JUMBO PREMIER PROGRAM (FIXED & ARM)

Primary Residence [1]

Purchase & Rate/Term Refinance [4]					
Units [3]	Max. Loan Amount	LTV	CLTV	Min. FICO	Max. Cash Out
1 Unit	$2,000,000	80%	80%	720	N/A
	$1,000,000	80%	80%	700	
	$2,500,000	65%	65%	755	
2 Units	$2,000,000	80%	80%	720	
	$1,000,000	80%	80%	700	
3-4 Units	$1,500,000	70%	70%	720	
	$1,000,000	70%	70%	700	

Cash Out Refinance					
Units	Max. Loan Amount	LTV	CLTV	Min. FICO	Max. Cash Out
1 Unit	$1,000,000	80%	80%	700	$300,000
	$1,000,000	65%	65%	700	$500,000
2 Units	$1,500,000	80%	80%	720	$300,000
	$1,500,000	65%	65%	720	$500,000

Second Home [2]

Purchase & Rate/Term Refinance					
Units	Max. Loan Amount	LTV	CLTV	Min. FICO	Max. Cash Out
1 Unit	$1,000,000	75%	75%	740	N/A
	$1,500,000	70%	70%	740	

(1) The following requirements apply to Primary Residence transactions;
- Non-Occupant Borrower, Co-signor or Guarantor:
  - Cash-out is not allowed.
  - 1-2 Units, Maximum 75% LTV/CLTV, 3-4 Units Maximum 70% LTV/CLTV.
  - Maximum occupant Borrower DTI 43%. See Borrower Eligibility.

(2) The following are not permitted on Second Home transactions -
- Non-occupant Borrowers, guarantors, or co-signers
- First time homebuyers
- Gift funds
- See Loan Purpose for additional requirements.

(3) Condominiums and PUDs Ineligible: Condominiums (including detached) are not eligible. 2-4 unit PUD projects are not eligible. See Property Eligibility for additional property requirements.

(4) Cash to Borrower(s): Lesser of 1% or $5000 maximum cash to Borrower for rate and term transactions. See Loan Purpose.

LOAN PURPOSE

PURCHASE TRANSACTIONS:

- The property seller must be the owner of record and proof that the property seller has owned the property for 12 months OR a chain of title for the last 12 months is required.
- Complete purchase agreements, including all addenda, are required. If the Purchase Contract has been assigned to buyer from a previous purchaser, then the loan is not eligible.
- Identity of interest or loans with non-arms-length characteristics are not eligible in this program.

REFINANCE TRANSACTIONS:

- LISTED WITHIN 6 MONTHS: Properties listed for sale in the last 6 months (on or before the application date) are not eligible for refinance transactions.
- Refinance of Restructured Loan or Short Pay off Loan is not allowed.
- LTV: If owned more than 12 months, LTV is based on current appraised value. The Borrower must be the owner of record and proof that the Borrower has owned the property for 12 months OR a chain of title for the last 12 months is required. If owned less than 12 months, see *Seasoning Requirements* in the Rate and Term and Cash-Out Sections below.
- MAXIMUM CASH TO BORROWER: Not to exceed the lesser of 1% or $5000 of the principal amount of the new loan.
- COSTS: Reasonable and customary closing costs, pre-paid items and seasoned junior liens may be incorporated into the loan amount.
- SEASONING REQUIREMENTS:
  - First Lien: No seasoning of existing first mortgage required. However, for properties owned < 12 Months: LTV/CLTV is based on the lesser of the appraised value or acquisition cost, regardless of any property improvements that may have been made since purchase.
    Property acquisition date may be measured from the purchase date on the closing statement, mortgage rating or other acceptable documentation in the loan file.
  - Closed End Seconds: One year seasoning on junior liens from funding, unless documentation is provided to verify the lien was incurred as part of acquisition.
  - HELOCs:
    - HELOC being paid down or off seasoned <12 months that was used to acquire the subject property can be considered rate and term
    - HELOC being paid down or off seasoned <12 months that has had no draws w/in 12 months >$2K, and new loan is <1% or $5K cash to Borrower, then new loan can be rate and term
    - HELOC being paid down or off is seasoned >12 months and no draws w/in 12 months >$2K, and new loan is <1% or $5K cash to Borrower, then the new loan can be considered rate and term, whether or not the lien was incurred as part of acquisition.

CONTINUITY OF OBLIGATION REQUIREMENT

There must be continuity of obligation if there is currently an outstanding lien that will be satisfied with the refinance transaction. Loans with an acceptable continuity of obligation may be underwritten as either a no cash-out or a cash-out refinance transaction based on the requirements in this section.

- Acceptable continuity of obligation is met when:
  - At least one Borrower obligated on the new loan was also a Borrower obligated on the existing loan being refinanced, and
  - At least one Borrower has been on title and will be obligated on the new loan.
- When there is no outstanding lien against the property, the following applies:
  - The loan is treated as a cash-out refinance transaction, and
  - The Borrower must be on title for a minimum of 6 months.

- If the Borrower is on title for less than 12 months, the loan is eligible with documentation confirming the subject property was purchased within the last 12 months.

CASH-OUT REFINANCE TRANSACTIONS:

- The requirements in "All Refinance Transactions" above, and primary residence only.
- Refinance of Restructured Loan or Short Pay off Loan is not allowed.
- Non-occupant Borrower, co-Borrowers and guarantors are not allowed. See Borrower Eligibility.
- Seasoning Requirements:
  - ALL Borrowers must have held title to subject property for a minimum of 6 months (Note date to application date)
  - There must be ≥ six (6) months seasoning of all existing liens on subject property (Note date to application date)
  - Properties owned at least 6 months, but less than 12 Months:
    LTV/CLTV is based on the lesser of the appraised value or acquisition cost, regardless of any property improvements that may have been made since purchase. (Property acquisition date may be measured from the purchase date on the closing statement, mortgage rating or other acceptable documentation in the loan file).
- Cash-out limitations includes payoff of unseasoned second mortgages (closed end seconds and HELOCs) and/or non-mortgage debt. (Seasoned liens secured by subject property are not included in the cash-out limitation).

DELAYED FINANCING:

Borrowers who purchased the subject property less than six months ago are eligible for a cash-out refinance if all of the following requirements are met:

- The new loan amount must not be more than the actual documented amount of the Borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid items, and points.
- The purchase transaction was an arm's length transaction. If the seller of the property was an LLC, the principals of the LLC must be documented.
- The purchase transaction is documented by the HUD-1 Settlement Statement or Closing Disclosure which confirms that no mortgage financing was used to obtain the subject property. A recorded trustee's deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a HUD-1 Settlement Statement or Closing Disclosure if such a statement was not provided to the purchaser at time of sale.
- The LTV/CLTV must be based on the lesser of the original sales price or the current appraised value.
- The source of funds for the purchase transaction must be documented. Funds cannot be from gift, borrowed, or business funds.
- The preliminary title search or report must not reflect any existing liens on the subject property.
- All other cash-out refinance eligibility requirements are met and cash-out pricing is applied**.**

RURAL PROPERTY LTV RESTRICTIONS:

For cash-out refinance transactions, the maximum LTV/CLTV for rural properties (as indicated on the appraisal) is reduced by 5%.

BUYOUTS

Refinance to buyout another party's interest is allowed subject to documentation that all parties have jointly owned and occupied subject for the 12 months prior to application date (exception for inheritance), and there is a signed, written agreement stating the terms of the property transfer and disposition of funds (such as a divorce decree).

INSTALLMENT LAND CONTRACTS

Installment Land Contracts and mortgage loans used to pay off a Contract for Deed are not eligible.

OCCUPANCY

PRIMARY RESIDENCE:
An owner occupied primary residence is a property that the occupant Borrower(s) intends to occupy as his or her principal residence, for the majority of the year, within 60 days of closing and for at least one year after. The loan documents must provide that the loan may be declared in default if the Borrower makes misrepresentations for any provision of the application, including occupancy.

- For refinance transactions, Borrower must reside in and hold title to the subject property at the time of application.

SECOND HOME:

- 1 unit property that the Borrower occupies for some portion of the year in addition to his or her primary residence.
- The property must be suitable for year-round occupancy and must not be located in the same market area as the Borrower's primary residence.
- Non-occupant Borrowers, co-signers and guarantors are not allowed.
- Second homes may be located in a major metropolitan area that the Borrower visits on a regular basis with a letter of explanation from the Borrower stating the reason that the home is not located in a vacation/resort area.
- Transactions where the property is being purchased for occupancy by someone other than the Borrower will be considered an investment property and are not eligible for this program.
- The Borrower must have exclusive control over the property and the property must not be subject to any kind of time sharing agreement, rental pools, or agreements that require the Borrower to rent, share or give management firm control over occupancy. See Property Eligibility.
- Rental income may not be used to qualify the Borrower. Occasional season rental is permitted. Reporting rental income on the Borrower's personal tax returns does not contradict second home status, but must be minimal. The hazard insurance policy may not contain any coverage for loss of rent.

INVESTMENT PROPERTIES:

- Not eligible under this program.

PROPERTY TYPE

ELIGIBLE PROPERTY TYPES

- SFR, townhomes, row homes, 2 - 4-unit properties
- Leasehold Estates (restricted - see Leasehold)
- Modular Pre-Cut/Panelized Housing – are treated as SFRs. (Manufactured homes are not eligible, see below)
- Planned Unit Development (PUD) – Must meet the requirements in Fannie Mae Selling Guide B4-2.3-01 not be an ineligible PUD, see Ineligible PUDs below.

INELIGIBLE PROPERTY TYPES

- 2--4 unit PUD Projects
- Acreage: Properties with acreage greater than 10 acres (truncating acreage for appraisal purposes is not allowed)
- Assisted Living Projects, board and care facilities
- Bed & breakfast, boarding houses
- Builder Model Leaseback
- Cantilevered Property
- Commercial and/or Industrial Properties
- Common Interest Apartments ("own your own")
- Concessions: New projects where the seller is offering sales/financing contributions/concessions in excess of established limitations for individual loans
- Condominiums, both attached and detached, are not eligible for this program.

- Sales of properties between business associates
- Sales involving a business entity and an individual who is an officer or principal in that business
- Sales involving the builder/developer of subject property and an employee or affiliate of the builder/developer
- Transactions involving an assignment of the sales contract

CREDIT

CREDIT REPORT, CREDIT SCORE AND TRADE LINE REQUIREMENTS

- Residential Mortgage Credit Report (RMCR) or traditional tri-merge with applicable credit report supplements is required for all Borrowers.
  - Frozen Credit: Credit reports may not have "frozen credit." If a Borrower unfreezes credit after the initial report is run, then a new 3-file merged credit report must be obtained.
  - Fraud Alert Requirement: All credit reports must include FACT Act messages and at least one repository fraud alert product (i.e. Hawk, FACS+ or SafeScan). Alerts must be resolved.
  - Inquiries: Credit reports must list all inquiries made with the previous 90 days and written explanation for all inquiries within 90 days is required.
  - Credit Scores: Each Borrower, including those with no income used to qualify, must have a valid social security number and generate a traditional credit score from at least two of these repositories: Experian, Equifax, and TransUnion. Foreign credit is not acceptable. See the Program Matrix for minimum credit score requirements.
- QUALIFYING SCORE
  For each Borrower, qualifying score is the middle of 3 or lower of 2 scores, as applicable. Qualifying score for the loan is the lowest qualifying score of any Borrower.
- DEPTH OF CREDIT HISTORY
  For each Borrower whose income is used to qualify:
  - Minimum 24 month credit history with at least 3 active trade lines, each rated and paid satisfactorily for at least 12 months.
  - Borrower must have at a minimum 7 years of established credit history.
  - Foreign credit cannot be used to meet depth of credit history requirements.
- THE FOLLOWING ARE NOT ACCEPTABLE TO BE COUNTED AS TRADE LINES:
  "non-traditional" credit, loans in deferment period, accounts discharged through bankruptcy, authorized user accounts, judgments, charge offs, collection accounts, foreclosures, deed-in-lieu of foreclosure, short sales or pre-foreclosure sales, foreign credit.
- UNDISCLOSED DEBT EXPLANATION LETTERS:
  When the credit report reveals a significant debt not listed on the application, a written explanation from the Borrower addressing the omission is required. The absence of a written explanation from the Borrower will render the loan ineligible for purchase.

HOUSING PAYMENT HISTORY

- HOUSING PAYMENT HISTORY:
  - The occupant Borrower(s) must have a complete, most recent, 24 months rental and/or mortgage payment history documented in the loan file.
  - First Time Homebuyers (FTHB) must have at least 12 months minimum rental history for the occupant Borrowers who are FTHB. See First Time Homebuyers.
- HOUSING PAYMENT RATING:
  - No 30 day late payments in the past 24 months (0 X 30 / 24) on any rent payment or on any Mortgage Credit on ANY real estate owned by any Borrower on the transaction, and

- On the date of the loan application, the Borrower's existing Mortgage(s) must be current, meaning that no more than 45 days may have elapsed since the last paid installment date

- MORTGAGE PAYMENT HISTORY:
  - Must be on the credit report, or,
  - Private party loans: Documented by cancelled checks or evidence of electronic transfers (VOM alone is not sufficient), or
  - Institutional Lender: Documented by cancelled checks, evidence of electronic transfers, or through an official statement produced by the lender.

- RENTAL PAYMENT HISTORY:
  Must have the most recent 24 months or the portion of the last 24 months in which the Borrower was renting (12 months minimum for FTHB) as evidenced by:
  - Credit report rating for 24 months (if institutional and the institution rates), or
  - For the most recent 12 months, either: (a) an Institutional VOR, or (b) cancelled checks or evidence of electronic transfers
    - If cancelled checks are used for months 1-12, then a copy of the lease verifying the due date must also be provided
  - For months 13-24, either: (a) an institutional VOR, or (b) cancelled checks or evidence of electronic transfers, or (c) private party VOR.
    - Private party VORs are only acceptable if not from a family member or interested party to the subject transaction.
  - "Mortgage Credit" Defined: Payment histories on all mortgage trade lines, regardless of occupancy, including first and second mortgage liens, HELOCs, mobile homes, and manufactured homes are considered mortgage credit, even if reported as an installment loan.

SIGNIFICANT DEROGATORY CREDIT EVENTS AND TRADE-LINES

Serious Derogatory Credit Event	Required Time Elapsed	Comments / Requirements
Foreclosure Short Sale, Deed-in-Lieu, or Pre-Foreclosure sale	7 years	Measured from completion date of the foreclosure action. Any repossession, or payment equal to or greater than 120 days of any "Mortgage Credit" is considered a foreclosure for purposes of this program.
Mortgage Included in Bankruptcy	See Comments	If a mortgage is included in a bankruptcy, the stricter measurement for the bankruptcy or foreclosure "required time elapsed" applies.
Bankruptcy - Chapter 7 or 11 Bankruptcy - Chapter 13	7 years	Measured from discharge or dismissal to the disbursement date of the new loan.
Multiple Bankruptcies	7 years	Measured from last dismissal to the disbursement date of the new loan.
Loan Modifications (Restructured Loans)	7 years	Are not permitted in the past 7 years for any Borrower unless the modification was lender initiated, and documented proof is in the loan file showing the modification was not due to a distressed situation.

Mortgage Credit related "Serious Derogatory Credit Event" waiting time requirements apply to all Borrowers for all properties owned or previously owned, whether the Borrower(s) owned the property solely or jointly. "Mortgage Credit" is defined as: Payment histories on all mortgage trade lines, regardless of occupancy. Mortgage Credit includes first and second mortgage liens, HELOCs, mobile homes, and manufactured homes, even if reported as an installment loan.

Other Credit Events	Requirements
Past Due Accounts	- If any of the Borrower's accounts are showing past due payments, those accounts must be brought current prior to Loan close. - A credit supplement or other documentation showing that the accounts were current prior to loan close must be provided in the loan file.
Judgements, Garnishments, Liens and Potential Liens	- All delinquent credit obligations that have the potential to affect the subject Mortgage Loan's lien position or diminish Borrower's equity in the subject property must be paid off at or before closing including, without limitation: Delinquent taxes, delinquent property taxes, tax liens, judgments, garnishments and mechanics' or materialmen's liens - Verification of sufficient funds to satisfy these obligations must be documented. - Documentation of the pay-off or satisfaction must be provided. - No payment plans or subordination is allowed.
Aggregate Charge-Offs and Collection Accounts	- All non-lien charge-off and collection accounts exceeding $250 individually, or $1,000 in the aggregate must be paid off. - Documentation of the pay off or satisfaction must be provided.
Consumer Credit Counseling	- Borrowers must provide a satisfactory explanation for participating in Consumer Credit Counseling. - A Borrower may be eligible while they are in Consumer Credit Counseling (CCC) provided all of the following criteria are met: • Credit score requirements are met, and • Qualifying ratios must be calculated on the creditor's minimum monthly payment (per the credit report) versus the reduced consumer credit counseling payment, and • All accounts must be current , and • Cash out refinance transactions are not eligible.

MONTHLY DEBT OBLIGATIONS

- **ALIMONY AND CHILD SUPPORT:**
  Include if will continue for > 10 months under a legal agreement. May not be deducted from income. Provide obligation document.
- **AUTHORIZED USER:**
  Include in DTI but cannot be considered to meet minimum trade-line requirements.
- **BRIDGE LOANS:**
  Include in DTI. Proceeds cannot be used for Reserves. See Assets - Funds to Close, and Assets - Reserves.
- **BUSINESS DEBT IN BORROWER'S NAME**
  Include in personal DTI unless all of the following are met: 1. Evidence of payment by business for past 12 months, and 2. No 30 day late payments in past 12 months, and 3. Cash flow analysis of business considered payment as a debt. Note: If included in personal DTI, do not count against business.
- **CONTINGENT LIABILITY (CO-SIGNED LOANS)**
  Include in DTI unless there is evidence, such as cancelled checks or automated savings withdrawals, that the other party made satisfactory payments for past 12 months and account is current. Documentation for any omitted contingent liabilities, such as obligor cancelled checks, must be provided in the loan file. Appendix Q, Part IV, 5.b.
- **COURT-ORDERED ASSIGNMENT OF DEBT**

If Borrower was not released from liability, include in DTI or provide 1. Copy of court order assigning debt, and 2. Proof of transfer of ownership. The payment history of the debt does not need to be considered after the transfer date to another party.

- **DEFERRED (PROJECTED) INSTALLMENT DEBT**
  Include loans that are deferred or in forbearance in DTI. If the credit report does not indicate the monthly amount that will be payable at the end of the deferment period, copies of the Borrower's payment letters or forbearance must be obtained to determine the monthly payment that will be required at the end of the deferment period, to use for loan qualification.
- **DEFERRED STUDENT LOANS ONLY:**
  If the credit report does not indicate the monthly amount that will be payable at the end of the deferment period, 2% of the original principal balance of the student loan may be used to determine the monthly payment used for loan qualification.
- **HOME EQUITY LINES OF CREDIT:**
  If the HELOC does not require a payment and there is no recurring monthly debt obligation, or if the HELOC has a zero balance, no monthly payment needs be included in the recurring debt obligations. See Secondary Financing.
- **INSTALLMENT DEBT:**
  Installment debt that is not secured by a financial asset, including student loans, automobile loans and timeshares, etc., must be included in the Borrower's monthly debt obligations, if there are more than ten months remaining. Installment debt with fewer than ten monthly payments remaining should be considered as a recurring monthly debt obligation if it significantly affects the Borrower's ability to meet his or her monthly obligations.
- **PAYOFF INSTALLMENT DEBT TO QUALIFY:**
  Permitted in this program. If debts are being paid off, the source of funds must be documented and verified.
- **PAY-DOWN INSTALLMENT DEBT TO QUALIFY:**
  If debts are being paid down, the source of funds must be documented and verified. If an installment debt is paid off at closing, the creditor must provide a pay-off statement for which the same balance must be reflected as the pay-off amount on the HUD-1 Settlement Statement or Closing Disclosure.
- **LEASE PAYMENTS:**
  Include regardless of number of months remaining.
- **LOANS SECURED BY FINANCIAL ASSETS:**
  Borrowers may use their financial assets (e.g. life insurance policies, 401k accounts, individual retirement accounts, certificates of deposit, stocks, bonds, etc.) as security for a loan. The payment is not required to be included in DTI if the applicable loan instrument shows the Borrower's financial asset as collateral for the loan.
- **MORTGAGE ASSUMPTIONS:**
  Do not include the contingent liability (PITIA) for a property sold by the Borrower with an assumption, if all of the following are met: 1. Verification that property purchaser has at least a 12-month history of making regular and timely payments, 2. Evidence of transfer of ownership, 3. Copy of the formal, executed assumption agreement, 4. Credit report indicating consistent and timely payments were made. If timely payments for the most recent 12-month period cannot be documented, include PITIA for assumed property in the Borrower's recurring monthly debt obligations.
- **OTHER REAL ESTATE OWNED:**
  See Other Real Estate Owned, Liabilities and Current Residence Pending Sales or Conversion.

- **PROPERTY SETTLEMENT BUY-OUT:**
  Does not need to be included in the debt-to-income ratio provided there is documentation to evidence the transfer of title of the property.
- **REVOLVING CHARGES/LINES OF CREDIT:**
  Treat revolving charge accounts and unsecured lines as long-term debts and include in DTI. If the credit report does not show a required minimum payment amount and there is no documentation to support a payment of less than 5%, use 5% of the outstanding balance.
- **PAY-DOWN DEBT TO QUALIFY:**
  Not permitted in this program.
- **PAYOFF REVOLVING DEBT TO QUALIFY:**
  Permitted if the revolving account is paid in full and closed prior to closing. If the revolving account is not closed, the debt must be included in the debt-to-income ratio
- **UNDISCLOSED LIABILITIES:**
  Undisclosed Debt Explanation Letters: When the credit report reveals a significant debt not listed on the initial application, a written explanation from the Borrower addressing the omission is required. The absence of a written explanation from the Borrower may render the loan ineligible for purchase. See Credit, Credit Report.
- **UNREIMBURSED EMPLOYEE EXPENSES:**
  When a Borrower has out-of-pocket, unreimbursed business, determine the recurring monthly debt by developing an average of the expenses from the Schedule A and/or IRS Form 2106 for the number of years required.
  - When calculating the total debt-to-income ratio, the average for unreimbursed expenses should be subtracted from the Borrower's stable monthly income.
- **VOLUNTARY RECURRING DEBT:**
  Not considered in the underwriting analysis or subtracted from gross income (e.g. 401k contributions, 401k loans, union dues, commuting expenses, open accounts with zero balances, federal, state, and local taxes, or other voluntary deductions).

EMPLOYMENT

DURATION

To be considered for qualifying purposes, base pay, bonus, and overtime income must have been received for a minimum of two years.

- If a Borrower does not meet the employment history requirement for the two years prior to the date of the loan application, and was previously in school or the military, obtain copies of the Borrower's diploma/transcripts or discharge papers.
- To be considered for qualifying, all income must be reasonably expected to continue for the first 3 years of the mortgage.

CHANGE OF POSITIONS

If the Borrower has recently changed positions with their employer, determine the effect of the change on the Borrower's eligibility and opportunity to receive any bonus or overtime pay in the new position. Documentation from the employer is required to determine if the bonus or overtime will continue at least the same or greater level.

VARIABLE INCOME:

A 2 year history of receipt of all variable income (such as bonus or commissions) is required. A level, upward or previously declining but stabilized trend in earnings must be established. If the trend is declining, the income may not be stable. Additional analysis must be conducted to determine if any variable income should be used, but it may not be averaged over the period when declination occurred.

FAMILY OWNED BUSINESS

If a business generating any of the Borrower's W-2 employment earnings is family owned, the Borrower is considered Self-Employed unless:

- A letter is obtained from the business accountant verifying that the Borrower does not have a 25% or greater ownership interest in the business (and stating the actual ownership interest), and
- Borrower provides signed copies of 2 years personal tax returns supporting no ownership interest, Appendix Q, I.C.1.a, or
- A signed copy of the corporate tax returns is provided showing Borrower's ownership percentage as less than 25%, Appendix Q, I.C.1.b.

PART-TIME TO FULL TIME

Borrower must meet the 2 year's receipt of income requirement. If the Borrower does not meet the employment history requirement for the two years prior to the date of the loan application, and was previously in school or the military, obtain copies of the Borrower's diploma/transcripts or discharge papers.

EMPLOYMENT GAPS

For Borrowers with employment gaps within the past 2 years, the following are required:

- Written letters of explanation for employment gaps over 30 days in the last two years.
- Borrowers who are re-entering the workforce after an extended absence (of 6 months or more) may be considered to have stable employment if the following are met:
  - The Borrower has been employed in his or her current job for 12 months or more to use the income for qualifying.
  - A two-year work history prior to the absence from the workforce is documented.
- Note: A state or federally protected leave is not considered to be an extended absence from employment.

FURLOUGHED BORROWERS

Borrowers (with employment) in a state with an active furlough policy must qualify with the reduced income.

- Payments from a third party (credit union or other source) to supplement unfunded budgets are not permitted, even if the source is approved by the employer.
- Full pay may be used if there is evidence from the employer or third party documentation that the furlough will end within the next 60 days.

TEMPORARY LEAVE

- Temporary leave from work is generally short term in duration and for reasons of maternity or parental leave, short-term medical disability, or other temporary leave types that are acceptable by law or the Borrower's employer.
- If a Borrower is currently receiving short-term disability benefits that will decrease to a lesser amount within the next three years because they are being converted to long-term benefits, the long-term benefits must be used as qualifying income.
- It must be determined that during and after temporary leave, the Borrower has the capacity to repay the mortgage and all other monthly obligations.
- Return to Work Prior to First Mortgage Payment Will be Due
  - Use the regular employment income received prior to leave.
- Return to Work After First Mortgage Payment Will be Due
  - Use the lesser of the leave income or pre-leave regular employment income.
  - If the leave income is less than the pre-leave regular employment income:
    - Supplement with available liquid reserves
    - Total qualifying income may not exceed the gross monthly income received upon return to work

  - Assets required to support the payment may not be counted towards available reserves

- The following documentation is required:
  - Verification of pre-leave regular income and employment history
  - No evidence or information from employer indicating Borrower does not have the right to return to work after leave period
  - Written confirmation of intent to return to work and agreed upon date of return are both evidenced by documentation by the employer (or third party service)
  - Verbal Verification of Employment; the Borrower is considered employed if the employer confirms the Borrower is currently on temporary leave
  - Amount and duration of Borrower's temporary leave income
  - Amount of regular employment income the Borrower received prior to leave
  - All available liquid assets used to supplement the reduced income for the duration of leave must be verifiable

INCOME - REQUIRED INCOME DOCUMENTATION

PAYSTUB REQUIREMENT

- Most recent year-to-date paystubs covering 30 consecutive days of earnings; providing adequate evidence of any overtime, bonus and/or commission income being used to qualify; must include gross earnings for the current pay period and year-to-date earnings for the most recent 30-day period; must be dated no earlier than 30 days prior to the loan application; if Borrower is paid hourly, the number of hours must be noted on the paystub.
- Paystub Requirement is not met if the employer does not provide a computer-generated or typed paystub. When the Paystub Requirement is not met, the most recent year's income tax returns and a written verification of employment, VOE, completed in its entirety are both required.

W-2s

Most recent 2 years W-2s, clearly identifying the Borrower as the employee and the employer name are required for each source of employment income.

WRITTEN VOE:

- If bonus and/or commission income is being used to qualify, a verification of employment form must be used to confirm ongoing employment and break out bonus and commission earnings, and
- A written VOE is required if the Paystub Requirement cannot be met. See Paystub Requirement above.
- A written VOE may not be used in lieu of 2 years W-2 forms and current paystubs and may not be used as "stand alone" documents for purposes of verifying the Borrower's income and employment.

VERBAL VERIFICATION OF EMPLOYMENT

- Verbal Verification of Employment (VVOE) Requirement: A VVOE to confirm the Borrower's current employment status is required for each Borrower within 10 business days prior to the Note date for employment income. (For self-employed Borrowers, see Self-Employment VVOE).
- Military: For Borrowers in the military, a military Leave and Earnings Statement (LES) dated within 30 calendar days prior to closing, or 31 days for longer months, is acceptable in lieu of a verbal verification or a verification of employment through the Defense Manpower Data Center.
- Phone Number: The lender must independently obtain the phone number and address for the Borrower's employer.
- Third Party Service: If using a third party service to verify employment (e.g., The Work Number, Quick Confirm, LexisNexis, etc.), the following applies:
  - Request to third party must be within 10 business days prior to the Note date
  - Employment Verification between employer and third party must be within 35 calendar days prior to the Note date

- Verbal Verification of Employment Contents: A VVOE must contain all of the following information:
  - Date of contact
  - Borrower's date of employment, employment status and job title
  - Name, phone number and title of individual contacted at entity, and entity name
  - Name and title of associate contacting employer
- If a verbal verification cannot be obtained, a written verification of employment must be utilized to confirm employment and must be completed within the same timeframe as a verbal verification of employment.

PERSONAL TAX RETURN REQUIREMENT

- Personal tax returns are not required if a Borrower's qualifying income is limited to salaries or wages reported on IRS Form W-2, if the Paystub Requirement is met and the Borrower or the Borrower's family does not own a 25% or greater interest in the company generating the borrower's W-2 wages. See Employment Income Documentation.
- For all other Borrowers at least two years of signed and dated personal tax returns are required.
  - Personal Income Tax Returns (Form 1040) must be complete with all schedules and W-2s, 1099s, K-1s, etc.,
  - Signatures and Dates: Tax returns must be signed and dated. Signature date must be on or prior to date of consummation of the loan (generally, date closing documents are signed, but definition may vary by property state).
  - Must be the Borrower's copy of the return filed with the IRS.
  - IRS transcripts may NOT be used in lieu of obtaining personal tax returns.

BUSINESS TAX RETURNS REQUIREMENT

- Two years business tax returns must are required for each business in which the Borrower has a 25% or greater ownership interest.
  - If Borrower receives W-2 wages from a company in which Borrower has 25% or greater ownership interest, this requirement applies.
  - Business Tax Returns must be complete with all attachments and schedules, including K-1s if applicable.
  - Signatures and Dates: Tax returns must be signed and dated. Signature date must be on or prior to date of consummation of the loan (generally, date closing documents are signed, but definition may vary by property state).
  - Must be the final version filed with the IRS.
  - IRS transcripts may NOT be used in lieu of obtaining business tax returns.
- K-1 Earnings: Business tax returns will not be required for businesses reporting K-1 earnings if:
  - The two most recent years K-1s reporting for that business both report positive self-employment earnings, and
  - The income from those K-1 earnings is not being used to qualify.

TAX RETURNS - AMENDED

- Amended tax returns must have been filed at least sixty (60) days prior to the earlier of the date of the mortgage loan application or the property purchase contract date, if applicable, unless the changes made are non-material to the amount of income claimed and qualification for the Mortgage Loan.

TAX TRANSCRIPTS

- PERSONAL
  - IRS transcripts may NOT be used in lieu of personal tax returns. (See W-2 Transcript in Lieu of 1040 Exception below).
  - A tax transcript must be obtained for all personal tax returns for every Borrower whose income or loss is being used to qualify, for each tax year covered by the income documentation used to qualify the Borrower(s).
  - If tax transcripts are not yet available, the loan file must contain a copy of an IRS or vendor document showing that no transcript is available.
- BUSINESS
  - IRS transcripts may NOT be used in lieu of business tax returns.

- Business tax return transcripts are required for every business entity where the Borrower has a 25% or greater ownership interest, when the income or loss is being used to qualify.
- If tax transcripts are not yet available, the loan file must contain a copy of an IRS or vendor document showing that no transcript is available.

▪ INCOME VARIATIONS
Any income variations in the current year's income > 15% from the most recent tax transcript must be adequately explained.

▪ INFORMATION VARIATIONS
Any information obtained through a transcript that is more comprehensive than the tax forms in the Mortgage Loan File (i.e., information on a 1040 transcript, where only a W-2 was required by the program guidelines and used to underwrite the Loan) must be accounted for when underwriting the Borrower.

▪ RETURNS NOT YET FILED
- For tax transcript timing requirements, see Fannie Mae Selling Guide B1-1-03, Allowable Age of Credit Documents and Federal Income Tax Returns.
- Provide an IRS Verification of Non-Filing if not yet filed.

▪ W-2 TRANSCRIPT IN LIEU OF 1040 EXCEPTION
- If personal tax returns are not required by this Program Guide and only W-2 wages are being considered in qualifying, then form W-2 transcripts are acceptable in lieu of form 1040 transcripts.
- IRS transcripts may NOT be used in lieu of W-2's.

Note: W-2 transcripts are generally not available for any year after the W-2 filed. For example, 2014 W-2 transcripts may not be available until 2016. In that case, a Form 1040 tax return transcript would be required to validate 2014 W-2 earnings for a loan being underwritten in 2015.

INCOME - SELF-EMPLOYED BORROWERS

Self-employment, Schedule C and Schedule F documentation are not required if income from those sources is not being used to qualify.

DEFINITION:
A Borrower is considered to be self-employed if any of the following conditions are true;
▪ If the Borrower has a 25% or greater ownership interest in a business (including a business than generates a Borrower's W-2 earnings) then the Borrower is considered to be self-employed.
▪ Borrowers who file an IRS form Schedule C or Schedule F are considered to be Self-Employed.

INCOME ANALYSIS:
Unless otherwise stated in this Program Guide, self-employment related income must be calculated using the requirements of Appendix Q, including Section I.D. General Information on Self-Employed Consumers and Income Analysis.

DURATION:
Evidence that the Borrower has at least two consecutive years of self-employment operating the same business in the same general location is required to demonstrate sufficient income stability for the income from that business to be considered in qualifying.

DOCUMENTATION REQUIREMENTS:
All of the following are required -
▪ Personal Tax Returns: Most recent two years of signed and dated personal tax returns with all schedules are required for all Borrowers who are considered "self-employed." See Personal Tax Return Requirements.

- Business Tax Returns: Two years of signed and dated business tax returns are required. See Business Tax Return Requirements.
- P & L and Balance Sheet: A year-to-date Profit and Loss Statement and Balance Sheet must be obtained for each sole proprietorship filing Schedule C or Schedule F, when income from that business is being used to qualify. See Profit and Loss Statement and Balance Sheet Requirements.
- VVOE - Self-Employed Confirmation of Employment: See Self-Employment Confirmation of Employment.
- Income Analysis Worksheet: An underwriting worksheet or written details documenting income, debt, and debt-to-income ratio calculations must be in the loan file, supporting the data on the 1008, and must demonstrate the Borrower's Ability to Repay. See Underwriter's Income Analysis Worksheet.
  - The analysis must include the underwriter's written justification and calculation methodology for any non-standard income (e. g. bonus, overtime, rental, commission).
  - The analysis must include support for any debts that are excluded from the debt-to-income ratios. (See DTI Requirements Table).
- Other Real Estate Owned: See Other Real Estate Owned – Liabilities, and Other Real Estate Owned - Income.

SELF-EMPLOYMENT LOSSES

- Net losses from self-employment and non-employment related sources must be deducted from qualifying income regardless of the longevity of the business activity, unless the business or activity producing the losses is documented to be discontinued.
  - Schedule C or F net losses must be deducted from qualifying income regardless of the longevity of the business activity, unless the business producing the losses is documented to be discontinued.

SELF-EMPLOYED CONFIRMATION OF EMPLOYMENT (VVOE)

- For each business the Borrower owns for which income is being used to qualify, a Self-Employed Confirmation of Employment (VVOE equivalent) is required to confirm the existence of the business through a third-party source within 30 calendar days prior to Note date.
- Self-Employed Confirmation of Employment (VVOE) Requirements
  - Verification of the existence of the Borrower's business from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, and
  - Verify the listing and address for the Borrower's business using a telephone book, the internet, or directory assistance, and
  - If contact is made verbally with a third party, document the source of the information obtained and the name and title of associate.
- If a verbal verification cannot be obtained, a written verification of employment must be utilized to confirm employment and must be completed within the same timeframe that would be required for a Verbal Verification of Employment (VVOE) (within 10 business days from the Note date or funding date for escrow states).

PROFIT AND LOSS STATEMENT AND BALANCE SHEET REQUIREMENTS

Profit and Loss Statement and Balance Sheet are not required if net earnings are positive and income is not being used to qualify.

- Year-to-date Profit and Loss Statement and Balance Sheet are required for each business where income or losses are reported on IRS form Schedule C or Schedule F, and for businesses in which the Borrower has a 25% or greater ownership interest, irrespective of which tax form or schedules the Borrower uses to report income or losses, when the income or loss from that business is being used to qualify.
  - Net losses from Self-Employment and/or Non-Employment Related sources must be deducted from qualifying income, unless the business or activity producing the losses is documented to be discontinued.
- If tax returns for the previous year are not yet available, an additional year-end P & L and Balance Sheet for that year is required for each business when the income or loss from that business is being used to qualify.
- Signing and Dating

- Covered loans: Primary residence; second homes; or investment properties that the Borrower intends to occupy for more than 14 days per year.

- **Not Covered Loans**
  - Investment properties are not eligible for this program, thus all transactions are considered to be Covered Loans.

REQUIREMENT FOR INCOME DOCUMENTATION FOR ROLLED-OVER LEASES

- For ALL leases that have gone beyond the original term and have rolled over into month-to-month tenancy: In order to use rental income for qualifying, the following must be obtained -
  - Copy of the most recent lease, and
  - Current documentation of receipt of rent

  Note: "Rolled-over" leases are typical in some states, including California, where all leases rollover to month-to-month agreements at the end of the lease term, unless otherwise modified. This is to support compliance with the Stability of Income requirements of Appendix Q.

INCOME ANALYSIS – OTHER INCOME

MILITARY INCOME

- Military personnel may be entitled to different types of pay in addition to their base pay. Hazard or flight pay, rations, clothing allowance, quarters allowance and proficiency pay may be counted as income if they are verified as regular and continuous.
- Reserves or National Guard - Not Called to Active Duty
  - Military Reservists who have not been called to active duty may use their military reserve income to qualify, as long as they can provide a two-year history of receipt of the income.
- Reserves or National Guard - Called to Active Duty
  - If one of the Borrowers is on active duty or was called to active duty after the loan application was taken, comply with the following:
  - The Borrower must certify that the subject property is his or her primary residence
  - The subject property must be vacant (unless occupied by a spouse or legitimate immediate family member), will remain vacant and will again be the Borrower's primary residence when the temporary assignment is completed
  - The subject property cannot be rented or tenant occupied
  - The Borrower must certify that he or she will return to the subject property as his or her primary residence upon completion of the temporary assignment
  - The Borrower must provide documentation regarding the temporary assignment (orders supporting the assignment including duration)
- Borrower Qualification:
  - If the loan is a primary residence rate and term refinance and mortgage payment is not changing or is being reduced, qualify the Borrower using the Borrower's current job and income

If the loan is: purchase, cash-out refinance, or rate and term refinance and the Borrower's payment is increasing; or second home purchase or refinance; then use the lesser of the Borrower's reservist pay or their current job (or a combination of reservist pay and current job pay i.e. current employer pays reservist their standard pay minus reservist income).

ALIMONY AND CHILD SUPPORT

Alimony and child support payments will be considered provided the payment terms confirm that the income will continue for the first 3 years of the mortgage. For child support, if the child's age is not clearly defined, obtain additional documentation to ensure that income can be expected to continue for the first 3 years of the mortgage. Provide a copy of the legal agreement and evidence of stable receipt for at least the past 6 months.

ROYALTIES

Ongoing income received from royalty payments, such as income from a work paid to its author or composer may be eligible. Provide all of the following: Documentation that income can be expected to continue for first 3 years of mortgage, and 2 years personal income tax returns, and most recent 12 months bank statements showing deposit of funds.

SEASONAL INCOME:

Seasonal part-time or seasonal second job employment may be acceptable if the Borrower has worked in the same job or same line of seasonal work for the most recent 2 years. Provide ALL of the following: Most recent paystub(s), if available, and most recent two year's W-2s or personal income tax returns with all schedules, and written confirmation from the Borrower's employer that there is a reasonable expectation that the Borrower will be rehired for the next season.

SOCIAL SECURITY INCOME:

SS income for retirement or long-term disability will not have a defined expiration date and therefore is expected to continue. However, if not for retirement or long-term disability, confirm that the remaining term is expected to continue for first 3 years of mortgage. Provide **one** of the following: Social Security Administration's award letter, **or** most recent personal income tax returns with all schedules, **or** most recent SSA-1099, **or** most recent bank statements showing deposit of the funds.

TRUST INCOME

Confirm trust income continuance for first 3 years of mortgage. Provide a copy of the Trust Agreement or Trustee Statement to document the following: Total amount of designated trust funds, **and** Terms of payment, **and** Duration of trust, **and** what portion, if any, of income to Borrower is not taxable.

- If the Trust Agreement or trustee's statement does not provide the historical level of distributions, one of the following must be provided: Most recent two year's personal income tax returns with all schedules, **or** most recent two year's 1041 fiduciary tax returns with all schedules.

  Note: A Borrower's trust income may be taxed at a lower rate or it may be part of a partnership that writes off losses, which may result in no tax liability. Trust income is reported on the 1041 fiduciary income tax return, which includes a K-1 schedule. All beneficiaries of trust income receive IRS Form K-1 from the trust.

TEACHERS:

Annual salary must be verified. Stipends or supplemental income must be documented as regular and continuous.

- Borrowers with a contract for their first year of employment who have started work but have not received a paystub must provide all of the following: copy of contract, and written verification of employment, and Verbal Verification of Employment.
- Borrowers with a contract for their first year of employment with the school district must be on the job prior to closing.
- For teacher income paid over a 10-month period and obtaining financing during the summer months when income is not being received, provide all of the following: Final year-end paystub from the school, and Verbal Verification of Employment, and copy of the contract indicating that the Borrower is paid over a 10-month period. Qualify the Borrower based on the income received on the final year-end paystub.

TIP INCOME:

Must have been received for 2 years. Provide current paystubs and most recent 2 years W-2's.

UNEMPLOYMENT BENEFITS:

Unemployment benefits, such as those received by seasonal workers, must have been received for the past two years and be predictable and likely to continue for the next three years from the date of the application. Provide all of the following: Most recent two year's personal income tax returns with all schedules and Income must be clearly associated with seasonal layoffs and expected to recur.

UNION MEMBERS:
Provide Verbal Verification of Employment confirming Borrower is in good standing with union. If union cannot provide confirmation, a Verbal Verification of Employment with present employer is required. All of the following are required: 1. Current paystub(s) from present employer, 2. If there has been more than one employer in the current year, the last paystub from each employer will be required to adequately reflect year-to-date earnings, and 3. Most recent two year's W-2s from all employers, and 4. Most recent two year's personal income tax returns with all schedules.

VA BENEFITS:
Provide letter or distribution form from VA verifying that income can be expected to continue for three years. (Retirement and long-term disability can be expected to continue).

INCOME ANALYSIS – INELIGIBLE INCOME

Includes any income source not meeting the requirements of this Program Guide or Appendix Q, and:

- Foreign Income – income from sources outside of the United States
- Future income
- Income derived from:
- Gambling
- Sources outside the United States
- Subject property with land being leased to another party
- Income determined to be temporary or one-time in nature
- Lump sum payments of lottery earnings, inheritances or lawsuit settlements that are not on-going (for at least the first 3 years of the mortgage
- Mortgage credit certificates
- Non-incidental income received from farming/agricultural use of a property
- Rental income received from the Borrower's single family primary residence or second home
- Retained earnings in a company
- Stock options
- Taxable forms of personal income not declared on personal income tax returns
- Trailing co-Borrower income
- Unverifiable income
- VA education benefits

DEPARTURE RESIDENCE POLICY

PENDING SALE OF CURRENT RESIDENCE:

- Reserve Requirements: (See Eligible Reserves)
  - Additional 6 months liquid reserves based on the PITIA of the retained property, and
  - Reserve requirements for the new loan per the Reserve Requirements Table.
- Calculate DTI using the PITIA of both the retained property and the new primary residence, or qualify based only on the new primary residence PITIA if the following are met:
  - Executed, non-contingent sales contract for the current residence, or
  - Executed, contingent sales contract and confirmation that any financing contingencies have been cleared.

CONVERSION OF PRIMARY RESIDENCE TO SECOND HOME:

- Reserve Requirements: (See Eligible Reserves)
  - Additional 6 months liquid reserves based on the PITIA of the retained property, and
  - Reserve requirements for the new loan per Reserve Requirements Table.
- Calculate DTI using the PITIA of both the retained property and the new primary residence.

CONVERSION OF PRIMARY RESIDENCE TO INVESTMENT PROPERTY

- To use rental income for qualification:
  - Borrower must have 30% documented equity in retained property.
  - Equity in the retained property may be evidenced by an automated valuation model (AVM), Broker Price Opinion (BPO) or an exterior-only inspection dated no more than 60 days prior to the Note Date.
  - A Borrower provided report of value is not acceptable to establish value.
  - Requires evidence that security deposit from the tenant has been deposited into the borrower's bank account
  - A family member, an individual with an Established Relationship with those involved in the transaction, or an interested party may not sign the lease agreement as the tenant.
- Reserve Requirements: (See Eligible Reserves)
  - Additional 6 months liquid PITIA reserves for the retained property, and
  - The greater of 6 months PITIA reserves for subject property, or reserve requirements per the Reserve Requirements Table.

ASSET

GENERAL REQUIREMENTS:

- All down payment funds, funds to close and reserves must be documented and verified. Electronic Verifications are acceptable.
- Large Deposits: Recently opened accounts, recent large deposits (generally greater than 25% of the monthly income) must be explained and documented.
- Unverified funds may not be used for down payment, closing costs or reserves.

ELIGIBLE DOCUMENTATION:

Unless otherwise specified in Assets, Funds to Close, or Assets, Reserves, acceptable asset documentation includes:

- 2 consecutive monthly account statements (dated within 30 days of application), or
- Quarterly or annual account statements dated greater than 30 days and less than 90 days are acceptable with verification that funds are still available.

INELIGIBLE DOCUMENTATION:

- VOD – Institutional Verification of Deposit – may NOT be used as a standalone documentation, but may be used along with one month account statement.
- If no average balance is provided on the VOD, then two months account statements are required.

EARNEST MONEY DEPOSIT:

Provide source of funds, copy of cancelled check, or copy of deposit check and proof check was cashed, or verify sufficient funds in Borrower's accounts.

ELIGIBLE SOURCE OF FUNDS TO CLOSE:

- **Bank/Financial Institution Accounts**: Individual and Joint Bank Accounts, Certificates of Deposit (CDs), Money Market Funds. Savings bonds with evidence of redemption.
- **Bridge Loans** must be included as a liability for qualifying purposes. A copy of the Note must be in the Loan file. (Proceeds from bridge loans may not be used to meet reserve requirements). If no monthly payment is required, calculate an interest only payment at the contract rate. Bridge loans may not be cross-collateralized against subject property.
- **Business Assets** may be used if the Borrower is 100% owner of the business and a letter from the business accountant is obtained to confirm that the withdrawal will not negatively impact the daily operations of the business.

- **Credit Card Financing**: When the Borrower uses a credit card to pay for certain fees that must be paid early in the application process, Borrower must have sufficient funds to cover these charges. The Borrower does not need to pay-off these charges at or prior to closing.
- **Foreign Assets** being used for down payment and closing costs must be held in a U.S. account prior to closing. If derived from sale of foreign asset or from assets held in a foreign institution, assets must be converted into US currency by an independent third party and placed in a US financial institution. Sale of the foreign asset and conversion must be fully documented. Foreign assets may not be used to meet reserve requirements. Borrower's source of down payment and/or closing costs must comply with the OFAC Sanctions Programs for funds originating from countries with OFAC sanctions.
- **Gift Funds:**

  Primary Residence
  - Gifts are acceptable on loan amounts up to $1 million.
  - A Minimum Borrower Contribution of 5% of the funds to close (and all of the Borrower's Reserves) must be from the Borrower's own funds.
  - The balance may be paid from any of the acceptable asset sources (such as Borrower funds, gift funds or eligible Secondary Financing.
  - Gift funds documentation: Gift letter signed by donor, proof of donors funds (e. g. withdrawal slip), and proof of transfer of gift from donor to Borrower.
  - Eligible Donors: spouse, child, parent, sibling, grandparent, aunt, uncle, domestic partner, fiancé or fiancée.
  - Ineligible Donors: Donors may not be, or have any affiliation with; Builder, Developer, Real Estate Agent, any other interested party to the transaction.
  - Gift funds may not be used for reserves. No portion of the gift may be subject to repayment.

  Second Home
  - Not allowed. The entire down payment must be paid from the Borrower's own funds. Gifts are not permitted for funds to close nor reserves for second home transactions.
- **Gift of Equity:**
  - Borrowers may receive a gift of equity from the seller of the subject property, provided the seller is someone with whom the Borrower has an Established Relationship. The gift must be reflected as a credit on the HUD-1 Settlement Statement or Closing Disclosure and must be clearly labeled as a gift of equity. A gift of equity is not considered a (property) seller contribution.
  - The donor must have sufficient equity in the property to cover the gift and a gift letter must be signed. The HUD-1 Settlement Statement or Closing Disclosure will satisfy donor's ability and receipt of gift verification.
- **Income Tax Refund** may be used with verification of receipt of funds and copy of signed, personal tax return.
- **Interested Party Contributions (IPCs), Financing Concessions:** All IPCs must be disclosed on the closing disclosure or settlement statement. Once the Borrower has met the Minimum Borrower Contribution of 5%, then: IPCs may not exceed 3% of the lesser of the sales price or appraised value. (Lender paid fees are not factored into the contribution limit).
  - Excess IPCs as well as sales concessions that take the form of non-realty items must be subtracted from the sales price when determining LTV/CLTV
- **Life insurance, cash value:** Requires written statement from life insurance Company specifying the amount of net cash value available to Borrower and verification of receipt of funds.
- **Loans Secured by Financial Assets:** Financial assets (life insurance policies, 401ks, IRAs, CDs, stocks, bonds, etc.) can be used as security for a loan. The payment on this type of loan is not required to be included in DTI provided the applicable loan instrument shows the Borrower's financial asset as collateral, see DTI Requirements Table.

1-4 Units	≤ 1,000,000	6
	> 1,000,000 and ≤ 2,000,000	12
	> 2,000,000	18
Second Home, Purchase, Rate and Term		
1 Unit	≤ 1,000,000	8
	> 1,000,000 and ≤ 2,000,000	14
	> 2,000,000	20

- **FIRST TIME HOMEBUYER (MAXIMUM 1ST LIEN LOAN AMOUNT $1,250,000)**

Property Type	Combined Loan Amounts of All Loans Secured by Subject Property	Reserve Requirement
Primary Residence, Purchase Rate, and Term, Cash Out		
1-4 Units	≤ 1,000,000	12
	> 1,000,000 and ≤ 2,000,000	
	> 2,000,000	18
Second Home, Purchase, Rate and Term		
1 Unit	≤ 1,000,000	N/A
	> 1,000,000 and ≤ 2,000,000	
	> 2,000,000	

- **ADDITIONAL FINANCED PROPERTIES:**
  Add two (2) months subject property PITIA reserves for each additional Financed Property owned. See Borrower Eligibility for Financed Property definition and restrictions.
- **CURRENT RESIDENCE PENDING SALE OR CONVERSION**
  Total Reserve Requirement, plus - Additional 6 months liquid reserves based on the PITIA of the retained property. See Current Residence Pending Sale or Conversion.

ELIGIBLE RESERVE SOURCES:

Liquid reserves are those liquid assets that are readily available to a Borrower after the mortgage closes, and that are easily converted to cash. For purposes of this program guide, liquid reserves include:

- Funds in a bank/financial institution – individual, joint, or trust (if Borrower has access)
- CD/money market funds
- Savings bonds with statement from financial institution confirming Borrower is the owner and with proof of bond value
- Stocks (in listed corporations) /bonds, use 70% of face value
- Stocks (in unlisted corporations): Provide company CPA validation of price per share. Use 70%.
- Retirement accounts: IRA SEP-IRA, KEOGH, 401(k), 403(b): Use 50%. If Borrower is age 59 ½ or greater use 70%.
- Business assets may be used for reserves if Borrower files under Schedule C, is 100% owner of business, and accountant letter indicates that use of funds for reserves will not negatively affect the daily operations of the business.
- Trust Accounts where the Borrower is the beneficiary are acceptable if the value of the trust account, and the Borrowers' immediate access and conditions for access to the funds is verified by the trust manager or trustee
- Note: If Borrower has an outstanding obligation secured by an asset, subtract that amount from the asset value.

INELIGIBLE RESERVE SOURCES:

- 1031 tax deferred exchange proceeds
- Business assets, unless company files under Schedule C and Borrower is 100% owner of business
- Cash-out proceeds
- Credit card financing, cash advance on HELOC or other line of credit.

Soft Markets MSA Table			
Property State	**MSA**	**MSA FIP**	**Counties**
CA	El Centro	20940	Imperial
CA	Fresno	23420	Fresno
CA	Visalia-Porterville	47300	Tulare

Maximum LTV/**CLTV** is reduced by 5% if:

- Property is in a tW *Soft Market MSA*, from the table above, or
- Neighborhood Section of Appraisal indicates “Property Values Declining.”

- **Second Appraisal Requirement** for ALL Loan Amounts > $1.5 M: A second appraisal from a different appraiser not affiliated with the original appraiser or the appraisal company (ordered through same AMC is acceptable) is required for loan amounts over $1,500,000. Appraised value for underwriting purposes is the lower of the two appraisals.
- **Review Appraisal, CDA Requirements** for loan amounts ≤ $1,500,000: Seller must obtain either a Clear Capital Collateral Desktop Analysis - CA (CDA) (without MLS data) OR a Second Appraisal (meeting above requirements) if:
  - LTV or CLTV > 75% for purchase or R/T refinance, or
  - LTV or CLTV > 65% for cash-out refinance, or
  - Subject transaction is a “flip” or resale of the property where purchase contract date < 180 days after the prior sale date, and subject sales price is more than 10% over the previous sales price. APPRAISAL(s) MUST SPECIFICALLY ADDRESS THE PRIOR SALE AND JUSTIFY THE PRICE INCREASE.
- **CDA > 10% Below Appraisal:** If the CDA option is chosen and it returns a value more than 10% below the original appraised value, then the Seller may use either the CDA value as the appraised value to calculate the LTV/CLTV OR obtain a Clear Capital Broker Price Opinion (BPO) and Clear Capital Value Reconciliation of Three Reports (Recon Form 3.0). The Value Reconciliation will take into account the original appraisal, CDA and BPO. The final value determined by Clear Capital will be used as the appraised value for the property.
- CDA Indeterminate Value: If CDA cannot determine a value, a second full appraisal is required.

ESCROW HOLDBACKS

- Loans that are pending escrow holdbacks (i.e., not fully disbursed) for improvements or repairs that are not yet complete are NOT eligible for purchase by tW .
- Prior to purchase by tW , escrowed completion funds must have been fully disbursed and work completed as evidenced by an acceptably completed Form 442/1004D, Appraisal Update and/or Completion Report.

ESCROW/IMPOUNDS

- Unless in violation of Applicable Laws, all Mortgage Loans with a loan-to-value ratio greater than 80% (not currently offered for this program) must have an escrow/impound account established at Loan close. (California does not permit requiring escrows for LTV’s ≤90%. New Mexico does not permit requiring escrows for LTVs <80%).
- Mortgage Loans with escrow/impound reserves for any other item (including monthly mortgage insurance or hazard insurance) are required to have escrow/impounds for flood insurance if applicable.
- WinPrime Lending does not permit escrows for optional items (such as optional insurances).

REGULATORY COMPLIANCE

ABILITY TO REPAY RULE (ATR):

All Mortgage Loans in this program, must meet the requirements of the "Ability to Repay" (ATR) Rule in 12 CFR §1026.43(c) (2).

QUALIFIED MORTGAGE (QM) STATUS:

- Maximum points and fees for all loans in this program are limited to 3%.
- All loans are covered transactions under Regulation Z and must be Qualified Mortgages meeting the requirements in 12 CFR §1026.43(e)(2).
- WinPrime Lending does not purchase investment properties in this program.
- All transactions must be Safe Harbor QM: Rebuttable Presumption QM loans. HPML and HPCT are not eligible for purchase

APPENDIX Q:

For the purposes of calculating and documenting income, including the calculation of DTI, all loans must be underwritten using the standards and methods of the Qualified Mortgage (QM) rule in 12 CFR §1026.43 and the Standards for Determining Monthly Debt and Income in Appendix Q to 12 CFR 1026, and except where a more restrictive standard or method is required by this Program Guide.

HOMEOWNERSHIP COUNSELING DISCLOSURE:

A RESPA compliant Homeownership Counseling Disclosure must be provided with initial disclosures and documented in the loan file for all loans delivered to WinPrime Lending.

HIGH COST LIMITS:

Loans exceeding any applicable federal, state or municipal High Cost limits are not eligible for purchase by WinPrime Lending (e.g. HOEPA).

HPML/HPCT:

Higher-Priced Mortgage Loans (HPML) and Higher-Priced Covered Transactions (HPCT) under Regulation Z, are not eligible for purchase in this program.

TRID SIGNATURE REQUIREMENTS:

The final Closing Disclosure (CD) form must be signed by all applicant(s) (Borrowers).

UNDER-DISCLOSED TOTAL FINANCE CHARGE REQUIREMENT

Overlay to Regulation Z, 1026.23(g), Tolerances for Accuracy:
For all rescindable transactions with total finance charges under-disclosed by more than $35, the following must be documented in the loan file:

- If discovered prior to close:
  - Borrower refund for all under-disclosed amounts was issued, and
  - Rescission was re-opened, and
  - Any additionally required waiting period was met before loan close
- If discovered post-close:
  - Borrower refund for all under-disclosed amounts was issued, and
  - Rescission was re-opened
  - Additional rescission period has expired

Non-rescindable transactions with total finance charges under-disclosed by more than $100, the following must be documented in the loan file:

- Borrower refund issued for all under-disclosed amounts