



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.

**Texas State Affordable Housing Corporation (TSAHC)
Home Sweet Texas FHA
Must be referred to AFS for Origination
(loan cannot be originated by branch)**

**DPA options subject to change based on market conditions
Must confirm availability with Housing Authority.**

30 Year Fixed

LTV	CLTV	Purpose	Unit	Occupancy	Credit Score
96.5	105 ^{1,2}	Purchase	1-4	O/O	620 ³

PRODUCT NAMES	<ul style="list-style-type: none"> Texas TSAHC 30 Year FHA Fixed
ALLOWABLE ORIGINATION CHANNELS	<ul style="list-style-type: none"> Retail <ul style="list-style-type: none"> Loans must be referred to the AFS department for origination
SERVICER	<ul style="list-style-type: none"> Lakeview Loan Servicing, LLC = Master Servicer Texas State Affordable Housing Corporation (TSAHC) = Program Administrator/Compliance <ul style="list-style-type: none"> http://www.tsahc.org/lenders-realtors/resources-for-lenders
PRODUCT REQUIREMENT	<ul style="list-style-type: none"> Housing Authority approval required. Loan must be submitted to the agency and approved by them in the required timeframe as outlined in the product profile and on their website. Loan may not proceed to docs or funding without agency approval.
TSAHC PROGRAM OVERVIEW	<ul style="list-style-type: none"> The Texas State Affordable Housing Corporation (TSAHC) provides access to mortgage credit certificates (MCC) and fixed-rate mortgage loans that include down payment assistance grants (DPA) attached to the loan. Home Sweet Texas: for borrowers who, at the time of loan application and loan closing, meet income limit requirements <ul style="list-style-type: none"> Additionally, Texas Hero borrowers will not be charged the \$500 MCC Issuance Fee if receiving down payment assistance in combination with the MCC. Refer to the Fees Section for more information. Texas Heroes are borrowers who, at the time of loan application and loan closing, meet income limit requirements AND are employed full time as a(n): Allied Health Faculty Member, Corrections Officer, County Jailer, Emergency Medical Services Personnel, Fire Fighter, Juvenile Corrections Officer, Nursing Faculty Member, Peace Officer, Professional Educator, Public Security Officer, or who are Veterans Eligible borrowers may use the down payment assistance, or they may elect to use the down payment assistance in conjunction with the TSAHC MCC. Note: in order to

	<ul style="list-style-type: none"> use the DPA with the MCC, borrowers must be first-time homebuyers The TSAHC MCC may also be used in conjunction with a standard FHA loan. Housing Authority approval required. Loan must be submitted to the agency and approved by them in the required timeframe as outlined in the product profile and on their website. Loan may not proceed to docs or funding without agency approval.
DOWN PAYMENT/CLOSING COST ASSISTANCE GRANT	<ul style="list-style-type: none"> A loan for the DPA Second Lien is not created in FT360 as this is not a lien, it is a grant. There are no disclosures and loan documents as it is not a lien, but a grant from the Housing Authority. The Down Payment/Closing Cost Assistance is a gift available only with the TSAHC Home Sweet Texas FHA Program Borrowers qualifying under this program must utilize the down payment assistance associated with this program. The first trust deed is not allowed to be used without using the DPA. TSAHC will provide down payment and closing cost assistance in the form of a grant. The borrower has the option to choose from three DPA levels: 3%, 4%, or 5% of the total first mortgage loan amount. Note: Due to market conditions, new reservations for 5% DPA Grants on all Government Loans are not available every day. Please check the TSAHC website daily for updates. http://www.tsahc.org/lenders-realtors/resources-for-lenders Borrowers may be required to return to TSAHC the down payment assistance amount they receive if they refinance or otherwise dispose of their first-lien mortgage loan within six months of closing DPA may be used to fund the borrower's cash requirement to close, including the down payment, closing costs, pre-paid items and other related mortgage loan fees and expenses. No portion of the grant can be paid to the borrower unless the borrower is being reimbursed for an overage of deposits for earnest money and/or items paid outside of closing, to the extent the minimum borrower contribution has been satisfied PRMG will provide funding for the TSAHC DPA EIN: 742-74-6185 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.
LOAN DOCUMENTS/ DISCLOSURES	<ul style="list-style-type: none"> Loan disclosures/documents must be generated from FT360 (must be TRID compliant) Additional required documents, including the Program Disclosure, must be obtained from the TSAHC portal
DOWN PAYMENT ASSISTANCE ON CLOSING DISCLOSURE	<ul style="list-style-type: none"> All down payment assistance proceeds must be disclosed on the Closing Disclosure, Section L -Paid Already by or on Behalf of the Borrower at Closing. The down payment assistance proceeds must be labeled accurately. For example: "Second loan" is not appropriate if the assistance is a grant or gift. Multi-purpose labels such as Second/Grant/Gift will not be accepted, it must be specific to the transaction. If the borrower is receiving down payment assistance from multiple sources, all assistance sources must be itemized on the Closing Disclosure. Unless the CFPB comes out with guidance restricting it, it is acceptable to place assistance proceeds as "Other Credits" if necessary due to space limitations.
LOAN DELIVERY REQUIREMENTS	<ul style="list-style-type: none"> Closing package must be approved by TSAHC and the loan delivered to and purchased by Lakeview within 60 calendar days of loan reservation.
TSAHC MORTGAGE CREDIT CERTIFICATE (MCC)	<ul style="list-style-type: none"> The TSAHC MCC may be used in conjunction with the TSAHC DPA or in conjunction with a standard FHA loan Note: Borrowers who wish to use an MCC must be first-time homebuyers. (See the

	<p>first-time homebuyer section for more information.)</p> <ul style="list-style-type: none"> • There are no restrictions on the mortgage financing with regard to loan type, term or rate. However, only fixed-rate first mortgages (as opposed to second mortgages) qualify. In addition, mortgages funded with qualified mortgage bonds or qualified veteran’s mortgage bonds are not eligible. • With a TSAHC MCC, the qualified home buyer is eligible to apply a portion of the annual interest paid on the mortgage as a special tax credit, up to \$2,000, during each year that the mortgagors occupy the home as their principal residence. The portion or amount of the tax credit is equal to the mortgage credit rate on the MCC (40%) multiplied by the annual interest paid, not to exceed \$2,000. • This credit reduces the federal income tax liability of the home buyer dollar-for-dollar, resulting in an increase in the home buyer’s net earnings. Increased home buyer income results in increased home buyer capacity to qualify for the mortgage loan. • Please note: The annual benefit to the borrower will be the lesser of the credit amount or the amount of federal taxes owed after all other credits and deductions have been taken. The benefit cannot exceed the borrower’s federal income tax liability for the year. However, if the Borrower is unable to use all of the maximum available MCC tax credit in any year, the unused portion of the tax credit can be carried forward three tax years or until used, whichever comes first. Any amount of the mortgage credit in excess of the maximum \$2,000 may not be carried forward. • A home buyer receiving an MCC can still take the normal tax deduction for interest paid on the mortgage. However, the home buyer must deduct the claimed credit from the annual interest paid ($\\$5,400 - \\$2,000 = \\$3,400$) before claiming a deduction for the balance. • The mortgagor(s) may receive the full MCC tax credit annually at the time they file their tax return or monthly by adjusting his or her federal income tax withholding by filing a revised Form W-4 with his or her employer. • A borrower who receives an MCC may be subject to a federally imposed mortgage subsidy recapture tax (“Recapture Tax”) if the mortgagor sells his or her residence within nine years. The tax, if any, will always be the lesser of: half the gain from the sale of the home, or an amount based on a formula which takes into consideration: (1) the original principal amount of the home mortgage; (2) the number of complete years that pass before the home is sold; (3) the Applicable Median Family Income for the home buyer’s area at the time he/she bought the home, and (4) the home buyer’s adjusted gross income at the time the home is sold. • There are several conditions that can exempt the MCC holder from Recapture Tax. These include: (a) no net gain on the sale of the property, (b) insufficient increase in the income of the MCC holder between the time of purchase and the time of sale, (c) sale of the home after the ninth year, and (d) a sale due to death or divorce.
<p>TRAINING</p>	<ul style="list-style-type: none"> • Lenders are required to participate in training in order to use TSAHC’s home buyer programs and to gain access to the TSAHC Lender Portal. • Training is broken down into user-specific modules. The web-based trainings are approximately one hour. • In order to view the training modules, you must first register for the training, which is available 24/7 here: http://www.tsahc.org/lenders-realtors/lender-training
<p>OBTAINING CREDENTIALS TO THE TSAHC LENDER PORTAL</p>	<ul style="list-style-type: none"> • The Lender Portal is an interactive, web-based application that lenders use to reserve funds and submit Pre- and Post-Closing Compliance Packages. In addition, the Lender Portal allows lenders to check the status of loans in their pipeline, view compliance conditions, print compliance approval (commitment) letters, run reports, view program guidelines and marketing materials, and keep up to date on other important information associated with the programs.

	<ul style="list-style-type: none"> To obtain credentials to the lender portal, reach out to support@prmg.net
AGENCY LINKS	<ul style="list-style-type: none"> For additional reference, the TSAHC Home Sweet Texas guidelines are posted on TSAHC website: http://www.tsahc.org/lenders-realtors/resources-for-lenders TSAHC provides an online reservation and compliance system (Lender Portal) at www.tsm-online.org where rates are locked and funds are reserved. TSAHC also provides these Program Guidelines and applicable forms and affidavits, and reviews compliance packages to ensure TSAHC’s eligibility requirements are met. The Program Guidelines describe the current rules and requirements, outline the role of TSAHC, and set forth the requirements for lenders to participate. TSAHC may revise the Guidelines from time to time. The most current version can be found on TSAHC’s website at www.tsahc.org and on the Lender Portal at www.tsm-online.org. TSAHC’s master servicer for loans with down payment assistance is Lakeview Loan Servicing, LLC (Lakeview). All loans with TSAHC’s DPA, whether with or without an MCC, will be sold to and serviced by Lakeview. Loans with DPA must also follow the Lakeview Selling Guide and product matrices found on www.tsm-online.org. All PRMG staff can access all end Agency guidelines though AllRegs Online at http://allregs.elliemae.com. Instructions on how PRMG staff can access the AllRegs service is available in the Resource Center. Use the following link to access the HUD Housing Handbooks site, and from there, obtain access to the 4000.1 Handbook: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg Access the All Regs version of the Handbook at: http://www.allregs.com/tpl/public/fha_freesite.aspx
MINIMUM LOAN AMOUNT	<ul style="list-style-type: none"> No Minimum Loan Amount
MAX. LOAN AMOUNT	<ul style="list-style-type: none"> For current maximum loan amount limits, visit TSAHC’s website at www.tsahc.org or the Lender Portal at www.tsm-online.org.
GEOGRAPHIC RESTRICTIONS	<ul style="list-style-type: none"> The home being purchased must be located in Texas. The lender should verify the property’s location by reviewing the property appraisal and location where the property taxes are paid. Please refer to PRMG’s “Eligible States” list, which can be found at this link: http://www.eprmg.net/guidelines/Eligible%20States.pdf
TARGETED AREAS	<ul style="list-style-type: none"> Targeted Areas are certain census tracts identified as “areas of chronic economic distress”. The benefits of originating a mortgage loan in a targeted area are higher income limits and higher purchase price limits. Additionally, the first-time home buyer requirement is waived for those utilizing TSAHC’s MCC assistance. Visit TSAHC’s website at www.tsahc.org or the Lender Portal at www.tsm-online.org for a list of targeted areas. <ul style="list-style-type: none"> For more information on Targeted Areas, click here: http://www.tsahc.org/public/upload/files/general/Targeted_Areas_for_Web_-_1.6.14.pdf
PURCHASE PRICE LIMITS	<ul style="list-style-type: none"> The purchase price cannot exceed the maximum purchase price limit. Purchase price is simply the sales price of the property indicated on the property sales contract between the buyer and seller. For current maximum purchase price limits, visit TSAHC’s website at www.tsahc.org or the Lender Portal at www.tsm-online.org.
MORTGAGE TYPES	<ul style="list-style-type: none"> 203(b) Home Mortgage Insurance 234(c) Mortgage Insurance for Condominiums
FEES	<p>1st</p> <ul style="list-style-type: none"> First Mortgage: For loans with DPA Assistance ONLY: <ul style="list-style-type: none"> .25% Origination Charge for 620-639 Credit Score (if applicable)

	<ul style="list-style-type: none"> • No other origination/discount points may be charged • First Mortgage: For loans with DPA and MCC Assistance: <ul style="list-style-type: none"> • .25% Origination Charge for 620-639 Credit Score (if applicable) • No other origination/discount points may be charged • \$500 MCC Issuance Fee payable to TSAHC (waived for Texas Heroes who are using the MCC in combination with the DPA) • Standard PRMG Underwriting and Processing Fee to be charged <ul style="list-style-type: none"> • TSAHC Fees: \$250 Funding Fee payable to Master Servicer. \$10 Flood Transfer Fee payable to Master Servicer. \$200 Compliance Review Fee payable to TSAHC <ul style="list-style-type: none"> • Fees payable to master servicer must be remitted to TSAHC through an ACH transfer of funds. If an ACH transfer is not available, a corporate check for the fees may be sent to the following address: Texas State Affordable Housing Corporation 2200 E. Martin Luther King Jr. Blvd. Austin, Texas 78702-1344 Attn: MCC Compliance • Lenders may not charge ancillary fees not collected from non-TSAHC borrowers. • In addition to the fees above, other customary third-party fees such as credit report fee, appraisal fee, insurance fee, or similar settlement or financing costs may be charged • In all cases the lender must meet federal and Texas lending laws regarding fees and charges. <p>2nd</p> <ul style="list-style-type: none"> • No fees for DPA second
FIRST LOAN INTEREST RATES	<ul style="list-style-type: none"> • Interest rates can be found on the TSAHC website here: http://www.tsahc.org/lenders-realtors/home-buyer-programs
DOCUMENTATION	<ul style="list-style-type: none"> • Full/Alt Doc • Per TSAHC requirements, signed and dated Form 1040, 1040A or 1040EZ federal income tax returns for the past 3 years with all schedules that show no deductions for mortgage interest or real estate taxes for a Principal Residence are required. For calendar years 2018 and after, a verification of rent (VOR) must be obtained from the borrower's landlord or a credit report from one of the following credit bureaus, Equifax, Experian or TransUnion, showing rental history. Please note: For any loan closing after February 15 of a calendar year, the tax return and a VOR (or credit report with rental history) for the prior calendar year MUST be included. For borrowers who do not have copies of the actual tax returns submitted to the IRS, the borrower may submit printouts from the IRS that reflect his or her 3 most recent federal tax returns. The printouts from the IRS do not have to be signed. Provided that the printouts show that no mortgage interest deduction was taken, the printouts can be submitted in lieu of the tax return copies. • If 1040s are provided, transcripts must also be provided to support the 1040 returns. For any additional years of income documentation is required, if all income used to qualify a loan for the borrower is made up exclusively of wage earner income reported on a W2 and/or fixed income reported on a 1099 (i.e., social security or VA benefits) transcripts are not required, unless full tax returns are required for the borrower by the AUS (i.e., borrower employed by family members). If multiple borrowers are qualifying on the loan, but the tax returns are not filed jointly, and one borrower requires full returns, but the other borrowers are qualified exclusively on W2 and/or fixed income then no transcripts are required for the W2/fixed income borrower and 1040 transcripts are required for the self-employed borrower/borrower requiring full returns. When using this option, there can also be no tax returns included in the loan file (including if tax returns are required to be

reviewed by the PRMG underwriter for MCC Approval or other purpose). If the borrower earns other income that is used to qualify that would be able to be validated with 1040 transcripts (i.e., rental income from tax returns, etc.) then 1040 transcripts are required to validate that income. A completed and executable (signed) 4506T must be submitted with the loan file. For the borrowers where transcripts are not required, be sure to select the W2/1099 option only when completing the 4506-T. Do not mark the 1040 or Record of Account option.

- When tax returns are required for a borrower or when borrower's qualifying income is not made up of W2 or fixed income reported on a 1099, validated 1040 tax transcripts are required if borrower's income is utilized as a source of repayment. If multiple borrowers are qualifying but the tax returns are not filed jointly (when one borrower requires full returns), then it is acceptable to provide no transcripts for the salaried/fixed income borrower and 1040 transcripts for the self-employed borrower/borrower requiring the tax returns, except for the 3 years that 1040s or transcripts are required by TSAHC. For the years the 1040s are required, transcripts must be used to support the 1040s.
- Tax transcripts must come to lender directly from the IRS or through a third party vendor ordered/obtained by lender
- When business tax returns are required by AUS, business income is used to qualify or business income is used to offset a loss on personal tax returns or is included in the loan file, a separate IRS Form 4506-T must be executed (but not processed and must allow enough time to be executed post-closing after delivery to investor) for each business for the required number of years of income documented, for each self-employed borrower on the loan transaction. Allowable signatures (per IRS): 1120/1120S: Borrower must sign name with title and only the following titles are acceptable: President, Vice President, CEO, CFO, Owner, 1065: Borrower must sign name with title and only the following titles are acceptable: General Partner, Limited Partner, Partner, Managing Member, Member
- Letter of explanation is required for borrowers who are self-employed or have non-W2 income/loss if there is a variance of 10% or more between the total income on the tax transcripts and the tax returns.
- Two years IRS 1040 Transcripts are required on all loans when the borrower is employed by a relative or closely held family business.
- 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; OR verify a phone listing and address for the borrower's business through resources such as the telephone book, directory assistance, internet, or contact the appropriate licensing bureau. Verification may not be made verbally, and a certification by PRMG indicating the information was verified is not allowed. Documentation from the source used to verify the information must be obtained and in the file. Internet sites such as 411.com, Chamber of Commerce sites and Manta.com where they allow the business owner to add their own information are not acceptable. Also single source verifications, such as from superpages.com, yellowpages.com and searchbug.com are not allowed. If **all** other methods of obtaining third party verification have been exhausted, the borrower can provide letters from three clients indicating the type of service performed, length of time of business relationship, frequency of service, payment arrangements, etc. and support the income with current bank statements,

	<p>deposits, etc. The underwriter must thoroughly investigate that the business, income and proof of business is legitimate.</p> <ul style="list-style-type: none"> • VOR/VOM required as indicated by the AU approval. • Documentation must comply with AUS and TOTAL Scorecard section of the 4000.1 handbook. • Amended tax returns cannot be used to qualify if they are amended after the application, initial credit report date or purchase contract date unless the changes made are non-material to the amount of income claimed, and qualification for the mortgage loan. Due diligence must be exercised with close examination of the original, and amended returns, to determine if the use of the amended return is warranted and the following documentation should be reviewed when income from the amended return is required: A letter of explanation regarding the reason for the re-filing; evidence of filing (must be validated with a record of account (4506T results); copy of the original 1040; any extensions filed, and evidence of payment of the taxes due (or evidence borrower is on a payment plan in lieu of full payment as long as the borrower qualifies with the payment in the ratios), and the ability to pay, if the check has not yet cancelled. • Profit and loss statement and balance sheet required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower. (A balance sheet is not required for self-employed borrowers filing Schedule C income.) Additionally, if income used to qualify the borrower exceeds the two-year average of tax returns, an audited profit and loss statement or signed quarterly tax returns obtained from IRS are required. • Income documentation per AUS findings • Preliminary Title policy must be no more than 90 days when the note is signed • Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers. • When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount. • All documentation used in qualifying the borrower must be legible and if not in English, will require a full written translation of the entire documentation into English. • Must authenticate documents obtained from an Internet website and examine portions of printouts downloaded from the Internet including the Uniform Resource Locator (URL) address, as well as the date and time the documents were printed. The lender must visit the URL or the main website listed in the URL if the page is password protected to verify the website exists and print out evidence documenting the lender's visit to the URL and website.
DOCUMENT EXPIRATIONS	<ul style="list-style-type: none"> • Preliminary Title policy must be no more than 90 days when the note is signed • Credit documentation must not be more than 120 days old from the disbursement date • Appraisals are valid for 120 days and must be dated within 120 days of the disbursement date
AUTOMATED UNDERWRITING	<ul style="list-style-type: none"> • The last AUS finding, which must match the terms of the loan, must be in the loan file. For all loans, the first submission to the AUS must occur prior to the note date (it cannot be the same as the note date.)

AUS DATA ENTRY REQUIREMENTS OF DPA LIEN	<ul style="list-style-type: none"> • See Housing Authority Products with Second Liens in FT360 in the Resource Center, which can be located at the following link: http://www.eprmg.net/ResourceCenter/bondhousingauthoritydpaproducts/HousingAuthorityProductswithDPALiensinFT360.pdf • In the Secondary Financing of the HUD-92900LT FHA Loan Transmittal screen <ul style="list-style-type: none"> • Enter the Secondary Financing Source/EIN • Select the Correct Check box (Gov't – A Government Entity is the source of the secondary financing, NP – A Non-Profit Agency is the source of the secondary financing, Family – A Family member is the source of the secondary financing, Other – There is another source of the secondary financing (completed checkbox which will enable if selected)) • Enter the Amount of the Secondary Financing • In MORNETPlus Community Lending Section of the Streamlined 1003: <ul style="list-style-type: none"> • Do not select Community Lending on the Mornet Community Lending screen • If HFA Second Mortgage being used, Community Second needs to be checked • If HFA grant is being used neither Community Lending nor Community Second should be checked
DESKTOP UNDERWRITER (DU)	<ul style="list-style-type: none"> • All loans must be run through FHA's TOTAL SCORECARD decisioning engine via DU. A copy of the findings must be included in the file • Must receive an Approve/Eligible • All conditions outlined in the Findings Report must be satisfied. • If TOTAL Scorecard issues an Approve/Eligible and ANY the following applies or the DU findings indicate you need to downgrade, then the loan must be downgraded to a Refer (and is not eligible): <ul style="list-style-type: none"> • the mortgage file contains information or documentation that cannot be entered into or evaluated by TOTAL Mortgage Scorecard; • additional information, not considered in the AUS recommendation affects the overall insurability of the Mortgage; • the Borrower has \$1,000 or more collectively in Disputed Derogatory Credit Accounts (defined as disputed charge off accounts, disputed collection accounts, and disputed accounts with late payments in the last 24 months; exclusions from cumulative balance include: disputed medical accounts; and disputed derogatory credit resulting from identity theft, credit card theft or unauthorized use. To exclude these balances, the Mortgagee must include a copy of the police report or other documentation from the creditor to support the status of the accounts.) • the date of the Borrower's bankruptcy discharge as reflected on bankruptcy documents is within two years from the date of case number assignment (see credit section for seasoning requirements) - Per HUD they do not require seasoning or a downgrade for a dismissed bankruptcy. • the case number assignment date is within three years of the date of the transfer of title through a Pre-Foreclosure Sale (Short Sale) (see credit section for seasoning requirements); • the case number assignment date is within three years of the date of the transfer of title through a foreclosure sale (see credit section for seasoning requirements); • the case number assignment date is within three years of the date of the transfer of title through a Deed-in-Lieu (DIL) of foreclosure (see credit section for seasoning requirements); • for purchase and non-cash out refinances transactions, if any mortgage trade line reported on the credit report used to score the application, including mortgage line-of-credit payments, during the most recent 12 months reflects: 3 or more

	<p>late payments of greater than 30 days; OR 1 or more late payments of 60 days plus one or more 30-day late payments; OR 1 payment greater than 90 days late</p> <ul style="list-style-type: none"> • For a cash out transaction if a mortgage trade line reported on the credit report used to score the application reflects a current delinquency or any delinquency within 12 months of case assignment date or a current delinquency • the Borrower has undisclosed mortgage debt that reflects: (1) a current delinquency; (2) any delinquency within 12 months of the case number assignment date; or (3) more than two 30 Day late payments within 24 months of the case number assignment date • business income shows a greater than 20 percent decline over the analysis period.
LOAN PRODUCT ADVISOR (LPA)	<ul style="list-style-type: none"> • Not allowed • Formerly known as Loan Prospector (LP)
MANUAL UNDERWRITING	<ul style="list-style-type: none"> • Not allowed
CAIVRS/DELINQUENT FEDERAL DEBT	<ul style="list-style-type: none"> • Credit Alert Interactive Voice Response System (CAIVRS) needs to be run • Borrower may not be denied solely on the basis of CAIVRS information that has not been verified. Lender must contact the creditor agency using the contact phone number and debt reference number reflected in the Borrower’s CAIVRS report • If a Borrower is currently delinquent on an FHA-insured Mortgage, they are ineligible for a new FHA-insured Mortgage unless the delinquency is resolved. • Borrowers with delinquent Federal Tax Debt are ineligible. See Qualifying Section for borrowers who have past due federal tax debt and are in a payment plan. • Mortgagees must check public records and credit information to verify that the Borrower is not presently delinquent on any Federal Debt and does not have a tax lien placed against their Property for a debt owed to the federal government • To verify a delinquent student loan, or loan paid by a government claim, is not a defaulted federal loan (when not appearing in CAIVRS or clearly listed on the credit report as federal debt or even when reporting as a charge-off on credit report), contact 1-800-621-3115 or DCS_Help@ed.gov • For delinquent federal non-tax debt, including deficiency judgments and other debt associated with past FHA-insured mortgages, must include documentation from the creditor agency to support the verification and resolution of the debt (the Borrower must resolve their federal non-tax debt in accordance with the Debt Collection Improvement Act). For debt reported through CAIVRS, the Mortgagee may obtain evidence of resolution by obtaining a clear CAIVRS report. • If CAIVRS indicates the borrower is presently delinquent or has had a foreclosure within the previous three years, the borrower must have CAIVRS updated/cleared and the foreclosure seasoning is based on transfer deed date of the foreclosed property.
LDP/GSA REQUIREMENT	<ul style="list-style-type: none"> • All parties involved with and who handle the loan file (see instructions in the Resource Center for additional information) must be checked against HUD’s Limited Denial of Participation (LDP) list at • https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp and the General Services Administration’s (GSA) Excluded Party List at • https://www.sam.gov/portal/public/SAM/ • Any entity noted on either of the LDP and GSA lists must be removed from the transaction or will cause the loan to be ineligible. • The parties to verify include, but are not limited to, Buyers (including AKAs on the credit report), Sellers, Loan Officer, Buyers Agent, Sellers Agent, Escrow Officer, Title Officer, Appraiser, Processor, and Underwriter.
MORTGAGE CREDIT REJECT/SANCTION	<ul style="list-style-type: none"> • Any mortgage credit reject or mortgage credit sanction will require a second signature from an Operations Manager. The underwriter must justify on their LT why

	they want to overturn another lender’s decline and document the file accordingly.
PROPERTY TYPES ELIGIBLE	<ul style="list-style-type: none"> • New or existing single-family home • Condominium, townhouse, or unit in a PUD (must be FHA Approved) • 2-4 unit property, provided that one of the units will be occupied by the borrower • The borrower must use the residence financed as his or her principal residence within 60 days of loan closing. A residence that is primarily intended to be used as a vacation home or in a trade or business is <u>not</u> a principal residence. <ul style="list-style-type: none"> • No gifts allowed for 3-4 unit properties • No more than 15% of the residence may be used for business purposes.
INELIGIBLE	<ul style="list-style-type: none"> • Co-ops • Manufactured Homes • Condos without HUD Approvals • Mobile homes, campers and similar vehicles • Home used as investment property • Recreational, vacation or “second” homes • Non-permanent homes • Condotels • Mixed-Use • Leased Land/leaseholds • Land Trusts • Log Homes • Properties that do not meet FHA requirements • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program)
CONDOS	<ul style="list-style-type: none"> • Must be HUD Approved: https://entp.hud.gov/idapp/html/condlook.cfm • Condo projects involved in monetary litigation may be eligible, if litigation is reviewed and approved through condoreviews@prmg.net . Documentation regarding the litigation (i.e., court documents) must be submitted to condoreviews@prmg.net for review and approval. (If project was by HUD approved after litigation date, the litigation would be considered in the approval and not required to be reviewed as there would be no changes to the project.) • Underwriter must certify that there have been no changes to the project since HUD approval that would cause the project to no longer be HUD approved. HUD requires use of Appendix B Certification for Individual Unit Financing, which is available on the Resource Center at the following link: https://www.eprmg.net/ResourceCenter/FHAForms/FHA%20condo%20certification.pdf • For HUD REOs, condominium projects do not need to be currently approved by HUD • Detached condos, meeting HUD’s definition of a site condo, do not have to have project approval.
MAXIMUM ACREAGE	<ul style="list-style-type: none"> • N/A.
PROPERTIES WITH UN-PERMITTED ADDITIONS	<ul style="list-style-type: none"> • Allowed. Must meet HUD Guidelines.
PROPERTIES WITH ACCESSORY UNIT	<ul style="list-style-type: none"> • Not allowed
LEGAL RESTRICTIONS ON CONVEYANCE (FREE ASSUMABILITY)	<ul style="list-style-type: none"> • There may be no legal restrictions on conveyance (transfer of title) in accordance with 24 CFR § 203.41, which would include items like Private Transfer Fees and Community Enhancement Fees unless specifically allowed per 24 CFR § 203.41. (see AllRegs for additional information on 24 CFR § 203.41.) • Underwriter must review and confirm that if are legal restrictions on conveyance, they are allowed in accordance with 24 CFR § 203.41 and are not further restricted

	by the product profile (for instance allowable deed restriction types).
NEW CONSTRUCTION	<ul style="list-style-type: none"> • If it is a construction loan that is being paid off, where it is a property the borrower already owns, the LTVs are based on the occupancy requirements set by HUD in the Maximum Loan to Value Ratio section of the 4000.1. • The sale of an occupied property that has been completed less than one year from the issuance of the CO or equivalent is considered as an existing property • Allowed, with the following requirements: <ul style="list-style-type: none"> • The permanent loan had interim construction financing that was not provided by FHA or the loan proceeds were used to pay off a builder • The loan must meet all FHA policies and documentation requirements for new construction loans • Borrowers must be qualified using the estimated real estate taxes based upon the completed property improvements, not the unimproved lot taxes • FHA Construction Permanent Mortgage Program is not available (where the FHA loan funds are taken as draws and used to finance the construction of the property) • If any part of the property (the dwelling and related structures/equipment essential to the property value and subject to flood damage) is located within a Special Flood Hazard Area (SFHA), the property is not eligible unless one of the following is obtained: <ul style="list-style-type: none"> • FEMA Final Letter of Map Amendment (LOMA) or Final Letter of Map Revision (LOMR) that removed the property from the SFHA; or • Flood Elevation Certificate (form FEMA 81-31) from a licensed engineer or surveyor documenting that the lowest floor (including the basement) of the residential building and related improvements is built at or above the 100 year flood elevation in compliance with NFIP criteria.
CONSTRUCTION TO PERMANENT FINANCING	<ul style="list-style-type: none"> • Not allowed
OCCUPANCY	<ul style="list-style-type: none"> • Primary Residence (O/O)
FIRST-TIME HOMEBUYER REQUIREMENT	<ul style="list-style-type: none"> • For DPA Assistance: Borrowers are <u>not</u> required to be first-time home buyers. Borrowers may have previously owned or may currently own a home, provided that the home being purchased becomes the borrower’s principal residence upon loan closing. • MCC/DPA Assistance: Mortgagor(s) applying for an MCC <u>cannot</u> have had an ownership interest in a principal residence at any time during the preceding three years ending on the date the mortgage is executed. The mortgagor and spouse, and any other adult who will be reflected on the deed of trust, must meet this first-time home buyer requirement. This requirement also applies to separated couples. The first-time home buyer requirement does not apply to acquisitions of homes in Targeted Areas or if a mortgagor is a Qualified Veteran. • This must be verified by the lender’s examination of the borrower’s federal tax returns for the preceding 3 years (or by acceptable alternate documents, discussed below) to determine whether the borrower has claimed a deduction for mortgage interest or taxes on real property claimed as a principal residence. In addition, the lender must obtain rental verification (either written or verbal) from the last tax return filed to the application date. • Any person who is living in the home as his or her principal residence and is listed on the deed of trust has an ownership interest, even if he or she does not take a deduction for mortgage interest on his or her federal tax returns. For married couples, both spouses hold an ownership interest, even if only one is listed on the deed of trust. However, a person (for example, a parent of a mortgagor) who is a co-signor under or a guarantor of a promissory note secured by the mortgage, but who

	<p>does not occupy the property and has no present ownership interest in the residence, need not satisfy the first-time home buyer requirement.</p> <ul style="list-style-type: none"> • Each Borrower is required to submit acceptable documentation with his or her MCC application to demonstrate that he or she meets the first-time home buyer requirement. The following documentation options will satisfy this requirement: <ul style="list-style-type: none"> • Signed and dated Form 1040, 1040A or 1040EZ federal income tax returns for the past 3 years with all schedules that show no deductions for mortgage interest or real estate taxes for a Principal Residence. Please note: For any loan closing after February 15, the tax return for the prior year MUST be included. If the borrower has not yet filed a tax return for the prior year, the loan can close, but the MCC will not be issued until the prior year’s tax return is provided to TSAHC. • For borrowers who do not have copies of the actual tax returns submitted to the IRS, the borrower may submit printouts from the local IRS office that reflect his or her 3 most recent federal tax returns. The printouts from the IRS do not have to be signed. Provided that the printout shows that no mortgage interest deduction was taken, the printout can be submitted in lieu of the tax return copies. However, if the IRS has determined that an error was made on any of the requested tax returns, the staff will not issue a printout; they will instead issue an IRS Letter 1722. • For borrowers who are unable to obtain a computer printout from the IRS, as described above, the borrower can request instead IRS Letter 1722, which summarizes pertinent data from the Borrower’s tax returns for the requested years. However, the Borrower must also obtain on the Letter 1722 a statement from the IRS that no mortgage interest deduction was taken during the 3 year period if the borrower filed a Form 1040 (long form) for one or more of the 3 years. • For borrowers who cannot locate copies of their actual tax returns submitted to the IRS, the borrower may request copies of the returns from the IRS using Form 4506. • In the event the borrower was not obligated to file federal income tax returns for any of the preceding 3 years, it will be necessary for the Lender to so indicate on the MCC Program Affidavit provided by TSAHC. Borrowers who cannot provide tax returns because they did not file them when required to do so, and who have failed to file for an extension, are not eligible for an MCC. • If one or more of a borrower’s tax returns reflect that the borrower took a deduction for mortgage interest or real estate taxes on property claimed not to be the principal residence, documentation (rent receipts or canceled checks) of the rental history is required for the period from the last tax return filed to the MCC application date. • An ownership interest in a mobile home will be considered a prior ownership interest in a principal residence if the mobile home was (1) permanently attached or anchored to land and had the wheels and other components used in transportation removed, and (2) taxed as real property. • Remember, except for cases involving a self-employed borrower, the borrower submits copies of 3 years’ tax returns NOT to verify income, but to verify first-time home buyer status.
<p>TARGETED AREAS</p>	<ul style="list-style-type: none"> • Targeted Areas are certain census tracts identified as “areas of chronic economic distress”. The benefits of originating a mortgage loan in a targeted area are higher income limits and higher purchase price limits. • Additionally, the first-time home buyer requirement is waived for those utilizing TSAHC’s MCC assistance.

	<ul style="list-style-type: none"> • Visit TSAHC’s website at www.tsahc.org or the Lender Portal at www.tsm-online.org for a list of targeted areas.
<p>ELIGIBLE BORROWERS</p>	<ul style="list-style-type: none"> • US Citizen, permanent resident alien or qualified alien • Both first time and non-first-time homebuyers are eligible for the DPA option • If using the MCC or the DPA in combination with the MCC, borrowers must be first-time homebuyers unless they are purchasing a home in a targeted area or are a Qualified Veteran • All borrowers must occupy the property as their primary residence within 60 days of closing • A “Home Sweet Texas” eligible borrower is a person who at the time of loan application and loan closing has income no greater than the maximum income for the Home Sweet Texas Program found on TSAHC’s website at www.tsahc.org or the Lender Portal at www.tsm-online.org. • A “Texas Hero” eligible borrower is a person who at the time of loan application and loan closing (i) has income no greater than the maximum income for the Homes for Texas Heroes Program found on TSAHC’s website at www.tsahc.org or the Lender Portal at www.tsm-online.org, and (ii) is employed full-time as a(n): <ul style="list-style-type: none"> • Allied Health Faculty Member – a full-time member of the faculty of an undergraduate or graduate allied health program of a public or private institution of higher education in the state. • Corrections Officer – a full-time employee of the Texas Department of Criminal Justice (TDCJ) who receives hazardous duty pay. • County Jailer - a person employed full-time as a county jail guard under Section 85.005, Local Government Code. County jailers are licensed through the Texas Commission on Law Enforcement (TCOLE). • Emergency Medical Services Personnel – Per Section 773.003, Health and Safety Code, emergency medical services personnel are full-time: <ul style="list-style-type: none"> • emergency care attendants; • emergency medical technicians; • emergency medical technicians-intermediate; • emergency medical technicians-paramedic; or • licensed paramedics. • Fire Fighter – a member of a fire department who performs a function listed in Section 419.021(3)(c), Government Code. Permanent, full-time fire department employees who are not secretaries, stenographers, clerks, budget analysts, or similar support staff persons or other administrative employees and who are assigned duties in one or more of the following categories: <ul style="list-style-type: none"> • fire suppression; • fire inspection; • fire and arson investigation; • marine firefighting; • aircraft rescue and firefighting; • fire training; • fire education; • fire administration; and • any other position necessarily or customarily related to fire prevention or suppression. • Juvenile Corrections Officer – a full-time employee of the Texas Juvenile Justice Department (TJJD) who receives hazardous duty pay. Juvenile corrections officers must have a VOE through TJJD. • Nursing Faculty Member – a full-time member of the faculty of either an undergraduate or graduate professional nursing program.

	<ul style="list-style-type: none"> • Peace Officer -a person elected, employed, or appointed as a full-time peace officer under Article 2.12, Code of Criminal Procedure; Section 51.212 or 51.214, Education Code; or other law. Peace officers are licensed through the Texas Commission on Law Enforcement (TCOLE). • Professional Educator –a full-time, public K-12: <ul style="list-style-type: none"> • classroom teacher, • teacher aide, • school librarian, • school counselor, or • school nurse. • Public Security Officer - a person employed or appointed full-time as an armed security officer by this state or a political subdivision of this state. The term does not include a security officer employed by a private security company that contracts with this state or a political subdivision of this state to provide security services for the entity. Public security officers are licensed through the Texas Commission on Law Enforcement (TCOLE). • Veteran - a person who: <ul style="list-style-type: none"> • (A) (i) served not less than 90 days, unless sooner discharged by reason of a service-connected disability, on active duty in the Army, Navy, Air Force, Coast Guard, United States Public Health Service (as constituted under 42 U.S.C. Section 201 et seq.), or Marine Corps of the United States after September 16, 1940, and who on the date of filing an application under the program has not been dishonorably discharged from the branch of the service in which the person served; (ii) has at least 20 years of active or reserve military service as computed when determining the person's eligibility to receive retired pay under applicable federal law; (iii) has enlisted or received an appointment in the Texas National Guard, who has completed all initial active duty training required as a condition of the enlistment or appointment, and who on the date of filing the person's application has not been dishonorably discharged from the Texas National Guard; or (iv) served in the armed forces of the Republic of Vietnam between February 28, 1961 and May 7, 1975; • (B) at the time of the person's enlistment, induction, commissioning, appointment, or drafting was a bona fide resident of this state or has resided in this state at least one year immediately before the date of filing an application under this chapter; and • (C) at the time of the person's application under this chapter is a bona fide resident of this state. • The term includes the unmarried surviving spouse of a veteran who died or who is identified as missing in action if the deceased or missing veteran meets the requirements of this section, with the exception that the deceased or missing veteran need not have served 90 days under Paragraph (A)(i) of this subdivision, and if the deceased or missing veteran was a bona fide resident of this state at the time of enlistment, induction, commissioning, appointment, or drafting.
U.S. CITIZENS	<ul style="list-style-type: none"> • Allowed
RESIDENT ALIENS	<ul style="list-style-type: none"> • Allowed • Permanent resident aliens are eligible and must provide evidence of a valid Social Security number.
NON-PERMANENT RESIDENT ALIENS	<p>Must meet Fannie Mae requirements, and in addition meet one of the following:</p> <ul style="list-style-type: none"> • An alien who is granted asylum under section 208 of the Immigration and Nationality Act. Document legal residency and eligibility to work in the United States with the following:

	<ul style="list-style-type: none"> ○ A Valid I-94 with class of Admission as 208 and stamped as “asylum granted” (or a signed, stamped court decision indicating the immigration judge has granted the asylum if the stamp on the I-94 has not yet occurred); and ○ A current, valid Employment Authorization Document (EAD) with a category code A05. <ul style="list-style-type: none"> ● A refugee who is admitted to the United States under section 207 of the Immigration and Nationality Act. Document legal residency and eligibility to work in the United States with the following: <ul style="list-style-type: none"> ○ a valid I-94 with Class of Admission as 207 and a refugee admission stamp; and ○ A current, valid EAD with category code A03. ● An alien who is granted conditional entry pursuant to section 203 of the Immigration and Nationality Act. Document legal residency and eligibility to work in the United States with the following: <ul style="list-style-type: none"> ○ A current, valid family based, employment based or diversity visa (as defined in the Lawful Non-Permanent Qualified Resident chart*); and ○ For family based visa borrowers or spouses/children of employer sponsored visa borrowers (as defined in the Lawful Non-Permanent Qualified Resident chart*), a current, valid EAD. ○ Note: The Lawful Non-Permanent Qualified Resident chart can be found here: https://www.eprmg.net/LakeviewBorrowerEligibility.pdf and is SUBJECT TO UPDATES BY INVESTOR. CONFIRM STATUS OF LIST WITH CORPORATE ● An alien who is a Cuban and Haitian entrant (as defined in section 501(e) of the Refugee Education Assistance act of 1980. These individuals are paroled into the United States. Document legal residency and eligibility to work in the United States with the following: <ul style="list-style-type: none"> ○ I94 with stamp showing Cuban/Haitian entrant (Status Pending); and ○ A current, valid EAD A04 or C11. ● An alien who has been battered or subjected to extreme cruelty under Section 431 of the Immigration and Nationality Act. Document legal residency and eligibility to work in the United States with the following: <ul style="list-style-type: none"> ○ A current, valid U1-4 or T1-4 visa, and ○ A current, valid EAD. <p>Note: If the authorization documentation (visa, I94, I551, passport or EAD, as applicable), will expire within one year from the loan closing date and a prior history of renewals exist, continuation may be assumed.</p> <ul style="list-style-type: none"> ● Borrowers under Deferred Action, the Dreamer’s Act or DACA (EAD Code C33, C14, etc.) are not eligible. Although, these individuals may have been granted permission to remain in the U.S. for a period of time, DACA/Deferred Action does not grant a legal status. PRMG requires all borrowers to document proof of legal residency in the U.S. Additionally, they must follow the applicable guidelines for income (typically 2 year history and likely to continue for 3 years as applicable.) A borrower with DACA/Deferred Action status would not be able to meet the borrower eligibility documentation requirements (i.e., green card or meet applicable agency standard guidelines for income) and therefore is not be eligible.
NON-OCCUPYING CO-BORROWERS	<ul style="list-style-type: none"> ● Not allowed
NON-OCCUPYING CO-SIGNERS	<ul style="list-style-type: none"> ● Follow FHA guidelines for non-occupying co-signers ● In addition, co-signers must meet the following: <ul style="list-style-type: none"> ● The non-occupying cosigner must not take any ownership interest in the property being financed with the mortgage loan, must not be on the title and must not sign the deed of trust.

	<ul style="list-style-type: none"> • The non-occupying cosigner must not occupy the property being financed with the mortgage loan and should not execute any of the program documents or affidavits. • The non-occupying cosigner's income should not be considered when calculating the income for comparison against the maximum family income limits established for the program.
CURRENT HOMEOWNERSHIP REQUIREMENTS	<ul style="list-style-type: none"> • Mortgagor(s) applying for an MCC cannot have had an ownership interest in a principal residence at any time during the preceding three years ending on the date the mortgage is executed. • The mortgagor and spouse, and any other adult who will be reflected on the deed of trust, must meet this first-time home buyer requirement. • This requirement also applies to separated couples. • The first-time home buyer requirement does not apply to acquisitions of homes in Targeted Areas or if a mortgagor is a Qualified Veteran.
HOMEBUYER EDUCATION	<ul style="list-style-type: none"> • Borrowers must complete a home buyer education course prior to closing. This requirement can be met by attending an in-person or online counseling course listed at www.texasfinancialtoolbox.com • Only one borrower is required to be named on the home buyer education completion certificate. Although, it is encouraged for all borrowers on the mortgage loan to participate in the class, it is not required
MANDATORY HOME WARRANTY INSURANCE COVERAGE	<ul style="list-style-type: none"> • It is strongly recommended that homebuyers secure a home warranty prior to close of escrow. • Home Warranty to be paid through the close of escrow • Home Warranty must be disclosed on Final Settlement Statement or copy of insurance declaration page required
POWER OF ATTORNEY	<ul style="list-style-type: none"> • Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group • Allowed with the following requirements: <ul style="list-style-type: none"> • Power of Attorney (POA) must be limited or specific to the transaction • All transaction types 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

	<p>be included in the loan file.</p> <ul style="list-style-type: none"> • Must met all Agency requirements
LEXIS-NEXIS SEARCH REQUIREMENT	<ul style="list-style-type: none"> • For any of the following transaction types an email request (which includes a screenshot or snip of the loan in the FastTrac pipeline) must be sent to QC to have a LexisNexis search run on involved parties to the transactions to ensure there is no relationship between the buyer and seller. (Not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> • Short Sale Purchase • Property Flips <= 180 days • Contractors on a 203K loan • For Sale by Owner (FSBO) required for all except: <ul style="list-style-type: none"> • If the borrower and seller are related or are landlord and tenant, and the relationship is disclosed and is acceptable per PRMG guidelines • An investor, such as HUD, FNMA, FHLMC, etc. • REO lender who acquired the subject property by Trustee Sale as the Beneficiary
QC AUDIT REQUIRED	<ul style="list-style-type: none"> • A QC audit is required if the loan has any of the following high risk characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> • 5-10 financed properties for second home and investment transactions. • 3-4 Units • 2-4 Unit properties in New Jersey <ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • A QC validation is required if the loan has any of the following characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): • A revalidation of the VOE (in addition to the audit) is required by the QC Department if the following is used: <ul style="list-style-type: none"> • VOE only used (when allowed by AUS) and not supported by paystub/W2 and • Wholesale and Correspondent channels only (not required for retail channel) • A revalidation of the VOD is required by the QC Department for the if the following is used: <ul style="list-style-type: none"> • VOD only used (when allowed by AUS) and not supported by bank statements and • Wholesale and Correspondent channels only (not required for retail channel) • Note: A Borrower Authorization in name of PRMG may be required to obtain VOD or VOE revalidation if requested by the verifying institution.
INCOME REQUIREMENTS/LIMITS	<ul style="list-style-type: none"> • Underwriter has the discretion when evaluating the loan file to utilize a more conservative approach to income/expenses for qualification purposes based on the

	<p>circumstances of the loan.</p> <ul style="list-style-type: none"> • All income sources used to qualify borrowers must be legal at the local, state, and federal level. Any income derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company. • Income calculations must be included in the file • If a borrower is currently on temporary disability (including maternal/parental leave), the borrower must provide a letter of intent to return to work and the employer must provide a letter or other communication of the borrower's right to return to work and a description of the employment terms (same as prior to leave). The temporary disability benefits must be used for loan qualification and must not terminate prior to the borrower returning to work, unless the borrower(s) has liquid reserves sufficient to offset reduced income, covering the gap between the benefits expiration and the return to work dates. See 4000.1 for specific requirements. • For borrowers with gaps in employment of six months or more (an extended absence), the borrower's current income can be used for qualifying if it can verify and document that: (1) the borrower has been employed in the current job for at least six months at the time of case number assignment; and (2) a two year work history prior to the absence from employment using standard or alternative employment verification. • When required, transcripts must be provided for the number of years of income documentation required to be in the loan file, in accordance with the AUS findings and/or HUD requirements. Tax transcripts are required to support the income used to qualify the borrower. The purpose of the 4506-T is to verify the income reported is accurate. 2106 Expenses (unreimbursed business expenses) do not need to be considered in income calculations • For borrowers with rental income, if a lease agreement is required then the lease agreement must be executed by the landlord and the tenant and all pages of the lease agreement must be included. • Housing Assistance Payments (HAPs), which are often known as Section 8 Homeowner Vouchers, where a portion of the mortgage payment is paid directly to the borrower/lender as a subsidy for the mortgage payment on the subject property is not allowed.
<p>MAXIMUM PROGRAM COMPLIANCE INCOME LIMITS</p>	<ul style="list-style-type: none"> • Eligible borrowers' income must be within program limitations. Please visit TSAHC's website at www.tsahc.org or the Lender Portal at www.tsm-online.org for the maximum family income limits. • For DPA Assistance: For purposes of meeting the eligibility criteria, only the income of the mortgagor(s) will be considered. The income of a non-purchasing spouse (NPS) will not be included in the calculation. For example, only the income used to qualify the mortgagor for repayment of the mortgage loan (from the 1003 loan application and/or the applicable underwriting worksheet) will be compared against the program limits. • For MCC/DPA Assistance: For purposes of meeting the eligibility criteria, income from <u>all</u> family members with ownership interest is considered. Family income is calculated by taking the borrower's current gross monthly income from all sources, as well as that of anyone else who is expected to live in the residence and become liable on the deed of trust (including a non-purchasing spouse) and multiplying that amount by 12. • The lender uses one of two methods of computation depending on whether the borrower is employed or self-employed. Generally, family income for an employed person is computed by multiplying the current gross monthly income figure by twelve. Sporadic income should be averaged and added to that base figure for a total. Family income for a self-employed person is computed by annualizing the year-

	<p>to-date total on a current profit and loss statement and averaging that amount with the net income figures from the two most recent years' federal income tax returns (with depreciation added back in).</p> <ul style="list-style-type: none"> • Sources of Income: The IRS requires that every source of income, taxed or untaxed, be included in the calculation of family income for the MCC. • Prior Year Earnings: On some pay stubs the year-to-date earnings include pay from the last part of the prior year. In such circumstances, the borrower should request that the employer provide a signed statement of verification. Otherwise, the borrower may be deemed to exceed the maximum family income limits, due to an inflated average, and be disqualified.
SEASONING REQUIREMENTS	<ul style="list-style-type: none"> • N/A
RECENTLY DELISTED PROPERTIES	<ul style="list-style-type: none"> • N/A
TITLE SEASONING/LOAN SEASONING	<ul style="list-style-type: none"> • N/A
ANTI-FLIPPING POLICY	<ul style="list-style-type: none"> • For purchases - The property Seller must have taken title to the subject property more than 90 days prior to the contract date on the sale of the property to the applicant. • Property flipping is a practice whereby a recently acquired property is resold, often for a considerable profit. If there is a partial continuity of ownership, a quit claim deed transaction is not a sale and is not subject to the rules prohibiting property flipping. The use of a quit claim will not be deemed a flip as long as at least one of the original owners retains an ownership interest in the property after the quitclaim is recorded. • The seller's date of acquisition is defined as the settlement date on the seller's purchase of that property. • Must obtain a 12-month chain of title documenting compliance with time restrictions on resales. • If the seller has taken title within the past 91 to 180 days and the new sales price exceeds the previous sales price by 100% or more, a second FHA appraisal (by another appraiser) is required. The borrower is not allowed to pay for the Second appraisal. • The Anti-Flipping requirements do not apply to the exceptions below: <ul style="list-style-type: none"> • properties acquired by an employer or relocation agency in connection with the relocation of an employee; • resales by HUD under its REO program; • sales by other U.S. government agencies of Single Family Properties pursuant to programs operated by these agencies; • sales of Properties by nonprofits approved to purchase HUD owned Single Family Properties at a discount with resale restrictions; • sales of Properties that are acquired by the seller by inheritance; • sales of Properties by state and federally-chartered financial institutions and Government-Sponsored Enterprises (GSE); • sales of Properties by local and state government agencies; and • sales of Properties within Presidentially-Declared Major Disaster Area, only upon issuance of a notice of an exception from HUD. • The restrictions listed above and those in 24 CFR § 203.37a do not apply to a builder selling a newly built house or building a house for a Borrower planning to use FHA-insured financing. • The re-execution of the sales agreement in order to circumvent the 90-day flipping rule is not permitted

	<ul style="list-style-type: none"> Evidence of required seasoning must be documented in the file.
VALUE FOR LTV/CLTV CALCULATION	<ul style="list-style-type: none"> See below to determine Adjusted Value
PURCHASE	<ul style="list-style-type: none"> Use lesser of purchase price less any inducements to purchase; or the Property Value (appraised value)
PURCHASE	<ul style="list-style-type: none"> If there is evidence that borrower, a member of the borrower's family or party who has a clearly defined interest in the borrower (i.e., close family friend) previously owned a home being purchased that was a distressed sale (i.e., short sale) or foreclosure by the borrower or borrower's family member, the borrower may not purchase the property, regardless of the length of time since the distressed sale/foreclosure or the number of owners between the distressed sale/foreclosure and current owner. Bail outs not allowed. All purchasers listed on the contract of sale must be borrowers, however family members (as defined by HUD) may be on the contract and not be a borrower. Purchase contract assignment (assignment of the sales contract) not allowed. Purchase Transaction Seller Rent Backs of the subject property are limited to 45 days, must be reflected on the sales contract and Closing Disclosure, and are not counted towards borrower's minimum investment requirements. For condos, not allowed between borrower and developer. The Real Estate Certification is required and must be executed prior to closing, except where indicated below, on all purchase transactions. The document must be signed all borrowers, sellers and the selling real estate agent or broker. A sample of the form will be available in the Resource Center. Note, the Real Estate Certification is not needed when the sales contract contains a provision that there are no other agreements between parties, and the terms constitute the entire agreement between the parties, and all parties are signatories to the sales contract submitted at the time of underwriting. The Amendatory Clause is required, except where indicated below, on all purchase transactions when the appraised value is not available at the time of purchase contract execution. The document must be signed by all buyers and sellers involved with the loan transaction. It must be complete, including the sales price, printed seller name and date of agreement. A sample of the form is available in the Resource Center. This document, completely executed by all buyers and sellers involved with the loan transaction, should be included with the file for loan setup for all channels and should be obtained and executed prior to funding. Note, the amendatory clause is not required on the following transactions: HUD REO sales, FHA's 203(k) loan program or sales in which the seller is Fannie Mae, Freddie Mac, the Department of Veterans Affairs (VA), Rural Housing Services, other federal, state, and local government agencies, a lender disposing of REO assets, or a seller at a foreclosure sale.
RATE/TERM REFINANCE	<ul style="list-style-type: none"> Not Allowed
CASH OUT REFINANCE	<ul style="list-style-type: none"> Not Allowed
REPAIR ESCROW/ESCROW HOLDBACKS	<ul style="list-style-type: none"> Not Allowed
QUALIFYING	<ul style="list-style-type: none"> Qualify at note rate Installment debt can be paid off to qualify. Installment (closed end) debt does not have to be included if they will be paid off within 10 months and the cumulative payments of all such debts are less than or equal to 5 percent of the Borrower's gross monthly income. The borrower may not pay down the balance in order to meet the 10-month requirement.

- Accounts for which the borrower is an authorized user must be included in a borrower's DTI ratio unless documentation shows that the primary account holder has made all required payments on the account for the previous 12 months. If less than three payments have been required on the account in the previous 12 months, the payment amount must be included in the borrower's DTI.
- All deferred obligations (excluding student loans), regardless of when they will begin, must be included in the qualifying ratios. The lender must obtain evidence of: the deferral; the outstanding balance; the terms of liability; and the anticipated monthly payment. If the actual monthly payment is not available for installment debt, the lender must utilize the terms of the debt or 5 percent of the outstanding balance to establish the monthly payment.
- For cases assigned prior to 6/30/16, for all deferred student loans, if the actual monthly payment is zero or is not available, the lender must utilize 2 percent of the outstanding balance to establish the monthly payment.
- For cases assigned prior to 6/30/16, for student loans currently in a standard repayment plan, the required monthly payment is to be used for qualification purposes. For student loans currently in an income based repayment plan (there are various income based student loan repayment plans, some include increasing repayment amounts), utilize the payment noted on the income based repayment agreement. The current payment can be used even if a payment increase is reflected on an agreement. If a monthly payment is not reflected on the credit report then documentation as evidenced by a monthly payment statement, a letter from creditor or a repayment schedule, is required to verify monthly payment.
- For cases assigned on or after 6/30/16, student loans must be included in the borrower's liabilities, regardless of the payment type or status of payments (deferred or in payment status). If the payment used for the monthly obligation is: (1) less than 1 percent of the outstanding balance reported on the Borrower's credit report, and (2) less than the monthly payment reported on the Borrower's credit report; then written documentation must be obtained of the actual monthly payment, the payment status, and evidence of the outstanding balance and terms from the creditor. Regardless of the payment status, use either: (1) the greater of: (a) 1 percent of the outstanding balance on the loan; or (b) the monthly payment reported on the Borrower's credit report; or (2) the actual documented payment, provided the payment will fully amortize the loan over its term.
- For 30 day accounts, must verify the borrower paid the outstanding balance in full on every 30-Day account each month for the past 12 months. 30-Day Accounts that are paid monthly are not included in the Borrower's DTI. If the credit report reflects any late payments in the last 12 months, must utilize 5% of the outstanding balance as the Borrower's monthly debt to be included in the DTI. Must use the credit report to document that the borrower has paid the balance on the account monthly for the previous 12 months. Must use the credit report to document the balance, and must document that funds are available to pay off the balance in excess of the funds and reserves required to close the mortgage.
- For revolving accounts, must include the monthly payment shown on the credit report for the revolving charge account. Where the credit report does not include a monthly payment for the account, must use the payment shown on the current account statement or 5% of the outstanding balance. Must use the credit report to document the terms, balance and payment amount on the account, if available. Where the credit report does not reflect the necessary information on the charge account, must obtain a copy of the most recent charge account statement or use 5% of the outstanding balance to document the monthly payment.
- If a credit report shows an asterisk next to the payment, it can be an indication that the payment listed is not the required monthly minimum payment amount, and as

such will require supplemental documentation to support the payment, as required by the agency or, if revolving, 5% of the balance can be used for the payment.

- Paying off revolving debt to qualify is allowed. The debt includes any revolving debt that is being paid off and not included in the ratios. Account must be paid in full prior to or at closing and documentation must be provided evidencing repayment. Source of funds must be documented (proceeds on a cash out transaction are acceptable.) Accounts are not required to be closed.
- For non-HELOC loans, when qualifying a borrower that has a non-subject negative amortization or interest only loan, use the fully amortized payment
- For any additional properties, obtain a recent payment coupon or other documentation to ensure the loan is qualified using the full PITIA.
- The percentage of non-taxable income that may be added cannot exceed the greater of 15% or the appropriate tax rate for the income amount, based on the borrower's tax rate for the previous year. If the borrower was not required to file a federal tax return for the previous tax reporting period, gross up the non-taxable income by 15%. Any additional adjustments or allowances based on the number of the borrower's dependents is not allowed
- If the borrower has a tax lien, the underwriter must condition for proof the money owed has been paid in full or paid off in full at closing and must include the current amount of the lien, including all interest and late fees or provide evidence to verify the borrower has entered into a valid repayment agreement with the federal agency to make regular payments on the debt and the borrower has made timely payments for at least three months of scheduled payments. The borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. The lender must include the payment amount in the agreement in the calculation of the borrower's DTI ratio. There is no requirement for a record of account or other documentation to reflect tax payment status. For the current tax year (most recent tax filing), if 1040s or other documentation shows the borrower has outstanding tax debt for the current tax year, evidence of payment of the taxes due (or evidence borrower is on a payment plan with at least one month payment required to have been made in lieu of full payment as long as the borrower qualifies with the payment in the ratios) is required. If the check to the IRS has not yet cancelled, the file must reflect the borrower's ability to pay (borrower must have enough assets after backing out funds used for transaction and reserves). For prior tax years, if there is evidence the borrower has outstanding tax debt or the borrower is in a payment plan, evidence to verify the borrower has entered into a valid repayment agreement with the federal agency owed to make regular payments on the debt and underwriter discretion can be used to determine the minimum months of payment required to have been made, but at least one month payment is required to have been made. For Amended Tax Returns or Stamped Tax Return option, see the applicable guidance in the Product Profile for further requirements.
- In community property states, tax liens of any non-borrowing spouse must be paid. The credit history of the non-borrowing spouse in regards to the lien does not have to be considered, but the tax liens have to be paid.
- To calculate DTI for loans with subordinate HELOCs (for all properties): If there is a balance, use the payment that is reflected on the credit report. If there is no payment on the credit report, obtain a copy of the billing statement, or note to determine the payment amount, based on the terms of the note, or the statement. If there is no balance, a payment does not need to be included.
- For borrowers with collection accounts, if the cumulative outstanding balance of all collections of all borrowers is less than \$2,000, the lender is not required to consider or evaluate collection accounts. If the cumulative outstanding balance of all collections of all borrowers is equal to or greater than \$2,000, the lender must

	<p>include monthly payments in the borrower’s debt-to-income ratio for accounts that will remain open subsequent to closing or require the collection account to be paid off as described as follows (also see Credit Section): At the time of or prior to closing, payment in full of the collection account (verification of acceptable source of funds required). The borrower makes payment arrangements with the creditor. If the borrower has entered into a payment arrangement with the creditor, a credit report or letter from the creditor verifying the monthly payment is required. The monthly payment must be included in the borrower’s debt-to-income ratio. If evidence of a payment arrangement is not available, the lender must calculate the monthly payment using 5% of the outstanding balance of each collection, and include the monthly payment in the borrower’s debt-to-income ratio. Note, All medical collections and charge off accounts are excluded from this requirement and do not require resolution. Collection accounts of a non-purchasing spouse in a community property state are included in the cumulative balance.</p> <ul style="list-style-type: none"> • For borrowers with a court ordered judgment where the borrower has an agreement with the creditor to make regular and timely payments, a copy of the agreement and evidence that payments were made on time in accordance with the agreement, and a minimum of three months of scheduled payments have been made prior to credit approval is required. Note, borrowers are not allowed to prepay scheduled payments in order to meet the required minimum of three months of payments. The payment amount in the agreement must be included in the calculation of the borrower’s debt-to-income ratio. Judgments of a non-purchasing spouse in a community property state must be paid in full, or meet the exception guidance for judgments above, unless excluded by state law. • If borrower or non-occupant co-borrower will not be occupying the subject property (i.e., borrower on second home or investment property and any non-occupying co-borrower) does not have a current housing expense, because they state they live rent free on the 1003, proof they live rent free must be provided. Acceptable documentation would include, but is not limited to, an LOE from the owner/landlord of the residence where they currently live. • For contingent/co-signed liabilities, follow HUD guidelines which will allow the payment to be excluded from monthly liabilities only if (1) documentation is provided to evidence that the other party to the debt has been making regular on-time payments during the previous 12 months and does not have a history of delinquent payments on the loan; or (2) documentation is provided which verifies and documents that there is no possibility that the debt holder will pursue debt collection against the borrower should the other party default. • If a borrower is on title (has ownership interest) and is on the note to other properties besides the subject property, follow FHA guidelines for contingent liabilities for both the P&I payment as well as the taxes, insurance and additional items (association fees) (TIA). If borrower is just on title, and not obligated on the note for non-subject properties, the TIA does not have to be included in borrower’s ratios as long as documentation is provided to show 12 months’ satisfactory payments by the other party who is on title and the note, in alignment with contingent liability requirements. If the taxes and insurance are not escrowed or the property is owned free and clear, and the TIA is not paid on a monthly basis (i.e. annually, semi-annually) then a sufficient history of payments made by the other party on title must be presented to make a reasonable conclusion that it will continue. The other party making the payments must be both on the note (if there is a lien) and on title (in all cases) in order to exclude
<p>CURRENT PROPERTIES BEING CONVERTED TO SECOND HOMES OR</p>	<ul style="list-style-type: none"> • N/A

INVESTMENT PROPERTIES	
RATIOS	<ul style="list-style-type: none"> • Per AUS
TEMPORARY BUYDOWNS	<ul style="list-style-type: none"> • Not allowed
CREDIT	<ul style="list-style-type: none"> • Must at all times comply with HUD guidelines, subject to any additional restrictions listed in this product profile • DE Underwriter Final Loan Approval Date cannot be after Note Date. • The use of a U.S. address to obtain a credit report for a borrower who resides in another country is not permitted. • If the borrower’s credit report contains a FACTA credit alert, the completed Fraud Alert Confirmation form must be in the file (available via Resource Center). • Qualifying FICO score is determined by using the middle of three or lowest of two scores. If there are multiple borrowers, then use the lowest representative score of all borrowers to qualify. If only one score is available, then use the one provided. • A three repository merged (tri-merge) credit report (TRMCR) or Residential Mortgage Credit Report (RMCR) from an independent consumer-reporting agency is required. • All borrowers must have a credit score; non-traditional credit is not allowed. • The credit report for the mortgage history must be updated to include the payment made for the most recent month due. • See Qualifying section for capacity analysis for all loans with collections and judgments. Court ordered judgments must be paid off (or provide evidence they have been satisfied). Judgments of a non-borrowing spouse in a community property state must be resolved or paid in full, with the exception of obligations excluded by state law. An exception to the payoff of a court ordered judgment may be made if the borrower has an agreement with the creditor to make regular and timely payments. The borrower must provide a copy of the agreement and evidence that payments were made on time in accordance with the agreement, and a minimum of three months of scheduled payments have been made prior to credit approval. Borrowers are not allowed to prepay scheduled payments in order to meet the required minimum of three months of payments. • For loans using TOTAL, not required to obtain an explanation of collection accounts, charge off accounts, accounts with late payments, judgments or other derogatory information. • For all borrowers with judgments, the following documentation must be provided: evidence of payment in full, if paid prior to settlement; the payoff statement, if paid at settlement; or the payment arrangement with creditor, if not paid prior to or at settlement, and a subordination agreement for any liens existing on title • Chapter 7 and 13 bankruptcies must be discharged at least 2 years to the case number assignment date and the borrower has re-established their credit or chosen not to incur new credit obligations. • Borrowers with a loan modification or short refinance in their credit history are eligible. A mortgage that has been modified must utilize the payment history in accordance with the modification agreement for the time period of modification in determining late housing payments. If mortgage payment history requirements (as required by HUD for mortgage history) since the date of loan modification are not met, a downgrade to a manual underwrite is required and not allowed • Short sales (Pre-Foreclosure Sales) within the last 3 years to the case number assignment date are not allowed • Foreclosure: Foreclosures within the last 3 years to the case number assignment date are not allowed. • For a borrower that had an FHA mortgage foreclosed, that borrower is not eligible to apply for another FHA mortgage until three years after the date that HUD paid the insurance claim to the lender.

	<ul style="list-style-type: none"> • Deed-in-lieu of foreclosures are considered foreclosures and require 3 year seasoning to the case number assignment date • Must obtain a credit report for a non-borrowing spouse who resides in a community property state, or if the subject property is located in a community property state. The credit report must indicate the non-borrowing spouse's SSN, where an SSN exists, was matched with the SSA, or the must either provide separate documentation indicating that the SSN was matched with the SSA or provide a statement that the non-borrowing spouse does not have an SSN. Where an SSN does not exist for a non-borrowing spouse, the credit report must contain, at a minimum, the non-borrowing spouse's full name, date of birth, and previous addresses for the last two years. • The debts of a non-purchasing spouse must be included in the borrowers qualifying ratios if the borrower resides in a community property state or the property is located in a community property state unless that debt is specifically excluded by state law. The underwriter must ensure the debt that is not being included complies with state law and the debt can in no way effect the new first trust deed lien. Additionally, if the debt being excluded is a mortgage lien, it is important to ensure the current loan transaction is not being used to provide a bail out for the other mortgage lien. • Non-borrowing spouse's credit history cannot be used when making a credit decision on the loan. Derogatory event on any property held against borrower only if it appears on their credit report or if they are obligated on note. Derogatory event not held against borrower even if a property appears on a joint tax return, the borrower lives in a property or the borrower is on title. • In addition to other listed requirements regarding disputed accounts, if a disputed account is a borrower's verified previously delinquent mortgage trade line, which may affect the credit decision of the AUS, information regarding the dispute must be obtained. The underwriter must verify that the AUS is considering the previously delinquent mortgage in the credit decision. If it is unclear if the previously delinquent mortgage is being considered (and based on underwriter discretion, the delinquent mortgage may impact the credit score/AUS decision), the dispute should be removed at the bureau level, credit report re-run to reflect accurate credit message without dispute, and the AUS re-run to include account in the AUS decision. For instance, a zero balance where the last activity is more than 3 years prior to the credit report date may be determined by the underwriter to not require the dispute to be removed. • MERS search must be run on borrower • PRMG does not allow use of extenuating circumstances in the credit decision for reduced seasoning or satisfactory credit requirements.
CASH RESERVES	<ul style="list-style-type: none"> • TOTAL Scorecard: None required, however, subject to underwriter discretion or per "DU" recommendation; • Cash saved at home allowed, must meet all HUD requirements to be able to use for the transaction and for verification of funds • All verifications of funds, including the most recent asset account statements, must be dated within 45 days of the loan application or an updated statement is required.
REQUIRED DOWN PAYMENT	<ul style="list-style-type: none"> • Required 3.50% minimum down payment (gifts allowed-see gift section below for details).
REQUIRED DOWN PAYMENT /SOURCE OF FUNDS	<ul style="list-style-type: none"> • Required 3.50% minimum down payment (gifts allowed-see gift section below for details). • Evidence of the trail showing funds into escrow required • For loans with prorated seller paid taxes (taxes that have been prepaid by the seller on the subject property), the prorated taxes can reduce the funds required at

closing, however, the loan file must still contain documentation that borrower has 3.5% (or required minimum required investment (MRI) for transaction) of their own funds (or other acceptable source of MRI), even though they may not actually contribute the actual 3.5% (or required MRI) at closing because the seller prorated tax credit is an acceptable source to meet the MRI. In other words, the prorated tax credit cannot be used in the documented assets considered to meet the MRI but can be credited at closing.

- Access letter required for any accounts where a non-borrowing party is on the account (including a non-borrowing spouse)
- Direct verification by a third-party asset verification vendor (i.e., AccountChek) is allowed in accordance with HUD as addressed in ML 2019-01
- When borrower's funds-to-close are from a 401k, IRA, or other retirement account, proof of liquidation is required, regardless of Total Scorecard response
- Sweat Equity not permitted
- Bridge loans are not allowed
- Business funds are permitted, but must be documented and business tax returns would be required. Additionally, business funds from a partnership or corporation may not be used to meet any required minimum down payment requirements unless a borrower is 100% owner or the DE Underwriter obtains documentation that the borrower has access to the funds to be used as their required minimum down payment. In all cases, business funds being used for funds to close or reserves are allowed as long as there is a CPA letter or evidence to confirm it will not negatively affect the business. If business is a partnership, written permission from the other partners is required.
- All asset sources used to qualify borrowers must be legal at the local, state, and federal level. Any assets derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company.
- Cash deposits over 1% of the adjusted value require an explanation from the borrower as to how they were accumulated in alignment with HUD's requirement for cash on hand.
- Cryptocurrency, digital currencies or altcoins (i.e. Bitcoins, Litecoin, Ethereum, etc.) may not be included as financial assets for mortgage qualification purposes and is an ineligible source of funds for down payment, closing costs or reserves unless being converted into U.S. currency. To be used as a source of funds for down payment, closing costs, or reserves, cryptocurrency, digital currencies or altcoins must be converted into U.S. currency and be held within a U.S. Financial Institution and verified prior to underwriting final approval. In addition to the verification of U.S. currency, the borrower(s) must be able to provide acceptable documentation for the source of funds used to initially acquire the cryptocurrency prior to the conversion.
- If the borrower's source of funds are from a country included on the OFAC Sanctioned Countries List that is found in the Resource Center, the funds are not eligible for use in the transaction.
- Must verify and document the deposit amount and source of funds if the amount of the earnest money deposit exceeds 1% of the sales price or is excessive based on the borrower's history of accumulating savings, by obtaining: a copy of the borrower's cancelled check; certification from the deposit-holder acknowledging receipt of funds; or a VOD or bank statement showing that the average balance was sufficient to cover the amount of the earnest money deposit at the time of the deposit. If the source of the earnest money deposit was a gift, must verify that the gift is in compliance with gifts as allowed per HUD.
- Must verify and document the existence of and amounts in the borrower's checking and savings accounts. For recently opened accounts and recent individual deposits of

	<p>more than 1% of the Adjusted Value of the property, must obtain documentation of the deposits. Must also verify that no debts were incurred to obtain part, or all, of the minimum required investment.</p> <ul style="list-style-type: none"> • All verifications of funds, including the most recent asset account statements, must be dated within 45 days of the loan application or an updated statement is required. • Funds that are brought to closing (i.e., cashier’s checks or wire) by the borrower must be verified as belonging to the borrower. The required funds from the borrower do not have to be from an institution that was sourced in the loan file, as long as the borrower has sufficient funds in the sourced accounts to cover the amount of funds brought to closing. If the funds are not able to be confirmed as belonging to the borrower, the funds would be ineligible. This guidance is only in regards to borrower funds, <u>not</u> gift funds
<p>GIFT FUNDS</p>	<ul style="list-style-type: none"> • Allowable donors include: <ul style="list-style-type: none"> • Borrower’s family member (as defined by HUD) • The borrower’s employer or labor union • Charitable organizations • Government agencies • A close friend with a clearly defined interest in the borrower (family members, such as a cousin, who are not considered family members by HUD can be documented as a close friend and still be an eligible donor, but must reference “close friend” in the letter as their relationship.) • a governmental agency or public entity that has a program providing homeownership assistance to low or moderate income families; or first-time homebuyers. • No gifts allowed for 3-4 unit properties • Gift letter required. All gift letters must include the following: <ul style="list-style-type: none"> • Name, address and phone number of the donor and the borrower. • Dollar amount of the gift. • Relationship between the donor and the borrower. • Specification that no repayment is required. • Signatures of both the donor and the borrower. • Must verify and document the transfer of gift funds from the donor to the Borrower in accordance with the following: <ul style="list-style-type: none"> • If the gift funds have been verified in the Borrower’s account, obtain the donor’s bank statement showing the withdrawal and evidence of the deposit into the Borrower’s account. • If the gift funds are not verified in the Borrower’s account, obtain the certified check or money order or cashier’s check or wire transfer or other official check evidencing payment to the Borrower or settlement agent, and the donor’s bank statement evidencing sufficient funds for the amount of the gift. • If the gift funds are not verified in the Borrower’s account, obtain the certified check or money order or cashier’s check or wire transfer or other official check evidencing payment to the Borrower or settlement agent, and the donor’s bank statement evidencing sufficient funds for the amount of the gift. <ul style="list-style-type: none"> • If the gift funds are being borrowed by the donor and documentation from the bank or other savings account is not available, the donor must provide written evidence that the funds were borrowed from an acceptable source, not from a party to the transaction. • Regardless of when gift funds are made available to a Borrower or settlement agent, the Mortgagee must be able to make a reasonable determination that the gift funds were not provided by an unacceptable source. • When a borrower receives a gift from an acceptable source and the donor’s bank

	<p>statement shows a large deposit (which HUD defines as more than 1% of the Adjusted Value of the property), evidence of the source of funds is required to ensure any funds given to the borrower were not made available to the donor from any person or entity with an interest in the sale of the property including the seller, real estate agent, broker, loan officer or any other entity associated with the transaction. Per HUD, cash deposits are acceptable to be used as gift funds, as long as they have been deposited into a bank (as they are no longer considered cash), but are subject to the same sourcing requirements (note, Cash on Hand is not an acceptable source of donor gift funds).</p>
<p>CONTRIBUTIONS BY AN INTERESTED PARTY</p>	<ul style="list-style-type: none"> • 6% of lesser of sales price or appraised value. • Not allowed for payment of condominium fees, personal property or down payment assistance
<p>SUBORDINATE FINANCING</p>	<ul style="list-style-type: none"> • This product may be layered with the following down payment and/or closing cost assistance options: <ul style="list-style-type: none"> • Locality programs to be used for closing costs and/or down payment assistance as per individual requirements <ul style="list-style-type: none"> • The locality subordinate loans must meet FHA guidelines • The maximum CLTV must meet Agency requirement • In the case of conflicting guidelines, the lender must follow the more restrictive • Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program)
<p>ADDITIONAL DOWN PAYMENT ASSISTANCE REQUIREMENTS</p>	<ul style="list-style-type: none"> • Access the PRMG Eligible DPA list and a link to the synopsis that must be reviewed by the loan officer, processor and underwriter to ensure all requirements for the DPA are met at the following link: http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20PA%20List.pdf • All lenders are required to follow the guidelines of the Funded Down Payment Assistance from non-profit organizations. These programs are permitted in accordance with FHA guidelines and the following additional restrictions. Originating Lenders are responsible to guarantee that they have verified the Originating Lender Funded Down Payment Organization has not been listed on the website below. To ensure the non-profit status is acceptable to HUD, the homebuyer must enter into the Sales Contract/Purchase Agreement (including any amendments to purchase price) on, or before, the date the IRS officially announces a termination of the organization's tax-exempt status. • A printed copy of this web site page showing the agency has not had their tax-exempt status terminated by the IRS prior to the date of the Sales Contract/Purchase Agreement must be included in each loan file submitted for underwriting. <ul style="list-style-type: none"> • Originating Lenders may use any non-profit agency acceptable per HUD guidelines, provided however that a copy of the web page discussed in this section supports the tax-exempt status of such agency. It is recommended that Originating Lenders also apply the following additional criteria when approving loans with down payment assistance funds provided by these agencies. • Originating Lender should have on file an IRS Letter of Determination verifying the organization providing gift funds is a non-profit corporation under Section 501© (3) exempt from taxation under Section 501(a) of the Internal Revenue Code. There must not be an identity of interest between the donor (property Originating Lender, builder or developer) and the non-profit organization. • The Federal Tax Identification Number of the non-profit must be entered in the FHA CHUMS field designated for a charitable organization's tax ID#. Failure to do so may result in an uninsurable loan.

	<ul style="list-style-type: none"> • The gift should only be used toward the homebuyer's down payment and closing costs. The loan file should contain a Gift Letter stating that no repayment of the gift is required. • Originating Lender should inform the appraiser of the gift transaction and the dollar amount being used as down payment assistance. The sales price should not be increased to accommodate the down payment assistance. • The closing agent must confirm the gift funds have been properly deposited in an escrow account and that the gift funds came directly from the non-profit. Gift funds cannot be disbursed from the Originating Lender's proceeds at the borrower's closing.
MORTGAGE CREDIT CERTIFICATES (MCC)	<ul style="list-style-type: none"> • Refer to TSAHC MCC Guidelines above • The MCC credit may not be used for credit qualifying purposes • The MCC cannot restrict the transfer of ownership or servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first Mortgage's servicing rights. • In the case of conflicting guidelines, the lender must follow the more restrictive • Must comply with all HUD Requirements • PRMG will not allow MCCs that are paid by the issuer directly to the servicing lender as a supplement to the borrower's monthly payment. • HUD will only allow the MCC to be included as effective income when the MCC is not paid to the servicer. It cannot be used to reduce the PITIA since PRMG does not allow payments directly to the servicer. • To be eligible to use a Mortgage Credit Certificate (MCC) the borrower must have some tax liability which is currently determined by taking the Total Withholdings from the borrower's 1040 and deducting any applicable credits (i.e., earned income credit, child tax credit, net premium tax credit, credit for federal tax on fuels, etc.). If the difference between the Total Withholdings and the Credits is greater than \$0 then the MCC is eligible for use. • Must complete the MCC screen in FastTrac and review the below document. • Additional information about Mortgage Credit Certificates can be found here: http://www.eprmg.net/MortgageCreditCertificates.pdf
HUD REOS	<ul style="list-style-type: none"> • Must meet all of HUD's requirements in regards to HUD REOs • Must be owner occupied • Title policy is required • Full "as is" appraisal required • Mortgagees must order a new appraisal that is valid for a HUD REO property financed with an FHA-insured mortgage • The mortgagee must retain copies of all appraisals available to the mortgagee in its loan file. • Effective 9/30/16, HUD must approve any real estate broker wishing to list properties or represent buyers in sales transactions of HUD REO Properties and closing agents must meet the requirements as outlined in the 4000.1 in order to conduct a closing on a sales transaction of a HUD REO Property.
PURCHASING A SHORT SALE	<ul style="list-style-type: none"> • A borrower purchasing a property from a seller who is selling their home for less than the amount owed to the lender is considered a short sale. Borrowers purchasing a home that is being sold under a short sale are generally eligible provided: <ul style="list-style-type: none"> • The transaction is arm's length involving a realtor and formal sales contract. • There is no relationship or identity of interest between buyer and seller as defined in Handbook 4000.1 • Short sale approval letter from all existing mortgage lien holders accepting the

	<p>discounted sales price on the subject property must be provided and retained in the loan file.</p> <ul style="list-style-type: none"> • All liens are extinguished with the sales proceeds. • Any earnest money deposits must be verified with a bank statement or a print out from the bank at the time the earnest money check cleared the borrower's account, regardless of amount. • Full interior/exterior appraisal is required, regardless of AUS. • The borrower is not involved in negotiations with the lien holder(s) to facilitate the short sale. <ul style="list-style-type: none"> • An in-depth review of the following must be completed for any inconsistencies detected in the transaction. Documentation of the resolution of any questionable items must be included in the loan file: Purchase contract (including all addendums and short sale addendum), Appraisal, Title, Hud-1 • There are cases where the borrower may elect to pay additional fees or payments related to acquiring the property that is typically the responsibility of the seller. In these instances, the following requirements apply: <ul style="list-style-type: none"> • The borrower must be provided with written details of the additional fees or payments. The additional funds required to complete the transaction must be documented on the purchase contract and/or addendum. • The servicer or servicers agreeing to the short sale must be provided with written details of the fees or payments and has the option of renegotiating the payoff amount to release the lien(s) against the subject property. • All parties (buyer, seller, and servicer) must provide their written agreement of the final details of the transaction which must include the additional fees or payments. • The HUD-1 must include all fees and payments associated with the transaction. • Note: If the borrower pays short sale processing fees or short sale negotiation fees, the fee must be treated as a sales concession if any portion of the fee is reimbursed by an interested party to the transaction.
<p>NON ARM'S LENGTH TRANSACTIONS/IDENTITY OF INTEREST</p>	<ul style="list-style-type: none"> • Identity of Interest/Non Arm's Length transactions are limited to a max LTV of 85%. • An identity of interest transaction is a transaction for the purchase of a principal residence between parties with a familial or business relationship or business affiliates • The following are NOT considered identity of interest/non-arm's length transactions and are eligible for maximum financing: <ul style="list-style-type: none"> • A family member purchasing another family member's principal residence • An employee of a builder purchasing one of the builder's new homes or models as a principal residence • A current tenant purchasing the property that the tenant has rented for at least 6 months prior to the sales contract. A lease or other written evidence must be submitted verifying occupancy. • Sales by corporations that transfer employees out of an area, purchase the transferred employee's home, and then resell to another employee. • If the property being sold from one family member to another is the property seller's investment property, the maximum mortgage is the lesser of 85% of the sales price or appraised value OR the current maximum mortgage calculation formula unless the family member has been a tenant in the property for at least six months immediately predating the sales contract. A lease or other written evidence must be submitted to verify occupancy. • If there is an identity-of-interest between the buyer and seller, commission from the sale or listing of the property cannot be used for the down payment.
<p>REAL ESTATE AGENT ALSO</p>	<ul style="list-style-type: none"> • The real estate agent for the subject property may not act as the loan officer/broker

LOAN OFFICER/BROKER	for the borrowers purchasing the same subject property.																																				
MORTGAGE INSURANCE	<ul style="list-style-type: none"> All loans, regardless of LTV require mortgage insurance. Mortgage Insurance Premiums are listed below as “Upfront Amount/Monthly Fee.” <table border="1" data-bbox="456 226 1523 558"> <thead> <tr> <th colspan="4">CASE NUMBERS ASSIGNED ON OR AFTER JANUARY 26, 2015 – ALL LOAN PURPOSES</th> </tr> <tr> <th colspan="4">Loan Terms > 15 Years</th> </tr> <tr> <th>LTV/Base Loan Amount</th> <th>≤ 95%</th> <th colspan="2">> 95%</th> </tr> </thead> <tbody> <tr> <td>≤\$625,500</td> <td>1.75%/.80%</td> <td colspan="2">1.75%/.85%</td> </tr> <tr> <td>>\$625,500</td> <td>1.75%/1.00%</td> <td colspan="2">1.75%/1.05%</td> </tr> <tr> <th colspan="4">Loan Terms ≤ 15 Years</th> </tr> <tr> <th>LTV/Base Loan Amount</th> <th>≤ 78%</th> <th>>78% and ≤ 90%</th> <th>> 90%</th> </tr> <tr> <td>≤\$625,500</td> <td>1.75%/0.45%</td> <td>1.75%/0.45%</td> <td>1.75%/0.70%</td> </tr> <tr> <td>>\$625,500</td> <td>1.75%/0.45%</td> <td>1.75%/0.70%</td> <td>1.75%/0.95%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> For all loan terms with LTVs ≤90% cancellation of the annual (monthly) premium will occur after the borrower has paid the premium for eleven years For all loan terms with LTVs >90% the annual (monthly) premium will continue for the loan term 	CASE NUMBERS ASSIGNED ON OR AFTER JANUARY 26, 2015 – ALL LOAN PURPOSES				Loan Terms > 15 Years				LTV/Base Loan Amount	≤ 95%	> 95%		≤\$625,500	1.75%/.80%	1.75%/.85%		>\$625,500	1.75%/1.00%	1.75%/1.05%		Loan Terms ≤ 15 Years				LTV/Base Loan Amount	≤ 78%	>78% and ≤ 90%	> 90%	≤\$625,500	1.75%/0.45%	1.75%/0.45%	1.75%/0.70%	>\$625,500	1.75%/0.45%	1.75%/0.70%	1.75%/0.95%
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APPRAISAL	<ul style="list-style-type: none"> Additional appraisal requirements can be found in the PRMG Appraisal Guidelines which is available in the Resource Center or at the following link http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Guidelines.pdf Appraisal must indicate that the home has at least a 30 year remaining useful life. Traditional appraisal report completed by a state-licensed and HUD approved appraiser required on all loans. Appraisals are valid for 120 days and must be dated within 120 days of the disbursement date. A one-time, 120-day extension of an appraisal that is due to expire and lender does not want to order a new appraisal report is allowed using Form 1004D/442 Appraisal Update with the following conditions: <ul style="list-style-type: none"> The underwriter has not previously extended the original appraisal for 30 days May be used for existing properties, or for new construction that is incomplete. Must be completed prior to the original appraisal’s expiration date. May not be used if the property value has declined. The original Appraiser must perform the update and be in good standing with FHA at the time of the update. The Appraisal Update must be signed by the original appraiser. A supervisory signature is not permitted. The appraiser must include a completed 1004MC Market Conditions Addendum reflecting current market conditions. The appraiser must certify that he/she can observe the improvements that contribute to value (no obstructions), that there are no deficiencies or other significant changes and certify that the property value has not declined. The appraiser must provide photos from the street and from all angles visible from a public way. If used by a subsequent lender who is not identified as the Client in the original appraisal report, the appraiser must incorporate the original report by attachment rather than by reference. Appraisal may not be over 150 days from funding date if lender allows a 30-day extension as permitted in Handbook 4000.1:II.A.A.a.i.(A)(1)(b)(i) Appraisal may not be over 240 days from funding date if lender allows a 120-day extension as permitted by Form 1004D. A DE lender may extend the appraisal for 30 days, provided the borrower has signed a valid sales contract or is approved for the FHA loan prior to the expiration date on 																																				

	<p>the appraisal (the loan approval date is the date the DE underwriter signs the 92900-LT – Loan Transmittal)</p> <ul style="list-style-type: none"> • The effective date of the appraisal cannot be before the FHA case number assignment date unless the lender certifies, via the certification field in the Appraisal Logging Screen in FHAC, that the appraisal was ordered for conventional lending or government-guaranteed loan purposes and was performed by a FHA Roster Appraiser. The lender must ensure that the appraisal was performed in accordance with FHA appraisal reporting instructions as detailed in this SF Handbook and the Appraisal Report and Data Delivery Guide. The intended use of the appraisal must indicate that it is solely to assist FHA in assessing the risk of the Property securing the FHA-insured Mortgage. Additionally, FHA and the lender must be indicated as the intended users of the appraisal report. • For HUD REO properties, follow HUD guidelines including appraisal is valid for 120 days from the effective date of the appraisal. Additionally, please note that if the buyer is financing the purchase with an FHA-insured mortgage, a valid HUD REO sales contract must be ratified within 120 days of the appraisal effective date or the lender must order a new appraisal or an appraisal update to support the mortgage transaction. • A 3 year sales history is required on the subject property. • The seller on the sales contract must be the owner of record. • PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion. • If a termite inspection is performed, and the Atlanta HOC is being used, the state mandated pest control form must be used. • Photographs are required for living rooms, bedrooms, kitchens and bathrooms
REVIEW/SECOND APPRAISALS	<ul style="list-style-type: none"> • A second appraisal is required for properties that are being re-sold within 180 days of acquisition by the seller AND the resale price is 100% or more over the price paid by the seller when the property was acquired. • A second appraisal is required for <= 90 Day Flips with a Sales Price 20% or Greater Than the Sellers Original Acquisition Cost loans, see Anti-Flipping section for additional information. • Review appraisals must be completed by a PRMG approved Appraisal Company.
SALES CONTRACT CHANGES	<ul style="list-style-type: none"> • PRMG will not accept re-negotiated purchase agreements that increase the sales price after the original appraisal has been completed if: <ul style="list-style-type: none"> • the appraised value is higher than the contracted sales price provided to the appraiser, and • the new purchase agreement and/or addendum used to modify the sales price is dated after the appraisal is received, and • the only change to the purchase agreement is an increase in sales price. • If the purchase agreement is re-negotiated subsequent to the completion of the appraisal, the loan-to value will be based on the lower of the original purchase price or the appraised value, unless: <ul style="list-style-type: none"> • Re-negotiation of only seller paid closing costs and/or pre-pays when seller paid closing costs/pre-pays are common and customary for the market and supported by the comparables or • An amended purchase agreement for new construction property is obtained due to improvements that have been made that impact the tangible value of the property. In the event of such changes, an updated appraisal must be obtained to verify the value of the modifications/changes.
MULTIPLE LOANS	<ul style="list-style-type: none"> • May not own any other properties at closing
RESIDUAL INCOME EVALUATION	<ul style="list-style-type: none"> • Not Required

HIGHER PRICED MORTGAGE LOAN (HPML)	<ul style="list-style-type: none"> • Allowed within the parameters of Section 35 of CFPB Regulation Z • Must comply with all limitations and requirements of HPML loans as described in PRMG’s Compliance Policy regarding HPML-Section 35 loans • HPML loans must have an escrow account, regardless of LTV
SECTION 32 / HIGH COST LOAN	<ul style="list-style-type: none"> • High cost loans are not allowed: • Loan is not a high cost loan as defined by Section 32 of the Federal Truth-in-Lending Act; and • Loan is not a high cost loan as defined by applicable state laws and/or regulations.
REAL ESTATE COMMISSIONS	<ul style="list-style-type: none"> • The maximum real estate commission allowed is 8%.
PROPERTY INSURANCE	<ul style="list-style-type: none"> • See PRMG’s Resource Center for PRMG Insurance Requirements and Additional Information
ESCROW ACCOUNT	<ul style="list-style-type: none"> • HPML loans must have an escrow account, regardless of LTV • 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. • For loans in a flood zone, only a first lien is present, the flood coverage calculation will be based on the unpaid balance of the first lien. If a first and second lien are present and both liens were closed in the name of the lender and will be serviced by the master servicer, then the flood coverage calculation will include the unpaid balance of both liens; if a first lien is in the name of the lender and the second lien is in the name of the master servicer, then the flood coverage calculation will include the unpaid balance of both liens; if a first lien is in the name of the lender but the second lien or deferred lien is in the name of another creditor (including the HFA) who is not the Master Servicer, then the Master Servicer will only require the customer to obtain flood insurance in an amount not to exceed the first lien. Flood coverage for the second lien in the name of another lender (not the Master Servicer) is the responsibility of that lender, not the Master Servicer. • As required per HUD, Flood insurance in Special Flood Hazard Areas must be obtained through the National Flood Insurance Program (NFIP).
UNDERWRITING	<ul style="list-style-type: none"> • Manual underwriting is not allowed. • DU underwriting is acceptable provided the loan receives an “Approve” from DU. • All loans that have borrowers with credit bureau scores must be risk-classified by FHA’s TOTAL Mortgage Scorecard
TSAHC LENDER PORTAL	<ul style="list-style-type: none"> • The Lender Portal is an interactive, web-based application that lenders use to reserve funds and submit Pre- and Post-Closing Compliance Packages. In addition, the Lender Portal allows lenders to check the status of loans in their pipeline, view compliance conditions, print compliance approval (commitment) letters, run reports, view program guidelines and marketing materials, and keep up to date on other important information associated with the programs. • The TSAHC Lender Portal can be found here: www.tsm-online.org
TSAHC RESERVATION, COMPLIANCE, AND CLOSING STEPS	<ul style="list-style-type: none"> • Loans may not be registered/locked until after underwriter approval • TSAHC's compliance team has an email address for loan reservation change requests, general status updates and/or lender portal questions. Should you need something changed or updated on an existing reservation, please send your request in writing to: compliance@tsahc.org <p>Step 1: Reserving Funds</p> <ul style="list-style-type: none"> • The AFS team will register and lock the loan in the Lender Portal. Loans will only be

reserved/locked in by the AFS team once underwriter has issued conditional approval. Once the loan is locked with the Portal, the AFS team member will forward the locked registration confirmation to Secondary to complete the lock process in FT360.

- At the time the lender reserves a mortgage loan in the Lender Portal, the lender must have a mortgage loan application from a borrower, and the lender must have made a preliminary determination that the borrower qualifies for the program(s). In addition, the borrower must have furnished the lender with a property sales contract or construction contract executed by the borrower and the seller or builder of a residence.
- The reservation window is open Monday through Friday between 9:00 a.m. and 7:00 p.m. Central Time and will not be available on Saturdays, Sundays, certain holidays, and days when the financial markets are closed.
 - Login to the TSAHC Lender Portal at www.tsm-online.org.
 - Select the “New Reservation” tab in the upper left corner.
 - Select the appropriate program from the list.
 - Complete those fields marked with a red asterisk in the reservation form and click “Submit” at the bottom of the form.
 - Once the loan is reserved, you will have the option to view or print your reservation confirmation.
 - The reservation confirmation will include the TSAHC loan number, the date reserved and the commitment expiration date (60 days from the reservation date).

Step 2: Pre-Closing Compliance Package Submission

- The next step is to complete and submit the Pre-Closing Compliance Package via the Lender Portal at least 5 calendar days prior to the anticipated closing date of your loan.
- Login to the Lender Portal at www.tsm-online.org.
- Click on the “Loan Status” tab and use the search engine to locate the applicable loan.
- Once the correct loan is identified, click on the “PDF Forms” tab associated with the selected loan.
- Select and download the DPA Pre-Closing Checklist. Ensure all documents listed on the checklist are uploaded AND submitted via the Lender Portal.
- Once the Pre-Closing Compliance Package has been approved, the Lender may re-enter the Lender Portal and print out a Commitment Letter from the “PDF Forms” tab associated with the loan under the “Loan Status” tab.

Step 3: Down Payment Assistance Grant Request

- For loans reserved on or after January 15th, 2018: No wire request form for closing is required. Lenders will be reimbursed when Lakeview purchases the loan.
- For loans reserved prior to January 15th, 2018: Wire request form to TSAHC is still required. TSAHC will wire DPA funds for these loans.
- This step is for DPA and MCC/DPA Loans Only. Those loans utilizing only TSAHC’s MCC assistance can skip to Step 4.
- At least 2 days prior to loan closing, provided the Pre-Closing Compliance Package is approved by TSAHC, the lender must email the Funding Request Form, the TSAHC Commitment (approval) letter (both available in the “PDF Forms” tab of the Lender Portal), and the final Closing Disclosure Settlement Statement to TSAHC at wire.request@tsahc.org.
- TSAHC will review the information on the Funding Request Form to ensure accuracy and notify the lender of any inconsistencies prior to the loan closing date.
- TSAHC will process the request and wire the funds to the escrow/closing agent on

	<p>the scheduled day of closing.</p> <ul style="list-style-type: none"> • The lender should request a copy of the wire transmission from the title company/escrow agent to keep with the loan file for audit purposes. <p>Step 4: Fund & Close Loan</p> <ul style="list-style-type: none"> • Upon closing, the lender must submit the Post-Closing Compliance Package for TSAHC’s review and approval within five (5) calendar days of loan closing. • Login to the Lender Portal at www.tsm-online.org. • Click on the “Loan Status” tab and use the search engine to locate the applicable loan. • Once the correct loan is identified, click on the “PDF Forms” tab associated with the selected loan. • Select and download the DPA Post-Closing Checklist. Ensure all documents listed on the checklist are uploaded AND submitted via the Lender Portal. • The loan will not be purchased by Lakeview, and/or the MCC will not be issued to the borrower, until the Post-Compliance Closing Package has been approved by TSAHC. <p>Step 5: Loan Purchase</p> <ul style="list-style-type: none"> • This step is for DPA and MCC/DPA Loans Only. • Upon closing, the lender will deliver the closing package to Lakeview for purchase. Delivery and funding information for the mortgage loan file may be found on the Lakeview Seller Portal at www.lakeviewcorrespondent.com. • The closing package must be delivered to Lakeview promptly after closing and must be purchased by Lakeview within 60 calendar days of loan reservation. • If the loan is not eligible for purchase within the 60-day purchase period, the lender may request a 7, 15 or 30-day extension at a cost of 1 basis point per day (7 bps, 15 bps or 30 bps, respectively). <ul style="list-style-type: none"> • This fee will be deducted from the lender’s proceeds at the time the loan is purchased by Lakeview. • The Extension Request Form can be found under the “Loan Status” tab on the Lender Portal (click on the “PDF Forms” tab associated with the specific loan). • Extension requests beyond 30 days from the original expiration date will only be considered on a case-by-case basis. Lakeview may, but is under no obligation to, purchase loans beyond the 90-day period (initial 60-day period plus 30-day extension), subject to additional per diem charges. • In the event a loan is not purchased by the later of the 60th day after initial loan reservation or the last day of any extension that was granted, the lender must reimburse TSAHC for the down payment assistance funds TSAHC provided at loan closing. In such cases, TSAHC will notify the lender and the lender will have 15 days to remit the funds owed to TSAHC. • For more information on Reservation and Compliance Features, refer to the step-by-step guide found here: http://www.tsahc.org/public/upload/files/general/Step_by_Step_Loan_Reservation_Compliance_Procedures.pdf
<p>ELECTRONIC SUBMISSION OF REQUIRED DOCUMENTS</p>	<p>The Lender Portal allows lenders to submit electronic documents from TSAHC’s list of “PDF Forms” or from the PRMG in-house loan file. Paper documents will not be accepted. All documents must be uploaded electronically through the Lender Portal.</p> <ul style="list-style-type: none"> • Under the Loan Status tab, click on the “PDF Forms” tab associated with the loan you are processing. • Select the desired form and ensure all required fields are completed. The system will auto-fill the fields that were input at loan reservation. • If the applicable form requires no signature, it will have an “Upload Package” button at the bottom of the document. Simply click the button after completing the form and it will automatically upload to the “eDocs” module of the Lender Portal.

	<ul style="list-style-type: none"> • If the applicable form requires a signature, the form must be completed, printed and scanned to create a PDF document. The PDF document may then be uploaded to the system using the “eDocs” function associated with your loan under the “Loan Status” tab. <ul style="list-style-type: none"> • Simply click the “eDocs” tab and follow the instructions to upload the required documents. • Click the “Add New” button to upload a form. Click the “Click Here” button to access your computer files and select the document you wish to upload. • The next step is to name the document you are uploading. Choose an option from the drop-down list under “Select a document from the predefined list”. The drop-down will list all of the required documents for the applicable package. If you don’t see your document on the list, use the “Enter a customized document name” field to name the document you are uploading. • Once all of the required documents (from the Pre-Closing Compliance Package Checklist or the Post-Closing Compliance Package Checklist) have been uploaded to the Lender Portal, click on the “Submit” button associated with the applicable package and TSAHC will be notified that your package has been delivered.
SHIPPING ADDRESS FOR ORIGINAL NOTE AND FINAL DOCUMENTS	<p>Original Note should be delivered to: Lakeview Loan Servicing, LLC 507 Prudential Rd Mail Stop S142 Horsham, PA 19044 Attn: Lakeview Correspondent</p> <p>Final Documents should be delivered to: Indecomm Global Services FD-BV-9902 1260 Energy Lane St. Paul, MN 55108</p>
RATE LOCK EXTENSIONS	<ul style="list-style-type: none"> • If the loan is not eligible for purchase within the 60 day purchase period, the lender may request a 7, 15 or 30-day extension for 1 bp per day. • The Extension Request Form can be found under the “Loan Status” tab on the Lender Portal (click on the “PDF Forms” tab associated with the specific loan). • The Servicer shall permit Mortgage Loans to be purchased beyond the 90-day period (initial 60-day period plus 30-day extension), subject to additional per diem charges.
LOAN INFORMATION CHANGES	<p>Changes in Current Income</p> <ul style="list-style-type: none"> • Income eligibility is based upon the current family income of the borrower(s). The commitment is issued based on verified income as of the date the commitment is issued. • Increases in income from sources already reported (i.e., salary increase) will not affect the validity of a commitment as long as the loan closes within 30 days from the time the commitment was issued. If the loan does not close within 30 days, the “Reaffirmation of Borrower Form” (available in the “PDF Forms” tab in the Lender Portal) must be completed and uploaded to the Lender Portal. • If a borrower’s income increases between the execution of the Program Affidavit and the closing date of the mortgage loan (and if more than 30 calendar days has elapsed since execution of the Program Affidavit), and the “Reaffirmation of Borrower” cannot be executed due to the changes, the lender must submit a corrected Program Affidavit through the Lender Portal for additional review. If the changes in income make the loan ineligible for purchase, the reservation will be cancelled by TSAHC. <p>Change in Purchase Price</p> <ul style="list-style-type: none"> • For a change in purchase price after the commitment and prior to closing which does not exceed the maximum purchase price limit, the lender will be required to submit a corrected Program Affidavit, re-executed by the borrower, through the Lender

Portal for additional review. If the purchase price of the applicable residence increases so as to exceed the maximum purchase price limit, the commitment shall be revoked and the reservation cancelled.

Changes in Property Address

- If a borrower has a pending reservation and changes the property he or she intends to purchase, the lender must submit a new signed property sales agreement and a notice to TSAHC stating whether or not the mortgage amount has changed. If the change occurs after TSAHC has issued the commitment, the following documents should be revised and resubmitted through the Lender Portal to reflect the new property address and any change in mortgage amount:
 - Copy of Program Affidavit (first page amended and initialed by the Borrower)
 - Property sales contract (first and last pages and any counter offers)

Change in Loan Amount

- Any change to the mortgage loan amount that occurs after the commitment is issued, but before loan closing, must be reported to TSAHC via email. TSAHC will revise the commitment with the new mortgage loan amount and notify the lender when the revision is completed.

Lender's Obligation to Notify TSAHC of Material Changes

- The issuance of a commitment is based (in part) upon the Program Affidavit and the lender's certification that the program requirements have been met. Commitments are issued subject to the condition that all program requirements are or will be met prior to the closing of a mortgage loan. Thus, the lender must immediately notify TSAHC of any change in the circumstances upon which the commitment was issued. If any change of circumstances occurs such that TSAHC requirements are not met, the commitment will be revoked and the mortgage loan cancelled.

Delinquent Closing Documentation

- If the Post-Closing Compliance Package is not submitted through the Lender Portal within ten (10) days of loan closing, TSAHC may contact the lender to request the status of the mortgage loan. If the lender fails to timely provide to TSAHC the required closing documentation, the corresponding reservation will be subject to cancellation. Such action may result in the lender being suspended or terminated from the program until the problem is remedied.

Penalties for Borrower Misrepresentation

- Strict penalties may be imposed on any Borrower making a material misstatement, misrepresentation or fraudulent act on an application or other document submitted to obtain assistance from TSAHC. Further, any person making a material misstatement or misrepresentation in any affidavit or certification made in connection with the application shall be subject to all applicable fines and penalties.

Revocations of MCC

- Revocation of an MCC will occur when the residence for which the MCC was issued ceases to be the MCC holder's principal residence.
- Revocation will occur upon discovery by TSAHC or a participating lender of any material misstatement, whether negligent or intentional, made in connection with the issuance of the MCC.
- Revocation will occur if it is later discovered that the holder did not meet the requirements for an MCC.
- Revocation will occur if the original (first) mortgage loan is refinanced, unless the borrower applies for a re-issued MCC after the refinancing has closed. The tax credit may only be claimed for interest paid to the date of the recording of the refinancing, unless a re-issued MCC has been applied for and issued.

Reissued MCCs

- TSAHC shall reissue an MCC for certain refinance transactions if TSAHC receives to its satisfaction evidence that:

	<ul style="list-style-type: none"> • The reissued MCC is issued to the holder of an existing MCC with respect to the same property to which the existing MCC relates; • The reissued MCC entirely replaces the existing MCC (that is, the holder cannot retain the existing MCC with respect to any portion of the outstanding balance of the certified mortgage indebtedness specified on the existing MCC); • The certified mortgage indebtedness specified on the reissued MCC does not exceed the remaining outstanding balance of the certified mortgage indebtedness specified on the existing MCC; and • The reissued MCC does not result in an increase in the tax credit that would otherwise have been allowable to the holder under the existing MCC for any taxable year. The holder of a reissued MCC determines the amount of tax credit that would otherwise have been allowable by multiplying the interest that was scheduled to have been paid on the refinanced loan by the MCC rate of the existing MCC. In the case of a series of refinance transactions, the tax credit that would otherwise have been allowable is determined from the amount of interest that was scheduled to have been paid on the original loan and the MCC rate of the original MCC. <p>Replacement MCCs</p> <ul style="list-style-type: none"> • Upon the satisfaction of TSAHC that an MCC has been mutilated, destroyed, lost or stolen, including the surrendering of the mutilated MCC to TSAHC, and upon receipt by TSAHC of such indemnity or security as TSAHC may require, TSAHC shall cancel the original MCC, noting in its records that such MCC was mutilated, destroyed, lost, or stolen, and issue a replacement MCC. • TSAHC shall charge the homeowner reasonable fees and expenses in connection with issuing a replacement MCC.
<p>TSAHC MCC REPORTING</p>	<p>Lender Record Keeping and Federal Report Filing</p> <ul style="list-style-type: none"> • The lender is required by the IRS to file a report on or before January 31 for all of the MCCs issued during the previous calendar year. In early January, TSAHC will send the lender the completed IRS Form 8329 with the MCCs issued the previous year. It is the lender’s responsibility to verify that the information on the form is correct and, if necessary, make any changes or additions and then submit the form to the IRS. • For six years after each Closing, the lender must retain: <ul style="list-style-type: none"> • Name, mailing address, and tax identification (“TIN”) or social security number of the MCC holder. • Name, mailing address, and TIN of the Issuer. • Date of issuance for each MCC, the certified amount of indebtedness and the credit rate of the MCC. • TSAHC may conduct audits of participating lender records to ensure compliance with the recordkeeping provisions. <p>TSAHC Reports</p> <ul style="list-style-type: none"> • TSAHC must make quarterly reports on IRS Form 8330, beginning with the quarter in which the election for the MCC program is made. The report must include: <ul style="list-style-type: none"> • Name, address, and TIN of the Issuer; • Date of election; • The sum of the products of the certified indebtedness amount (the mortgage amount or the initial principal balance) and the MCC credit rate for each MCC issued; and • Name, address, and TIN of each MCC holder for whom an MCC was revoked. • TSAHC shall make an annual report to the IRS for each year beginning July 1 and ending June 30. The report will include: <ul style="list-style-type: none"> • Number of MCCs issued by Income and Purchase Price; and • Volume of MCCs issued by Income and Purchase Price. • In January following each year during which MCCs are issued, the Program

	Administrator will mail an IRS Form 8396, Mortgage Interest Credit, to each MCC holder of record as a reminder to properly declare the MCC tax credit for federal income tax purposes.
CANCELLATION OF LOAN RESERVATION	<ul style="list-style-type: none"> • The Lender is responsible for cancelling all mortgage loans subject to a reservation if the mortgage loan will not be delivered. Please note, should the lender cancel a reservation, the lender will be prohibited from making another reservation for that borrower for a period of 90 days unless otherwise authorized by TSAHC. <ul style="list-style-type: none"> • In a case where the borrower cancels or withdraws his or her application, the reservation of funds must be cancelled by contacting TSAHC. • In a case where the Commitment expires, the lender must request an extension using the Extension Request Form available through the Lender Portal, and provide the new estimated closing date. • In all cases, the expiration of the commitment without a cancellation or extension by the lender may result in the lender being placed on “Inactive Status”, meaning the lender may submit no new reservations until the problem is resolved. Failure to comply with this provision may result in the Lender’s termination from the programs.
INDEX	• N/A
MARGIN	• N/A
INTEREST RATE CAPS	• N/A
INTEREST RATE CHANGES	• N/A

Texas State Housing Corporation - FHA Loan Process

Step 1: Reserving Funds

At the time the lender reserves a mortgage loan in the Lender Portal, the lender must have a mortgage loan application from a borrower, and the lender must have made a preliminary determination that the borrower qualifies for the program(s). In addition, the borrower must have furnished the lender with a property sales contract or construction contract executed by the borrower and the seller or builder of a residence.

The reservation window is open Monday through Friday between 9:00 a.m. and 7:00 p.m. Central Time and will not be available on Saturdays, Sundays, certain holidays, and days when the financial markets are closed.

- Login to the TSAHC Lender Portal at www.tsm-online.org.
- Select the “New Reservation” tab in the upper left corner.
- Select the appropriate program from the list.
- Complete those fields marked with a red asterisk in the reservation form and click “Submit” at the bottom of the form.
- Once the loan is reserved, you will have the option to view or print your reservation confirmation.
- The reservation confirmation will include the TSAHC loan number, the date reserved and the commitment expiration date (60 days from the reservation date).

Step 2: Pre-Closing Compliance Package Submission

- The next step is to complete and submit the Pre-Closing Compliance Package via the Lender Portal at least 5 calendar days prior to the anticipated closing date of your loan.
- Login to the Lender Portal at www.tsm-online.org.
- Click on the “Loan Status” tab and use the search engine to locate the applicable loan.
- Once the correct loan is identified, click on the “PDF Forms” tab associated with the selected loan.
- Select and download the DPA Pre-Closing Checklist. Ensure all documents listed on the checklist are uploaded AND submitted via the Lender Portal.
- Once the Pre-Closing Compliance Package has been approved, the Lender may re-enter the Lender Portal and print out a Commitment Letter from the “PDF Forms” tab associated with the loan under the “Loan Status” tab.

Step 3: Down Payment Assistance Grant Request

- For loans reserved on or after January 15th, 2018: No wire request form for closing is required. Lenders will be reimbursed when Lakeview purchases the loan.
- For loans reserved prior to January 15th, 2018: Wire request form to TSAHC is still required. TSAHC will wire DPA funds for these loans.
- This step is for DPA and MCC/DPA Loans Only. Those loans utilizing only TSAHC’s MCC assistance can skip to Step 4.
- At least 2 days prior to loan closing, provided the Pre-Closing Compliance Package is approved by TSAHC, the lender must email the Funding Request Form, the TSAHC Commitment (approval) letter (both available in the “PDF Forms” tab of the Lender Portal), and the final Closing Disclosure Settlement Statement to TSAHC at wire.request@tsahc.org.
- TSAHC will review the information on the Funding Request Form to ensure accuracy and notify the lender of any inconsistencies prior to the loan closing date.
- TSAHC will process the request and wire the funds to the escrow/closing agent on the scheduled day of closing.
- The lender should request a copy of the wire transmission from the title company/escrow agent to keep with the loan file for audit purposes.

Step 4: Fund & Close Loan

- Upon closing, the lender must submit the Post-Closing Compliance Package for TSAHC’s review and approval within five (5) calendar days of loan closing.
- Login to the Lender Portal at www.tsm-online.org.
- Click on the “Loan Status” tab and use the search engine to locate the applicable loan.

- Once the correct loan is identified, click on the “PDF Forms” tab associated with the selected loan.
- Select and download the DPA Post-Closing Checklist. Ensure all documents listed on the checklist are uploaded AND submitted via the Lender Portal.
- The loan will not be purchased by Lakeview, and/or the MCC will not be issued to the borrower, until the Post-Compliance Closing Package has been approved by TSAHC.

Step 5: Loan Purchase

- This step is for DPA and MCC/DPA Loans Only.
- Upon closing, the lender will deliver the closing package to Lakeview for purchase. Delivery and funding information for the mortgage loan file may be found on the Lakeview Seller Portal at www.lakeviewcorrespondent.com.
- The closing package must be delivered to Lakeview promptly after closing and must be purchased by Lakeview within 60 calendar days of loan reservation.
- If the loan is not eligible for purchase within the 60-day purchase period, the lender may request a 7, 15 or 30-day extension at a cost of 1 basis point per day (7 bps, 15 bps or 30 bps, respectively).
- This fee will be deducted from the lender’s proceeds at the time the loan is purchased by Lakeview.
- The Extension Request Form can be found under the “Loan Status” tab on the Lender Portal (click on the “PDF Forms” tab associated with the specific loan).
- Extension requests beyond 30 days from the original expiration date will only be considered on a case-by-case basis. Lakeview may, but is under no obligation to, purchase loans beyond the 90-day period (initial 60-day period plus 30-day extension), subject to additional per diem charges.
- In the event a loan is not purchased by the later of the 60th day after initial loan reservation or the last day of any extension that was granted, the lender must reimburse TSAHC for the down payment assistance funds TSAHC provided at loan closing. In such cases, TSAHC will notify the lender and the lender will have 15 days to remit the funds owed to TSAHC.