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.

NICHE CONFORMING AND JUMBO

30 Year Fixed Rate
5/1 ARM
Purchase, Rate/Term (including Delayed Financing) and Cash Out (not Debt Consolidation)

Loan Amount	LTV[4, 10]	CLTV[4,6]	Purpose	Units[5]	Occupancy	Credit Score[10]	Reserves	DTI[9,10]
$2,000,000	95%	95%	Purch, R&T[1,2,7,8]	1-4	O/O, SH	740	9 months	43%
$3,000,000	90%	90%	Purch, R&T[1,2]	1-4	O/O, SH	660	9 months	50[9]
$3,000,000	85%	85%	Purch, R&T[1,2]	1-4	O/O, SH	650	6 months	50[9]
$3,000,000	80%	80%	Purch, R&T[1,2]	1-4	O/O, SH	660	3 months	50[9]
$1,500,000	85%	85%	Cash Out[3]	1-4	O/O, SH	700	6 months	50[9]
$1,500,000	80%	80%	Cash Out[3]	1-4	O/O, SH	650	3 months	50[9]

1. Delayed Financing may be underwritten and priced as a rate/term refinance. Maximum LTV and loan amount per Matrix. Rate/term cash back amount restriction does not apply when using delayed financing. For delayed financing on a primary residence/homestead in Texas, must be treated as a cash out transaction under Texas 50(a)(6) guidelines.
2. For Rate term transactions, maximum cash back amount is equal to the lesser of 2% of new refinance loan balance or $2,000.
3. For Cash Out transactions, maximum cash back amount is $750,000. See LTV Matrix below when doing debt consolidation.
4. If the appraiser denotes declining market, reduce max LTV/CLTV by 5% from maximum LTV/CLTV
5. Second Home is limited to one unit only
6. Subordinate financing not allowed
7. Gifts not allowed with LTV/CLTV > 90%.
8. Asset Depletion is not allowed with LTV/LTV > 90%
9. Max 50% DTI (up to 55% DTI allowed with <= 80% LTV and >= 720 credit score)
10. Non-Warrantable condos: See non-warrantable condo matrix for complete details, 5% LTV reduction (additional 5% for new construction), 45% Max DTI, 680 min credit score

30 Year Fixed Rate
5/1 ARM
Cash Out (Debt Consolidation)

Loan Amount[1,2]	LTV[4]	CLTV[4]	Purpose	Units[5]	Occupancy	Credit Score	Reserves	DTI
$1,000,000	90%	90%	Cash Out[1,2]	1-4	O/O[3], SH	700	9 months	35
$1,000,000	85%	85%	Cash Out[1,2]	1-4	O/O[3], SH	700	9 months	35
$1,000,000	80%	80%	Cash Out[1,2]	1-4	O/O[3], SH	700	9 months	35

1. Total amount of reoccurring obligations to be paid off by the borrower cannot exceed $150,000 (excluding mortgage liens).
2. Maximum cash back amount is equal to the lesser of 2% of new refinance loan balance or $2,000.
3. Not allowed on primary residences in Texas. Debt consolidation on primary residences in Texas must follow Texas 50(a)(6) guidelines.
4. If the appraiser denotes declining market, reduce max LTV/CLTV by 5% from maximum LTV/CLTV
5. Second Home is limited to one unit only

30 Year Fixed Rate
Texas 50(a)(6) Cash Out

Loan Amount	LTV[4]	CLTV[4]	Purpose	Units	Occupancy	Credit Score	Reserves	DTI[5]
$3,000,000	80%	80%	R&T[1,2]	1	O/O	660	3 months	50[5]
$1,500,000	80%	80%	Cash Out[3]	1	O/O	660	3 months	50[5]

1. Delayed financing must be treated as a cash out transaction.
2. For Texas 50(a)(6) rate and term transactions, no cash back is allowed.
3. For Texas 50(a)(6) cash out transactions, maximum cash back amount is $750,000.
4. If the appraiser denotes declining market, reduce max LTV/CLTV by 5% from maximum LTV/CLTV
5. Max 50% DTI (up to 55% DTI allowed with >= 720 credit score)

This program requires an Investor Review.
This program requires an Appraisal Review. *

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

PRODUCT NAME	• Niche Conforming and Jumbo 30 Year Fixed • Niche Conforming and Jumbo 5/1 LIBOR ARM • Niche Conforming and Jumbo Debt Consolidation 30 Year Fixed • Niche Conforming and Jumbo Debt Consolidation 5/1 LIBOR ARM • Niche Conforming and Jumbo Texas Home Equity 30 Year Fixed
ALLOWABLE ORIGINATION CHANNELS	• Retail • Wholesale
MINIMUM LOAN AMOUNT	• $100,000
MAXIMUM LOAN AMOUNT	• $3,000,000
EXPANDED GUIDELINES	• Expanded Guidelines covering investor specific requirements, can be found at the following link: http://www.eprmg.net/NicheExpandedGuidelines.pdf • Must always comply with Expanded Guidelines
PRICING	• Product type must be "Jumbo" to price in FT360
SPECIFIC INVESTOR DOCUMENTATION REQUIREMENTS	• Borrower ATR Certification (all loans) • http://www.eprmg.net/ResourceCenter/JumboandNicheProductForms/BorrowerAbilityToRepayCert.pdf • Residual Income Calculation Form (all loans) • http://www.eprmg.net/ResourceCenter/JumboandNicheProductForms/NicheProductResidualIncome.xlsx • Net Tangible Benefit (all refinance transactions) • http://www.eprmg.net/ResourceCenter/JumboandNicheProductForms/NicheProductsNTB.xlsx • Restricted Stock worksheet (if using restricted stock) • http://www.eprmg.net/ResourceCenter/JumboandNicheProductForms/NicheProductRestrictedStock.xlsx
PRINCIPAL REDUCTIONS	• **Lender-Paid Transactions:** Principal reduction up to one month of PITI allowed for excess premium • **Borrower-Paid Transactions:** On transactions where the loan originator is paid by the consumer, principal curtailments are not permitted. The premium rate credit may not exceed the amount of third party costs.
COMPLIANCE REQUIREMENTS	• For wholesale loans, initial disclosures must be done by PRMG (brokered disclosed files not allowed) • Closing Disclosure/Documents must be drawn by Corporate Funding/Compliance Department. Please send email with loan number and borrower requesting document to Compliancegroup@prmg.net • All Clear to Close (CTC) conditions must be cleared before issuing CD • Compliance Department must complete final review of file for compliance acceptance prior to funding. Please send email with loan number and borrower requesting review to Compliancegroup@prmg.net
INVESTOR COMPLIANCE REVIEW REQUIREMENTS	• After underwriting submission, all Change of Circumstance (COC) and Subsequent Loan Estimates (LE) must be submitted to investor for review, if the disclosures have material defects, defects must be corrected and re-disclosed to the borrower • Submission of the COC and LE will be handled by the Disclosures team • Closing Disclosure must be submitted to investor for review prior to release • Once prepared, email ComplianceReview@prmg.net with loan number and copy of CD for submission to investor • CDs will be reviewed by investor and should be returned in 24 business hours

	• If the CD has material defects, they must be corrected and resubmitted to investor for re-review prior to issuance to the borrower • Eligibility Certificate from investor will not be issued until the CD has been reviewed and deemed acceptable • Loan documents cannot be released until Eligibility Certificate is received from investor
FUNDING REQUIREMENTS	• Funding not allowed until all eligibility review conditions are cleared • Loans must be funded by designated jumbo/non-conforming /niche funders for region

REQUIRED COMPLIANCE CONDITIONS	• Underwriters must verify that the following conditions have been added to the loan prior to loan approval:
	  • After submission for eligibility review with investor, all COC LEs must be submitted to and approved by Investor prior to the issuance of the final CD.
	  • Final CD to be completed by PRMG Disclosure Team and approved by Investor QC. Allow 24 hours for Investor review and approval.
	  • Compliance Department must complete final review of file for compliance acceptance prior to loan funding

ELIGIBILITY REVIEW REQUIREMENTS	• All review requests should be sent to JumboReview@prmg.net. • The following must be included in the file prior to submission for eligibility review. • Appraisal, (if available), in first generation PDF (the version provided from the appraiser to PRMG – to determine if it is the correct version you must be able to "search" (i.e., using Ctrl + F) for text in the document) **must be attached to the email** request sent to JumboReview@prmg.net • CDA Results, if available and/or applicable (must be ordered and returned prior to submission for eligibility review) **must be attached to the email** request sent to JumboReview@prmg.net • Condo review, if applicable, must be requested separately through condoreviews@prmg.net • Eligibility Review Submission Form **must be completed and attached to the email** request sent to JumboReview@prmg.net which can be found on the Resource Center or at the following link: • http://www.eprmg.net/ResourceCenter/JumboandNicheProductForms/NicheProductsEligibilityReviewSubmissionForm.pdf • 1008, underwriter's 1003 and current approval must be uploaded into efolder before submission to JumboReview@prmg.net • Underwriter must provide a comment at the bottom of the 1008 as to why loan doesn't fit agency guidelines • All documentation required on Eligibility Review Submission Form (link above) must be uploaded into efolder prior to submitting request for eligibility review, it does not need to be sent to JumboReview@prmg.net as it will be downloaded directly from FT360. • Appraisal is required for submission for eligibility review on all properties except TBD properties. • Underwriter to perform a cursory review of loan file prior to submission to investor for review. Investor approval must be received prior to issuance of PRMG Initial loan approval. • Typical turn time for review is 5-7 business days from **<u>complete</u>** file submission. The first 24 hours is documentation review, and if documentation is missing we will be notified and the 5-7 business days will start at submission of the missing documentation. • Any conditions from the eligibility review must be sent to

	JumboReview@prmg.net as individual documents (they can be in the same email) and named as the condition ID # from the approval to be sent to the investor for clearance. In other words, conditions cannot be co-mingled in the same PDF. Each condition must be in a separate PDF, named as described previously. All eligibility conditions must be met prior to close. Typical turn time for condition review is 48-72 hours. • All eligibility review conditions must be cleared prior to docs/close (as appropriate)
GEOGRAPHIC RESTRICTIONS	• Please refer to PRMG's "Eligible States" list. • See State Specific Requirements in Resource Center for state specific information • See Expanded Guidelines • Properties located in the state Massachusetts are not allowed • Loans that exceed the Maine HPML subprime thresholds on primary residences are not allowed • Properties located in any US Territories or US possessions are not allowed. • Loans secured by properties located on Indian (Native American) tribal land or Indian Trust Land or Restricted Land, and/or properties for which Borrower has a leasehold interest in same, are not eligible. • For Nebraska cash out transactions, if the credit or title commitment reflects an alimony/child support judgment/lien, the following is required: subject property mortgage must be in first lien position and title commitment must clearly state that the alimony/child support lien is in subordinate position to the new mortgage. A copy of the subordination agreement or court order must be provided. This requirement is because under the Uniform Interstate Family Support Act, orders for payment of alimony/child support in Nebraska automatically create liens and could impact a first lien position on a cash-out refinance transaction.
EXCLUSIONARY LISTS – PARTIES TO TRANSACTION	• Mortgage Loan transactions under this program are not eligible if any company or individuals who are material parties to the transaction are listed on HUD's Limited Denial of Participation (LDP) list or the Federal General Services Administration (GSA) Excluded Party list. • Both lists must be checked for all parties to the transaction. If any of the names appear on either list, the loan is not eligible. • Regardless of the reason for the excluded party, any material party to the transaction included on either list renders the loan ineligible.
DOCUMENTATION	• Standard FNMA full documentation, reduced documentation is not allowed. • See Expanded Guidelines • For non-self-employed borrowers: Verbal VOE is required to be completed no more than 10 days prior to the note date for wet funding states and escrow states. If the Verbal VOE is completed more than 10 days prior to the funding date, another Verbal VOE should be completed 10 days prior to funding date for escrow states. • For self-employed borrowers: No more than 30 calendar days 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; AND 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. If contact is made verbally, the loan file must be documented to identify both the source of the information obtained and the name and title of the person who obtained the information. 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. • Wage Earners: transcripts for W2 or tax returns are not required • Self-Employed Borrowers: Applies to both personal returns and business returns (if applicable business structure). Full 1040 tax transcripts for all years of income received must be substantially similar to W-2s and signed tax returns provided by borrower with a reasonable explanation from underwriter if there is a non-material variance. Income from a borrower or co-borrower that is not used in the Qualifying Income (either as income or liability) should not require IRS transcripts. • When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of $5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount. • Letter of explanation for all inquiries within the last 90 days required

DOCUMENT EXPIRATIONS	• See Expanded Guidelines
	• Credit Report:
	  ◦ The credit report must be dated within 90 days of the date the note is signed.
	• Income Documentation:
	  ◦ All income documentation (excluding tax returns) must be dated no more than 30 days earlier than the date of the loan application, and not more than 90 days earlier than the date of the Note.
	• Asset Documentation:
	  ◦ The most recent bank statement to verify the source of funds must be dated no more than 30 days earlier than the date of the loan application, and not more than 90 days earlier than the date of the Note.
	• Preliminary Title or Title Commitment must be no more than 60 days from the note date.
	  ◦ A date down/title supplement is required after 60 days.
	• Appraisal:
	  ◦ If the appraisal report is more than 180 days old a new appraisal is required. An appraisal update is required on appraisals older than 120 days, but not older than 180 days.
	• Credit documents for construction to permanent loans (credit report, assets, and appraisals) must be dated within 120 days from the note date

ABILITY TO REPAY/ APPENDIX Q/QM STATUS	• See Expanded Guidelines • Ability to Repay Rule (ATR): All Mortgage Loans in this program, must meet the requirements of the "Ability to Repay" (ATR) Rule in 12 CFR §1026.43(c) (2). • The following links provides information directly from the CFPB in regards to Appendix Q: • http://www.consumerfinance.gov/eregulations/1026 • http://www.consumerfinance.gov/eregulations/1026-Q/2013-30108_20140118 • The following is a link to a PDF with Appendix Q information, although the information directly from the CFPB would supersede this PDF if it has been updated: • http://www.eprmg.net/AppendixQtoPart1026.pdf • All loans made under this program must meet the standards of the Dodd-Frank Act

	Ability to Repay Rule (ATR Rule) for mortgages. The requirements of ATR are as follows: • Current or reasonably expected income or assets • Current employment status • Monthly Mortgage payment for the loan in question • Monthly payments on other loans secured by the same property • Monthly payments for property taxes, insurance and home association fees • Debts, alimony or child support obligations • Monthly debt to income ratio or residual income, that was calculated using the total of all of the mortgage and non-mortgage obligations as a ration of gross monthly income • Credit History (Refer to Appendix Q) • Title XIV of the Dodd-Frank Act amends the Truth in Lending Act (TILA) to provide that "no creditor may make a residential mortgage loan unless the creditor makes a reasonable and good faith determination based on verified and documented information that, at the time the loan is consummated, the borrower has a reasonable ability to repay the loan, according to its terms, and all applicable taxes, insurance (including mortgage guarantee insurance), and assessments." • HPML and Qualified Mortgage (QM) Rebuttable Presumption • Rebuttable Presumption QM loans, HPML must comply with all HPML and Ability to Repay Regulations. • Appendix Q: For the purposes of calculating and documenting income, including the calculation of DTI, all loans must be underwritten using the standards and methods of the Qualified Mortgage (QM) rule in 12 CFR §1026.43 and the Standards for Determining Monthly Debt and Income in Appendix Q to 12 CFR 1026, and except where a more restrictive standard or method is required by this Program Guide. • Borrower ATR Certification required: • http://www.eprmg.net/ResourceCenter/Generalforms/BorrowerAbilityToRepayCert.pdf
AUTOMATED UNDERWRITING	• See Expanded Guidelines • Loans must be manually underwritten.
DESKTOP UNDERWRITER (DU)	• Must be run to show Approve/Ineligible, Refer/Ineligible, Refer/Eligible, etc. findings or documented as to why loan is not eligible for conventional financing • Not used in underwriting decision • See Expanded Guidelines
LOAN PRODUCT ADVISOR (LPA)	• Not allowed • Formerly known as Loan Prospector (LP)
PROPRIETARY U/W ENGINE	• N/A
MANUAL UNDERWRITING	• Required
ELIGIBLE PROPERTY TYPES	• See Expanded Guidelines • Single Family (Detached, Semi Detached, Attached) • Properties with max 10 acres • All properties must have zoning which is common for the area • The land value of any property must be no more than 35% of the total property value • 2-4 units residential property • Planned Unit Development (Detached, Attached) • Modular Home (i.e. affixed to the land)

	• Leasehold Estates • Multiple parcels allowed per Fannie Mae Conventional Conforming Guidelines. • Warrantable condominiums. (Attached and Detached) • Non-Warrantable Condominiums (will be reviewed and approved by investor, see Non-Warrantable Condo section for additional information)
INELIGIBLE PROPERTY TYPES	• See Expanded Guidelines • Hawaii properties in lava zones 1 and 2 • Hawaii Homeland Leasehold properties • Manufactured homes • Log Homes • Mobile homes • Dome properties • Mixed use properties • Unique properties • Houseboats • Timeshares • Hobby farms • Working farms, ranches, orchards, and/or commercial operations • Property used for commercial purposes • Unimproved land • Homes lacking full kitchen and bathroom • Properties with more than 10 acres • Agricultural zoned properties where the primary use of the property is not residential (land should not be suitable for farming) • Properties with legal, but nonconforming use if zoning regulations prohibit rebuilding the property to its current density in the event of a partial or full loss. • Properties with deed restrictions that limit transferability of title, or contain a “first right of refusal” provision. • Properties with > 10 acres. • Properties > 5 acres with value of land >50% of property value. • Properties in less than average condition as documented by the appraisal • Foreclosed properties located in a state where a redemption period is allowed (allowed in some states for both Tax Sales and Judicial Foreclosures) until: The redemption period has expired AND the foreclosure sale had been confirmed AND clear and marketable title can be obtained • Co-ops • Condotels with lock-off units are not allowed • Properties with C5, C6, or Q6 ratings • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) • Properties that are not suitable for year round occupancy • Native American Land: Properties located on Indian (Native American) tribal or Trust Land, or “Indian Leased Land.” See Leasehold. • Resale deed restricted properties other than minimum age restrictions (See Deed Restrictions)
2 UNITS	• Borrowers may not own any other residential property of equal or greater value in the same area in which the units are located. The mailing address and property address must be verified as the same. If this verification cannot be made, the property must be treated as an investment property.
3-4 UNITS	• Borrowers may not own any other residential property of equal or greater value in the same area in which the units are located. The mailing address and property

	address must be verified as the same. If this verification cannot be made, the property must be treated as an investment property.
CONDOS	• See Expanded Guidelines • Warrantable condos, attached and detached, must meet FNMA's project review guidance. • PRMG will not finance more than 25% of the units in any one project. • See Non-Warrantable Condo section if doesn't fall under FNMA warrantable standards • Email condoreviews@prmg.net the condo project name and address to determine if project is on investor's approved project list. If on approval list, loan must fund 30 days prior to project expiration to be eligible for purchase by investor • Condo reviews, for warrantable or non-warrantable condos, must be performed by investor and must be submitted separately from underwriting eligibility review • Review should be submitted by the fulfillment center to condoreviews@prmg.net with the Condo Review Submission form and required documentation. Must mark condo submission form as Niche Product condo submission. • Approval on the project will be issued by investor to Condo Reviews. Request for condo review can be submitted prior to loan submission to the investor for eligibility review or concurrently with eligibility review • Investor will not "pre-audit" reviews, all condo project documentation must be submitted with full review, including litigation documents • Condo reviews can take 7-10 business days from complete packages submission. • 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
WARRANTABLE CONDO REVIEWS	• For warrantable condos, full lender review required, as allowed by Fannie Mae, but must be performed by the investor. • Review should be submitted by the fulfillment center to condoreviews@prmg.net with the Condo Review Submission form and required documentation. Must mark condo submission form as Niche Product condo submission. • For full lender review, see submission form for required documentation
NON-WARRANTABLE CONDOS	• Non-Warrantable Condominiums including Condotels will be reviewed and approved by the investor. • Review should be submitted by the fulfillment center to condoreviews@prmg.net with the Condo Review Submission form and required documentation. Must mark condo submission form as Niche Product condo submission. • Condotels with lock-off units are not allowed • See Risk Level chart, which can be found at the following link: http://www.eprmg.net/guidelines/NicheNonWarrantableCondo.pdf • Refer to the Non Warrantable Condominium Risk Level. Final Risk Levels are determined by the Condo Team after a Full Review is performed. • Use of a Non-Warrantable Questionnaire is not required, but additional information may be requested by investor if not provided. The Non-Warrantable Questionnaire can be found at the following link: • http://www.eprmg.net/ResourceCenter/JumboandNicheProductForms/NicheNonWarrantableCondoQuestionnaire.pdf
PLANNED UNIT DEVELOPMENTS (PUDS)	• See Expanded Guidelines • Attached PUDs must meet Fannie Mae warrantability • The individual unit securing the mortgage is 100% complete. • The project is an eligible project and meets Agency guidance.

	• The Homeowners Association owns the Common Elements including Amenities, and unit owners have the rights to their use.
HOBBY FARMS	• Not allowed
PROPERTIES WITH DEED RESTRICTIONS	• See Expanded Guidelines • "55 and Older" restricted properties only • Primary residence, second home or non-owner occupied properties allowed • 1-2 units only (1 unit only for second home) • Full appraisal required
LEASEHOLD PROPERTIES	• See Expanded Guidelines • The borrower is the owner of a valid and subsisting interest as tenant under the lease and is not in default thereunder. • The lease is in full force and effect, and is unmodified. • All rents and other charges have been paid when due. • The lessor under the lease is not in default. • The execution, delivery, and performance of the Mortgage do not require the consent (other than the consents that have been obtained and are in full force and effect) under, and will not violate or cause a default under, the terms of the lease. • The lease is assignable or transferable. • The term of such lease does not terminate earlier than five years after the maturity date of the Mortgage Note. • The lease does not provide for termination of the lease in the event of the borrower's default without written notice to the Mortgagee and a reasonable opportunity to cure the default. • The lease permits the mortgaging of the related Mortgaged Property • The lease protects the Mortgagee's interests in the event of a property condemnation. • The Mortgaged Property is located in a jurisdiction in which the use of leasehold estates for residential properties is an accepted practice.
LOG HOMES	• Not allowed
MAXIMUM ACREAGE	• See Expanded Guidelines • Max 10 acres • Maximum land value for all acres: Not to exceed 35%. The land value would be based on total acreage. • The primary use of the property must be residential and zoning must allow for residential use. Some communities have enacted a zone comprised of land located in an agricultural area but not suited to farming. An example of this type of zoning is A-3. Residential development is allowed in this zone, and while not limited to, is typically one home on one acre or less with sewer services or the minimum acres needed for on-lot sewage disposal. As the intended and allowable use of the land in this zone is residential and not agricultural, despite a prefix of agricultural in the zoning, properties are eligible as long as all other eligibility requirements are met. Properties on privately owned and maintained streets require a private road maintenance agreement, except for properties in California. If the property is located within a state, other than California, that has statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private street, no separate agreement or covenant is required as long as the statutory provisions provided in the file. • The appraiser must consider all acres of the subject property and the comparables must be of similar size. • The property must be appraised and the final conclusion and estimate of value must be based on the actual acreage and lot size.

MULTIPLE PARCELS AND TAX ID NUMBERS	• See Expanded Guidelines • Allowed per FNMA guidelines
UNPERMITTED ADDITIONS	• See Expanded Guidelines • The subject addition complies with all Fannie Mae guidelines • The quality of the work is described in the appraisal and deemed acceptable ("workmanlike quality") by the appraiser; • If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal: • 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 overall square footage of the property. • The appraiser has no reason to believe the addition would not pass inspection for a permit.
CONSTRUCTION TO PERMANENT FINANCING	• See Expanded Guidelines • A two time close in which the proceeds are used to pay off interim construction financing and replace with permanent financing is allowed. • Loans to finance the initial construction of a dwelling, or (one time close) construction-to-permanent loans are not eligible
OCCUPANCY	• Primary Residence (O/O), Second Homes (SH)
OWNER OCCUPIED	• See Expanded Guidelines • The occupant borrower(s) must intend to occupy as his or her principal residence, for the majority of the year, within 60 days of closing and for at least one year after. The loan documents must provide that the loan may be declared in default if the borrower makes misrepresentations for any provision of the application, including occupancy. • For refinances, the borrower must reside in and hold title to the subject property at the time of application.
SECOND HOME	• See Expanded Guidelines • 1-unit property that the Borrower occupies for some portion of the year in addition to his or her primary residence. • The property must be suitable for year-round occupancy and must not be located in the same market area as the Borrower's primary residence. • Non-occupant Borrowers, co-signers and guarantors are not allowed. • Second homes may be located in a major metropolitan area that the Borrower visits on a regular basis with a letter of explanation from the Borrower stating the reason that the home is not located in a vacation/resort area. • Transactions where the property is being purchased for occupancy by someone other than the Borrower will be considered an investment property and are not eligible for this program. • The Borrower must have exclusive control over the property and the property must not be subject to any kind of time sharing agreement, rental pools, or agreements that require the Borrower to rent, share or give management firm control over occupancy. See Property Eligibility. • Rental income may not be used to qualify the Borrower. Occasional season rental is permitted. Reporting rental income on the Borrower's personal tax returns does not contradict second home status, but must be minimal. The hazard insurance policy may not contain any coverage for loss of rent.
NON-OWNER OCCUPIED	• Not Allowed

ELIGIBLE BORROWERS	• See Expanded Guidelines • U.S. Citizens • Permanent Resident Aliens • Non-Permanent Resident Aliens • All Borrowers must be individual, natural persons who are citizens of the United States or of a US Possession or Territory. • A maximum of 4 borrowers per loan application are allowed • Must have a valid Social Security Number except non-permanent resident alien may have ITIN • Registered Domestic Partners are treated the same as spouses • The identity must be confirmed for each Borrower whose credit is used for loan qualification. The closing agent, notary public or signing attorney, as appropriate, must provide evidence that the identification document has been confirmed for each Borrower. • Evidence of a valid Social Security number is required for all Borrowers. Acceptable documentation for a Social Security number includes, but is not limited to, a valid Social Security card, a current paystub, W-2, or tax transcripts. Any Social Security number discrepancies that are identified must be resolved. Except, non-permanent resident alien may have ITIN • 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 • INELIGIBLE BORROWERS: • Tenants in Common • Irrevocable trusts or blind trusts • Limited Liability Partnerships (LLPs) and Limited Liability Corporations (LLCs) • General partnerships, corporations • Foreign Nationals that do not meet the USCIS documentation requirements as defined in the Non-Permanent Resident Alien section. • An individual classified under Diplomatic Immunity, Temporary Protected Status, Deferred Enforced Departure, or Humanitarian Parole
ELIGIBLE VESTING	• See Expanded Guidelines • Individuals • Joint Tenants • Non-Purchasing Spouse allowed • Inter Vivos Revocable Trusts not allowed
PERMANENT RESIDENT ALIENS	• See Expanded Guidelines • Any non U.S. citizen who is lawfully in the United States as a permanent resident alien is eligible for a mortgage on the same terms as a U.S. citizen. • Allowed with documented permanent resident status
NON-PERMANENT RESIDENT ALIENS	• Allowed with unexpired visa • Borrowers under Deferred Action, the Dreamer's Act or DACA (EAD Code C33, C14, etc.) are not eligible. • See Expanded Guidelines for specific requirements and allow VISA types
FOREIGN NATIONALS	• Not Allowed
NON OCCUPYING CO-BORROWERS	• Allowed. • See Expanded Guidelines • Income: Non-occupying co-borrower's income may be used for qualifying purposes. • Assets: Non-occupying co-borrower's assets may be used to meet minimum borrower contribution requirements.

	• DTI: Non-occupying co-borrower's liabilities must be included the combined DTI. Combined DTI of < 45%. • The non-occupying co-borrower arrangement may not be used to develop a portfolio of rental properties. • Non-Occupant co-borrower must be a relative. • Relatives are defined as: borrower's spouse, child, or other dependent or any other person who is related to the borrower by blood, marriage, adoption, or legal guardianship, domestic partner (an unrelated individual who shares a committed relationship with the primary wage earner, currently resides in the same household as the primary wage earner, and intends to occupy the security property with the primary wage earner), fiancé, or fiancée • A party with an interest in the property sales transaction (Including but not limited to the builder, seller, or real estate broker) is not eligible as a non-occupant co-borrower. • All non-occupant co-borrower must provide verification of income if income is used to qualify. • Must sign the note and security instrument.
FIRST TIME HOMEBUYERS	• A First Time Homebuyer transaction is one where no occupant borrower has had an ownership interest (sole or joint) in a residential property during the 3 year period preceding the date of the purchase of the mortgage premises • Allowed, See Expanded Guidelines

Eligible Trusts	• 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:
	  • 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	• Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group
	• Allowed with the following requirements:
	  • 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.
LEXIS-NEXIS SEARCH REQUIREMENT	• For any of the following transaction types an email request (which includes a screenshot or snip of the loan in the FastTrac pipeline) must be sent to QC to have a LexisNexis search run on involved parties to the transactions to ensure there is no relationship between the buyer and seller. (Not all items listed may be applicable to this product, review product profiles for what is allowed): • Short Sale Purchase • Property Flips <= 180 days • Contractors on a 203K loan • For Sale by Owner (FSBO) required for all except: ◦ If the borrower and seller are related or are landlord and tenant, and the relationship is disclosed and is acceptable per PRMG guidelines ◦ An investor, such as HUD, FNMA, FHLMC, etc. ◦ REO lender who acquired the subject property by Trustee Sale as the Beneficiary
QC AUDIT REQUIRED	• A QC audit is required if the loan has any of the following high risk characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): • 5-10 financed properties for second home and investment transactions. • 3-4 Units • 2-4 Unit properties in New Jersey ◦ All NJ 2-4 unit properties will require a Bank VOD. This can be ordered by the branch for the retail channel and will be ordered as part of the QC process for Wholesale/Correspondent channels. • Renovation (203K/Homestyle) loans (Lexis Nexis is required on all contractors as well) • VOE only used (when allowed by AUS) and not supported by paystub/W2 for Wholesale and Correspondent channels only (not required for retail channel) • If the borrower is employed by a party to the transaction • When the borrower is also a Real Estate Agent for the loan transaction • Retail loans referred to the AFS department any time the referring Loan Officer or the AFS Loan Officer are in "New" or "Watch" status • When the Real Estate Agent is also the Loan Officer on the transaction (not allowed on retail). • **NOTE: The above list applies to credit qualifying loans only.**

QC REVALIDATION REQUIRED	• A QC validation is required if the loan has any of the following characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed):
	• A revalidation of the VOE (in addition to the audit) is required by the QC Department if the following is used:
	  • VOE only used (when allowed by AUS) and not supported by paystub/W2 and
	  • Wholesale and Correspondent channels only (not required for retail channel)
	• A revalidation of the VOD is required by the QC Department for the if the following is used:
	  • VOD only used (when allowed by AUS) and not supported by bank statements and
	  • Wholesale and Correspondent channels only (not required for retail channel)
	• Note: A Borrower Authorization in name of PRMG may be required to obtain VOD or VOE revalidation if requested by the verifying institution.

INCOME REQUIREMENTS/ LIMITS	• Underwriter has the discretion when evaluating the loan file to utilize a more conservative approach to income/expenses for qualification purposes based on the circumstances of the loan.
	• Income Analysis Worksheet: An underwriting worksheet or written details documenting income, debt, and debt-to-income ratio calculations must be in the loan file, supporting the data on the 1008, and must demonstrate the Borrower's Ability to Repay. The analysis must include the underwriter's written justification and calculation methodology for any non-standard income (e. g. bonus, overtime, rental, commission). The analysis must include support for any debts that are excluded from the debt-to-income ratios. Follow FNMA's calculation for self-employed borrowers.
	• For temporary leave income (such as disability), follow Fannie Mae requirements
	• If the borrower's business tax returns show a dollar amount in the Amortization line on forms Schedule C, 1065, 1120S or 1120, that amount can be added back
	• See Expanded Guidelines for income requirements
	• Asset depletion allowed, see Expanded Guidelines
	  • If asset depletion is used, then "Asset Depletion Used" must be entered in the Loan Program Comments section of FT360 Investor Overlay screen and if loan is locked, Secondary must be notified.
	  • Not allowed with LTV/CLTV >90%
	• Restricted stock income allowed, see Expanded Guidelines
	  • If restricted stock is used, then "Restricted Stock Used" must be entered in the Loan Program Comments section of FT360 Investor Overlay screen and if loan is locked, Secondary must be notified.
	  • Required worksheet for restricted stock:
	  • http://www.eprmg.net/ResourceCenter/Generalforms/NicheProductRestrictedStock.xlsx

HOMEBUYER EDUCATION	• See Expanded Guidelines
CREDIT	• See Expanded Guidelines • Residential Mortgage Credit Report (RMCR) or traditional tri-merge with applicable credit report supplements is required for all Borrowers. • If borrower resides at a foreign address and a U.S. credit report cannot be obtained using that foreign address, the use of a U.S. address to obtain a U.S. credit report is permitted. A letter of explanation must also be provided in order to understand the borrower's physical primary address versus the address used to order credit. • If the borrower's credit report contains a FACTA credit alert, the completed Fraud

	Alert Confirmation form must be in the file (available via Resource Center). • All credit reports must include FACT Act messages and at least one repository fraud alert product (i.e. Hawk, FACS+, or SafeScan). Alerts must be resolved. • Frozen Credit: Credit reports may not have "frozen credit". If a borrower unfreezes credit after the initial report is run, then a new 3-file merged credit report must be obtained. • Inquiries: Credit reports must list all inquiries made with the previous 90 days and a written explanation for all inquiries within 90 days is required. • Credit Scores: Each Borrower, including those with no income used to qualify, must have a valid social security number and generate a traditional credit score from at least two of these repositories: Experian, Equifax, and TransUnion. Foreign credit is not acceptable. Must have at least two scores, exceptions not allowed. • Qualifying score: For each Borrower, qualifying score is the middle of 3 or lower of 2 scores, as applicable. Qualifying score for the loan is the lowest qualifying score of any Borrower • MERS search must be run on borrower • Borrowers must meet seasoning in Major Derogatory Credit requirements below • Authorized User Accounts cannot be used to satisfy minimum trade line or FICO requirements • Unresolved disputed accounts with both a $0 balance and last active date greater than 24 months ago are not required to be removed from the Credit Report. Unresolved disputed accounts that either active within the last 24 months or have a balance must have supporting documentation in the file to support the dispute. Underwriter must examine the documentation and determine if the dispute is valid or should be removed. In the case that the account is in dispute due to Identify Fraud the dispute is not required to be removed. • Note: Disputes on accounts with no derogatory history, medical collections, and collections opened greater than 4 years prior to the application date are not required to be removed. Accounts with verbiage Consumer Disputes After Resolution are not required to be removed.
TRADE LINE HISTORY	• See Expanded Guidelines
NON-TRADITIONAL CREDIT REQUIREMENTS	• If the borrower cannot meet the above trade line requirements, supplement trade lines are allowed under specific circumstances • Supplemental trade lines, as described in the Expanded Guidelines, are not allowed • Non-traditional credit not allowed • See Expanded Guidelines
MAJOR DEROGATORY CREDIT	• No derogatory events prior 4 years. • Derogatory Event is defined as a short-sale (SS), deed-in-lieu (DIL), mortgage loan charge-off (MCO), foreclosure (FCL) or Chapter 7, Chapter 11 (filed as an individual), or Chapter 13 Bankruptcy (BK). • Multiple Significant Derogatory Events is allowed as long as seasoning for each event is met • More than one discharged/ongoing bankruptcy per borrower will not be permitted within the seasoning period • See Expanded Guidelines

SPECIFIED CREDIT FACTOR	• One of the following Specified Credit Factors are allowed:
	  • Minimum of 80% of required Residual Income amount is allowed as long as the loan parameters meet two of the following compensating factors.
	    • ≤ 80% LTV
	    • ≥ 720 FICO
	    • Either: Reserves ≥ 12 months or DTI ≤ 40%

HOUSING PAYMENT HISTORY	• 1x30 in the most recent 12 months on all mortgages/rentals. Rental history must be evidenced by canceled checks or VOR. A private VOR is allowed with 12 months canceled checks or bank statements to document an acceptable payment history. • See Expanded Guidelines
LDP/GSA REQUIREMENT	• All parties involved with and who handle the loan file (see instructions in the Resource Center for additional information) must be checked against HUD's Limited Denial of Participation (LDP) list at • https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp and the General Services Administration's (GSA) Excluded Party List at • https://www.sam.gov/portal/public/SAM/ • Any entity noted on either of the LDP and GSA lists must be removed from the transaction or will cause the loan to be ineligible. • The parties to verify include, but are not limited to, Buyers (including AKAs on the credit report), Sellers, Loan Officer, Buyers Agent, Sellers Agent, Escrow Officer, Title Officer, Appraiser, Processor, and Underwriter.
RATIOS	• See LTV Grid
QUALIFYING	• Fixed: Qualify at the fully amortized payment (PITIA) at the note rate. • 5/1 ARM: Qualify at the greater of the fully indexed/fully amortizing rate or the note rate. • See Expanded Guidelines • See Cash Out/Debt Consolidation sections for additional information • IRS debt subject to a payment plan is acceptable with a copy of the IRS approved payment agreement, evidence the payments are current, and the payment would be included in the DTI. If the payment plan was recently established, evidence of the initial 1-2 payments (since inception) would be needed to confirm the borrower is current on payments. If a tax lien was filed as a result of the liability owed, it must be paid in full if on title to the subject property. A payment plan would not be permitted in this scenario. • On a purchase transaction, if a revolving account balance is to be paid off at or prior to closing, a monthly payment on the current outstanding balance does not need to be included in the debt-to-income ratio. Such accounts do not need to be closed as a condition of excluding the payment from the DTI ratio. For refinances, see requirements for Debt Consolidation in Expanded Guidelines
PAYMENT SHOCK	• See Expanded Guidelines
LANDLORD EXPERIENCE	• N/A
NEGATIVE CASH FLOW/ POSITIVE CASH FLOW	• Properties with negative cash flow are closely reviewed to ensure an overall acceptable risk. • See Expanded Guidelines
CASH RESERVES	• See LTV Matrix • See Expanded Guidelines • Minimum number of months' reserves is based on the combined amount of all loans secured by subject property. • All reserves must be documented and verified. • Reserves are measured by the number of months of the qualifying payment (PITIA) for the subject property, unless otherwise noted. • Reserve requirements for non-warrantable condos are in addition to standard reserve requirements • For eligible and ineligible reserve sources see Down Payment/Source of Funds section; the same sources and rules apply to reserves • See expanded guidelines for reserve requirements for borrowers who are living

	rent free
REQUIRED DOWN PAYMENT / SOURCE OF FUNDS	• Cashier's checks/wires must clearly document the verified source. Evidence must be provided showing the withdrawal from the documented account. • Full Asset Documentation is required for both funds to close and reserves. For most asset types, this would include all pages of the most recent two months statements or the most recent quarterly statement. • Borrower must disclose, and lender must verify, all qualifying assets. • If needed to close, verification that funds have been liquidated (if applicable) is required. • For custodial account: if a parent set up the account for a minor child, the money in that account is usually only available to the minor child and unless written documentation is provided from the depository that clearly indicates the custodial parent has 100% access to all funds in that account, the funds would be ineligible to be used for the transaction. • Source of allowed funds to close and reserves include but are not limited to, see Expanded Guidelines for additional requirements: • Funds held in checking, savings, certificate of deposit, and money market accounts • Proceeds from the sale of a currently owned home or real estate. • Business accounts • Stocks/bonds/mutual funds • Vested retirement accounts • Cryptocurrency, such as Bitcoin and Ethereum, may NOT be used for purposes of down payment funds or funds for closing. The funds must be backed out of the borrower's assets.
INELIGIBLE SOURCE OF FUNDS	• See Expanded Guidelines, but includes: • Grant Funds • Builder Profits • Employer Assistance Assets • Cash advance on credit card • Cash for which the source cannot be verified (cash on hand) • Commission from sale of subject property • Salary advance • Sweat equity (contribution to the construction or rehabilitation of a property in the form of labor or services rather than cash) • Unverifiable source of funds • Margined Assets listed within client accounts are not eligible as a source of funds or reserves. • Stock options and non-vested restricted stock • Non-vested stock • Reverse mortgage • Pension fund • Seller Real Estate Tax Credit • Foreign Assets • IRS 1031 Tax exchange • Cryptocurrency, such as Bitcoin and Ethereum
1031 TAX DEFERRED EXCHANGE	• Not allowed
GIFT FUNDS/GIFTS OF EQUITY	• See Expanded Guidelines • Gifts and gifts of equity are allowed for down payment, closing costs, and reserves with the following restrictions: • Not allowed with LTV/CLTV >90%

	• If the gift/gift of equity is coming from a relative, 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.
	  • Relative is defined as: borrower's spouse, child, or other dependent or any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship, domestic partner (an unrelated individual who shares a committed relationship with the primary wage earner, currently resides in the same household as the primary wage earner, and intends to occupy the security property with the primary wage earner), fiancé, or fiancée to pay part of the closing costs or to supplement his or her financial reserves.
	• If the gift/gift of equity is not coming from a relative, 5% minimum borrower contribution is required regardless of LTV. After the minimum borrower contribution has been met, gifts can be used to supplement the down payment, closing costs, and reserves.
	• Gift of Equity may be used for the down payment and closing costs but not for reserves
	• Requirements for all gifts:
	  • Primary residence only
	  • Gifts of cash are only allowed on arms- length transactions, if the cash is coming from a disinterested relative (i.e., not involved in the transaction), however gifts of equity will be permitted on non-arm's length transactions so long as all other requirements are met.
	  • Gifts/gift of equity are not required to meet seasoning requirement.
	  • Executed gift letter required.
	  • Evidence that sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account is required. When the funds are not transferred prior to settlement, document that the donor gave the closing agent the gift funds in the form of a wire, certified check, or cashier's check for the amount of the gift.

GIFTS OF EQUITY	• Allowed, see Gift Funds

CONTRIBUTIONS BY AN INTERESTED PARTY	• All IPCs must be disclosed on the Closing Disclosure or settlement statement.
	  • >90% LTV/CLTV: 3% of the lesser of the sales price or appraised value
	  • <=90% LTV/CLTV: 6% of the lesser of the sales price or appraised value
	• Excess IPCs, as well as sales concessions that take the form of non-realty items, must be subtracted from the sales price when determining LTV/CLTV
	• See Expanded Guidelines

DOWN PAYMENT ASSISTANCE	• Down Payment Assistance (DPA) Programs not allowed
MORTGAGE CREDIT CERTIFICATES	• Not Allowed
SUBORDINATE FINANCING	• New subordinate financing not allowed • Existing subordinate financing not allowed • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program) • See Expanded Guidelines
VALUE FOR LTV/CLTV CALCULATION	• See below • See Expanded Guidelines
PURCHASE	• Use lesser of current appraised values (based on lessor of two appraisals) or acquisition cost.
REFINANCE	• If the property has been owned 12 months or more, use the current appraised value. The borrower must be the owner of record and proof that the borrower has

	owned the property for 12 months OR a chain of title for the last 12 months is required. • If the property has been owned less than 12 months use the lesser of the purchase price paid by the borrower for such property and the then current appraised value of the property unless both the Appraisal and the underwriter provide substantial evidence of either (1) a rehabilitation of the property that demonstrates sound reasoning behind using the then current appraised value or (2) o other evidence to support the increase over the purchase price.
MAXIMUM CASH PROCEEDS	• See Expanded Guidelines • Max cash back to the borrower is $750,000. The maximum cash out limit is the aggregate amount between debt being paid off (including non-purchase money seconds) and cash in hand. • Any non-seasoned junior lien not used to purchase the property is considered cash out and in included in the max cash proceeds.
PURCHASE	• See Expanded Guidelines • The property seller must be the owner of record and proof that the property seller has owned the property for 12 months OR a chain of title for the last 12 months is required. • Complete purchase agreements, including all addenda, are required. If the Purchase Contract has been assigned to buyer from a previous purchaser, then the loan is not eligible. • Identity of interest or loans with non-arms-length characteristics are eligible in this program for primary residence only. • If there is evidence that borrower, a member of the borrower's family or party who has a clearly defined interest in the borrower (i.e., close family friend) previously owned a home being purchased that was a distressed sale (i.e., short sale) or foreclosure by the borrower or borrower's family member, the borrower may not purchase the property, regardless of the length of time since the distressed sale/foreclosure or the number of owners between the distressed sale/foreclosure and current owner. Bail outs not allowed. • Purchase contract assignment (assignment of the sales contract) not allowed. • Seller rent backs of the subject property may be considered on a case-by-case basis as long as there is no question with regards to occupancy and the borrower must take occupancy within 60 days
RATE/TERM REFINANCE	• See Expanded Guidelines • Eligible liens: The mortgage amount may include the present first mortgage payoff and subordinate liens, regardless of seasoning. • Maximum Cash Back: Refer to the Program Summaries for maximum cash back. • There is zero cash back allowed for primary/homestead refinance transactions in the state of Texas. Rate Term refinances on Texas primary/homestead residences when the borrower is refinancing an existing 50(a)(6) lien or Home equity lien must be treated as Texas 50(a)(6) loan. • Refinance of a Texas Section 50(a)(6) to a Texas Section 50(f)(2) not allowed • If the property was previously listed for sale, the listing agreement must be canceled at least six months prior to the application date. A copy of the canceled/expired listing should be placed in the file to verify that the property is not currently listed for sale. • A net tangible benefit is required.
CASH OUT REFINANCE	• See Expanded Guidelines • Eligible liens: The mortgage amount may include the present first mortgage payoff, subordinate liens, closing costs, payoff of debt and additional cash to the

	borrower. • Installment and revolving accounts may be paid off after loan application in order to qualify for the loan. Revolving accounts do not need to be closed. • Installment and revolving accounts may not be paid down after loan application in order to qualify for the loan nor may installment accounts be paid down to 10 payments or less to exclude payment from DTI calculations. • Cash out from this transaction may not be used to pay down debt to qualify for the loan. • Cash Out refinances on a Texas primary/homestead residence must be treated as Texas 50(a)(6) loan. • If the property was listed for sale within the prior six months, the listing agreement must be canceled at least six months prior to the application date. A copy of the canceled/expired listing should be placed in the file to verify that the property is not currently listed by a different agency. • A net tangible benefit is required. Refer to Refinance Net Tangible Benefit.
DEBT CONSOLIDATION REFINANCE	• See Expanded Guidelines • A debt-consolidation cash-out refinance of a property is allowed to follow rate/term refinance pricing, LTV and FICO guidelines so long as the following conditions are met: • Cash-out Refinance: Underwritten as a Cash-out refinance, but priced as a Rate/Term refinance • Property Ownership: Borrower must have owned the property at least 24 months. • Maximum Cash Back: Refer to the Program Summaries for maximum cash back. • Not allowed on a primary residence/homestead in Texas. Debt consolidation on a primary residence/homestead in Texas must follow Texas 50(a)(6) guidelines. • Direct Payment of Debt: Evidence that each creditor was paid directly at closing must be in the file. • Installment and revolving accounts may be paid down or paid off. Revolving accounts do not need to be closed. If the installment or revolving account is paid down, but not paid off, the DTI must be calculated using the current balance on the credit report.
DELAYED FINANCING	• See Expanded Guidelines • A cash-out refinance of a property previously acquired on an all cash basis will be treated as a rate/term refinance so long as the refinance occurs within 12 months of the original acquisition (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan). • Rate/Term Refinance: Underwritten and priced as a Rate/Term refinance • LTV is based on the lesser of the Purchase Price or current appraised value. Refer to the Program Summaries for LTV, DTI, FICO and maximum loan amount restrictions. • Rate term cash back amount restriction does not apply. • Delayed financing on a primary residence/homestead in Texas must be treated as a cash out transaction under Texas 50(a)(6) guidelines. • Note: If the appraiser denotes a declining market, the transaction must be treated as a cash-out refinance transaction. • The original purchase transaction was an arms-length transaction. • The borrower(s) may have initially purchased the property as one of the following: a natural person; • an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust; • an eligible land trust when the borrower is the beneficiary of the land trust; or

	• an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%. • The original purchase transaction is documented by a HUD-1/Closing Disclosure, which confirms that no mortgage financing was used to obtain the subject property. • (A recorded trustee's deed [or similar alternative] confirming the amount paid by the grantee to trustee may be substituted for a HUD-1/Closing Disclosure if a HUD-1/Closing Disclosure was not provided to the purchaser at time of sale.)The preliminary title search or report must confirm that there are no existing liens on the subject property. • The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property). • If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the HUD-1/Closing Disclosure for the refinance transaction must reflect that all cash-out proceeds be used to pay down, if applicable, the loan (unsecured or secured by an asset other than the subject property) used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. Note: Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan. • The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan. • Subordinate Financing: New subordinate financing is not allowed
TEXAS HOME EQUITY RESTRICTIONS (SECTION 50 (a)(6))	• Any Texas Section 50(a)(6) loan (1st or Second) is always restricted to the provisions of Texas Section 50(a)(6) for all subsequent refinances of that loan. The title policy will reference Texas Section 50(a)(6). • There can only be one outstanding Texas Section 50(a)(6) loan on a property at any given time. • If the borrower has an existing Texas Section 50(a)(6) second lien, and is getting cash out from the first mortgage, the Second lien must be paid off. • 12 months seasoning is required for all Texas Section 50(a)(6) loans (1st or Second). • Total fees paid by the borrower (excluding prepaids) cannot exceed 3% of the loan amount. The 3% cap includes fees paid to the lender, broker or any third party, including appraisal fees, credit report fees, title insurance premiums, recording fees, origination fees, etc. Bona fide discount points may be excluded from the 3% limit. If discount points are excluded, the rate sheet and rate lock agreement in the loan file in order to support the reduction in the borrower's interest rate. If closing costs are greater than 3%, reduce fees prior to closing.
CONTINUITY OF OBLIGATION	• See Expanded Guidelines • Evidence of continuity of obligation is not required on any refinance transaction; however, evidence that the borrower is the owner of record on title is required.
NET TANGIBLE BENEFIT TO BORROWER	• See Expanded Guidelines • A Net Tangible Benefit is required for all refinance transactions. • A Net Tangible Benefit includes but is not limited to a 5% reduction in PITIA, 5% reduction in DTI, a 2% reduction in rate, a reduced term, and/or change from an ARM to a fixed rate mortgage that results in a financial benefit to the Borrower. • For cash-out transactions, if one of the above net tangible benefits is not met, then the amount of the cash out must equal at least twice the borrower's cost for completing the transaction.

	• Underwriter must execute a Net Tangible Benefit acknowledgment form and include it in the loan file. • http://www.eprmg.net/ResourceCenter/JumboandNicheProductForms/NicheProductsNTB.xlsx
SEASONING REQUIREMENTS	• See below
RECENTLY DELISTED PROPERTIES	• See Expanded Guidelines • The listing agreement must be canceled at least six months prior to the application date. A copy of the canceled/expired listing should be placed in the file and a search of the current multiple listing service should be completed to verify that the property is not currently listed by a different agency.
TITLE SEASONING	• See Expanded Guidelines • See Texas Home Equity Restriction (SECTION 50 (a)(6)) section for Texas Cash Out seasoning requirements • All transactions require 12 month chain of title that also includes sales price of property at time of transfer. • Property seller on the purchase contract or borrower (on a refinance) must be the owner of record on title. • For Purchases, the property seller must be the owner of record and proof that the property seller has owned the property for 12 months OR a chain of title for the last 12 months is required. If the property has been owned by the seller 6 months or less, also see Anti-Flipping Policy below. • For Rate and Term refinances, borrower must have been on title (close of purchase/date of settlement to application date) for a minimum of 1 day • For cash out transactions, Borrowers must have held title to subject property for a minimum of 6 months (Date vested on title to note date) and there must be ≥ six (6) months seasoning of all existing liens on subject property

ANTI-FLIPPING POLICY	• See Expanded Guidelines
	• For all Purchase transactions:
	• Property flip transactions refer to the process of purchasing an existing property, then immediately reselling it for a profit. Property flips are not necessarily illegal unless the transaction includes an act of fraud or misrepresentation such as an inflated appraised value. Property flip transactions most often, but not always, involve distressed properties acquired at a discounted price, then resold at an increased sales price to an uninformed buyer.
	    • Acceptable property flip transactions are sales of properties that have been substantially improved through legitimate and verified renovations since the property was acquired by the seller. Any increase in the sales price over the seller's acquisition cost should be representative of the market given the improvements made to the subject property.
	• Property flip transactions will be considered as follows:
	    • The property seller must be the owner of record.
	    • A complete/full appraisal is required.
	    • Loan must not reflect any interested party characteristics.
	• There are several indications that are common to property flipping. Loan files with property flipping indication(s) require a higher level of scrutiny during the loan review. Some examples of indicators include, but are not limited to:
	    • Several ownership changes within a few months reflected on title or in Core Logic report.
	    • The appreciation of the subject property exceeds the typical appreciation in the market.

	- The seller recently acquired the property for a significantly lower price, or there have been several transfers of the property according to the tax assessment records. - No real estate agent is involved in the transaction. - The property was recently in foreclosure, or acquired at an REO sale at a considerably lower sales price. - Parties to the transaction are affiliated by business relationships, or related by birth or marriage. - Owner listed on the appraisal and/or title does not match the property seller on the sales contract. - Sales contract has an unusually large earnest money deposit held by the property seller. - Unusual fees or credits are reflected on the HUD-1/Closing Disclosure. - Title commitment references other deeds to be recorded simultaneously. - Property seller is a corporation such as an LLC. - Comparable sales used in the appraisal report are properties involving the same seller and/or the same real estate broker as the subject property in an attempt to artificially inflate the market. - Exempt transactions include: - Re-sales of properties purchased by an employer or relocation agency in connection with an employee relocation. A relocation agency does not include individual real estate agents that advertise themselves as relocation experts and who purchase properties from persons who are relocating from the area. - Property inherited by the seller. - Sales of properties by state and federally charted financial institutions (lender or servicer), Government Sponsored Enterprises (e.g. Fannie Mae and Freddie Mac), U.S. Government, local or state agencies, or MI Companies when the property was acquired through foreclosure or deed in lieu of foreclosure. - Sales of properties acquired through a divorce settlement. - Non-HPML Flipping Guidelines - Sales within 0-90 days of the seller's acquisition - Properties acquired by the seller within 90 days preceding the current sales contract are acceptable provided the increase in the sales price is less than 20%. - Properties with a sales increase of 20% or more require either a Collateral Desktop Analysis (CDA) or Desk Review to support the increase in value. - If the value increase is due to recent renovations or improvements, the appraiser must supply interior photos of the renovations and comment on the cost of the repairs/renovations and likely contribution to the value increase. - Receipts, building permits and/or signed contracts must be submitted. - Sales > 90 days to 180 days of the seller's acquisition - If the sales price has increased 20% or more since the most recent purchase, the increase must be justified. - If the value increase is due to recent renovations or improvements, the appraiser must supply interior photos of the renovations and comment on the cost of the repairs/renovations and likely contribution to the value increase. - Receipts, building permits and/or signed contracts must be submitted. - HPML Flipping Guidelines

	• Applies to loans exceeding the Higher Priced Mortgage Loan threshold under 1026.35: • Sales within 0 – 90 days of seller's acquisition to execution of the purchase contract and the purchase price increased > 10% an additional appraisal (conducted by a licensed or certified appraiser independent from the first appraiser) with an interior inspection of the subject property is required. • Sales within 91 – 180 days of seller's acquisition to execution of the purchase contract and the purchase price increased > 20% an additional appraisal (conducted by a licensed or certified appraiser independent from the first appraiser) with an interior inspection of the subject property is required • When a second appraisal is required due to an HPML flip, it cannot be charged to the borrower. In this case, the borrower can pay for only one appraisal on the property.
CURRENT PROPERTIES PENDING SALE OR PRIMARY RESIDENCES BEING CONVERTED TO SECOND HOMES OR INVESTMENT PROPERTIES	• See Expanded Guidelines • 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. See expanded guidelines for equity requirement in the converted property in order to use rental income to qualify • 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: • the executed sales contract for the current residence, and • confirmation that any financing contingencies have been cleared • See Reserve section for additional reserve requirements
APPRAISAL	• See Expanded Guidelines • 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 • Appraisals can be ordered through Appraisal Scope from any AMC approved in your designated region. Approved AMCs will be available in your AMC drop down on the appraisal order form. Important note: if the appraisal is ordered through PRMG's standard appraisal ordering system, the appraisal department will assign it to an appraiser on our panel and the appraisal will not be eligible. • Appraisals must be delivered in a format where the data is embedded in the

	document, and not as an "image" (acceptable format: 1st Generation PDF).
	• If the appraiser denotes declining market, reduce LTV/CLTV by 5% from maximum program limits
	• Transferred or Ported appraisals are acceptable, see Expanded Guidelines for requirements
	• Appraisals must be dated within 180 days prior to the Note Date. An appraisal update is required on appraisals older than 120 days, but not older than 180 days.
	• Full URAR appraisal report with interior and exterior inspection on appropriate Fannie / Freddie form is required for all properties.
	• FNMA Market Conditions Addendum (Form 1004MC) must be included in the file.
	• Appraisal Requirements:
	  • Purchases:
	    • One appraisal required for all loans <= $1,500,000.
	    • Two appraisals required for all loans > $1,500,000
	  • Refinances:
	    • One appraisal required for all loans <= $1,000,000.
	    • Two appraisals required for all loans > $1,000,000.
	• The below loan amount limits should be used in determining the Comparable Sales Requirement and the Collateral Review Requirement, regardless of the county loan limit. See below Comparable Sales Requirement and the Collateral Review Requirement for details.
	• Loan Amount Limit Table to determine number of comps needed:
	<table><tr><th>Units</th><th>Loan Amounts Limits</th></tr><tr><td>1</td><td>$625,500</td></tr><tr><td>2</td><td>$800,775</td></tr><tr><td>3</td><td>$967,960</td></tr><tr><td>4</td><td>$1,202,925</td></tr></table>• Comparable Sales Requirement: Appraiser must provide at least 3 closed comparable sales
	• When two appraisals are required, the appraisers cannot work for the same appraisal company; each appraisal must be from a different appraiser/appraisal company
	• Appraised value for underwriting purposes is the lower of the two appraisals, when two are obtained
	• Property Inspection Waiver (PIW) or exterior only inspections are not allowed.
	• New appraisal is required for both purchase and refinance transactions (update/recert not permitted.) The use of an appraisal report utilized for a loan that has closed (expired or unexpired) for a subsequent transaction is not permitted.
	• All appraisers must hold at least the minimum required state license and a copy of the license must be submitted with the appraisal
	• Appraisals must be completed in compliance with FIRREA/USPAP and all applicable regulatory requirements
	• UDCP Requirement: Appraisals must be submitted to GSE's "UDCP" (Uniform Collateral Data Portal) and obtain a "successful" finding on the FNMA "SSR" (Submission Summary Report). The FNMA SSR must be in the delivered loan file.
	• On purchase transactions, the appraiser must review the sales contract
	• PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion

REVIEW APPRAISALS	• See Expanded Guidelines • All appraisals, regardless of loan amount, must be submitted through the FNMA

	Uniform Collateral Data Portal and obtain a successful finding on the Submission Summary Report (SSR). The SSR must be included in the file.
	• If the FNMA SSR score is < 3.99, then a CDA is not required and the appraised value may be used.
	• If the FNMA SSR score is > 3.99, or the SSR cannot be obtained, a CDA is required and should be ordered through Clear Capital.
	• If the CDA variance < 10% then the original appraised value may be used.
	• If the CDA variance is > 10% then order a second appraisal. The lesser value of the 2 appraisals may be used.
	• An additional appraisal, charged to the borrower, may be ordered instead of a CDA. The lesser value of the 2 appraisals may be used.
	• When 2 appraisals are ordered due to the loan amount and transaction type, a CDA is not required. The lesser value of the 2 appraisals may be used.
	• If the CDA option is required the following will apply
	    • Appraisal Review will be submitted by the branch underwriter to JumboReview@prmg.net after approval of the loan and completion of the appraisal(s). An email should be sent to the Jumbo Reviews with a copy of the appraisal(s) advising of loan approval and completion of appraisal(s) along with the request for the CDA. All reviews should be send to JumboReview@prmg.net
	    • An appraisal review charge of $150 will apply

DISASTER RE-INSPECTION REQUIREMENTS	• Federally Declared Disaster Areas
	• If the property is located in a county where a Disaster Declaration has been issued, an acceptable recertification of value is required
	• If the property is in a county with an Emergency Declaration, no additional action is required. Should the county receive a Disaster Declaration by FEMA at a later date; a recertification will be required prior to closing the loan.
	• All federally declared disaster areas with incident end dates within the past 12 months can be found on FEMA's Disaster Website.
	• Disaster Inspection and Appraisal Requirements
	    • If the appraisal was performed on/after the FEMA incident end date, the appraiser must comment on the condition of the property and any affects to the marketability. If the appraisal indicates damage, a disaster inspection is required, refer to the below inspection requirements.
	    • If the appraisal was performed before the FEMA incident end date, then a Disaster Inspection must be performed, but before closing. Refer to the below inspection requirements.
	• Inspection Requirements:
	    • The Disaster Inspection must include exterior photos, verifying that the property is undamaged and that the recent disaster event has had no effect on the property's value or marketability. The inspection should be performed by the original appraiser when possible, or may be performed by another licensed appraiser, by a licensed Property Inspector, or by a nationally recognized field company.
	• If the property was damaged and the damage is uninsured or the damage affects the safety, soundness, or structural integrity of the property, the property must be repaired prior to closing.

NON-ARMS LENGTH TRANSACTIONS OR IDENTITY OF INTEREST	• Loans for transactions with identity of interest or non-arm's length characteristics are eligible for primary residence only. • A non-arm's length transaction is not permitted if the subject property is in foreclosure or a Notice of Default has been filed.

	• The file must include all the following documentation: • Copy of the canceled earnest money check to verify payment to the seller. • Verification that the borrower is not now on title and has not been on title within the past 24 months. • Payment history for the existing mortgage (verification of seller's mortgage) on the subject property must be obtained. It must show that the loan is paid current and has no pattern of delinquency within the past 12 months. • Borrower must provide a written explanation stating the relationship to the seller and the reason for purchase.
REAL ESTATE AGENT ALSO LOAN OFFICER/BROKER	• The real estate agent (listing/selling/buyer) for the subject property may not act as the loan officer/broker for the borrowers purchasing the same subject property.
MORTGAGE INSURANCE	• Not Required
PROPERTY INSURANCE	• Hazard Insurance: • Coverage must equal to the lesser of the following: • 100% of the insurable value of the improvements (replacement cost) as established by the property insurer OR • The unpaid principal balance of the mortgage, as long as it equals the minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained. • 5% of the face amount of the policy is the maximum deductible • For refinances transactions, all insurance policies must have, at minimum, an expiration date after the first payment date as shown on the note. • Flood Insurance: • A Standard Flood Hazard Determination (flood certificate with life of loan service) is required for all loans. Flood insurance is required if all or part of the property improvements are located in a Special Flood Hazard Area (SFHA). • Acceptable Proof of Flood Insurance: • Copy of Flood Insurance Policy • Copy of Declaration Page • Copy of the application for flood insurance with a paid receipt for the first year's premium or if paid at closing, premium reflected on the HUD • Flood policies and applications provided for closing must indicate the flood zone of the property. This zone must match our flood determination provider's zone. Otherwise, evidence that the borrower's zone is "grandfathered" must be provided. If the improvements are in a split zone (partially in and partially out) the policy must be rated for the more hazardous zone. • Flood insurance is required if there is knowledge that the property is exposed to flood risks, even if the property is located in a community that does not have FEMA flood maps. • For hazard insurance, properties in an attached condominium and attached PUD project (including 2-4 unit projects) require 100 percent of the insurable replacement cost coverage for the complete condominium (interior and exterior of the condominium).The HO-6 policy must be sufficient to repair the interior of the condominium unit, including any additions, improvements and betterments to its original condition in the event of a loss. If the HOA Master Policy does not provide coverage for the interiors of the project units, an HO-6 (or its equivalent) Policy for the individual unit is required.

	• If the homeowners association owns the common elements, areas/facilities of a project separately (or holds them in a leasehold estate), insurance on those areas is required to insure that ownership (if there are no common areas owned by HOA a letter from them will suffice to prove it is not needed.)
REPAIR ESCROWS/ ESCROW HOLDBACKS	• Not allowed
TEMPORARY BUYDOWNS	• Not allowed
INTEREST ONLY	• Not allowed
PRE-PAYMENT PENALTY	• Not allowed
MULTIPLE LOANS	• O/O: No limitations on the number of properties that the borrower can currently be financing • Second Home: Maximum of 10 financed properties. • 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 properties for all borrowers. Therefore, if the borrower(s) have 3 or more current loans with one lender/investor, approval is required with PRMG. Additionally, the maximum exposure the investor will finance is a maximum of $4,000,000.

RESIDUAL INCOME EVALUATION	• All loans are required to be validated through the Niche Product Residual Income Calculator and must meet the requirements as verified with the Residual Income Table.
	• The residual income must be equal to or more than the minimum requirement per the Residual Income Table. Loans that fail to meet the minimum requirements are not eligible for loan approval.
	• The residual income must be equal to or more than the minimum requirement per the Residual Income Table. Loans that fail to meet the minimum requirements are not eligible for loan approval. Residual Income Table can be found at the following link: http://www.eprmg.net/guidelines/NicheProductsResidualIncomeTable.pdf
	• Calculation: Residual income is equal to
	    • the sum of each borrower's monthly gross income,
	    • less the borrower's total monthly housing payment,
	    • less the borrower's monthly reoccurring obligations,
	    • less estimated monthly utility charges such as electricity, water, oil/gas calculated by multiplying the square feet living area of the to be occupied property by $0.14).
	• Minimum of 80% of required Residual Income amount is allowed if the loan parameters meet two of the following compensating factors.
	    • ≤ 80% LTV
	    • ≥ 720 FICO
	    • Either: Reserves ≥ 12 months or DTI < 40%
	• Access the residual income calculator at the following link:
	• http://www.eprmg.net/ResourceCenter/JumboandNicheProductForms/NicheProductResidualIncome.xlsx

QUALIFIED MORTGAGE (QM)	• Non-QM feature of DTI >43 allowed • Non-QM features of >3% fees allowed, but total points and fees must be < 5%

	• Must meet ability to repay requirements
HIGHER PRICED COVERED TRANSACTIONS (HPCT)	• Higher Priced Covered Transaction (HPCT) are allowed • Higher Priced Covered Transaction (HPCT) uses the same calculation as HPML, but applies to all occupancy types
HIGHER PRICED MORTGAGE LOAN (HPML)	• 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 • HPML loans must have an escrow account, regardless of LTV • "Higher-Priced" loans or any other similarly designated loan as defined under any federal, state or local law will be eligible so long as it meets all requirements of law including that an escrow of funds for taxes and insurance has been established in compliance with federal, state or local law.
SECTION 32 / HIGH COST LOAN	• Loans that are considered high cost loans as defined by federal and/or state laws and/or regulations are not allowed: • Loan is not a high cost loan as defined by Section 32 of the Federal Truth-in-Lending Act; *and* • Loan is not a high cost loan as defined by applicable state laws and/or regulations.
REAL ESTATE COMMISSIONS	• The maximum real estate commission allowed is 8% aggregate.
SERVICING OPTIONS	• N/A
ESCROW ACCOUNT	• Required for all HPML loans. Per HPML requirements, an escrow account must be established before consummation of the loan for payment of property taxes and premiums for mortgage-related insurance. The escrow account must be maintained for at least five years after the date of consummation. • CA: Escrows are required for LTVs ≥ 90% • NM: Escrows are required for LTVs ≥ 80% for Owner Occupied and LTVs >80% for Second Homes or Non-Owner Occupied • Other States: Escrows are required for LTVs > 80% (unless restricted by state law), except for HPML loans in which case they may never be waived. • 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.
ESCROW WAIVERS	• Not allowed
UNDERWRITING	• Loans must be underwritten by designated jumbo/non-conforming/niche Level 4 underwriters • Loan must be put into the Non-Conforming UW Queue when submitting to underwriting. Person submitting the file will enter "Non-Conforming Product" as the name of the assignee from the Submittal milestone. Performing this task will add the loan to the team's pipeline view and will then be assigned to the appropriate Underwriter. • Must be submitted to Jumbo Reviews for this product for submission for eligibility review. Results will be returned to underwriter to and underwriter is responsible to review and ensure all eligibility review requirements are met. • Final loan approval cannot be issued without approval from eligibility review • Underwriter must ensure FT360 is updated to reflect the investor's calculations from approval

	• Appraisal Review will be submitted to Clear Capital by Jumbo Reviews when required and must be completed prior to eligibility review
INELIGIBLE LOAN TYPES	• Conversion Loans • Construction Loans
ASSUMABILITY	• Fixed Rate: Not Assumable. • ARMs: Assumable to a qualified borrower after the fixed rate period. Additional guidelines and fees may apply.
INDEX	• 1 Year LIBOR. The average of the interbank offered rates for 1 Year U.S. dollar-denominated deposits in the London Market, as published in "The Wall Street Journal".
MARGIN	• See Rate Sheet
INTEREST RATE CAPS 5/1 ARM	• **2% Initial Adjustment Cap** - On the first adjustment date, the interest rate cannot be increased or decreased by more than 2% from the interest rate in effect immediately prior to the interest rate adjustment date. • **2% Adjustment Cap** - Commencing with the second interest rate adjustment date, the interest rate cannot be increased or decreased by more than 2% from the interest rate in effect immediately prior to the interest rate adjustment date. • **6% Lifetime Cap** - There is a life of loan interest rate ceiling equal to the sum of the initial interest rate plus 6%.
INTEREST RATE CHANGES	• **5/1**: • **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 respectively. On each interest rate adjustment date, the interest rate will be adjusted to equal the sum of the index plus the required margin rounded to the nearest .125%, subject to the interest rate caps. • **Interest Rate Change Date** - The initial interest rate change date may occur when the 60th payment is due (whichever is applicable). Subsequent interest rate changes may occur 12 months after the first interest rate change date.
MINIMUM FLOOR	• Margin
ARM DOCUMENTS	• 3528 Note and 3187 Rider

Texas Addendum – Non Section 50(a)(6)

The following guidelines refer to loans in Texas only. If a topic is not addressed in this addendum, the standard Agency guidelines above should be followed. Also, please note that no underwriting exceptions are allowed on properties located in Texas.	
PURCHASE	• Allowed

RATE/TERM REFINANCE	• Refinance of a Texas Section 50(a)(6) to a Texas Section 50(f)(2) not allowed
	• Proceeds from a rate/term refinance may only pay off the following:
	  • 1st liens that are not considered Section (a)(6) and Second liens used entirely for the purchase of the property.
	  • When a prepayment penalty fee is assessed on an existing NON Section 50 (a) (6) loan and is included in the payoff amount, the new loan can be considered a rate/term refinance if the title company agrees and issues a new title policy for the full loan amount (including prepayment penalty fees)
	  • HOA dues may be paid off if the title company requires them to be paid. If the title company does not require them to be paid, the borrower must pay the dues outside of closing, and they must NOT be included in the loan amount.
	• Proceeds from a rate/term refinance may NOT pay off the following:
	  • Any loan that is considered a Section (a) (6) loan
	  • Any loan that the borrower received cash back on
	  • Federal tax debt liens
	  • Liens for delinquent property taxes on the property securing the new loan
	• Rate/term refinances may NOT receive any cash back to the borrower, even incidental cash. Limited cash out refinances that allow the lesser of 2% of the loan amount or $2,000 are NOT eligible under the Texas rate/term refinance program.
	• Incidental cash back to the borrower at Closing is not allowed, including incidental cash back as result of POC fees being refunded to borrower. Additionally, incidental cash back must either be handled by reducing/curtailing principal or reducing the loan amount and having the documents re-drawn.
	• For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program.
	• Principal reductions are not allowed
	• Total financed Closing costs are limited to those costs that are reasonable and actually required to close the transaction. Prepaids/escrows can't be financed into the new loan when grossed up in loan payoff. Principal reductions/curtailments are not allowed. The documents should be redrawn reflecting the new loan amount. POC fees can't be financed into the loan amount. Special title insurance coverage must be obtained when impounds for prepaid expenses* are included in the new loan amount. Note that prepaids can only be included in the new loan amount if netted from the payoff of the existing loan. The following must be included as a Schedule B Exception: Possible defect in lien of the insured mortgage because of the Insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage. * Prepaid expenses are defined as real estate taxes (includes non-delinquent taxes which are due and payable, as well as reserves), hazard insurance premiums, and monthly MI premiums covering any period after the settlement date.
	• The following P-39 Express Insurance Coverage endorsement is recommend: Company insures the Insured against loss, if any, sustained by the Insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that divests the Insured of its interest as Insured because of this right,

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

ELIGIBLE COSTS	• A rate/term refinance of a primary residence may include only the following costs:
	  • Pay off of the old loan plus points
	  • Pre-paid items, such as escrow funds and interest (See Additional Documentation section below)
	  • Taxes due
	• The closing costs, whose total may not exceed 5% of the loan amount, must be deemed "necessary and reasonable". Closing costs that may be included are noted below:
	  • Loan Origination
	  • Tax Service
	  • Recording
	  • Processing
	  • Appraisal
	  • Credit Report
	  • Final Inspection
	  • Underwriting
	  • Application
	  • Survey
	  • Title Insurance Premiums (Lender Policy)
	  • Commitment
	  • Express Mail
	  • Flood Certification
	  • Closing

ADDITIONAL DOCUMENTATION	• All rate/term refinances require a completed Texas Refinance Worksheet (See Exhibit A)

	• All rate/term refinances require a completed Borrower Acknowledgement Form (See Exhibit B) when the borrower is receiving a refund check at closing. • If impounds for prepaid expenses are included in the new loan amount, special title insurance coverage must be obtained as a Schedule B Exception. • For rate/term refinances, a copy of the commitment for title insurance, mortgage/deed of trust, or HUD-1 is required in order to verify that a Section 50 (a) (6) loan has not previously been originated against the subject property.

Additional Texas Requirements – Section 50(a)(6)

ELIGIBLE COSTS	• A rate/term refinance of a primary residence may include only the following costs:
	  ◦ Pay off of the old loan plus points
	  ◦ Pre-paid items, such as escrow funds and interest (See Additional Documentation section below)
	  ◦ Taxes due
	• The closing costs, whose total may not exceed 2% of the loan amount (as referenced in the Texas Home Equity Restrictions Section), must be deemed “necessary and reasonable”. Closing costs that may be included are noted below:
	  ◦ Loan Origination
	  ◦ Tax Service
	  ◦ Recording
	  ◦ Escrow Waiver
	  ◦ Processing
	  ◦ Credit Report
	  ◦ Final Inspection
	  ◦ Underwriting
	  ◦ Application
	  ◦ Express Mail
	  ◦ Flood Certification
	  ◦ Closing

ADDITIONAL DOCUMENTATION	• All rate/term refinances require a completed Texas Refinance Worksheet (See Exhibit A) • All rate/term refinances require a completed Borrower Acknowledgement Form (See Exhibit B) when the borrower is receiving a refund check at closing. • If impounds for prepaid expenses are included in the new loan amount, special title insurance coverage must be obtained as a Schedule B Exception.

Exhibit A – All Texas Transactions

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 – All Texas Transactions

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