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801 NPB AIO Eligibility Matrix

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<tr>
<th>Type</th>
<th>Loan Amount</th>
<th>Purchase/Rate &amp; Term</th>
<th>Cash Out</th>
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</thead>
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<tr>
<td></td>
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<td>Max LTV</td>
<td>Min Score</td>
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<tr>
<td>Full Doc</td>
<td>Up to $750,000</td>
<td>80%</td>
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<td>$750,001 - $1,500,000</td>
<td>75%</td>
<td>700</td>
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</tbody>
</table>

- Payment calculated at the greater of the floor rate or the 1-month LIBOR Index + margin, by the LOC amount, amortized over 30 years. Refer to the AIO Loan rate sheet for the floor rate per product code.
- Max debt ratio = 40% except as noted below:
  - DTI: a debt-to-income greater than 40% and up to 43% is allowed when the borrower can verify 15% of the line of credit amount in reserves
- All loan amounts $500,000 or over require investor approval Prior to Docs and Clear to Close. CMG is delegated on loan amounts up to $500,000
- Zero initial advances (draws) are not allowed. If a property is free and clear, the borrowers must verify their need for cash out of closing by submitting a letter of explanation.

Eligibility Matrix - Regional / Geographic Restrictions:
Properties must be located in the following states:

- AZ - Arizona
- CO - Colorado
- IA - Iowa
- IL – Illinois
- IN - Indiana
- MI - Michigan
- MN – Minnesota
- NC – North Carolina
- OR - Oregon
- SC – South Carolina
- TN - Tennessee
- WI - Wisconsin
Program Highlights

Eligible Borrowers:
- U.S. Citizens
- Inter-Vivos Revocable Trusts
- Permanent Resident Aliens
- Non-Permanent Resident Aliens that meet the following requirements:
  - Provide documentation to verify borrower is legally present in the U.S.
  - Evidence borrower is legally employed in U.S. for past 12 months
  - Income and employment likely to continue for 3 years

Borrower Suitability:
- CMG call between Client Liaison Team and the borrower(s) is required as a PTD to verify initial advance (draw amount) and answer any additional questions the borrower may have regarding the product.
- Zero initial advances (draws) are not allowed. If a property is free and clear, the borrowers must verify their need for cash out of closing by submitting a letter of explanation.

Minimum Line Size: No minimum.

Maximum Draw Amount: 99% of line

Credit Standards: Minimum 700 FICO score

Debt-to-Income Ratios: Maximum 40%; however, a debt-to-income greater than 40% and up to 43% is allowed when the borrower can verify 15% of the line of credit amount in reserves

Property Types:
- SFR's (modular and manufactured not permitted)
- 2-4 units properties
- Condo's; no litigation permitted
- Properties recently listed for sale: Rate / Term allowed subject to the following:
  - Copy of cancellation required
  - Value determined using lesser of last listing price or appraisal
- Properties recently listed - the following are required both rate/term and cashout:
  - the subject property must not be currently listed for sale
  - copy of cancellation required
  - the borrowers must confirm their intent to occupy the subject property (for principal residence transactions).

AIO Loan Account Access Terms:
- Non-borrowers can be added to the account as authorized users post-close by completing a form through the mortgage service provider, and will be issued their own VISA card to use.

Delegation Status: CMG is delegated on loan amounts up to $500,000
Product Eligibility / Product Terms / Product Codes

Product Terms / Codes:

- **801-NPB 30 YR AIO**
  - First lien position line of credit
  - 30 Year draw / repayment period
  
  Life Cap: 6% over greater of floor rate or initial fully indexed rate
  Margin: See Ratesheet
  Index: 1 month LIBOR
  Floor: 3.75%
  
  - One Month adjustable rate (index + Margin)

Part A – Borrower Eligibility & Property Ownership Restrictions

Borrower Suitability

- CMG call between Client Liaison Team and the borrower(s) is required as a PTD to verify initial advance (draw amount) and answer any additional questions the borrower may have regarding the product.
- Zero initial advances (draws) are not allowed. If a property is free and clear, the borrowers must verify their need for cash out of closing by submitting a letter of explanation.
- Borrower may only have one AIO loan at a time with Northpointe.
- Loan files must include the AIO simulator results in the loan file:
  - Borrowers must submit the results from the AIO Simulator specific to their mortgage scenario:
    - Retail: [www.aioloan.com](http://www.aioloan.com)
    - Wholesale: [www.aioloan.net](http://www.aioloan.net)
  - Underwriter must review the AIO Simulator results for net tangible benefit

Note: State required NTB forms must always be included in the loan file.

Eligible Borrowers

- U.S. Citizens
- Inter-Vivos Revocable Trusts
- Permanent Resident Aliens
- Non-Permanent Aliens that meet the following requirements
  - Provide documentation to verify borrower is legally present in the U.S.
  - Evidence borrower is legally employed in U.S. for past 12 months
  - Income and employment likely to continue for 3 years
Ineligible Borrowers
The following are ineligible borrowers:

- Aliens that do not meet the above requirements
- Diplomats
- Irrevocable Trusts
- Land Trusts
- Limited and/or general partnerships, corporations, LLC’s
- Non-occupant co-borrowers

Excluded Parties Search (LDP/GSA)

Excluded Parties Search (LDP/GSA/CAIVRS)
CMG loans require confirmation that companies or individuals involved in the origination or underwriting of a mortgage transaction are not on the General Services Administration (GSA) excluded party list or the HUD Limited Denial Participation (LDP). Refer to the CMG Policy: Exclusionary Lists CPS-1019-ALL

Property Ownership Restrictions
Maximum number of financed properties:

- If subject property is the primary residence: Unlimited
- If subject property is the second home: 6
Part B – Appraisals & Property Requirements

Appraisals
- Must be ordered through CMG approved AMC’s
- Loan amounts up to $1,000,000 require 1 full appraisal
- Loan amounts greater than $1,000,000 require 2 full appraisals (lower of two values used for qualifying)
- Transferred Appraisals are NOT permitted.
  Refer to CMG’s Appraisal Requirements, as applicable, in addition to the above program requirements.

Unacceptable Collateral
- Properties with:
  o Health / Safety Issues
  o Less than average condition noted on appraisal
  o No permanent heat source (except for properties in Hawaii)
- Leasehold Properties
- Co-Ops
- Community Living Group Homes, Long Term Care Facilities, etc.
- Geographic Restrictions
- Not suitable for year round use or no year round access
- Utilities that are turned off
- CondoTels
- Properties subject to private transfer fee covenants
- Illegal use of the property;
- Hawaii – located within lava zones 1 or 2;
- Property located in an area that is deemed an environmental risk;
- Unique property in which the marketability cannot be established (e.g., dome, geothermal);
- Unapproved non-conforming use property (does not include grand fathered use);
- Timeshare, houseboat, segmented ownership project.
- Residential dwelling consisting of five or more units;
- Community Land Trusts
- Survey Exceptions
- Properties with previous Sink Hole (as noted on contract, prelim(recorded permit and/or remediation), sellers disclosures, etc.)
Part C – Occupancy

Primary Residence
- 1-4 unit properties
- PUD’s attached and detached
- Condo’s; no litigation permitted

Second Homes
- Underwriter to determine reasonableness
- SFR’s, PUD’s, and Condo’s; no litigation permitted

Part D – Underwriting Documentation

Underwriting Documentation

Age of Documents
- Appraisal = 90 days
- Preliminary Title Report = 90 days
- Credit Package = 90 days

Electronic Signatures
Initial disclosures may be electronically signed by the borrower, subject to compliance with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act).

For additional details and requirements, refer to CMG’s Policy: Electronic Signatures
Part E – Application

The originator should perform a preliminary review of the borrower’s application to determine that the requested mortgage loan satisfies program mortgage eligibility criteria. The originator’s level of review should be the same for each mortgage. This eligibility review should happen before underwriting begins based on predictive risk factors that are incorporated into the guidelines, specifically:

- LTV/CLTV/HCLTV
- Qualifying Credit Score
- Product Type
- Loan Purpose
- Occupancy
- Property Type, including number of units

NMLS

CMG will validate Nationwide Mortgage Licensing System (NLMS) IDs provided on all loans submitted against the NLMS Registry which can be accessed at the following link: http://www.nmlsconsumeraccess.org/

The validation will include the following:

- Originator ID is found on the NMLS Consumer Access Website
- Originator ID matches the Originator Name
- 1003 Application Date is not prior to Originator Authorization Date
- Originator is authorized to conduct business in the property state
- Originator ID matches the listed Company Originator ID
- Company Originator ID is found on the MLS Consumer Access Website
- Company Originator ID matches the company name
- Company is authorized to conduct business in the property state
- 1003 Application Date is not prior to the Company Authorization Date
- 1003 Includes the Originator Name, Originator ID, Company Name, and Company Originator ID
Part F – Credit Requirements

Minimum Tradelines
- 4 rated trades for a minimum of 24 months; and
- At least one of the trades reported in the last 6 months

Representative Score
- Middle of three scores or lowest of two scores used
- Lowest score among all borrowers used
- Borrowers with only one score are ineligible

Bankruptcies, Consumer Credit Counseling, Foreclosures
- None in the past 7 years from discharge date
- Balance reduction note modifications and short sales are not permitted within the past 7 years

Mortgage Rental History
- No 30 day delinquencies permitted in the past 12 months

Tax Liens / Judgments / Collections / Charge Offs
- Proof liens are paid or pay at closing
- Proof paid or underwriter discretion to be paid at closing

Undisclosed Debt
- Refer to CMG’s Policy for guidance and requirements: Undisclosed Debt.
Part G – Income Documentation

Full Doc

- Wage earners
  - Most recent paystubs covering a 30 day period
  - Most recent two years W2's

- Self Employed*
  - Most recent two years federal returns with all schedules
  - Most recent two years federal Corporate and/or Partnership returns (if applicable)
  - If paystubs and W2’s issued, most recent paystubs and two years W2’s
  - If more than 6 months into fiscal year, signed P & L

*The underwriter must prepare a written evaluation of its analysis of a self-employed borrower’s personal income, including the business income or loss, reported on the borrower’s individual income tax returns. The purpose of this written analysis is to determine the amount of stable and continuous income that will be available to the borrower. This is not required when a borrower is qualified using only income that is not derived from self-employment and self-employment is a secondary and separate source of income (or loss). Examples of income not derived from self-employment include salary and retirement income.

General Information

Unless addressed in this section, follow Fannie Mae general underwriting guidelines

- Alimony / Child Support
  - Copy of divorce decree, separation agreement, or other legal decree outlining terms
  - 3 years continuance
  - Most recent 6 months cancelled checks / bank statements receipt

- Removing debts paid by others / business
  - Underwriter discretion to allow
  - 6 months cancelled checks / bank statements

- CMG’s Income Validation Policy applies; however, the following minimum Tax Transcripts / 4506 audits are required in all cases:
  - 1 year required on wage earners
  - 2 years required on self employed

- A minimum history of 2 years of commission income is recommended; however, commission income that has been received for 12 to 24 months may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history. Note: If a borrower has <12 mos. at current employer, he/she must have at least 24mos. history as a commissioned employee within the same industry and demonstrate financial stability and continued earning potential.
Part H – Asset Documentation & Reserve Requirements

In an effort to fully document a borrower’s ability to meet their obligations, all liquid assets should be disclosed on the 1003 and verified, not just the amount required to meet minimum reserve requirements.

Reserve Requirements

- 10% of loan amount required for all transactions
  - DTI: a debt-to-income greater than 40% and up to 43% is allowed when the borrower can verify 15% of the line of credit amount in reserves.
- Two months statements or most recent quarterly statement required

Additional considerations regarding reserves:

- Gift funds are an unacceptable source of reserves.
- Advanced funds from a HELOC are not acceptable to be used for reserves.
- Marketable securities or vested stocks are an acceptable source of reserves, as well as retirement accounts.
- Borrower must be able to liquidate funds used to meet the reserve requirement. Accounts that cannot be liquidated are not eligible to be used as reserves.
- 100% value will be used for accounts that can be liquidated, i.e.; retirement savings, cash, equitable stocks and bonds, as well as cash-value of life insurance policies.
- Funds in an account used depletion of an asset (true asset depletion or an established retirement account distribution) cannot also be counted as reserves. When an income has a defined expiration date or allows the depletion of an asset, care must be taken when this is the sole source or majority of qualifying income. The underwriter must consider the borrower’s continued capacity to repay the mortgage loan when the income source expires or the distributions will deplete the asset prior to maturation of the mortgage loan.

Downpayment, Gifts, and Contributions

- Borrower must have 10% of own funds into the transaction
- Gift funds are NOT permitted as reserves.
- Max 3% interested party contributions
- After 10% from borrower funds, gift funds are permitted (including for investment properties). Gift letter and verification of donor’s ability to donate required. See below for Gift of Equity.
- A gift can be provided by a relative, defined as the borrower’s spouse, child, or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner. The donor may not be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction.

Gift of Equity: A gift of equity is permitted for principal residence and second home purchase transactions. Acceptable donor requirements for gifts also apply to gifts of equity; however, Gift of Equity can count as borrower funds to meet the 10% minimum borrower contribution requirement.

- The following documents must be retained in the loan file:
  - a signed gift letter, and
  - the settlement statement listing the gift of equity.

Note: If the requirements listed are met, the gift of equity is not subject to interested party contribution requirements.
Part I – Property Eligibility

Eligible Property Types

- SFR’s (modular and manufactured not permitted)
- 2-4 units properties
- Condo’s; no litigation permitted
- 2-4 units properties
- Condo’s; no litigation permitted
  - Limited Reviews are permitted, subject to meeting all Fannie Mae requirements.
  - Non-Warranteable condos considered on a case by case basis.
- Properties recently listed - the following are required both rate/term and cashout:
  - the subject property must not be currently listed for sale
  - copy of cancellation required
  - the borrowers must confirm their intent to occupy the subject property (for principal residence transactions).

Ineligible Property Types

- Mixed Use
- Property on tribal land
- Cooperatives
- Leaseholds
- Manufactured or modular housing
- Unique such as log, dome, earth, geothermal homes
- Condotels
- Non-Warranteable Condos

Part J – Disaster Policy

When a property is located in a Disaster Area, CMG must verify the structure is sound and not negatively impacted by the Disaster. This must be verified prior to closing / purchasing the loan. Refer to CMG’s Disaster Area Policy for additional details and requirements.

Part K – Private Mortgage Insurance

Not applicable.
Part L – Transaction Types

Unless addressed in this section, follow Fannie Mae general underwriting guidelines for definitions and LTV calculations.

Eligible Transaction Types

Purchase
- 1% draw holdback required; max draw at closing is 99%

Rate/Term Refinance
Additional restrictions:
- Payoff of all liens secured to subject regardless of age or original purpose
- Max cash out (or available equity at closing) = lesser of 1% or $2000
- 1% draw holdback is not counted towards the 1% / $2000 cap calculation

Cash Out Refinance
- Zero initial advances (draws) are not allowed. If a property is free and clear, the borrowers must verify their need for cash out of closing by submitting a letter of explanation.
- Seasoning: The property must have been purchased (or acquired) by the borrower at least six months prior to the disbursement date of the new mortgage loan except for the following:
  - There is no waiting period if the lender documents that the borrower acquired the property through an inheritance or was legally awarded the property (divorce, separation, or dissolution of a domestic partnership).
  - The delayed financing requirements are met. See Delayed Financing Exception below.
  - If the property was owned prior to closing by a limited liability corporation (LLC) that is majority-owned or controlled by the borrower(s), the time it was held by the LLC may be counted towards meeting the borrower’s six month ownership requirement. (In order to close the refinance transaction, ownership must be transferred out of the LLC and into the name of the individual borrower(s).
  - If the property was owned prior to closing by an inter vivos revocable trust, the time held by the trust may be counted towards meeting the borrower’s six month ownership requirement if the borrower is the primary beneficiary of the trust.
- Delayed Financing Exception: Borrowers who purchased the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met:
  - The original purchase transaction was an arms-length transaction.
  - For this refinance transaction, the borrower(s) must meet borrower eligibility requirements. The borrower(s) may have initially purchased the property as one of the following:
    - a natural person;
    - an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust;
    - an eligible land trust when the borrower is the beneficiary of the land trust; or
    - an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.
  - The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee’s deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for
a settlement statement if a settlement statement was not provided to the purchaser at time of sale.)

- The preliminary title search or report must confirm that there are no existing liens on the subject property.
- The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
- If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction.

Note: Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.

- The new loan amount can be no more than the actual documented amount of the borrower’s initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value).
- All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable.

**Part M- Secondary/Subordinate Financing**

Not Allowed

**Part N- Interested Party Contributions**

Limited to 3%
**Part Y - Links to CMG Policies, Etc.**

<table>
<thead>
<tr>
<th>CMG Policies &amp; Procedures:</th>
<th>Additional CMG Documents, Resources, Links:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal Requirements</td>
<td>AIO Equity Line Initial Advance Acknowledgement Form</td>
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<tr>
<td>Disaster Area</td>
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<td>Electronic Signatures</td>
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<td>Exclusionary Lists</td>
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<td>HPML &amp; HPCT Exception Policy</td>
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<td>Second Level Review</td>
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<tr>
<td>Undisclosed Debt</td>
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</table>
Part Z - Recent Updates / 90 Day Lookback

5/26/2020

Clarified the payment is calculated at the greater of the floor rate or the 1-month LIBOR Index + margin, by the LOC amount, amortized over 30 years.

04/09/2020

- Commission income – clarified a minimum history of 2 years of commission income is recommended; however, commission income that has been received for 12 to 24 months may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history. Note: If a borrower has <12 mos. at current employer, he/she must have at least 24mos. history as a commissioned employee within the same industry and demonstrate financial stability and continued earning potential
- Added cash out seasoning requirements.
- Added delayed financing exception requirements.
- Added that a written analysis of secondary income/loss is not required when a borrower is qualified using only income that is not derived from self-employment and self-employment is a secondary and separate source of income (or loss). Examples of income not derived from self-employment include salary and retirement income.
- Added Gift of Equity requirements.
- Added clarification for condominiums that Limited Reviews are permitted, subject to meeting all Fannie Mae requirements.
- Reserves – clarified that advanced funds from a HELOC are not acceptable to be used for reserves
- Reserves – Funds in an account used depletion of an asset (true asset depletion or an established retirement account distribution) cannot also be counted as reserves. When an income has a defined expiration date or allows the depletion of an asset, care must be taken when this is the sole source or majority of qualifying income. The underwriter must consider the borrower’s continued capacity to repay the mortgage loan when the income source expires or the distributions will deplete the asset prior to maturation of the mortgage loan.
- Properties recently listed for sale – removed requirement that value is determined using lesser of last listing price or appraisal. Clarified that requirement for a copy of the cancellation applies to both rate & term and cashout.