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1.0 Fair Lending Statement

Federal law prohibits discrimination in connection with the origination of 1-4 family mortgage loans. The Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age, because an applicant receives income from a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act. Also, the Fair Housing Act prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and disability. Adherence to these laws and their underlying principles in connection with mortgage loans is required.

2.0 Underwriting Philosophy & Requirements

All loans must be prudently underwritten utilizing these program guidelines and industry standard best practices. DU Approve/Ineligible, LPA Accept/Ineligible for loan amount only is required. Approve/Eligible, Accept Eligible are not eligible for this program. All data points on the AUS should represent the loan attributes with the exception of the investor guideline overlays contained in this guideline. PIW waiver based on AUS recommendation is not allowed. Refer to Appendix A for a summary of overlays.

Each must be in compliance with the Ability to Repay (ATR) and the Qualified Mortgage (QM) rules established by the Consumer Financial Protection Bureau (“CFPB”) as well as all regulatory compliance regulations as outlined in Section 4.0.

All loans submitted to the investor for purchase and sale must conform to the Underwriting Guidelines.

For scenarios not specifically addressed in the following Underwriting Guidelines, please contact your sales representative, transaction manager or underwriting.

Correspondent Lenders: Although the underwriting decision is made by the Correspondent Lender, each loan must be submitted to CMG for a pre-closing due diligence review for credit qualification. CMG requires the Correspondent Lender to fully underwrite the loan per the Guidelines to ensure eligibility before this submission to CMG for the pre-closing due diligence review.

Express and AUS Data Integrity: The submission for the pre-purchase due diligence review for this Express product must include a final AUS with data integrity that aligns with the submitted file documentation.

3.0 Product Eligibility

3.1 Products Offered

This product description describes product guidelines and requirements for the following loan programs:

Product Code	Product Name/Description
INV1E1 30 Year Fixed	Non Agency Investor 1 Jumbo E1 Fully Amortizing 30 Year Fixed

3.2 Jumbo Express Product Matrix & Highlights

Jumbo Express Program						
DU Approve/Ineligible. LPA Accept/Ineligible Due Only to Loan Amount						
30-YEAR FIXED RATE – Fully Amortizing						
Purchase/Rate & Term Refinance						
Occupancy	Number of Units	Maximum Loan Amount	Maximum LTV/CLTV	Minimum Credit Score	Minimum Reserves (Months) ⁽¹⁾	Maximum DTI
Primary	1 Unit	\$1,500,000	80%/80%	700	See below	43
	2 Unit	\$1,500,000	75%/75%	700	See below	43
Second Home	1 Unit	\$1,000,000	80%/80%	720	See below	43
	1 Unit	\$1,500,000	80%/80%	740	See below	43
Cash-Out Refinance						
Occupancy	Number of Units	Maximum Loan Amount	Maximum LTV/CLTV	Minimum Credit Score	Minimum Reserves (Months) ⁽¹⁾	Maximum DTI
Primary	1 Unit	\$1,000,000	75%/75%	700	See below	38%
Second Home	1 Unit	\$1,000,000	70%/70%	740	See below	38%
	1 Unit	\$1,000,000	65%/65%	720	See below	38%

(1) Minimum reserves required if AUS does not provide reserve requirements: Follow the greater of the AUS reserve requirements or below requirements. If AUS does not provide minimum reserve requirements follow below requirements:

If loan amount <= \$1,000,000 - 6 months PITI reserves.

If loan amount > \$1,000,000 - 9 months PITI reserves.

Second Homes – 12 months PITI reserves

Program Highlights – Refer to Guidelines for all Requirements		
Underwriting		AUS findings required with Approve/Ineligible, Accept/Ineligible due only to loan amount. AUS Approve or Accept Eligible is not acceptable for this program.
Minimum Loan Amount		Must be \$1 over the current Agency loan limit for the property County and State and number of units. (\$1 over high balance)
DTI		Maximum 43%. Cash-out refinance transactions maximum 38%.
New Subordinate Financing		Allowed up to maximum CLTV per matrix. Must conform to Agency requirements.
Reserves		See above footnote
Transaction Characteristics	Non Arms Length	Per Agency guidelines
	Flip Transactions	Seller must have taken title a minimum of 90 days prior to date of sales contract.
	Limited Cash-Out (Rate & Term Refinance)	Second lien being paid off must have been a purchase money second lien.
	Multiple Financed Properties	For owner occupied transactions there is no limit on number of financed properties the borrower owns. For second homes the borrower may have the maximum number of financed properties as stipulated by AUS.
Property	Eligible Types	Single Family, 2-Unit, PUD, Condo (Agency warrantable)
	Ineligible Property	Manufactured homes, 3-4 units, unique properties, working farms, log homes, condo hotels, co-ops, mixed Use, Leasehold.
	State Restrictions	Hawaii lava zones 1-2 not allowed. New York CEMA transactions are not permitted. Texas ineligible transactions – cashout refinances (any occupancy), Texas Section 50(a)(6), and Texas A6 refinanced into a non home equity are not eligible.
	Appraisal	FNMA 2075/FHLMC 2070 not allowed in lieu of an appraisal. Property Inspection Waiver (PIW) not allowed. Lender must order a CDA. Loans with a collateral uw score of 2.5 or lower are exempt from this requirement.
Borrower Eligibility	Borrowers	All borrowers must have a valid social security number
	Non-Occupant Co-Borrowers	Allowed per AUS.
	Inter Vivos Revocable Trusts	Lender must warrant that the Mortgage and Trust documents meet Agency eligibility criteria including title and title insurance requirements, and applicable state laws that regulate the loan origination of inter vivos revocable trusts.
	Minimum Credit	Non traditional credit not acceptable. All borrowers must have a minimum of 2 credit scores. Qualifying FICO as per matrix.
Other	Wage-Earner and Self-Employed Income Documentation	All income source documentation and method of income calculation must meet Appendix Q standards. All requirements stipulated in the guidelines need to be followed.
	Verbal VOE	Salaried borrower - Verbal VOE covering 24 months dated within 5 business days prior to closing documented in writing. Self-employed borrower - verify the existence of the borrower’s business within 5 calendar days prior to closing.
	4506-T/Tax Transcripts	Signed 4506-T form required for all borrowers. Past two (2) years tax transcripts required.
	Qualified Mortgage (QM) / Ability to Repay	Each loan must be in compliance with the Ability to Repay (ATR) and the Qualified Mortgage (QM) rules established by the Consumer Financial Protection Bureau (“CFPB”) as well as all regulatory compliance regulations as outlined in the guidelines.
	Seller Contributions	LTV between 75.01% - 80% max 6% contribution allowed. LTV ≤ 75% max 9% contribution allowed.
	Age of Credit Documents	Per AUS requirements

Express Jumbo Guidelines

Temporarily suspended for new locks: April 30, 2021

	Collections/Charge offs	Per AUS requirements
	Fraud Report	FraudGuard report or similar must be included in each file submission.
	Escrow holdback	Not allowed

4.0 Regulatory Compliance

CMG must ensure that each loan delivered to the investor has been originated, closed, serviced and transferred in compliance with all applicable federal, state and local laws and regulations including without limitation the Ability to Repay (ATR) and the Qualified Mortgage (QM) rules effective 1/10/14, the TILA-RESPA Integrated Disclosure (TRID) rule effective 10/3/15 and the laws and regulations listed below:

- Regulation X – RESPA
- Regulation Z – Truth in Lending
- Regulation G – SAFE Act – Federal Licensing and Registration
- Regulation H- SAFE Act - State Licensing and Regulation
- Regulation V – Fair Credit Reporting
- Regulation B – Equal Credit Opportunity
- Regulation P – Privacy of Consumer Financial Information (GLB)
- USA Patriot Act
- Fair Housing Act
- Dodd-Frank Act
- Federal high cost loan regulations.
- State, local and county high cost and usury regulations.
- National Flood Insurance Act.
- All applicable closing documentation and disclosures pertaining to the above regulations should be included in the closed file submission.

5.0 Borrower Eligibility

Borrowers must have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower. All borrowers must have a valid social security number.

5.1 Eligible Borrowers

- U.S. Citizens
- Permanent resident aliens
 - Copy of valid resident alien card must be included in loan file.
 - Non-permanent resident aliens
 - Must be legally present in the U.S with an acceptable visa type. Acceptable visa types are as follows:
 - E Series (E-1, E-2, E-3)
 - G Series (G-1, G-2, G-3, G-4, G-5)
 - H Series (H-1B, H-1C)
 - L Series (L-1, L-1A, L-1B, Spouse L-2 with EAD)
 - NATO Series (NATO 1 – 6)
 - O Series (O-1)
 - TN-1, Canadian NAFTA visa
 - TN-2, Mexican NAFTA visa

See USCIS.gov for more information.

- Must have a history of visa renewals and a minimum of two (2) year employment history in the U.S and qualifying income must be from the U.S.
- Must be able to verify that current employment has a probability of three (3) year continuance. VOE form may be used to document.
- Funds to close must be deposited in a U.S. financial institution. No funds to close from outside the U.S are allowed.
- Inter-Vivos Revocable Trusts
 - Trust must be established by one or more natural persons, individually or jointly.
 - The individual(s) establishing the trust must be the primary beneficiary/beneficiaries.
 - If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage.
 - At least one of the trustees must be either the individual establishing the trust, or an institutional trustee that customarily performs the duties of a trustee and is duly authorized to act as a trustee under applicable state law.
 - The mortgage and trust documents must meet agency eligibility criteria including title and title insurance requirements, as well as applicable state laws that regulate the making of loans to inter-vivos revocable trusts.
 - The trustee(s) must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are the borrower(s) under the mortgage or deed of trust note.
- Illinois Land Trusts
 - Not eligible.
- Maximum of four (4) borrowers per loan.

5.2 Ineligible Borrowers

- Borrowers with only an ITIN (individual taxpayer identification number).
- Irrevocable trusts.
- Corporations, limited partnerships, general partnerships, and limited liability companies.
- Borrowers who are party to a lawsuit.
- Borrowers with Diplomatic Immunity.
- Foreign Nationals.
- Borrowers with Diplomatic Immunity.

5.3 Multiple Financed Properties

- Follow AUS requirements.

5.4 Ownership

Ownership must be fee simple only and must be in the name of the individual Borrower(s) or Trust. Borrower(s) may hold title as follows:

- Individual
- Joint Tenants
- Tenants in Common

6.0 Occupancy

6.1 Primary Residence

A primary residence is the property the borrower occupies as his or her principal residence. At least one of the borrowers must occupy, be on title to the property and execute the Note and the security instrument. A borrower may not maintain more than one primary residence at any given time.

- 1-2 units detached, attached, PUD, and eligible condominiums.

6.2 Second Home

The property must be occupied by the borrower from time-to-time and is suitable for year-round use. Typically, the property is located in either a resort or vacation area or for convenience in a city where the borrower works when the primary residence is in a distant suburb.

- 1 unit detached, attached, PUD, and eligible condominiums.
- Property may not be a time share, subject to a rental agreement or other shared ownership arrangements.
- The property must be a reasonable distance from the borrower's primary residence.
- Rental income and expenses on Schedule E of the borrower's personal tax return(s) must not exceed 30 rental days.
- Rental income from a second home cannot be used to qualify the borrower.

7.0 Eligible Transaction Types

7.1 Purchases

- Must adhere to Agency guidelines.
- LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property.
- Seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of sales contract.
- Personal property may not be included in the purchase agreement/sales contract. Personal property items should be deleted from the sales contract or reasonable value must be documented and the sales price adjusted. Items that are customary to residential real estate transactions such as lighting fixtures, kitchen appliances, window treatments and ceiling fans are not considered personal property for purposes of this section 7.1.

7.2 Rate and Term Refinance

- A minimum of 6 months (per AUS) must have elapsed if the previous refinance transaction combined a first and a non-purchase money subordinate lien into a new first lien. Provide closing disclosure from any prior transaction.
- Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of closing.
- The mortgage amount may include the:
 - Pay off of the existing liens.

- Pay off of a co-owner pursuant to a written agreement.
 - Financing of the payment of prepaid items and closing costs.
 - Pay off subordinate financing only to the extent that such financing was used to acquire the property. Borrower must document that all proceeds from the subordinate financing were used to acquire the property. (Paying off a HELOC will require a draw history to document that all funds being refinanced are purchase money funds.)
- Cash back to the borrower is limited to the lesser of \$2,000 or 2% of the new loan.

7.3 Cash-Out Refinance

- Borrower must have held title for a minimum of 6 months from disbursement date.
- Properties listed for sale are ineligible for refinance unless the listing was withdrawn (or expired) prior to the date of closing.
- Texas Cash-Out refinances are ineligible.

7.4 Delayed Financing Refinance

Delayed financing refinances in which the borrowers purchased the subject property for cash within ninety days (90) from the date of the application are eligible for purchase. Cash back to the borrower in excess of the original purchase price or appraised value (whichever is less) is not allowed. Delayed financing refinances are underwritten as rate and term refinances and are not subject to cash-out refinancing program limitations. Property may not be located in Texas.

A Closing Disclosure is required to document no mortgage financing was used to obtain the subject property.

7.5 Contract for Deed/Land Contract

Contract for Deed/Land Contracts are ineligible.

7.6 Construction Loan Refinancing

Construction loan refinances are eligible as rate and term or cash-out refinances and must meet the following criteria:

- Only the permanent financing on a construction to perm loan is eligible. Single closing construction permanent loan refinances are ineligible.
- Borrower must have held title to the lot for a minimum of 6 months prior to the closing of the permanent loan.
- The LTV will be based on the current appraised value if the borrower has held title to the lot for 12 or more months prior to the closing date of the permanent loan.
- If the lot was acquired less than 12 months before the closing date of the permanent loan the LTV will be based on the lesser of a) the original purchase price of the lot plus the total acquisition costs (sum of construction costs) or b) the current appraised value of the lot plus the total acquisition costs.
- Appraiser's final inspection is required.
- A certificate of occupancy is required from the applicable governing authority.
- If the applicable governing authority does not require a certificate of occupancy proof must be provided.
- Construction loan refinances in which the borrower has acted as builder are not eligible for purchase.

7.7 Non-Arm's Length Transactions

- Certain Non-Arm's Length Transactions in which a direct relationship exists between the borrower and any party in the transaction are permitted as stipulated by the Agency guidelines.

8.0 Credit Documentation Requirements

For scenarios not specifically addressed in AUS findings or below please contact your sales representative, transaction manager or underwriting.

8.1 Credit Documents Age

- **Age of Docs – Express:** For the Express program, the investor has clarified that age of docs must adhere the GSE temporary COVID-19 requirements: 60 days. Generally, for other credit docs and unless specifically addressed in these guidelines, follow the AUS requirements for age of document requirements.

8.2 Credit Score

- The representative credit score for qualification purposes for an individual borrower is the middle score of the three (3) scores reported. If two (2) scores are reported the representative credit score is the lower of the two scores. Credit scores from all three repositories must be requested (Equifax, Experian and TransUnion).
- For multiple borrowers the credit score is the lowest of all representative credit scores.
- If only one credit score or no credit score is reported borrower is not eligible. A minimum of two credit scores is required.

See loan product matrix for minimum credit score requirements.

8.3 Minimum Credit Requirements

- Minimum credit requirement as determined by AUS.
- Rapid Rescore is NOT permitted.

8.4 Mortgage/Rental History

- Mortgage/Rental payment history requirements as determined by AUS.

Note: Forbearance - If any mortgage entered into forbearance, a 24 month on time payment history after the borrower exits forbearance is required. This applies even if the borrower continued to make payments on time.

8.5 Credit Inquiries

- All inquiries that have taken place within 120 days of the credit report date must be explained by the borrower and documented accordingly.
- Borrower must be qualified with any new debt.

8.6 Liens, Judgments and Collections

- Collection accounts or charged-off accounts must be paid off as required by AUS.

8.7 Foreclosure, Deed-In-Lieu of Foreclosure, Bankruptcy and Short Sales

- At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, notice of default (NOD), short sale or deed-in-lieu measured from the date of completion to the date of application.

9.0 Employment and Income

For information regarding employment and income requirements not addressed below please contact your sales representative, transaction manager or underwriting.

9.1 Income Sources and Calculation of Income

All income sources and method of income calculation must meet most recent Agency/Appendix Q Standards for Determining Monthly Debt and Income. The loan file should include an Income Analysis form detailing income calculations.

- The non-taxable portion of fixed income such as Social Security income, VA benefits, Pensions and Annuity income may be grossed-up twenty five percent (25%).
- Foreign income used for qualifying must be supported by the most recent two (2) years U.S. tax returns.
- Unreimbursed business expenses must be deducted from income. This includes borrowers who earn commission income regardless of the percentage of commission income to total income.

9.2 Employment and Income Stability

Borrower(s) must have a minimum of two (2) years employment and income history. Gaps in employment over thirty (30) days during the most recent two (2) year period require a satisfactory letter of explanation from the borrower. All borrowers contributing income for qualification must be employed at present employment for a minimum of six (6) months to qualify if there is a gap in employment during the previous two (2) years.

9.3 Income Documentation Requirements

Important Note Regarding Documentation: Appendix Q states that a borrower with a 25 percent or greater ownership interest in a business is considered self-employed. Any borrower for whom the ownership of 25 percent or more of a corporation, limited liability company, partnership, sole proprietorship or other entity appears in the loan file must have the supporting documentation that is required by the relevant portions of the “Self-Employed Borrowers” subsection below. This documentation is required even if the borrower is a salaried employee of such business entity and/or another company, and even if the lender only relied upon the borrower’s salary or other income to establish eligibility. **All required documentation as described here and in the following sections must be obtained prior to closing and submitted in the closed loan file.**

Salaried Borrowers:

- Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used.
- W-2's from all employers for the past two (2) years. All W-2's must be computer generated.
- If the borrower does not have 2 years of employment due to previously being in school a copy of the school transcript is required.
- Most recent paystubs, covering a thirty-day (30) period with YTD earnings. All paystubs must be computer generated.
- Tax returns are not required for salaried borrowers if wage income is the only source of income used for qualification.
- Unreimbursed business expenses must be deducted from income regardless if the borrower's commission income is less than 25% of total income.
- Borrowers employed in a family business must provide evidence that they are not owners of the business with a CPA letter from the business and personal tax returns.
- Signed IRS Form 4506T.
- Two years tax transcripts are required to be obtained from the IRS. Wage transcripts are acceptable for W-2 borrowers. Borrower pulled transcripts are not acceptable. The IRS transcripts and the supporting income documentation provided by the lender must be consistent.

Salaried Borrowers who also file Self-Employed and/or Supplemental Income/Loss Tax Return Schedules:

- Salaried borrowers who also own 25% or more of a business or other entity are required to provide a year-to-date P&L and balance sheet for that business or entity even if the income from that business or entity is not being used to qualify. This requirement includes all businesses and entities including those organized as pass through entities.
- Salaried borrowers who file a schedule C (sole proprietorship) will be considered as self-employed and required to provide a year-to-date P&L and balance sheet. This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes.
- Most recent signed two (2) years business tax returns are required for businesses where the borrower owns 25% or more and the business reports an income loss on the schedule K-1. Loss must be deducted from income.

Salaried Borrowers with Commission/Bonus:

- For borrowers receiving bonus, commission, or any other non-base salary compensation in addition to base salary, a 2-year history of the receipt of the income is required.
- This must be addressed with a written VOE breaking down the bonus or commission income for the past 2 years, further supported by a year-to-date paystub.
- A year-to-date paystub, W-2's and tax returns alone will not satisfy the documentation requirements for bonus, commission or any other non-base salary compensation.

Verbal VOE:

- Verbal VOE dated within 5 business days prior to closing documented in writing. The verbal VOE must cover 24 months of employment. If the borrower has changed jobs during the past two years, the verbal VOE must show the start and end dates for each job. Any employment gaps exceeding 30 days must be addressed with a satisfactory letter of explanation from the borrower.

Self-Employed Borrowers:

- Borrowers with a 25 percent or greater ownership interest in a business are considered self-employed and will be evaluated as a self-employed borrower for underwriting purposes.
- Completed, signed and dated final Uniform Residential Mortgage Application. Most current form must be used.
- For business income being used for qualifying the most recent signed two (2) years tax returns, including all schedules, both individual and business returns are required. All personal and business tax returns must be signed and dated prior to closing.
- Self-employed borrowers using wage income to qualify paid by their business need to fully document the income with W-2's for the past two (2) years and most recent paystubs, covering a thirty-day (30) period with year-to-date earnings. W-2 and paystubs must be computer generated.
- If tax return schedules show a loss in the prior year for any business where the borrower owns 25% or more, business tax returns including all schedules are required for this business in order to calculate the average loss. This is required regardless if this business income is being used to qualify. Tax returns must be signed and dated prior to closing.
- Signed IRS Form 4506T.
- Two years tax transcripts are required to be obtained from the IRS. Borrower pulled transcripts are not acceptable. The IRS transcripts and the supporting income documentation provided by the lender must be consistent.

Additional Requirements for P&L, Balance Sheet, and Business Bank Statements:

Lenders should apply due diligence and review the actions of the business and any impact the current economic environment has taken on the flow of income in order to determine if the borrower's income is stable and there is a reasonable expectation of continuance.

The underwriter must include comments/justification of their analysis to clearly explain their conclusion of the effect to the business. Due to the pandemic's continuing impact on businesses, lenders are now required to obtain the following documentation to support the decision that the self-employment income meets requirements:

- (1) An audited year-to-date P&L, no older than 60 days from the Note date, reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and (2) a Balance Sheet; **or**
- (1) An unaudited year-to-date P&L, no older than 60 days from the Note date, signed by the borrower reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, and (2) business bank statements from the most recent two months represented on the year-to-date P&L and (3) a Balance Sheet.
 - For example, the business bank statements should be from April and May 2020 for a year-to-date profit and loss statement dated through May 31, 2020.
 - The two most recent bank statements must support and/or not conflict with the information presented in the current year-to-date P&L statement. Otherwise, the lender must obtain additional statements or other documentation to support the information from the current year-to-date P&L statement.
- All borrowers owning 25% or more of a business or entity must provide a year- to-date P&L statement and balance sheet for that entity, regardless of whether or not the business income is being used to qualify. This requirement includes all business entities including those organized as pass through entities.
- If the tax return for the previous tax year is not filed a 12-month P&L and balance sheet for this period is required.
- If the most recent year's tax returns have not been filed by the IRS deadline, an executed copy of the

borrower's extension request for both personal and business tax returns must be provided.

- The P&L and balance sheet is required even if the borrower does not have a business checking account.
- P&L and tax returns must show stable or increasing income from all business entities and income sources for the period relative to previous periods. Income cannot decline by 20% or more from the prior tax period.

Small Business Administration (SBA) Loans and Grants Requirements:

The existence of a Paycheck Protection Program (PPP) loan or any other similar COVID related loan or grant could be helpful information in analyzing the borrower's business.

PPP loan terms allow deferred payments for a specified period, no personal loan guarantee, and the potential for all or some portion of the loan to be forgiven. Therefore, a payment for the PPP loan does not need to be included in the borrower's liabilities at this time. Once it has been determined that any portion of the PPP loan must be repaid, follow the requirements of the "Employment and Income" and "Debts and Liabilities" sections of these guidelines.

Proceeds from the PPP loan must not be included as business income or assets.

PPP loan proceeds cannot be used for the subject transaction down payment, closing costs, prepaids or reserves.

Follow all requirements in this section for underwriting self-employed borrowers.

Verification of Active Business:

- The lender must verify the existence of the borrower's business within 5 calendar days prior to closing. Methods of verifying business include:
 - Verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau. If CPA letter is used it must indicate the borrower has been self-employed for a minimum of 2 years.

Rental Income:

- Rental income from other properties must be documented with the borrower's most recent signed federal income tax return that includes Schedule E. Leases are required for all properties where rental income is being used to qualify.
- Proposed rental income from the comparable rent schedule may be used for qualifying if there is not a current lease or assignment of lease on purchase of an investment property.
- Properties with expired leases that have converted to month to month per the terms of the lease will require bank statements for the lesser of 12 months or the time period after the lease expired.
- A 25% vacancy factor must be applied to the gross rent used for qualifying.
- Multiply the gross rent by 75% and subtract the PITI to arrive at the rental income/loss used for qualifying.
- Commercial properties owned on schedule E must be documented with **commercial leases** and evidence that the primary use and zoning of the property is commercial.

9.4 Retirement or Pension Income

Retirement or Pension income must be verified by the following:

- Copies of retirement award letters.

- Copies of last two (2) months bank statements to document the regular deposit of payments.
- Distributions from a retirement account (401K, IRA, Keogh, SEP) must be documented with a distribution letter and copies of last two (2) months bank statements to document the regular deposit of payments.

Annuity retirement benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.

9.5 Social Security Income

Social Security Income must be verified by the following:

- Copy of the Social Security Administrations award letter.
- Copies of last two (2) months bank statements to document the regular deposit of payments.

Benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.

9.6 Alimony and Child Support Income

Alimony and Child Support are allowable sources of income with proof of a minimum of three-year continuance.

9.7 Unacceptable Income

Unacceptable income sources include the following:

- Any source that cannot be verified.
- Restricted stock income (RSU).
- Income that is temporary.
- Rental Income (Boarder Income) received from the borrower's primary residence.
- Expense account payments.
- Asset depletion of non-employment related assets
- Retained earnings.
- Automobile allowances.

10.0 Debts and Liabilities

For information regarding the treatment of debts and liabilities not addressed below please contact your sales representative, transaction manager or underwriting.

10.1 Debt-to-Income Ratio

The Debt-to-Income (DTI) ratio is based on the total of existing monthly liabilities and any planned future monthly liabilities divided by gross monthly income. Liabilities include but are not limited to all housing expenses, revolving debts, installment debts, other mortgages, rent, alimony, child support, and other consistent and recurring expenses. The underwriter must ensure that all liabilities are included in qualifying. Refer to the Product Matrix for the maximum allowable DTI.

10.2 Installment Debt

- Installment debt, including car lease payments, must be included in the qualifying ratio regardless of months remaining.
- When a borrower has a contingent liability (co-signed debt) it may be excluded from DTI with proof that the primary obligor has made timely payments for the last 12 months.
- Installment debt paid by another entity such as the borrower's business must be included unless the business entity (not the borrower) is the primary obligor.

10.3 Revolving Debt

- Follow AUS requirements.

10.4 Home Equity Line of Credit (HELOC)

- For HELOC loans paid off at closing the line must be closed to any future draws.
- Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document.

10.5 Pending Sale of Departing Residence or Conversion of Departing Residence to Investment Property

If the current primary residence is pending sale the following applies:

- The current PITI of the property pending sale and the proposed PITI payment of the subject loan must be included in the debt ratio used to qualify.

If the current primary residence is being converted to an investment property the following applies:

- The rental income from the departing residence may be used if the borrower has a loan to value of 75% or less, as evidenced by either:
 - A current residential appraisal (no more than 6 months old from application date) and outstanding liens as evidenced by a mortgage statement or credit report reference or;
 - An Exterior Only appraisal (2055) (no more than 6 months old from application date) and outstanding liens as evidenced by a mortgage statement or credit report reference or;
 - An automated valuation model (AVM) listing the prior sales price minus outstanding liens as evidenced by a mortgage statement or credit report reference. The AVM may not be used as a current valuation to determine the borrower's equity percentage.
- A 25% expense /vacancy deduction must be applied to all rental income. Copies of the signed lease are required.
- Reserves of six (6) months of PITI must be documented in addition to the required reserves for the primary residence.

11.0 Assets and Source of Funds

For information regarding assets and source of funds not addressed below please contact your sales representative, transaction manager or underwriting.

11.1 Source of Funds

- Follow AUS requirements.

11.2 Cash Reserves

The greater of the AUS reserve requirements or the reserve requirements in the Product Matrix are required. If AUS does not provide reserve requirements follow the Product Matrix reserve requirements.

Reserves must be verified and comprised of liquid assets that borrower can readily access. Equity lines of credit, gift funds, and cash out from the subject property on a refinance transactions are not acceptable sources to meet the reserve requirement.

12.0 Property

12.1 Eligible Property Types

- 1-2 unit attached/detached owner-occupied properties.
- 1-unit second homes.
- Low/mid/high-rise new and established agency warrantable condominiums. Condominiums with HOA in litigation are ineligible.
- Planned Unit Development (PUD).
- Maximum lot size 20 acres. Properties with greater than 10 acres must have three comparables with similar acreage.

12.2 Ineligible Property Types

- Manufactured Homes
- Co-ops
- Factory built housing
- Properties held as leasehold
- Condo hotel units
- Log homes
- Unwarrantable condominiums
- Timeshare units
- Geothermal homes
- Unique properties
- Mixed use properties
- Commercially zoned properties.
- Agriculturally zoned properties (agricultural/residential eligible)
- Properties with an oil and gas lease
- Properties with more than 20 acres
- Working farms
- Properties located in Puerto Rico, Guam, and US Virgin Islands.

12.3 Appraisal Requirements

- All appraisals must be completed on the most current Agency appraisal forms (full interior/exterior) and conform to Agency appraisal practices.
- Property Inspection Waiver (PIW) not allowed.
- Properties must be appraised within the twelve months that precede the date of the Note and Mortgage.
- Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old a recertification of value needs to be performed.

12.4 Third Party Appraisal Review

- The seller must order an appraisal desk review product for each loan from Clear Capital. Note: Loans submitted with a collateral underwriter score of 2.5 or lower are exempt from the above requirement.
- A copy of the appraisal desk review report should be submitted in the loan file.
- The review must not be over 120 days old from the date of the Note.

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- If the desk review produces a value in excess of a 10% negative variance to the appraised value, the loan is not eligible for purchase; provided, the lender has the option to then ask the investor to order a Field Review to support the appraised value. If the field review also produces a value in excess of a 10% negative variance to the appraised value, then the loan will remain ineligible for purchase.
- All appraisals are reviewed for eligibility as well as value support. However, the use of an appraisal review product does not relieve the lender of its representations and warranties relating to the property and the appraisal including the underwriting thereof.

12.5 Properties Located in a Disaster Area

For properties located in a FEMA declared disaster area a re-inspection is required to be performed by the original appraiser. A written certification is required from the appraiser to confirm that the property value has not been impacted by the disaster.

For FEMA declared natural disasters, the inspections must be dated after the disaster end date is declared by FEMA.

13.0 Additional Loan Attributes and Policies

13.1 Subordinate Financing

- Allowed up to maximum CLTV per matrix. Secondary financing terms must conform to Agency guidelines.

13.2 Chain of Title

- All transactions require a minimum twelve (12) month chain of title.
- For purchase transactions seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of sales contract.

13.3 Balloon Mortgage

- Balloon mortgages are not eligible for purchase.

13.4 Recasting/Re-amortizing

- Recasting or re-amortized transactions are not eligible for purchase.

13.5 Temporary Buydown

- Temporary buydown mortgage loans are not eligible for purchase.

13.6 Prepayment Penalty

- Mortgage loans with prepayment penalties are not eligible for purchase.

13.7 Interested Party Contributions

Interested party contributions include funds contributed by the property seller, builder, developer, real estate agent or any other party with an interest in the real estate transaction. Interested party contributions may only be used for closing costs and prepaid expenses

- LTV between 75.01% - 80% max 6% contribution allowed.
- LTV ≤ 75% max 9% contribution allowed.

13.8 Seller Concessions/Contribution

Seller contributions in excess of the interested party contribution limits or contributions not being used for prepaid expenses or closing costs are considered seller concessions. The amount of the seller concession must be deducted from the purchase price and appraised value to determine the LTV.

13.9 HERO/PACE/Solar Panels

Any item that that will include a UCC associated with the property and/or will create an easement on title is

ineligible.

13.10 Escrows

- It is recommended that escrow account be created for funds collected by the originator to pay taxes, hazard insurance, flood insurance, special assessments, water, sewer, and other items as applicable.
- Properties where the insurance coverage on the declaration page does not cover the loan amount must have a cost estimate from the insurance company or agent evidencing the property is insured for its replacement cost.
- Hazard insurance must have the same inception date as the date of disbursement on purchase money mortgages. This may be documented with a post-closing Closing Disclosure or the correction of the inception date on the hazard policy.
- All applicable loans must adhere to HFIAA regarding flood insurance escrows.
- Escrow holdbacks are not allowed.

14.0 Title and Closing Documentation

14.1 Forms

- All Notes, security instruments, riders, addenda and special purpose documents used in connection with fully amortizing one to two family conventional first mortgages delivered to the investor must be prepared on approved Agency forms unless this guide specifically requires otherwise. See most recent Fannie Mae and Freddie Mac Selling Guides for reference.
- Copy of security instrument submitted in the file must be a true and certified stamped copy of the original recorded security instrument.

14.2 Title

Title insurance must meet Agency requirements and be written on the 2006 American Land Title ALTA form providing gap coverage or the ALTA short form. Other state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not been adopted. If alternative forms are used, the lender must ensure that those amendments provide the same coverage.

- The title policy should include all applicable endorsements issued by a title insurer qualified to do business in the jurisdiction in which the mortgage insured property is located, including the endorsements for Condominiums, PUDs, and ARM loan types.
- The title insurance coverage must include an environmental protection lien endorsement (ALTA 8.1-06 or equivalent state form).
- The title insurance policy must insure the mortgagee and its successors and assigns as to the first priority lien of the loan amount at least equal to the outstanding principal balance of the loan.
- A statement by the title insurance company or closing attorney on such binder or commitment that the priority of the lien of the related Mortgage during the period between the date of the funding of the related Mortgage Loan and the date of the related title policy (which title policy shall be dated the date of recording of the related Mortgage) is insured.
- Any existing tax or mechanic's liens must be paid in full through escrow.

Appendix A - Summary of Program Overlays to AUS

Please reference guidelines for complete requirements.

- Section 3.3, 8.2, and 11.2 – (Eligibility)
 - Minimum credit score, maximum DTI, and reserves as per program matrix.
 - A minimum of two credit scores is required for each borrower.
- Section 6.0 (Occupancy) - Investment properties are ineligible.
- Section 7.1 (Purchases) - Seller must have taken title to the subject property a minimum of ninety (90) days prior to the date of sales contract.
- Section 7.3 (Cash-Out Refinance) - Texas Cash-Out refinances are ineligible.
- Section 7.4 - Delayed financing refinances in which the borrowers purchased the subject property for cash must be within 90 days of application date. A Closing Disclosure is required to document no mortgage financing was used to obtain the subject property.
- Section 8.7 (Credit Events) - At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, notice of default (NOD), short sale or deed-in-lieu measured from the date of completion to the date of application.
- Section 9.0 (Employment and Income documentation) – All income source documentation and method of income calculation must meet Appendix Q standards. All requirements stipulated in this section must be followed. Tax return transcripts for the past two years must be obtained from the IRS and used to validate the income documentation used to underwrite the loan.
- Section 9.3 Verbal Verification of Employment (VVOE) must be performed for both salaried and self-employed borrowers within 5 business days prior to the loan closing with the borrower.
- Section 10.0 (Debts and Liabilities) - All requirements for debt and liability documentation and calculation method must meet Appendix Q standards. All requirements stipulated in this section need to be followed.
- Section 10.1 (Debt-to-Income Ratio) – Maximum 43%. Cash-out refinance transactions maximum 38%.
- Section 11.2 (Cash Reserves) - The greater of the AUS reserve requirements or the reserve requirements in the Product Matrix are required. If AUS does not provide reserve requirements follow the Product Matrix reserve requirements.
- Section 12.0 (Property) – Refer to section for overlays for the following;
 - Eligible properties
 - Ineligible properties
 - Appraisal requirements (PIW not allowed)
 - Third-party appraisal review process.
 - Properties located in FEMA declared disaster areas.
- Section 12.1 (Eligible Property Types) – Condos in litigation are ineligible.
- Section 13.0 (Additional Loan Attributes and Policies) – Refer to section.
- FraudGuard report or similar must be included in each file submission.

Appendix Z – Recent Updates / 90 Day Lookback

4/30/2021 Temporarily suspended for new locks. Program is undergoing significant revisions and will be re-released at a future date.

3/26/2021 Commercial properties owned on schedule E must be documented with commercial leases and evidence that the primary use and zoning of the property is commercial. (*The commercial lease requirement replaces the previous requirement of a rent roll.*)

2/21/21 Guidelines are updated to reflect the recently announced investor clarifications:

- Rapid rescore is not permitted
- New York CEMA transactions are not permitted
- Rate & Term – paying off a HELOC will require a draw history to document that all funds being refinanced are purchase money funds.
- Texas ineligible transactions – cashout refinances (any occupancy), Texas Section 50(a)(6), and Texas A6 refinanced into a non home equity are not eligible.

2/3/2021

- **Forbearance** - If any mortgage entered into forbearance, a 24 month on time payment history after the borrower exits forbearance is required. This applies even if the borrower continued to make payments on time.
- **Age of Docs – Express:** For the Express program, the investor has clarified that age of docs must adhere the GSE temporary COVID-19 requirements: 60 days.

1/27/2020 Clarified minimum loan amount is \$1 over high balance for the Express Program.

1/19/2021 New Product Release