-unit. The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use. If it is determined that the property contains an accessory dwelling unit that does not comply with zoning, the property is eligible under the following additional conditions: <ul style="list-style-type: none"> The lender confirms that the existence will not jeopardize any future hazard insurance claim that might need to be filed for the property. The use conforms to the subject neighborhood and to the market. The property is appraised based upon its current use. The appraisal must report that the improvements represent a use that does not comply with zoning. The appraisal report must demonstrate that the improvements are typical for the market through an analysis of at least three comparable properties that have the same non-compliant zoning use. |
| CONSTRUCTION TO PERMANENT FINANCING | <ul style="list-style-type: none"> Not allowed |
| OCCUPANCY | <ul style="list-style-type: none"> Primary Residence (O/O) |
| PRIMARY RESIDENCE | <ul style="list-style-type: none"> At least one borrower must occupy the property as their principal residence within 60 days of signing the security instrument and intend to continue occupancy for at least one year. |
| SECOND HOME | <ul style="list-style-type: none"> Not Allowed |
| NON-OWNER OCCUPIED | <ul style="list-style-type: none"> Not Allowed |
| ELIGIBLE BORROWERS | <ul style="list-style-type: none"> U.S. Citizens, Permanent and Non- Permanent Resident Aliens, Non-Occupying Co-Borrowers. A maximum of 4 borrowers per loan application is allowed. ITIN (Individual Tax Payer Identification Numbers) are not allowed Borrower must take title in individual names or Inter Vivos Revocable “Living” trusts (see below for trust requirements) No irrevocable trusts, corporations, LLCs, etc. allowed Life estates are not eligible for financing. A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, upon whose death |

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| | <p>the right reverts to the grantor or his heirs</p> <ul style="list-style-type: none"> • Illinois Land Trust Vestings are not eligible • Registered Domestic Partners are treated the same as spouses • The borrower must permanently reside in the United States. In addition, an accurate and successful AUS submission requires the borrower currently reside in the U.S. and have a U.S. address or an APO military address within the U.S. for active deployed military, regardless of citizenship. Adequate documentation must be provided to substantiate such residency in the U.S. |
| <p>PERMANENT RESIDENT ALIENS</p> | <ul style="list-style-type: none"> • Any non U.S. citizen who is lawfully in the United States as a permanent resident alien is now eligible for a mortgage on the same terms as a U.S. citizen. • Borrowers with diplomatic immunity are not eligible • One of the following must be provided: <ul style="list-style-type: none"> • A Permanent Resident Card/Alien Registration Receipt Card (USCIS Form I-551) with an original term of 10 years. • Permanent Resident Alien Card (USCIS Form I-551) that is valid for 2 years, accompanied by the applicable INS receipts. • A Permanent Resident Card with no expiration date (issued between 1964 and 1989) • A valid Social Security number is required. • Document legal residency with one of the following: <ul style="list-style-type: none"> • A copy of a valid and current Permanent Resident card (Green Card – Form I-551) front and back. • 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. • Credit and income history allowed in accordance with Agencies |
| <p>NON-PERMANENT RESIDENT ALIENS</p> | <ul style="list-style-type: none"> • Any non-U.S. citizen who is lawfully in the United States as a non-permanent resident alien is now eligible for a mortgage on the same terms as a U.S. citizen or a permanent resident alien. • A non-permanent resident is a non-U.S. citizen who lawfully enters the United States for specific time-periods under the terms of a Visa. A non-permanent resident status may or may not permit employment. Asylees and refugees may also be eligible under this classification. • Individuals classified under Diplomatic Immunity, Deferred Enforced Departure or Humanitarian Parole are not eligible • All non-permanent resident aliens must provide evidence of one of the following: <ul style="list-style-type: none"> • Unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS). If using an EAD card without an allowable visa, underwriter must enter “EAD Card Used” in Loan Program Comments section of Investor Overlay Screen in FT360. • One of the following Visas: E-1, E-2, E-3, G-1, G-2, G-3, G-4, G-5, H-1, H-1B, L1, TC, TN-1, required. For further information see http://www.uscis.gov/ • Form I-797C, Notice of Action, issued by the United States Citizenship and Immigration Services (USCIS) itself is not sufficient to document that a non-U.S. Citizen is legally present in the United States. • A borrower with a resident visa that has expired or will expire within five months of funding (funds being disbursed to the borrower) may be considered, subject to each of the following: <ul style="list-style-type: none"> • Visa classification is one of the eligible visas listed in this section. |

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| | <ul style="list-style-type: none"> Confirmation that the borrower has submitted an application for extension or renewal of the visa, or an application for permanent status (green card), is provided. USCIS documentation includes, but is not limited to: <ul style="list-style-type: none"> Form I-485: Application to Register Permanent residence or Adjust Status or electronic verification of receipt from the USCIS website Approval of the application or petition, Form I-797: Notice of Action Status of application (must not state the application has been declined), Form I-797C: Notice of Action or Form I-797E: Notice of Action If the borrower is sponsored by the employer, the employer may verify that they are sponsoring the visa renewal. Note: Not all visa types are eligible for renewal within five months of the expiration date. Visa types that cannot be renewed within five months of the expiration date are eligible, without evidence of renewal, as long as the date printed on the Note is before the visa holder can apply for renewal. All standards for determining stable monthly income, adequate credit history, and sufficient liquid assets must be applied in the same manner to each borrower – including borrowers who are nonpermanent resident aliens. A valid SSN is required. A Tax ID number is not acceptable. Credit and income history allowed in accordance with Agencies Employment should be expected to continue for 3 years from closing date. Borrowers under Deferred Action, the Dreamer’s Act or DACA (EAD Code C33, C14, etc.) are not eligible. Although, these individuals may have been granted permission to remain in the U.S. for a period of time, DACA/Deferred Action does not grant a legal status. PRMG requires all borrowers to document proof of legal residency in the U.S. Additionally, they must follow the applicable guidelines for income (typically 2 year history and likely to continue for 3 years as applicable.) A borrower with DACA/Deferred Action status would not be able to meet the borrower eligibility documentation requirements (i.e., green card or meet applicable agency standard guidelines for income) and therefore is not be eligible. See Agency Portfolio Product for DACA borrowers |
| FOREIGN NATIONALS | <ul style="list-style-type: none"> Not Allowed |
| NON OCCUPYING CO-BORROWERS | <ul style="list-style-type: none"> Non-occupying co-borrowers are acceptable when the following can be met: <ul style="list-style-type: none"> The occupant borrower’s back end ratios allowed per AUS results The income and liabilities of all borrowers must be used when determining the DTI ratio used for qualifying Non-occupant co-borrower may either be an immediate family member or a non-family member as long as there is an established relationship and motivation is not equity participation for profit and may not be an interested third party in the transaction (e.g., builder or real estate agent) Max LTV is 95%. Actual borrower income must be input into the AUS (i.e., \$1.00 may not be entered for a borrower who does not earn income.) Additionally, the income from a non-occupying co-borrower cannot be used to offset significant or recent instances of major derogatory credit in the occupant-borrower's credit history. |
| <i>Eligible Trusts</i> | <ul style="list-style-type: none"> Inter Vivos Revocable “Living” trusts only Must meet all requirements as outlined in the Instructions for Closing in a Trust, which is available on the Resource Center, or can be found at the following link: http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/InstructionsforClosinginaTrust.pdf Process for submitting a loan in a trust are summarized here: |

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| | <ul style="list-style-type: none"> • Email trust document to compliancegroup@prmg.net. Be sure to include the Loan Number and full borrower name. Subject line of the email to read: Trust Documentation Review. Please allow 24 hours for review. • Compliance will email the Fulfillment Center Manager and Funding Manager to advise that a loan with trust vesting was just approved and attach the Encompass instructions for drawing docs held in a trust. • Doc drawer to notify compliance via email at compliancegroup@prmg.net that the docs are drawn and pending review and approval. Subject line of the email to read: Closing Docs in Trust pending review. Be sure to include the Loan Number and full borrower name. • If you have questions with the way the docs need to read, feel free to reach out to compliancegroup@prmg.net. |
| POWER OF ATTORNEY | <ul style="list-style-type: none"> • Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group • Allowed with the following requirements: <ul style="list-style-type: none"> • Power of Attorney (POA) must be limited or specific to the transaction • Purchase or rate and term only allowed. • Power of Attorney may not be used to sign loan documents if no other borrower executed such documents unless, the Attorney in Fact is a relative or Attorney at Law. • POA can be used only for closing documents • The attorney-in-fact may not be the seller, appraiser, broker, etc. or have any other direct or indirect financial interest in the transaction • A statement that the POA is in full force and effect on the closing date, survives subsequent disability (durable), and has to be revoked in writing, or gives a specific expiration date which survives the closing date • A statement of the borrower's name exactly as it will appear on all closing documents • Notarized signature of borrower (if executed outside the U.S., it must be notarized at a U.S. Embassy or a military installation) • Recorder's stamp, if previously recorded • The attorney-in-fact must execute all closing documents at settlement • Title policy must not contain any exceptions based on use of POA • POA must be recorded along with or immediately prior to the closing documents • If a lender determines a Power of Attorney is required by applicable law (so cannot be restricted by investor requirements), lender must include a written statement explaining use of the Power of Attorney and may also be required to provide supporting documentation. • A written statement that explains the circumstances of the use of the POA must be included in the loan file. • Must met all Agency requirements |
| LEXIS-NEXIS SEARCH REQUIREMENT | <ul style="list-style-type: none"> • For any of the following transaction types an email request (which includes a screenshot or snip of the loan in the FastTrac pipeline) must be sent to QC to have a LexisNexis search run on involved parties to the transactions to ensure there is no relationship between the buyer and seller. (Not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> • Short Sale Purchase • Property Flips <= 180 days • Contractors on a 203K loan • For Sale by Owner (FSBO) required for all except: |

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| | <ul style="list-style-type: none"> • If the borrower and seller are related or are landlord and tenant, and the relationship is disclosed and is acceptable per PRMG guidelines • An investor, such as HUD, FNMA, FHLMC, etc. • REO lender who acquired the subject property by Trustee Sale as the Beneficiary |
| QC AUDIT REQUIRED | <ul style="list-style-type: none"> • A QC audit is required if the loan has any of the following high risk characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> • 5-10 financed properties for second home and investment transactions. • 3-4 Units • 2-4 Unit properties in New Jersey • Renovation (203K/Homestyle) loans (Lexis Nexis is required on all contractors as well) • VOE only used (when allowed by AUS) and not supported by paystub/W2 for Wholesale and Correspondent channels only (not required for retail channel) • If the borrower is employed by a party to the transaction • When the borrower is also a Real Estate Agent for the loan transaction • Retail loans referred to the AFS department any time the referring Loan Officer or the AFS Loan Officer are in “New” or “Watch” status • When the Real Estate Agent is also the Loan Officer on the transaction (not allowed on retail). • NOTE: The above list applies to credit qualifying loans only. |
| QC REVALIDATION REQUIRED | <ul style="list-style-type: none"> • A QC validation is required if the loan has any of the following characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): • A revalidation of the VOE (in addition to the audit) is required by the QC Department if the following is used: <ul style="list-style-type: none"> • VOE only used (when allowed by AUS) and not supported by paystub/W2 and • Wholesale and Correspondent channels only (not required for retail channel) • A revalidation of the VOD is required by the QC Department for the if the following is used: <ul style="list-style-type: none"> • VOD only used (when allowed by AUS) and not supported by bank statements and • Wholesale and Correspondent channels only (not required for retail channel) • Note: A Borrower Authorization in name of PRMG may be required to obtain VOD or VOE revalidation if requested by the verifying institution. |
| HOMEReady® SPECIFIC INCOME REQUIREMENTS/LIMITS | <ul style="list-style-type: none"> • Qualifying income from all borrowers who will be on the note must be included • Only the income used to qualify the borrowers must be included in the income limits • No income limits for properties located in low-income census tracts • 100% of area median income (AMI) • See Income Eligibility Lookup Tool to determine eligibility which can be found at: https://homeready-eligibility.fanniemae.com/homeready/ • See Income Eligibility by Census Tract Lookup to determine eligibility which can be found at: https://www.fanniemae.com/singlefamily/homeready • FIPS code can be input in DU to check income limits if appropriate census tract is not returned with DU Findings • Income from a boarder (related or non-related) can be included in the calculation of the borrower’s stable monthly income if the following are met: <ul style="list-style-type: none"> • One unit • The boarder must have resided with (and paid rent to) the borrower for the last |

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| | <p>12 months.</p> <ul style="list-style-type: none"> • Provide documentation to evidence residency with the borrower (i.e. copy of driver’s license, monthly bills, bank statement that shows the boarder’s address as being the same as the borrower’s address) • Provide evidence of payment of rental payments (such as cancelled checks) to borrower for last 12 months or at least 9 of the most recent 12 months provided the rental income is averaged over a 12 month period • Payment of rent by the boarder directly to a third party is not acceptable • The boarder will continue to reside with the borrower in the new residence • The amount of rental income may not exceed 30% of the total qualifying income for the mortgage (if rental income exceeds 30%, reduce the amount of income to not more than 30% and use that figure for qualifying income and AMI limitations) • Boarder may also not have an ownership interest in the property |
| <p>INCOME REQUIREMENTS/LIMITS</p> | <ul style="list-style-type: none"> • See HomeReady® section above for specific program requirements, which must be met, in addition to the following • Underwriter has the discretion when evaluating the loan file to utilize a more conservative approach to income/expenses for qualification purposes based on the circumstances of the loan. • All income sources used to qualify borrowers must be legal at the local, state, and federal level. Any income derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company. • Fannie Mae requires that if the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then no further documentation of adequate business liquidity to support the withdrawal of earnings is required in order to include that income in the borrower’s cash flow. If the Schedule K-1 does not reflect a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then the lender must confirm the business has adequate liquidity using the Quick (Acid Test) Ratio (for businesses that rely heavily on inventory to generate income) or the Current (Working Capital) Ratio to support the withdrawal of earnings to include the income in the borrower’s cash flow and the result of one or greater for either ratio is generally sufficient to confirm adequate business liquidity. The file must contain the underwriter’s written analysis and conclusions and, at underwriter’s discretion additional documentation (such as a CPA letter or bank account statements) to support the liquidity decision. The analysis must provide enough detail/support so that anyone reviewing the file would come to the same conclusion. See Fannie Mae seller guide for additional guidance. • When required to verify a self-employed borrower’s business is solvent in order to use the business income to qualify and the Schedule L on the business tax returns is not completed, additional documentation will be required to support solvency of the business. Documentation may include P&L, balance sheets, business bank statements and business credit report. Specific documentation will be determined at underwriter’s discretion. • Distributions from an investment (non-employment/non-retirement related) account are not an acceptable source of income but dividends earned from those investment accounts and reported on the 1040s are an acceptable source of income. • Housing or Parsonage Allowance must be received for 12 months and be likely to |

continue for the next three years.

- Future (Projected) income is not acceptable for qualifying purposes
- For borrowers with rental income, if a lease agreement is required then the lease agreement must be executed by the landlord and the tenant and all pages of the lease agreement must be included.
- For 2-4 unit primary residences, when rental income is not used to qualify, the gross monthly rental income for each unit must be documented with one of the following:
 - If the property is currently rented: Form 1007, Form 1025, or Current Lease Agreement(s)
 - If the property is not currently rented: an opinion of market rents by the appraiser or borrower to provide the gross monthly rent being charged or to be charged for the property. Monthly rental amounts must be stated separately for each unit. The disclosure from the borrower must be in the form of a written statement from the borrower or an addition to the loan application
- Housing Assistance Payments (HAPs), which are often known as Section 8 Homeowner Vouchers, where a portion of the mortgage payment is paid directly to the borrower/lender as a subsidy for the mortgage payment on the subject property is not allowed.
- Section 8 rents where borrower is paid a rent subsidy for other tenants from the government for the property (either for rents on units 2-4 on subject property or on other rental property) is allowed. Must have documentation of new executed leases, or lease addendums to the new owner and to show that the Section 8 income will transfer to the new owner. Additionally there may be no obligation to the servicer to receive the Section 8 funds. Borrowers must follow standard guideline requirements to determine if rents are allowed to be used for qualifying.
- When the borrower has less than a two-year history of receiving income, the underwriter must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.
- If assets were used in any part of a Borrowers Qualifying Income (as allowed by Agency), Underwriter must add a "note" with the following text on the loan approval (not to FastTrac notes) to assist Post-Closing's delivery process "Assets were used in any part of a Borrowers Qualifying Income"
- If the borrower is employed by a relative or a family business, the following documentation must be obtained:
 - Documentation as required by AUS
 - Borrower's signed and completed personal federal income tax returns for the most recent two year period.
 - A 4506-T must be included in the submission package requesting the most recent 2 years tax transcripts and will be processed for comparison between tax transcripts and income documentation. A 4506-T must be signed at application and at closing.
 - Note: Current income reported on the VOE or pay stub may be used if it is consistent with W-2 earnings reported on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current VOE or pay stub, further investigation is needed to determine whether income is stable.
- Foreign Income: Foreign income (income generated from non-U.S. sources) may be used only if its stability and continuance can be verified, and is supported by a signed 4506 and 2 years U.S. Federal Tax Returns along with the most recent YTD paystub(s) and two years W-2s, or Written Verification of Employment and most recent YTD

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| | <p>paystub(s) covering 30 days of income. If the income is paid in a foreign currency the file must contain a printout evidencing the source used for the conversion of the foreign currency into U.S. dollars. The income must also be verified in the same manner as U.S. income sources. Regardless of AUS findings, if foreign income is from business income the business tax returns cannot be waived.</p> <ul style="list-style-type: none"> • Income from gambling not allowed. • Teacher Income: when a borrower is employed as a teacher, the annual salary must be verified. If monthly or weekly base pay is provided, the employer must verify the number of pay periods per year if the payout is not clear or the income must be averaged based on the most recent W-2 over 12 months. Stipends or supplemental income must be documented as regular and continuous. Borrowers with a contract for their first year of employment who have started work but have not received a paystub must provide a copy of contract, written verification of employment, and verbal verification of employment. Borrowers with a contract for their first year of employment with the school district must be on the job prior to closing. For teacher income paid over a less than 12 month period and obtaining financing during the summer months when income is not being received, provide a final year-end paystub from the school, verbal verification of employment, and copy of the contract indicating that the borrower is paid over a the applicable number of month period. Qualify the borrower based on the income received on the final year-end paystub. |
| <p>HOMEBUYER EDUCATION</p> | <ul style="list-style-type: none"> • For purchases, at least one borrower must complete a homeownership education program prior to the note date (see below for additional information) • Homebuyer education must be completed via Framework https://homeready.frameworkhomeownership.org or one of the other acceptable options listed below. • Note, Mortgage Insurance Homebuyer Education does not meet the education requirements for HomeReady. • Copy of completed certificate must be in loan file • See Fannie Mae seller guide for specific requirements • Option for increased DTI or LLPA credit when at least one borrower received customized one-on-one counseling from a HUD-approved nonprofit counseling agency is not allowed <p>Pre-Purchase Homeownership Education (required prior to note date)</p> <ul style="list-style-type: none"> • Required for purchase transactions • At least one borrower must complete pre-purchase homeownership education and receive a referral to housing counseling prior to the note date • Evidence of completion of the homeownership education requirement must be retained in the mortgage file (certificate or letter from the provider). • There are three options for borrowers to meet the pre-purchase homeownership education requirements. Documentation must be provided in the loan file that the borrower complied with one of the three options below. <ul style="list-style-type: none"> • Framework, an online program approved by Fannie Mae. <ul style="list-style-type: none"> • Online education may not be appropriate for all borrowers. • In this situation, borrowers should be directed to Framework’s toll-free customer service line, from which they can be directed to a HUD- approved counseling agency that can meet their needs for in-person classroom education or telephone conference call. • Framework will register the consumer for potential post-purchase support. • The counseling agency that handles the referral must provide the certificate of completion and a copy of this certificate must be retained in the mortgage |

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| | <p>file.</p> <ul style="list-style-type: none"> • \$75.00 fee paid by the borrower, the \$75 fee for the course is paid to Framework, not to Fannie Mae. • Although one-on-one counseling is optional for HomeReady®, Framework will offer borrowers a referral to a HUD-approved counseling agency for additional assistance. Borrowers also have the option to consult a counselor of their choice, but must contact Framework and obtain approval of an acceptable agency. • Pre-purchase housing counseling and complete homeownership education from a HUD approved nonprofit housing counseling agency as long as it was prior to the borrower executing a sales contract and meets Fannie Mae requirements. The counseling recipient must receive both pre-purchase housing counseling and homeownership education that meets HUD’s definition, as evidenced by a Certificate of Completion of Pre-purchase Housing Counseling (Form 1017), signed by both the counseling recipient and the HUD counselor. • A homeownership education course required by a Community Seconds or Down Payment Assistance Program by a HUD-approved agency. If the mortgage loan involves a Community Second or Down Payment Assistance Program and that program requires its own homeownership education course provided by a HUD-approved counseling agency. Housing Counseling or a referral to a housing counselor is not required. Certificate issued by HUD-approved agency that provided the course is required. <p>Pre-Purchase Landlord Education (2-4 units) not required</p> <ul style="list-style-type: none"> • Not required <p>Framework Information</p> <ul style="list-style-type: none"> • Framework is available in both English and in Spanish and can be accessed 24/7, helping to accommodate busy lives. Those taking the course can contact Framework’s customer service hotline with questions or be referred to a HUD-approved agency for counseling assistance. Framework Customer Service: 1-855-659-2267 Certificate: The borrower must pass a final test with a score of at least 80% to receive a certificate of completion. That certificate should be forwarded to the lender and retained in the mortgage loan file. |
| <p>CREDIT</p> | <ul style="list-style-type: none"> • Use underwriting guidelines as per AUS recommendation. Must also comply with requirements listed in Credit Reestablishment Periods for Agency Loans which provides information regarding derogatory credit seasoning, including bankruptcy, deed-in lieu of foreclosure, short sales, foreclosures and loan modifications. • Borrowers who are on title only to a property (not on the note) that has a major derogatory credit event (i.e. foreclosure) are not subject to seasoning on that event • The use of a U.S. address to obtain a credit report for a borrower who resides in another country is not permitted. • If the borrower’s credit report contains a FACTA credit alert, the completed Fraud Alert Confirmation form must be in the file (available via Resource Center). • All borrowers must have a qualifying credit score from at least 1 national repository. • Borrower must have sufficient credit experience, as determined by underwriter review, to ensure scores are reflective of borrower’s credit history • Use of credit repair vendors designed to help a borrower falsely repair their credit profile by intentionally manipulating data to improve their credit score for purposes of loan eligibility, pricing improvement, and/or creditworthiness is prohibited. Legitimate scenarios when corrections to a borrower’s credit profile are required (e.g., public records information does not belong to the borrower) are acceptable. |

Corrections to the borrower's credit profile should be made at the credit repository level to ensure the credit score is representative of a borrower's true creditworthiness.

- MERS search must be run on borrower
- Credit documentation must not be more than 120 days old from the note date
- Payment histories on all mortgage tradelines, regardless of occupancy, including first and second mortgage liens, home equity lines of credit, land without improvements, mobile homes, and manufactured homes are considered mortgage credit, even if reported as an installment loan.
- For disputed accounts with DU approval: follow AUS results.
- In addition to other listed requirements regarding disputed accounts, if a disputed account is a borrower's verified previously delinquent mortgage trade line, which may affect the credit decision of the AUS, information regarding the dispute must be obtained. The underwriter must verify that the AUS is considering the previously delinquent mortgage in the credit decision. If it is unclear if the previously delinquent mortgage is being considered (and based on underwriter discretion, the delinquent mortgage may impact the credit score/AUS decision), the dispute should be removed at the bureau level, credit report re-run to reflect accurate credit message without dispute, and the AUS re-run to include account in the AUS decision. For instance, a zero balance where the last activity is more than 3 years prior to the credit report date may be determined by the underwriter to not require the dispute to be removed.
- Borrowers with a housing payment history, including mortgage and/or rental payment history, showing excessive delinquencies (60 day or greater late in the past 12 months) are not eligible.
- Existing mortgages must be current.
- The credit report for the mortgage history must be updated to include the payment made for the most recent month due.
- All private non-construction mortgages require cancelled checks or proof of payment for 12 months or for the number of months the mortgage has been open if less than 12 months
- If a borrower has purchased or refinanced their current primary residence in the last 12 months and is retaining the residence they are not eligible for a purchase transaction on a new primary residence without Operations Management or Corporate Underwriting review and approval of the circumstances unless the existing lender has agreed to allow the borrower to purchase a new primary residence.
- Judgments, garnishments and liens must be paid off at or prior to closing. Documentation of the satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations, must also be obtained
- If a judgment or tax lien is being paid off and AUS/Agency Guidelines are requiring proof of satisfaction or if it is paid off prior to closing, evidence the judgment is satisfied or the tax lien has been released is required. If the AUS/Agency Guidelines will allow a judgment or tax lien to be paid off with the transaction all AUS/Agency Guidelines must be met (i.e., must be paid through the transaction and funds must be verified and documented).
- For past-due collection and charge-off accounts, always comply with AUS requirements. Additionally, accounts that are reported as past-due (not reported as collection accounts) must be brought current. If any lien threatens the first trust deed position it must be satisfied.

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| | <ul style="list-style-type: none"> • If subject or non-subject property is a restructured (modified) mortgage loan (in which the terms of the original transaction had been changed, resulting in the forgiveness or restructure of debt through a modification or origination of a new loan), borrower is eligible with no additional seasoning requirements. • See “Credit Reestablishment Periods for Agency Loans” for additional information (can be found in the Product Profiles in FastTrac.) • PRMG does not allow use of extenuating circumstances in the credit decision for reduced seasoning or satisfactory credit requirements. |
| LDP/GSA REQUIREMENT | <ul style="list-style-type: none"> • All parties involved with and who handle the loan file (see instructions in the Resource Center for additional information) must be checked against HUD’s Limited Denial of Participation (LDP) list at • https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp and the General Services Administration’s (GSA) Excluded Party List at • https://www.sam.gov/portal/public/SAM/ • Any entity noted on either of the LDP and GSA lists must be removed from the transaction or will cause the loan to be ineligible. • The parties to verify include, but are not limited to, Buyers (including AKAs on the credit report), Sellers, Loan Officer, Buyers Agent, Sellers Agent, Escrow Officer, Title Officer, Appraiser, Processor, and Underwriter. |
| RATIOS | <ul style="list-style-type: none"> • Blended ratios are acceptable. Blended ratios are when the income of the borrower(s) and non-occupant co-borrower(s) are pooled together, as are the monthly debt obligations and then the income to debt ratios are calculated. • IRS Form 4506-T for the non-borrower is not required |
| QUALIFYING | <ul style="list-style-type: none"> • Fixed: Qualify at note rate. • 5/1: Qualify at the Fully Amortized Payment (PITIA) using the greater of the Note Rate + 2.00% or the Fully Indexed Rate (Index + Margin). • To calculate DTI for loans with subordinate HELOCS (for all properties): If there is a balance, use the payment that is reflected on the credit report. If not shown on the credit report, payments on a HELOC with an outstanding balance may be calculated at the greater of \$10.00 or 5% of the outstanding balance or payment reflected on the borrower’s billing statement. If there is no balance, a payment does not need to be included. If the subject property will have a HELOC that will have a draw taken with the transaction, obtain a copy of the note or other documentation to determine what the payment will be at close and use that for qualifying. • Paying off revolving debt to qualify is allowed. The debt includes any revolving debt (including American Express) that is being paid off and not included in the ratios. Account must be paid in full prior to or at closing and documentation must be provided evidencing repayment. Source of funds must be documented. Accounts are not required to be closed. • Installment debt may be paid down to qualify, but overall use of credit and credit history must be closely evaluated. • Installment debt with less than 10 months remaining does not need to be included in ratios unless the payment may affect the borrower’s ability to meet their credit obligations after closing, with additional consideration if the borrower has limited or no cash after closing. (Lease payments are not considered installment debt and must be included in the ratios.) • Lease payments must be included in the ratios regardless of the number of months remaining on the lease. This is because the expiration of a lease agreement for rental housing or an automobile typically leads to either a new lease agreement, the buyout of the existing lease, or the purchase of a new vehicle or house. In general, |

you cannot pay off the lease to qualify and the payment must be included in the ratios. However, an auto lease payment can be omitted from the ratios if it has been paid and closed and there is evidence of the borrower has another vehicle (evidence and documentation to show this must be in the loan file and if the borrower still has the vehicle in their possession the lease is not considered closed and the payment cannot be excluded).

- Deferred Loans: Loans deferred or in forbearance are always included in the loan qualification. If the credit report does not indicate the monthly amount that will be payable at the end of the deferment period, copies of the borrower's payment letters or forbearance must be obtained to determine the monthly payment used for loan qualification. See below for student loans.
- For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must include a monthly payment in the borrower's recurring monthly debt obligation when qualifying the borrower. If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower. If the credit report does not provide a monthly payment for the student loan, or if the credit report shows \$0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the following options: (1) If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the actual monthly payment is \$0. The lender may then qualify the borrower with a \$0 payment. (2) For deferred loans or loans in forbearance, the lender may calculate (a) a payment equal to 1% of the outstanding student loan balance (even if this amount is lower than the actual fully amortizing payment), or (b) a fully amortizing payment using the documented loan repayment terms.
- If a credit report shows an asterisk next to the payment, it can be an indication that the payment listed is not the required monthly minimum payment amount, and as such will require supplemental documentation to support a payment of less than 5%. If supporting documentation is not able to be provided, use 5% of the outstanding balance as the borrower's recurring monthly debt obligation
- For non-HELOC loans, when qualifying a borrower that has a non-subject negative amortization or interest only loan, use the fully amortized payment
- For non-occupant co-borrowers with any additional properties, obtain a recent payment coupon or other documentation to ensure the loan is qualified using the full PITIA.
- If the borrower is on a payment plan with the IRS for prior tax years, the underwriter must condition for proof the money owed has been paid in full or verify the borrower has been in a payment plan that has been paid on time for at least 6 months (or less, but at least one payment must be made, based on underwriter's discretion) and count the debt in the DTI. There is no requirement for a record of account or other documentation to reflect tax payment status. For the current tax year (most recent tax filing), if the borrower is in a payment plan, the monthly tax payment amount must be included in the calculation of the borrower's DTI ratio, with at least one month payment required to have been made. Even if the 1040s shows payment due as long as there is no other evidence of an outstanding tax debt (i.e., tax liens, payments to the IRS) no additional evidence to reflect payment of the taxes is required. For Amended Tax Returns, see the guidance in the Product Profile

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| | <p>for further requirements.</p> <ul style="list-style-type: none"> • Tax liens must be paid off prior to, or at closing, regardless of if the borrower has a satisfactory payment plan and the government will allow subordination of the lien. • At minimum, an interest only payment must be included in the debt ratio for borrowers with a single payment Note. A single payment Note is one in which the loan, including principal and interest, is due in one lump sum payment. A single payment Note would be an unsecured Note which is not tied to the property in any way. Reserves and loan proceeds may not be used to offset payments. • When commercial properties are reflected on the Schedule E they must be documented/treated the same as a residential property for determining rental income, per agency guidelines. If there is mortgage interest reflected on Schedule E, must determine if borrower is personally obligated on the note and if so, obtain a mortgage rating that meets guidelines for mortgage payment history. • If loan is a Corporate Relocation, Underwriter must add a “note” on the loan approval (not to FastTrac notes) to assist Post-Closing’s delivery process • If non-occupant co-borrower does not have a current housing expense, because they state they live rent free on the 1003, proof they live rent free must be provided. Acceptable documentation would include, but is not limited to, an LOE from the owner/landlord of the residence where they currently live. • For loans secured by financial assets, evidence the loan is collateralized by the financial asset is required (i.e., 401K statement showing loan) or payment must be included in the ratios. • If a borrower is obligated on a non-mortgage debt—but is not the party who is actually repaying the debt—the lender may exclude the debt from the borrower’s recurring monthly obligations. This policy applies whether or not the other party is obligated on the debt, but is not applicable if the other party is an interested party to the subject transaction (such as the seller or realtor). Non-mortgage debts include installment, revolving, lease payments, alimony, child support, and separate maintenance. The lender must obtain the most recent 12 months’ cancelled checks (or bank statements) from the other party documenting a 12-month satisfactory payment history. There must be no delinquent payments for that debt in order to exclude it from the borrower’s debt-to-income ratio. • If borrower is on title (has ownership interest) and is on the note to other properties besides the subject property, follow agency guidelines for co-signed/contingent liabilities/debt paid by others for both the P&I payment as well as the TIA. If the PITIA is excluded because it is paid by another party, the mortgaged property must still be included in the borrower’s property count, and the property must be included in the reserve calculation for multiple financed properties. If borrower is just on title, and not obligated on the note for non-subject properties, the TIA does not have to be included in borrower’s ratios. |
| PAYMENT SHOCK | <ul style="list-style-type: none"> • N/A |
| LANDLORD EXPERIENCE/EDUCATION | <ul style="list-style-type: none"> • No minimum landlord history required • Landlord Education is not required • See Negative Cash flow for information on qualifying |
| NEGATIVE CASH FLOW/ POSITIVE CASH FLOW | <ul style="list-style-type: none"> • Negative Cash Flow from 2-4 unit primary residences must be considered a liability for qualification purposes. • Properties with negative cash flow are closely reviewed to ensure an overall acceptable risk. • Rent loss insurance is not required • Follow agency requirements for rental income calculations, the below is provided for |

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| | <p>reference.</p> <ul style="list-style-type: none"> • For DU transactions, if rental income is used to qualify on the subject property, the monthly income (or loss) must be determined with a Single-Family Comparable Rent Schedule (Form 1007) OR - Small Residential Income Property Appraisal Report (Form 1025). • For DU transactions, CASH FLOW for all subject N/O/O properties and O/O 2-4 unit properties is calculated as follows: <ul style="list-style-type: none"> • Purchase Transactions: <ul style="list-style-type: none"> • Form 1007 or Form 1025, as applicable, and copies of the current lease agreement(s). If the property is not currently rented, lease agreements are not required. Lenders may use market rent supported by Form 1007 or Form 1025, as applicable. • Refinance Transactions: <ul style="list-style-type: none"> • For properties with a history of receiving rental income, Form 1007 or Form 1025, as applicable, and either (1) the borrower’s most recent year of signed federal income tax returns, including Schedule E, or (2) copies of the current lease agreement(s) if the borrower can document a qualifying exception as allowed by Fannie Mae’s seller guide. • For properties with no history of receiving rental income, Form 1007 or Form 1025, as applicable, and copies of the current lease agreement(s). • For non-subject properties owned by a non-occupant co-borrower, with DU Approval: <ul style="list-style-type: none"> • With one or more complete tax years: 12-month average from Schedule E and most recent personal tax return (page 1, 2 and Schedule E) evidencing a history of receiving rental income from subject property • Less than one complete tax year (property acquired subsequent to filing the tax returns): 75% of gross rental income and Fully executed lease agreement(s) |
| CASH RESERVES | <ul style="list-style-type: none"> • For loans with DU Approval: <ul style="list-style-type: none"> • O/O: Use underwriting guidelines as per DU • Gifts are an allowable source of funds for reserves • Cash on hand is not an allowable source of funds for reserves |
| REQUIRED DOWN PAYMENT/ SOURCE OF FUNDS | <ul style="list-style-type: none"> • Primary residence 1 unit all LTVs: a minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction can come from a gift. • Primary residence 2-4 unit properties LTV >80%: require there be a 3% minimum overall borrower contribution • Primary residence 2-4 unit properties LTV ≤80%: a minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction can come from a gift. • Cash on hand may be used for the down payment and closing costs if the following is met: <ul style="list-style-type: none"> • One-unit primary residence • The borrower customarily uses cash for expenses and the amount of funds saved is consistent with the borrower’s previous payment practices. An example for determining the reasonableness of the amount of funds saved would be through the use of an income and expense budget. • The borrower’s credit report and other verifications indicate limited use of credit, or no depository relationship exists between the borrower and a financial institution. <ul style="list-style-type: none"> • The borrower must provide a written and signed statement that discloses the source of funds and states that the funds have not been borrowed. |

- Sufficient funds for down payment and closing costs must be deposited into a financial institution or an acceptable escrow account at time of application or no less than 30 days prior to closing.
- The amount of cash on hand must be entered as “Cash on Hand” in the Assets section (Section VI) on the online loan application.
- DU will use the “Cash on Hand” amount to calculate the available funds to close.
- Cash on hand funds will not be used to calculate reserves.
- Access letter is not required for any accounts where a non-borrowing party is on the account (including a non-borrowing spouse)
- Custodial accounts are not an acceptable asset type
- The following are required to document the sale of personal assets for funds to close: the borrower’s ownership of the asset, the value of the asset, as determined by an independent and reputable source, the transfer of ownership of the asset, as documented by either a bill of sale or a statement from the purchaser, the borrower’s receipt of the sale proceeds from documents such as deposit slips, bank statements, or copies of the purchaser’s canceled check. Depending on the significance of the funds in question, the lender may accept alternatives to this required documentation, particularly when the proceeds of the sale represent a minor percentage of the borrower’s overall financial contribution.
- All asset sources used to qualify borrowers must be legal at the local, state, and federal level. Any assets derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company.
- Cryptocurrency, digital currencies or altcoins (i.e. Bitcoins, Litecoin, Ethereum, etc.) may not be included as financial assets for mortgage qualification purposes and is an ineligible source of funds for down payment, closing costs or reserves unless being converted into U.S. currency. To be used as a source of funds for down payment, closing costs, or reserves, cryptocurrency, digital currencies or altcoins must be converted into U.S. currency and be held within a U.S. Financial Institution and verified prior to underwriting final approval. In addition to the verification of U.S. currency, the borrower(s) must be able to provide acceptable documentation for the source of funds used to initially acquire the cryptocurrency prior to the conversion.
- If the borrower’s source of funds are from a country included on the OFAC Sanctioned Countries List that is found in the Resource Center, the funds are not eligible for use in the transaction.
- Any allowable fees paid by credit card must comply with Agency requirements, including ensuring the borrower has sufficient verified funds to pay these fees and the amount charged for the fee is included in the borrower’s DTI, as appropriate.
- Large deposits must be evaluated when bank statements (typically covering the most recent two months) are used. Large deposits are defined as a single deposit that exceeds 50% of the total monthly qualifying income for the loan. For refinances, documentation or explanation for large deposits is not required; however, the underwriter remains responsible for ensuring that any borrowed funds, including any related liability, are considered (if using the funds in a refinance transaction you still must confirm they are from an acceptable source). For purchases, If funds from a large deposit are needed to complete the purchase transaction (that is, are used for the down payment, closing costs, or financial reserves), the underwriter must document that those funds are from an acceptable source. Occasionally, a borrower may not have all of the documentation required to confirm the source of a deposit. In those instances, the underwriter must use reasonable judgment based on the

available documentation as well as the borrower's debt-to-income ratio and overall income and credit profile. Examples of acceptable documentation include the borrower's written explanation, proof of ownership of an asset that was sold, or a copy of a wedding invitation to support receipt of gift funds. The underwriter must place in the loan file written documentation of the rationale for using the funds. Verified funds must be reduced by the amount (or portion) of the undocumented large deposit (as defined above), and the underwriter must confirm that the remaining funds are sufficient for the down payment, closing costs, and financial reserves. When the underwriter uses a reduced asset amount, net of the unsourced amount of a large deposit that reduced amount must be used for underwriting purposes. Note: When a deposit has both sourced and unsourced portions, only the unsourced portion must be used to calculate whether or not it must be considered a large deposit. Note: If the source of a large deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer (payroll), the Social Security Administration, or IRS or state income tax refund, or a transfer of funds between verified accounts, and the source of the deposit is printed on the statement, the underwriter does not need to obtain further explanation or documentation. However, if the source of the deposit is printed on the statement, but the underwriter still has questions as to whether the funds may have been borrowed, the underwriter should obtain additional documentation.

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

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| | <p>amount of funds brought to closing. If the funds are not able to be confirmed as belonging to the borrower, the funds would be ineligible. This guidance is only in regards to borrower funds, <u>not</u> gift funds</p> |
| 1031 TAX DEFERRED EXCHANGE | <ul style="list-style-type: none"> • Not allowed |
| GIFT FUNDS | <ul style="list-style-type: none"> • Donor may be a relative, defined as the borrower’s spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner. • The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction • Gift letter required and must include: donor’s name and relationship to borrower, donor’s mailing address and telephone number, identify the transaction (property address, borrower’s name), state the amount of the gift, specifically state that the funds are a gift and it does not need to be repaid, and letter must be signed by the donor. • The transfer of the gift funds to the borrower must be documented in one of the following ways: <ul style="list-style-type: none"> • Copy of the donor’s cancelled check and the borrower’s deposit receipt or bank statement; or • Copy of the donor’s withdrawal slip and the borrower’s deposit receipt or bank statement. • If the transferred occurred with certified funds, a letter from the bank that issued the certified check must be provided stating that the funds came from the donors account and the borrower’s deposit receipt or bank statement • Verification of a wire transfer from donor’s account into borrower’s account • If the funds have not been transferred prior to settlement, documentation must be provided that shows that the donor gave the closing agent the gift funds in the form of a certified check, a cashier’s check, other official check or wire, and must be evidenced on the Closing Disclosure. • For any wire transfer of gift funds, a copy of the wire confirmation form also needs to be included and the depository institution where the wire came from must be identified, as well as donor information (name, account number, etc.) The information must match the institution, gift amount and additional information on the gift letter. • Acceptable after a minimum down payment has been made by the borrower from their own resources. Gift funds may not be used for meeting down payment requirements unless borrower has made minimum down payment as required by the transaction, <i>If the LTV/CLTV/HCLTV is <= 80% then the entire down payment can come from a gift.</i> See Source of Funds section 100% gift option on LTV/CLTV/HCLTV >80%. • Gifts of equity allowed, see Gifts of Equity section |
| GIFTS OF EQUITY | <ul style="list-style-type: none"> • A gift of equity is permitted for purchase of a primary residence. • Seller agrees to donate a portion of the equity in the subject property in lieu of all or a portion of the down payment. Additional equity in the property not gifted in the transaction can go to the seller. All gift policy criteria must be met. • A 1004, 1025, or 1073 is required for transactions involving a gift of equity, and the appraiser must acknowledge the use of a gift of equity on the appraisal. The subject property sales price must not exceed the market rate as determined by the appraisal. The LTV should be based on the lesser of the purchase price or appraised value. The gift may not be deducted from the sales price before calculating the LTV. |

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| | <ul style="list-style-type: none"> • To be eligible as a source of funds for down payment, the following requirements must be met: <ul style="list-style-type: none"> • The gift of equity must be provided by an acceptable donor and • The donor may not be, or may not have any affiliation with, the builder, developer, real estate agent or any other interested party to the transaction; and • Gift letter explaining the type of gift is required; and • For all LTVs equity gifts are only allowed after the required minimum down payment has been made from the borrower's own funds. • The gift of equity must be identified in the Sales Contract; and • The subject property sales price must not exceed the market rate as determined by the appraisal; and • The gift of equity must be shown as a credit on the Closing Disclosure and the dollar amount of the gift must match the amount on the gift letter. |
| <p>CONTRIBUTIONS BY AN INTERESTED PARTY</p> | <ul style="list-style-type: none"> • If using some sort of option that provides a lender or realtor credit at closing (i.e., Local Heroes Program or Homes for Heroes Program), a condition (like 3669 or 3721) must be added to the file indicating it is using the program/option, and reflect the amount of the lender or realtor credit on the condition. The credit must also be reflected on CD Page 3 and be within any IPC limits. • Contributions by an interested party may be used for closing costs, prepaids and other financing costs. <ul style="list-style-type: none"> • Primary Residence: <ul style="list-style-type: none"> • 9% of the lesser of the sales price or appraised value for LTV/CLTV ≤ 75%. • 6% of the lesser of the sales price or appraised value for LTV/CLTV > 75% and ≤ 90%. • 3% of the lesser of the sales price or appraised value for LTV/CLTV > 90%. |
| <p>DOWN PAYMENT ASSISTANCE</p> | <ul style="list-style-type: none"> • To determine if DPA is approved, send an email to DPArequests@prmg.net with the property state, DPA program name, DPA contact name and phone number or review the list posted with the product Profiles in the Resource Center. If it is determined the DPA is not already approved, the DPA can be submitted for approval using the DPA Submission form (found in the Resource Center). Required information must be submitted for approval and a determination regarding the DPA will be made regarding acceptability. • Access the PRMG Eligible DPA list and a link to the synopsis that must be reviewed by the loan officer, processor and underwriter to ensure all requirements for the DPA are met at the following link: http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20DPA%20List.pdf • Additionally, for use with this product, the PRMG DPA approval must specifically indicate it is eligible for the HomeReady® product. If it does not indicate as such, it must be resubmitted to DPArequests@prmg.net for reconsideration and approval. • The underwriter must verify the DPA used on the loan is the same program that is confirmed in the email/list and that it is eligible with the product and enter the information in FastTrac. Instructions for this can be found at the following link: http://www.eprmg.net/DPA-Training.pdf • May be funded by a federal agency, municipality, state, county or local housing finance agency, non-profit organization, a regional Federal Home Loan Bank or an employer • Must be a Community Second and PRMG must approve subordinate financing programs and mortgage documents, and any subsequent changes in advance. • 30 Year Fixed or 5/1 ARM product only |

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| | <ul style="list-style-type: none"> • Maximum 105% CLTV for 30 year fixed rate • If the loan type is an ARM, the loan must comply with the maximum ARM LTV and CLTV ratios • May be used to fund all or part of the down payment or closing costs • The more restrictive down payment requirement between the product and the second mortgage will apply. • For all 1 unit properties and 2-4 units with <=80% LTV A minimum borrower contribution from the borrower’s own funds is not required. All funds needed to complete the transaction can come from a Community Seconds. • For 2-4 units with >80% LTV, the borrower must make a 5% minimum borrower contribution from his or her own funds. After the minimum borrower contribution has been met, a Community Seconds can be used to supplement the down payment and closing costs. • Income limits imposed by the Community Seconds provider apply • No reporting requirements permitted • Additionally, the following are requirements of the program and if any evidence appears that it cannot be met, it will no longer be eligible. <ul style="list-style-type: none"> • The DPA, UCAP or HAP must meet the applicable Fannie Mae or Freddie Mac requirements • The first Mortgage is not subject to any terms or conditions of a bond program; and • The DPA, UCAP or HAP does not restrict the transfer of servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first Mortgage's servicing rights. |
| <p>MORTGAGE CREDIT CERTIFICATES (MCC)</p> | <ul style="list-style-type: none"> • Mortgage Credit Certificates (MCC) are payment subsidies issued by a government entity to qualifying homebuyers. It may be in the form of direct payments or tax rebates/credits. • The MCC cannot restrict the transfer of ownership or servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first Mortgage's servicing rights. • When qualifying the borrower and calculating the borrower’s debt-to-income ratio, treat the maximum possible MCC income as an addition to the borrower’s income, rather than as a reduction to the amount of the borrower’s mortgage payment. Use the following calculation when determining the available income: [(Mortgage Amount) x (Note Rate) x (MCC %)] ÷ 12 = Amount added to borrower’s monthly income. • If the borrower obtaining the MCC needs the monthly subsidy to qualify, then the loan file must contain all of the following: <ul style="list-style-type: none"> • Copy of the Mortgage Credit Certificate (A Commitment in lieu of the Certificate will not satisfy this requirement), Copy of the W-4 and worksheet (must include calculations and adjustments to income), MCC Worksheet • PRMG is responsible for compliance with all requirements of the issuing authority and must verify PRMG is approved to participate as a lender in the program. • On wholesale transactions, broker to verify that PRMG is approved with the issuing MCC and that no specific training is required by the lender. Additionally, broker must provide evidence (i.e., email from authority or excerpt from MCC guidelines) that the MCC authority will allow wholesale originations. If PRMG needs to be approved (provided additional training is not required), broker can provide information to |

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| | <p>Account Executive who can request the application be submitted to the MCC by PRMG for approval. Broker is responsible for obtaining any paperwork, etc. from the MCC. On retail transactions, Loan Officer to verify that PRMG is approved with the issuing MCC and if specific training is required by the lender, the Loan Officer must complete the training. If any training is required by other staff (besides the loan officer) it must be approved by management. If PRMG needs to be approved by issuing MCC, Loan Officer can request application be submitted by PRMG for approval. Loan Officer is responsible for obtaining any paperwork, etc. from the MCC.</p> <ul style="list-style-type: none"> • Must complete the MCC screen in FastTrac and review the below document. • Additional information about Mortgage Credit Certificates can be found here: • http://www.eprmg.net/MortgageCreditCertificates.pdf |
| SUBORDINATE FINANCING | <ul style="list-style-type: none"> • Secondary financing must meet FNMA secondary financing guidelines, with the following additional restrictions: <ul style="list-style-type: none"> • Closed end second mortgages only, no HELOCs • Subordinate financing must not have negative amortization, no wrap around terms, no balloon of less than five years, no maturity of less than five years unless it is fully amortizing, no financing of judgments or tax liens. • All subordinate financing must provide documentation to show the subordinate financing repayment terms by providing a copy of mortgage deed of trust, note, and proof of the current monthly payment (i.e., current statement). For existing subordinate financing, the subordination agreement is also required. For new subordinate financing, must provide instructions to closing to ensure any subordinate financing records after/behind first lien. • For loans combined with a down payment assistance program (i.e. city seconds, etc) the income is limited to the more restrictive of the DPA requirements or the HomeReady product. • All additional guidelines required by the specific second mortgage/down payment assistance program must be met. • Seller carrybacks are not allowed • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) unless the lien will subordinate via a subordination agreement where the lien is no longer part of the property taxes that can take first lien priority (note, the HERO subordination agreement does not provide for this and is not eligible) and meets all Agency requirements |
| VALUE FOR LTV/CLTV CALCULATION | <ul style="list-style-type: none"> • See below • For loans with Fixed/Closed End subordinated financing, CLTV/HCLTV must be calculated using the current unpaid principal balance (UPB) • Loans with HELOC subordinated financing not allowed |
| PURCHASE | <ul style="list-style-type: none"> • Use lesser of current appraised value or acquisition cost. |
| LIMITED CASH-OUT | <ul style="list-style-type: none"> • Use current appraised value. |
| MAXIMUM CASH PROCEEDS | <ul style="list-style-type: none"> • N/A |
| PURCHASE | <ul style="list-style-type: none"> • If there is evidence that borrower, a member of the borrower’s family or party who has a clearly defined interest in the borrower (i.e., close family friend) previously owned a home being purchased that was a distressed sale (i.e., short sale) or foreclosure by the borrower or borrower’s family member, the borrower may not purchase the property, regardless of the length of time since the distressed sale/foreclosure or the number of owners between the distressed sale/foreclosure |

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| | <p>and current owner. Bail outs not allowed.</p> <ul style="list-style-type: none"> • Non-borrowing parties may be on the purchase contract and title. However, additional scrutiny should be taken if there is no relationship to the borrower, as it may present a red flag as to occupancy. • Purchase contract assignment (assignment of the sales contract) not allowed. • Purchase Transaction Seller Rent Backs of the subject property for owner occupied are limited to 60 days, must be reflected on the sales contract and Closing Disclosure, and are not counted towards borrowers minimum investment requirements. For condos, not allowed between borrower and developer. • On auction transactions, auction terms must be included as part of the purchase contract provided to the appraiser for review |
| <p>RATE/TERM REFINANCE</p> | <ul style="list-style-type: none"> • For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program unless the following requirements are met to make it a Section 50(f)(2) transaction: <ul style="list-style-type: none"> • Application date is on or after 1/1/18 • The refinance will be closed no less than one year from the closing of the previously funded home equity loan; • The loan proceeds do not exceed any existing liens on the property being refinanced plus any costs associated to the refinance (i.e. no cash back to the borrower); • The loan proceeds cannot be used to pay off other debts; • The refinanced loan cannot exceed 80% loan to value; • The lender must provide the borrower with a notice about their rights associated with a home equity or non-home equity loan 12 more days prior to closing. • Note: for HELOC loans where the borrower has taken his/her last advance in under a year, in calculating the seasoning requirements, PRMG will look to the original advance of credit/HELOC Agreement Date . <p>FNMA LIMITED CASH-OUT CAN BE DEFINED AS FOLLOWS:</p> <ul style="list-style-type: none"> • Pay off the outstanding principal balance of existing first loan, plus any required per diem interest • Pay off of the outstanding principal balance of any existing subordinate liens that were used in whole to acquire the subject property. • Closing costs and prepaids • Prepayment penalties associated with the existing mortgage • Cash-out limited to the lesser of 2% of the principal amount of the new loan or \$2000 • The subject loan is considered a cash-out refinance if the previous first mortgage transaction combined a first and non-purchase money subordinate lien into a new first or if the subsequent refinance of that loan occurred within the past 6 months. Provide Closing Disclosure or HUD-1 Settlement Statement(s) from any prior transaction. • This means that those refinance mortgages that involve the refinance of subordinate liens that were not used in whole to purchase the subject property (including home improvement, HELOC and second mortgages obtained for the purpose of taking equity out of the property, even if a portion of the subordinate lien was used to purchase the property) will be considered cash-out refinance mortgages. This requirement includes secondary financing seasoned greater than 12 months. |

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| | <p>Twelve months seasoning does not cure the “cash-out” classification.</p> <ul style="list-style-type: none"> • If refinancing a loan that was a refinance of a 1st lien and non-purchase money second lien, the loan must be seasoned for a minimum of 6 months (disbursement date of existing loan to disbursement date of new loan) old. Otherwise, the loan must be considered a Cash Out refinance. • There is no specific loan seasoning requirement for a cash out 1st lien being refinanced to a rate and term refinance. • Buyout of a spouse/co-owner is considered a cash out transaction, and not eligible • Delinquent real estate taxes may not be included in the loan amount. • 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) (also known as Home Equity Deed of Trust, Home Equity Installment Contract or Residential Home Loan Deed of Trust) • If the first or second Texas Section 50(a)(6) loan is being paid off, regardless of whether the borrower is getting any cash back, the loan is restricted to the Texas Home Equity product • If the first mortgage is not a Texas Section 50(a)(6) loan and the second mortgage is a Texas Section 50(a)(6) loan, the second lien may be subordinated and is considered a rate and term refinance. The second lien must be subordinate to the first mortgage. Borrower cannot receive any cash back from the first mortgage transaction. • Pay-off of PACE loans cannot be included in a rate/term (limited cash out) refinance even if all agency requirements for payoff of that loan are met that will allow the transaction to be a rate/term (limited cash out) refinance when AUS findings returns an Approve/Ineligible. If all agency requirements are not met for a rate/term refinance (including that the PACE lien was originated prior to 7/6/10), then paying off a PACE loan the new transaction must be considered a cash out refinance. See Fannie Mae B5-3.4-01 for additional information. Note, PRMG does not participate in the HomeStyle Energy for Improvements on Existing Properties. <p>SUBORDINATION OF EXISTING SECONDARY FINANCING:</p> <ul style="list-style-type: none"> • If the existing secondary financing (installment seconds or HELOCS) is subordinated to a new first mortgage and the new first mortgage is originated solely for the purpose and under the guidelines of a Rate/Term refinance (i.e. only paying off the existing first mortgage plus the addition of customary closing costs) then the transaction would be considered a Rate/Term Refinance. However, if ANY of the funds are used to payoff OR pay down the existing secondary financing, the transaction will be considered a cash-out refinance. Twelve months seasoning does not cure the “cash-out” |
| DELAYED FINANCING | <ul style="list-style-type: none"> • Not Allowed |
| SEASONING REQUIREMENTS | <ul style="list-style-type: none"> • See below |
| RECENTLY DELISTED PROPERTIES | <ul style="list-style-type: none"> • The property must have been removed from the MLS at least 1 day prior to the application date for Rate & Term refinances. • Full Appraisal is required for recently listed properties • Evidence of listing cancellation is required. • Borrower must provide written confirmation of the intent to occupy |
| TITLE SEASONING/LOAN SEASONING | <ul style="list-style-type: none"> • For Rate and Term refinances, title must be held in the name of at least one borrower prior to or at the time of disbursement/closing of new loan • Continuity of obligation no longer applies. DU messaging referencing continuity of |

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

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| | <ul style="list-style-type: none"> • A full appraisal is required • Appraisals must indicate required sales history information. • The appraiser must report and analyze a minimum three-year sales history for the subject property AND if the value has increased by 15% or more in one year or 30% in three years from the original sales price the appraiser must analyze and explain the increase if due to a below market sale, such as a property in foreclosure. If the increase was due improvements, the appraiser must analyze and explain. • If the property value has increased from the prior sale by more than 20%, additional diligence should be used by the underwriter. |
| <p>CURRENT PROPERTIES PENDING SALE OR PRIMARY RESIDENCES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES</p> | <ul style="list-style-type: none"> • When the borrower owns mortgaged real estate, the status of the property determines how the existing property's PITIA must be considered in qualifying for the new mortgage transaction. If the mortgaged property owned by the borrower is an existing investment property or a current principal residence converting to investment use, the borrower must be qualified in accordance standard Rental Income Requirements (which may include a copy of the lease and/or other evidence as required by Fannie Mae), Reserve Requirements, and Multiple Loans requirements, as well as another other Agency requirements for qualifying. Rental income from the converted property is eligible, as long as the borrower qualifies using standard rental income documentation, requirements and calculations. There is no equity requirement in the converted property in order to use rental income to qualify <ul style="list-style-type: none"> • an existing second home or a current principal residence converting to a second home, the PITIA of the second home must also be counted as part of the borrower's recurring monthly debt obligations; or • the borrower's current principal residence that is pending sale but will not close (with title transfer to the new owner) prior to the subject transaction, the lender must comply with the below. • If the borrower's current principal residence is pending sale, but the transaction will not close with title transfer to the new owner prior to the subject transaction, and the borrower is purchasing a new principal residence, the current PITIA and the proposed PITIA must be used in qualifying the borrower for the new mortgage loan. However, the current principal residence's PITIA does not have to be used in qualifying the borrower as long as the following documentation is provided: <ul style="list-style-type: none"> • the executed sales contract for the current residence, and • confirmation that any financing contingencies have been cleared. |
| <p>APPRAISAL</p> | <ul style="list-style-type: none"> • Additional appraisal requirements can be found in the PRMG Appraisal Guidelines which is available in the Resource Center or at the following link • http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Guidelines.pdf • Transferred or Ported appraisals are allowed but must meet all requirements as described in PRMG's Transfer Policy, which is posted in the Appraisal section of the Resource Center or at the following link: • http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Transfer%20Policy.pdf • Additionally, if using a Transferred or Ported appraisal, "Transferred Appraisal" must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of the transferred appraisal if the loan is locked prior to approval. • If the transferred appraisal does not meet the requirements as outlined in the PRMG's Appraisal Guidelines document, the appraisal must be ordered identifying |

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| | <p>PRMG as the client/lender on the appraisal report.</p> <ul style="list-style-type: none"> • Residential appraisal reports must be dated no more than 12 months prior to the note date. An Appraisal Update is required on all appraisals dated more than 120 days prior to the note date. • The Update Appraisal Form (1004D) must be used. If the value of the property is less than the original appraised value then a new appraisal will need to be ordered. If the value of the property has not declined, then the loan may process without requiring any additional fieldwork. The appraisal update must occur within the four months that precede the date of the note and mortgage. The original appraiser should complete the appraisal update; however, lenders may use substitute appraisers. When updates are completed by substitute appraisers, the substitute appraiser must review the original appraisal and express an opinion about whether the original appraiser's opinion of market value was reasonable on the date of the original appraisal report. The lender must note in the file why the original appraiser was not used. • The use of an appraisal report (expired or unexpired) that was utilized for a different closed loan is not permitted. • Properties with a condition rating of C5 or C6 in "as is" condition or "subject to repairs" are not acceptable. A quality rating of Q6 is not acceptable. • For all refinances, if the property has been owned less than 12 months and the appraisal shows a substantial increase in value from the purchase price, the appraiser should ensure that the increase in value is valid. • The appraiser must report and analyze a minimum three-year sales history for the subject property AND if the value has increased by 15% or more in one year or 30% in three years from the original sales price the appraiser must analyze and explain the increase if due to a below market sale, such as a property in foreclosure. If the increase was due to improvements, the appraiser must analyze and explain. • Traditional appraisal report completed by a state-licensed or state-certified appraiser required on all loans. • An exterior property inspection is required for properties located in an identified FEMA disaster area if the original appraisal was completed prior to the disaster being declared. For 90 days after the disaster date, a full appraisal will be required. See PRMG Disaster Guidance/Announcements for specific details and full requirements • Appraisal Waiver (formerly known as Property Inspection Waiver (PIW) allowed when offered by DU (see section below) • Freddie Mac's Automated Collateral Evaluation (ACE) is not allowed. • PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion. • Follow agency requirements in regards to addressing appraisal deficiencies. • When adjustments are made to the appraisal for the year built, whether they are made for the actual age or the effective age of the subject property, the appraiser must provide an explanation for the adjustments and the condition of the property. • If property is legal, non-conforming and a rebuild letter is required (see Appraisal Guidelines for requirements), property must be able to be rebuilt to 100%. If a rebuild letter is not required, property is not required to be rebuilt to 100%, but must meet requirements as described in Appraisal Guidelines (found in the Resource Center). |
| <p>REVIEW/SECOND APPRAISAL</p> | <ul style="list-style-type: none"> • Review appraisals must be completed by a PRMG approved Appraisal Company. • AUS warnings/warning for excessive value (cash-out and limited cash-out refinance) or excessive value with valuation risk (cash-out and limited cash-out refinance) |

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| | <ul style="list-style-type: none"> require a desk review AUS warnings for rapid appreciation or rapid appreciation with valuation risk do not require a desk review When run through Fannie Mae's Collateral Underwriter, any appraisal with a score of 5 must have, at minimum, a desk review performed |
| <p>FANNIE MAE'S COLLATERAL UNDERWRITER</p> | <ul style="list-style-type: none"> For all loans where CU results are returned: <ul style="list-style-type: none"> CU Findings must be imaged into system Underwriter must review findings and address any concerns or issues CU should be used when underwriting the appraisal to take advantage of the analysis tools Appraisal with a score of 4 or 5 requires underwriter to access the CU system, perform a thoroughly analysis using the tools within CU and ensure the value is supported. Appraisal with a score of 5, requires, at minimum, a desk review to support value A score of 4 may require a desk review at underwriter discretion. Fannie Mae's CU site can be accessed at the following link: <ul style="list-style-type: none"> https://www.fanniemae.com/singlefamily/collateral-underwriter |
| <p>APPRAISAL WAIVER (F/K/A PROPERTY INSPECTION WAIVER (PIW))</p> | <ul style="list-style-type: none"> An Appraisal Waiver (formerly known as a Property Inspection Waiver (PIW)) is a DU recommendation that results in the waiver of both the property inspection and appraisal report for low risk transactions. DU findings must return option for waiver Full appraisal is required for other specific scenarios as outlined in the product profile (i.e., deed restrictions, etc.) and in that case an appraisal waiver is not eligible The value entered into DU is the value used for LTV/CLTV calculation Underwriter must mark file as using PIW/ACE in FT360 A waiver offer may not be exercised if an appraisal has already been obtained. HPML loans not eligible for an appraisal waiver Unless there is evidence the property does not comply with state, local and federal regulations, no other inspections are required For condos properties with an appraisal waiver, additional documentation must be provided to ensure the project is warrantable. For properties eligible for a limited review, this will generally require, at minimum, the FNMA/FHLMC Short Form Condo Questionnaire to be completed (which is available on the Resource Center). For properties requiring a full review, a full HOA condo questionnaire as well as additional supporting documentation is needed (see full lender condo review section). <p>Eligible Transactions:</p> <ul style="list-style-type: none"> One-unit properties, including condominiums Principal residence, second home, and investment property transactions Purchase transactions up to 80% LTV/CLTV for principal residences and second homes (investment property purchases are not eligible and property must have submitted through CU on a prior transaction as determined by DU) Limited cash-out refinance transactions up to a 90% LTV/CLTV for principal residences and second homes; up to 75% LTV/CLTV for investment properties Cash-out refinance transactions up to a 70% LTV/CLTV for principal residences; up to a 60% LTV/CLTV for second homes and investment properties Loan casefiles that receive an Approve/Eligible recommendation <p>Ineligible Transactions (Requires a full appraisal):</p> <ul style="list-style-type: none"> Properties located in a disaster-impacted area |

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| | <ul style="list-style-type: none"> • Construction and construction-to-permanent loans • Two- to four-unit properties • Loan casefiles where the value of the subject property provided to DU is \$1,000,000 or greater • Leasehold properties, community land trust homes, or other properties with resale restrictions • Cooperative units and manufactured homes • DU loan casefiles that receive an ineligible recommendation • Properties using a gift of equity • Properties using rental income from a subject investment property to qualify the borrower |
| SALES CONTRACT CHANGES | <ul style="list-style-type: none"> • Purchase agreements renegotiated after the completion of the appraisal that increase the sales price are only acceptable under the following circumstances: <ul style="list-style-type: none"> • The sales price adjustment is due to price overruns that impact the tangible value of the property on new construction. An updated appraisal must be obtained to verify the value of the modifications. • A renegotiation of only seller paid closing costs and/or prepaids occurs where seller paid closing cost/prepaids are common and customary for the market and supported by comparables. • Changes in the purchase contract resulting from renegotiating terms of sale will require additional review and consideration by the appraiser. |
| TOTAL FINANCING ≥ \$1MM | <ul style="list-style-type: none"> • No additional restrictions |
| NON-ARMS LENGTH TRANSACTIONS/IDENTITY OF INTEREST | <ul style="list-style-type: none"> • A non-arms length transaction occurs when a personal or business relationship exists between the borrowers and the builder or seller. For example: <ul style="list-style-type: none"> • Family sales or transfers • Corporate sales or transfers • Mortgagors employed in the real estate or construction trade who are involved in the construction, financing or sale of the subject property. • Some transactions involving principals/sellers/other vendors (such as, an appraiser, settlement agent, title company, etc) who are involved in the lending process of the subject property. • Sales between landlord/tenant • An at-interest transaction involves persons who are not closely tied or related but may have a greater vested interest in the transaction, such as a party who plays more than one role in the same transaction (selling/listing agent and mortgage broker, for example). At-interest transactions carry increased risk due to the greater vested interest in the transaction by one of the parties. Examples of at-interest transactions include: Builder also acting as Realtor/broker; Realtor/broker selling own property; Realtor/broker acting as listing/selling agent as well the mortgage broker. • Property flips are not allowed • Non-arm’s length transactions with family members (or acceptable gift donors) are generally acceptable if the following requirements are met: <ul style="list-style-type: none"> • The family member is the borrower’s spouse, child, parent, or any other individual related to the borrowers by blood, adoption, or legal guardianship • An executed purchase agreement between the purchaser and the family member is in the file • The source and ownership of funds for the down payment, closing costs, and reserves are well documented. |

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| | <ul style="list-style-type: none"> • The appraised value of the property is well supported, particularly any gifts of equity or gifts of more than 20% of the LTV. • If the loan is a non-arms length transaction, the relationship must be disclosed on the purchase contract. Purchase contract must be closely reviewed. • Purchase may not be a short sale • Borrower must provide a copy of the canceled earnest money check to verify payment to the Seller. • Verification that the borrower is not now, nor has been in the previous 24 months, in title to the property. • A payment history for the existing mortgage (verification of seller’s mortgage) on the subject property must be obtained and show no pattern of delinquency within the past 12 months. (does not apply to identity of interest/at-interest transactions) • Full documentation is required for income, employment and assets • Full appraisal is required, regardless of AU findings • The appraiser must be informed of the non-arms length transaction and address whether or not the market value has been affected by the relationship of the parties. • Appraiser must verify last sale date and sales price of the subject property, and must provide recent listing and/or marketing materials. (does not apply to identity of interest/at-interest transactions) • Allowed all owner occupied properties, • Transactions cannot be for bail-out purposes • “Non-Arm's Length Transaction" must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of the Non-Arm's Length Transaction if the loan is locked prior to approval. • For purchases, Title must not evidence a foreclosure or Notice of Default. • For refinances, if the borrower has been on title less than 6 months from the date of application, the payoff demand from the purchase transaction must reflect the mortgage was current at the time the borrower purchased the property. |
| INELIGIBLE INTERESTED PARTIES TRANSACTIONS | <ul style="list-style-type: none"> • Borrower is purchasing a property from a builder who is also taking the borrower’s existing residence as trade for equity or may be purchasing the borrower’s existing residence. • Any type of transaction where the builder, property seller, and/or any party currently on title is a company owned by the borrower. • When the seller is the builder, if a borrower is related to and/or affiliated with the builder, property seller, or on title as a registered agent, sales agent, partner or employee. • Flip Transactions. |
| BORROWERS EMPLOYED BY PARTY TO TRANSACTION OR IS A PART OF THE TRANSACTION | <ul style="list-style-type: none"> • Borrower cannot be involved, in any way, in the processing or origination of the loan (originator, processor, underwriter, closer, etc.) • See Income Requirements/Limitations section for additional information |
| REAL ESTATE AGENT ALSO LOAN OFFICER/BROKER | <ul style="list-style-type: none"> • The real estate agent for the subject property may act as the loan officer or broker for the borrowers purchasing the same subject property and does not have to be for the same company as long as it is allowed by the state in which the property is located. • Not allowed on retail transactions. • QC Audit required |

MORTGAGE INSURANCE

- Loans with LTVs above 80% require mortgage insurance.
- Delegated MI approval is allowed, certain restrictions apply, see Delegated Mortgage Insurance section below for requirements
- When obtaining Mortgage Insurance in states that require an assessment/tax on the mortgage insurance, such as KY or WV, be sure to use the “Rate with Assessment/Tax”, which is the standard MI factor plus the additional factor for the assessment/tax. Do not use the standard MI factor listed on the certificate, you must use the combined factor.
- For all borrower paid mortgage insurance: Acceptable mortgage insurers are Radian, Essent, Arch MI, National MI (NMI), and Genworth except for specific scenarios below.
 - Genworth: <https://new.mortgageinsurance.genworth.com/rate-express?orgId=8VMJ>
 - Radian: <http://www.radian.biz>
 - Essent: www.essent.us
 - National MI (NMI): <https://www.nationalmi.com/>
 - Arch MI: <https://mi.archcapgroup.com/>
- If LTV > 95% with Borrower Paid MI and using Radian MI, borrower will be provided with Job Loss Protection at no additional cost
 - Job Loss Protection offered for borrowers in a single family home where at least one borrower is not self-employed
 - Borrowers must acknowledge the program by “opting in”. They will receive a letter after funding and will have 60 days to register for their free job loss protection
 - Up to six months of mortgage payments, not required to be consecutive
 - A monthly payment benefit of up to \$1,500
 - Total benefit of \$9,000 during the coverage period
 - Coverage period of 2 years from the loan closing date
- For Correspondent channel only, United Guaranty Residential Insurance (UG), National Mortgage Insurance (NMI), MGIC or Arch MI allowed in addition to the other MI companies listed above for all MI products allowed in the profile except with the “No MI” program. UG, NMI, MGIC or Arch MI not allowed with the “No MI” program. Correspondent is responsible for ensuring all UG, MGIC or Arch MI requirements are met and, as such, all program parameters may not be eligible with UG, MGIC or Arch MI.
- For loans submitted for MI prior to 2/11/2019 and using Essent: For any MI policy (Single Premium, Monthly Premium, etc.), max 45% DTI if the credit score is <700. (for loans submitted on or after 2/11/19, restriction no longer applies)
- For loans submitted for MI on or after 3/19/18 and using Radian: For any Single Premium MI policy, max 45% DTI if the credit score is <700 or if the LTV is >95% (no restriction on DTI for monthly MI premiums)
- As of 6/4/18, Genworth MI will allow all DTIs of scores <700 for all MI types (Single Premium, Monthly Premium etc.)
- Monthly Borrower Paid allowed (Select “Deferred Monthly”/“Zero Monthly”)
- Borrower Paid Single Premium is allowed (any portion of the MI premium paid by the borrower must be included the QM fee calculations but portion paid by seller, lender or other interested party would be excluded from QM calculations)
- Seller Paid Single Premium allowed (portion paid by seller would not be included in QM calculations)
- Level coverage required (declining coverage not allowed)

- Financed, custom and reduced MI is not allowed.
- Split Premium MI (Borrower Paid) allowed (upfront premium must be included in QM fee calculations). “Split Premium MI” must be written in the comment section of the 1008. Proof of payment of the full upfront premium is required. This can be evidenced by one of the following: (1) On the Closing Disclosure (paid at closing), or (2) by paid receipt for paid outside of Closing, or (3) if the MI certificate indicates the premium is paid in full.
- Lender Paid MI (Single Premium) allowed with following:
 - Must use following program codes:
 - HomeReady No MI (Lender Paid) 10 Year Fixed
 - HomeReady No MI (Lender Paid) 15 Year Fixed
 - HomeReady No MI (Lender Paid) 20 Year Fixed
 - HomeReady No MI (Lender Paid) 30 Year Fixed
 - HomeReady No MI (Lender Paid) 5/1 LIBOR ARM
 - Only Essent allowed for Lender Paid MI
- Discounted coverage requiring additional premium per AUS is not eligible
- Mortgage Insurance commitments are issued with a commitment term of 120 days. Coverage must be activated (i.e. loans must be certified) by reporting the loan closing date and/or payment of the initial premium prior to the commitment expiration date (this process is handled by PRMG). Commitment expiration dates cannot be extended.

| LTV | ≤ 20 Year Fixed | > 20 Year Fixed |
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| 95.01% - 97.0% | 25% | 25% |
| 90.01% - 95.0% | 25% | 25% |
| 85.01% - 90.0% | 12% | 25% |
| 80.01% - 85.0% | 6% | 12% |

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

Delegated Mortgage Insurance

- The following loan scenarios are ineligible for delegated MI and must be sent to the MI company for prior approval (not all items listed may be applicable to this product, review product profiles for what is allowed):
 - Loans that require a manual underwrite by the MI company
- At Underwriter’s discretion, the loan may be submitted to MI company for prior approval
- Underwriter to order delegated MI through FT360 and confirm MI cert is complete and correct
- Underwriter must confirm all requirements of MI company are met using the following guidelines options:
 - Radian: One Underwrite
<http://www.radian.biz/page?name=RatesAndGuidelinesNew>
 - Essent: Clear2Close
<https://www.essent.us/rates-guidelines>
 - Genworth: Simply Underwrite
<https://mortgageinsurance.genworth.com/RatesAndGuidelines/Guidelines.aspx>
 - National MI: True Guide

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| | <p>https://www.nationalmi.com/guidelines-summary/</p> <ul style="list-style-type: none"> • Arch MI: Underwriting Manual https://mi.archcapgroup.com/Guidelines • NMI will not allow non-delegated files. If a file needs to be submitted to the MI company for an MI underwrite, it may not go to NMI. |
| PROPERTY INSURANCE | <ul style="list-style-type: none"> • See PRMG’s Resource Center for PRMG Insurance Requirements and Additional Information • For refinances transactions, all insurance policies must have, at minimum, an expiration date after the first payment date as shown on the note. • Acceptable Proof of Flood Insurance: <ul style="list-style-type: none"> • Copy of Flood Insurance Policy • Copy of Declaration Page • Copy of the application for flood insurance with a paid receipt for the first year’s premium or if paid at closing, premium reflected on the HUD • Flood policies and applications provided for closing must indicate the flood zone of the property. This zone must match our flood determination provider’s zone. Otherwise, evidence that the borrower’s zone is “grandfathered” must be provided. If the improvements are in a split zone (partially in and partially out) the policy must be rated for the more hazardous zone. • Flood insurance is required if there is knowledge that the property is exposed to flood risks, even if the property is located in a community that does not have FEMA flood maps. • For hazard insurance, properties in an attached condominium and attached PUD project (including 2-4 unit projects) require 100 percent of the insurable replacement cost coverage for the complete condominium (interior and exterior of the condominium).The HO-6 policy must be sufficient to repair the interior of the condominium unit, including any additions, improvements and betterments to its original condition in the event of a loss. If the HOA Master Policy does not provide coverage for the interiors of the project units, an HO-6 (or its equivalent) Policy for the individual unit is required. An HO-6 policy should have replacement cost coverage, and if the policy does not reflect the coverage amount, then the amount of coverage should be determined by the insurer. • If the homeowners association owns the common elements, areas/facilities of a project separately (or holds them in a leasehold estate), insurance on those areas is required to insure that ownership (if there are no common areas owned by HOA a letter from them will suffice to prove it is not needed.) |
| TITLE INSURANCE REQUIREMENTS FOR CONDOS/PUDS | <ul style="list-style-type: none"> • The Title Insurance policy for Condo and Planned Unit Developments (PUDs) must include coverage that provides protection by: <ul style="list-style-type: none"> • Insuring that the mortgage is superior to any lien for unpaid common expense assessments. In jurisdictions that give these assessments a limited priority over a first or second mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date; • Insuring against any impairment or loss of title of PRMG’s first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. The title insurance policy must specifically insure against any loss that results from a violation that existed as of the date of the policy; • Insuring that the unit does not encroach on another unit or on any of the common elements, areas or facilities. This policy must also insure that there is no encroachment on the unit by another unit or by any of the common elements, |

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| | <p>areas or facilities;</p> <ul style="list-style-type: none"> • Insuring that the mortgage is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes; • Insuring that real estate taxes are assessable and lien able only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole; and • Insuring that the owner of a PUD unit is a member of the homeowners association and that the membership is transferable if the unit is sold. |
| REPAIR ESCROWS/ ESCROW HOLDBACKS | <ul style="list-style-type: none"> • Not allowed |
| TEMPORARY BUYDOWNS | <ul style="list-style-type: none"> • Not allowed |
| INTEREST ONLY | <ul style="list-style-type: none"> • Not allowed |
| PRE-PAYMENT PENALTY | <ul style="list-style-type: none"> • N/A |
| SECOND LIEN BALLOON | <ul style="list-style-type: none"> • N/A |
| MULTIPLE LOANS | <ul style="list-style-type: none"> • No limitations on the number of properties that the borrower can currently be financing • This limitation includes joint or total ownership of a 1-4 family residential property that is held in the borrower's name, the name of a limited liability company (LLC) or in a partnership. It also includes obligation on a mortgage debt for a residential property (regardless of whether or not the borrower is an owner of the property). • Financed commercial property are not include that in the total number of financed properties • PRMG or its investors will only finance up to 4 loans for all borrowers and/or \$2 million total in aggregate loan amounts. Therefore, if the aggregate loan amount (total with one lender/investor and subject loan amount combined) exceed \$2 million, or the borrower has 4 or more current loans with one lender/investor, approval is required with PRMG. • When indicated by DU findings, the number of financed properties will be limited to two (2), including subject property. |
| OWNERSHIP OF OTHER PROPERTY | <ul style="list-style-type: none"> • No restriction |
| RESIDUAL INCOME EVALUATION | <ul style="list-style-type: none"> • All loans meeting Rebuttable Presumption under QM/ATR requirements (are a Higher Priced Covered Transaction (HPCT) - which is same calculation as HPML, but applies to all occupancy types) must contain the Residual Income Evaluation worksheet, which can be found as a tab within the Income Calculations worksheet in the Resource Center. The following is a summary of requirements that trigger Rebuttable Presumption: <ul style="list-style-type: none"> • The loan is underwritten to the Agency's u/w guidelines and is eligible for purchase or guarantee by the respective Agency • The points and fees do not exceed the QM limits • The loan term does not exceed 30 years • Fully-amortizing regular payments • No risky features • The loan is a HPCT (same calculation as HPML, but applies to all occupancy types) • Residual Income is the resulting sum when taking the gross income, less all housing and debt payments, (see worksheet for more details.) • Loans with an application date as of 1/10/14 that have Rebuttal Presumption |

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| | <p>(HPML/HPCT loans) must also meet the following requirements in regards to Residual Income (loans with an application date prior to 1/10/14 and are considered HPML should contain the document, but are not required to meet the following):</p> <ul style="list-style-type: none"> Principal Residence: <ul style="list-style-type: none"> Residual Income \$2500 or greater: No minimum reserve requirement Residual Income \geq \$800 and $<$ \$2500: Minimum reserves are the greater of three (3) months liquid (as defined by FNMA/FHLMC) PITIA reserves OR minimum program reserve requirements as described in Product Profile (Note: Underwriters should consider requiring additional reserves for loans with higher layered risks) Residual Income $<$ \$800: Loan is not eligible with PRMG |
| HIGHER PRICED MORTGAGE LOAN (HPML) | <ul style="list-style-type: none"> Allowed within the parameters of Section 35 of CFPB Regulation Z Must comply with all limitations and requirements of HPML loans as described in PRMG's Compliance Policy regarding HPML-Section 35 loans Not allowed on 5/1 ARMs HPML loans must have an escrow account, regardless of LTV Property inspection waiver not allowed, full appraisal required If loan is a HPML, "HPML" must be entered in Secondary Loan Notes section of FastTrac. This should occur each time the HPML test is run and should be updated if the loan moves in our out of HPML status, with the last entry occurring prior to funding. |
| SECTION 32 / HIGH COST LOAN | <ul style="list-style-type: none"> Brokers are responsible for identifying loans that are considered high cost loans as defined by federal and/or state laws and/or regulations. High cost loans are not allowed: Loan is not a high cost loan as defined by Section 32 of the Federal Truth-in-Lending Act; <i>and</i> Loan is not a high cost loan as defined by applicable state laws and/or regulations. |
| REAL ESTATE COMMISSIONS | <ul style="list-style-type: none"> The maximum real estate commission allowed is 8%. |
| SERVICING OPTIONS | <ul style="list-style-type: none"> N/A |
| ESCROW ACCOUNT | <ul style="list-style-type: none"> HPML loans must have an escrow account, regardless of LTV CA: Escrows are required for LTVs \geq 90% NM: Escrows are required for LTVs \geq 80% for Owner Occupied and LTVs $>$80% for Second Homes or Non-Owner Occupied Other States: Escrows are required for LTVs $>$ 80% Flood insurance must be impounded (escrowed) for all loans with a note date of 1/1/16 or later if the property is in a Special Flood Hazard Area (SFHA), designated as a flood zone beginning with A or V, regardless of LTV and/or federal exemptions and is required for the life of the loan. It is not required to be impounded if the flood insurance is paid through the condominium association, HOA dues, etc. Additionally, the escrow requirement needs to be stated in the Flood Notice that is provided to the borrower. |
| UNDERWRITING | <ul style="list-style-type: none"> Delegated underwriting allowed. All loans must receive an "Approve/Eligible" from DU. |
| ASSUMABILITY | <ul style="list-style-type: none"> ARM: Assumable during the adjustable rate period by qualified borrowers Fixed: Not Assumable |
| INDEX | <ul style="list-style-type: none"> 1 Year LIBOR |
| MARGIN | <ul style="list-style-type: none"> 2.25% |
| INTEREST RATE CAPS | <ul style="list-style-type: none"> 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 |

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

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.

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| PURCHASE | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • Proceeds from a rate/term refinance may only pay off the following: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • Any loan that is considered a Section (a) (6) loan unless the below requirements are met that make it a Section (f)(2) transaction. Section (f)2 transactions are eligible with application dates on or after 1/1/18. • 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 • Any previous Section 50(a)(6) must be processed as a Section 50(a)(6) unless the following requirements are met to make it a Section 50(f)(2) transaction: <ul style="list-style-type: none"> • Application dated on or after 1/1/18 • The refinance will be closed no less than one year from the closing of the previously funded home equity loan; • The loan proceeds do not exceed any existing liens on the property being refinanced plus any costs associated to the refinance (i.e. no cash back to the borrower); • The loan proceeds cannot be used to pay off other debts; • The refinanced loan cannot exceed 80% loan to value; • The lender must provide the borrower with a notice about their rights associated with a home equity or non-home equity loan 12 more days prior to closing. • Note: for HELOC loans where the borrower has taken his/her last advance in under a year, in calculating the seasoning requirements, PRMG will look to the original advance of credit/HELOC Agreement Date • 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 |

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| | <p>refinanced under Section 50(a)(6) (a cash out refinance) every subsequent refinance is considered a Section 50(a)(6) loan and is not allowed.</p> <ul style="list-style-type: none"> • 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 or Closing Disclosure 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 or Closing Disclosure) 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, Closing Disclosure, or HUD-1 for each transaction originated on or after 1/1/98 to verify the purpose of the existing Loan. |
| CASH OUT REFINANCE | <ul style="list-style-type: none"> • Not allowed |
| ELIGIBLE COSTS | <ul style="list-style-type: none"> • A rate/term refinance of a primary residence may include only the following costs: <ul style="list-style-type: none"> • Pay off of the old loan plus points • Pre-paid items, such as escrow funds and interest (See Additional Documentation section below) |

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| | <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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 |
| <p>ADDITIONAL DOCUMENTATION</p> | <ul style="list-style-type: none"> • All rate/term refinances require a completed Texas Refinance Worksheet (See Exhibit A) • All rate/term refinances require a completed Borrower Acknowledgement Form (See Exhibit B) when the borrower is receiving a refund check at closing. • If impounds for prepaid expenses are included in the new loan amount, special title insurance coverage must be obtained as a Schedule B Exception. • For rate/term refinances, a copy of the commitment for title insurance, mortgage/deed of trust, Closing Disclosure, 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