

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

Jumbo Loan Product Eligibility Matrix			
Purchase / Rate Term			
1 Unit	Max Loan	LTV/CLTV	FICO
Primary P & R/T	1,500,000	80%	720
	2,000,000	75%	720
Second Home	1,000,000	80%	740
	1,500,000	70%	720
First Time Homebuyer Primary Purchase	1,500,000	80%	720
Self-Employed Borrower	2,000,000	70%	720

Jumbo Loan Product Eligibility Matrix				
Cash- Out Refinance				
1 Unit	Max Loan	LTV/CLTV	FICO	Max Cash Out
Primary	1,500,000	70%	740	500,000
Second Home	Not	Eligible	Not	Eligible
Self-Employed	Not	Eligible	Not	Eligible

- ❖ First-Time Homebuyer maximum loan amount is \$1,500,000
- ❖ See First-Time Homebuyer section for additional requirements for loan amounts over \$1,000,000 and up to \$1,500,000
- ❖ Self-Employment income: Maximum of 70% LTV/CLTV/HCLTV when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 70% maximum LTV/CLTV/HCLTV is not applicable
- ❖ Self-Employment income is not an eligible source of qualifying income on Cash-Out transactions

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

Fair Lending Statement	<p>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 for 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 19), and disability.</p> <p><i>For scenarios not specifically addressed in the following guidance, please utilize the most recent Fannie Mae or Freddie Mac Selling Guide for assistance; also see section related to income referencing Appendix Q Standards.</i></p> <p>Appendix Q</p>
Products Offered	<p>This product description describes product guidelines and requirements for the following loan programs:</p> <ul style="list-style-type: none"> Fully Amortizing Fixed Rate 20, 25, 30-year terms
Additional Loan Attributes and Policies	<p>Subordinate Financing</p> <ul style="list-style-type: none"> New subordinate financing is permitted up to the maximum allowable LTVs Only institutional financing is permitted No new subordinate financing on refinance transactions. Subordination of an existing loan is permitted up to maximum LTV allowed. Not allowed on cash out. Subordinate liens must not have negative amortization, no balloon within 5 years, and no prepayment penalties. In cases in which a HELOC is resubordinated to the subject mortgage, a 1% minimum payment of the total line amount will be used for qualifying. A credit report supplement showing the minimum monthly payment is also acceptable. If HELOC has a zero balance and no draws within 24 months of application, no payment needs to be included in DTI. Withdrawal activities must be documented with a transaction history for the line of credit Subordinate financing for down payment and closing cost assistance is not permitted. <p>Chain of Title</p> <ul style="list-style-type: none"> All transactions require a minimum twelve (24) month chain of title. If seller has taken title to the subject property within ninety (90) days prior to the date of sales contract, the following requirements apply: <ul style="list-style-type: none"> Property seller on the purchase contract is the owner of record Second full appraisal is required. Increases in value should be documented with commentary from the appraiser Loans that are bank or relocation sales are exempt from the above requirements <p>Balloon Mortgage</p> <ul style="list-style-type: none"> Balloon mortgages are not eligible for purchase. <p>Temporary Buydown</p> <ul style="list-style-type: none"> Temporary buydown mortgage loans are not eligible for purchase. <p>Prepayment Penalty</p> <ul style="list-style-type: none"> Mortgage loans with prepayment penalties are not eligible for purchase <p>Interested Party Contributions</p>

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

<p>Additional Loan Attributes and Policies Cont.</p>	<ul style="list-style-type: none"> ○ 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. ○ Interested party contributions may not exceed 6% of the sales price for O/O and Second Homes <p>Seller Concessions/Contribution</p> <ul style="list-style-type: none"> ○ 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. <p>Escrow Accounts</p> <ul style="list-style-type: none"> ○ 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. ○ All applicable loans must adhere to HFIAA regarding flood insurance escrows.
<p>Appraisal Requirements</p>	<p>All appraisals must be completed on the most current Agency appraisal forms as stipulated in the Seller's Guide(s) and conform to agency appraisal practices.</p> <ul style="list-style-type: none"> ○ Appraisals must not be over 120 days old from the date of the Note. If appraisal is over 120 days old a new appraisal needs to be performed. For new construction an appraisal update on form 1004D is required. ○ Transferred appraisals are not allowed, appraisals must be completed for the current lender underwriting the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed <p>Purchase Transactions</p> <ul style="list-style-type: none"> ○ One (1) full appraisal PLUS the following are required to support the appraised value: <ul style="list-style-type: none"> ○ Collateral Desktop Analysis (CDA) ordered from Clear Capital (GHMC to order) <ul style="list-style-type: none"> ▪ If the CDA returns a value that is "indeterminate" or if the CDA indicates the value to be 10% less than the appraised value, then one (1) of the following will also be required: <ul style="list-style-type: none"> • A BPO and a Value Reconciliation of Three reports ordered with Clear Capital: OR, • A full second appraisal. ○ GHMC will order the additional appraisal products (including 2nd full appraisals). ○ If a Value Reconciliation of Three reports is needed, the LTV will be determined using the value as noted on the Valuation Reconciliation. ○ A full second appraisal can be ordered in lieu of a CDA (see below for requirements when there are two (2) full appraisals). If a full second appraisal is used, the lower of the two appraised values will be used to determine the LTV <p>Refinance Transactions</p> <ul style="list-style-type: none"> ○ Loan amount ≤ \$1,500,000- One (1) full appraisal PLUS the following will be required to support the appraised value: <ul style="list-style-type: none"> ○ Collateral Desktop Analysis (CDA) ordered from Clear Capital (GHMC to order) <ul style="list-style-type: none"> ▪ If the CDA returns a value that is "indeterminate" or if the CDA indicates the value to be 10% less than the appraised value, then one (1) of the following will also be required: <ul style="list-style-type: none"> • A BPO and a Value Reconciliation ordered with Clear Capital: OR, • A full second appraisal ○ GHMC will order the additional appraisal products (including 2nd appraisals). If a Value Reconciliation of Three reports is ordered, the LTV will be determined using the VR value. If a full second appraisal is ordered, the lower of the two will be used to determine value. ○ A full second appraisal can be ordered in lieu of a CDA (see below for requirements when there are two (2) full appraisals)

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<ul style="list-style-type: none">Loan amount > \$1,500,000 two (2) full appraisals are required and must meet the following:<ul style="list-style-type: none">Appraisals must be completed by two (2) independent appraisal companiesThe LTV will be determined by the lower of the two (2) appraised valuesBoth appraisal reports must be reviewed and any/all inconsistencies reconciledIf the two (2) appraisals are done “subject to”, only one (1) 1004D is required, and should be for the appraisal that the value is being based upon																										
Adjustable-Rate Mortgage (ARM)	Not Eligible																										
AUS	AUS is not required to be run. All loans must be manually underwritten and fully documented. No documentation waivers based on AUS recommendations permitted																										
Bankruptcy, Foreclosure, Deed-In-Lieu of Foreclosure and Short Sales	<ul style="list-style-type: none">At least seven (7) years must have elapsed since bankruptcy discharge or dismissal, foreclosure, short sale or deed-in-lieu. This is measured from the date of completion to the date of application.A satisfactory letter of explanation for the event from the borrower is required.Borrower must show reestablished credit that is able to meet the minimum credit/tradeline requirements.																										
Cash Reserves	<ul style="list-style-type: none">All loans require a minimum cash reserve.Reserves must be verified and comprised of acceptable verifiable liquid assets that borrower can readily accessBusiness assets, equity lines of credit, gift funds, and cash out from refinance transactions are not acceptable sources to meet the reserve requirement.If the retirement assets in the form of stocks, bonds, or mutual funds, are being considered for reserves, the account must be discounted by 30% to account for market volatility <table><tr><th colspan="3">Reserve Requirements ^{1,2}</th></tr><tr><th>Occupancy</th><th>Loan Amount</th><th># of Months</th></tr><tr><td rowspan="3">Primary Residence</td><td>≤ \$1,000,000</td><td>12</td></tr><tr><td>≤ \$1,500,000</td><td>12</td></tr><tr><td>> \$1,500,000 - \$2,000,000</td><td>15</td></tr><tr><td rowspan="2">Second Home</td><td>≤ \$1,000,000</td><td>12</td></tr><tr><td>> \$1,000,000 - \$1,500,000</td><td>18</td></tr><tr><td rowspan="2">First-Time Homebuyer</td><td>≤ \$1,000,000</td><td>12</td></tr><tr><td>> \$1,000,000 - \$1,500,000</td><td>18</td></tr><tr><td>Additional 1-4 Unit Financed REO</td><td colspan="2">Additional six (6) months PITIA reserves for each financed property (max number of financed properties = 4) 1-4 Unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties ONLY when the borrower is not personally obligated for the mortgage.</td></tr></table>	Reserve Requirements ^{1,2}			Occupancy	Loan Amount	# of Months	Primary Residence	≤ \$1,000,000	12	≤ \$1,500,000	12	> \$1,500,000 - \$2,000,000	15	Second Home	≤ \$1,000,000	12	> \$1,000,000 - \$1,500,000	18	First-Time Homebuyer	≤ \$1,000,000	12	> \$1,000,000 - \$1,500,000	18	Additional 1-4 Unit Financed REO	Additional six (6) months PITIA reserves for each financed property (max number of financed properties = 4) 1-4 Unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties ONLY when the borrower is not personally obligated for the mortgage.	
Reserve Requirements ^{1,2}																											
Occupancy	Loan Amount	# of Months																									
Primary Residence	≤ \$1,000,000	12																									
	≤ \$1,500,000	12																									
	> \$1,500,000 - \$2,000,000	15																									
Second Home	≤ \$1,000,000	12																									
	> \$1,000,000 - \$1,500,000	18																									
First-Time Homebuyer	≤ \$1,000,000	12																									
	> \$1,000,000 - \$1,500,000	18																									
Additional 1-4 Unit Financed REO	Additional six (6) months PITIA reserves for each financed property (max number of financed properties = 4) 1-4 Unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties ONLY when the borrower is not personally obligated for the mortgage.																										

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<p>¹Borrowed funds (secured or unsecured) are not allowed for reserves</p> <p>²Minimum of three (3) months reserves (of the total required) must be liquid and from non-retirement sources. Retirement funds considered liquid are allowed for borrowers of retirement age</p>
Condominium Restrictions	<ul style="list-style-type: none"> ○ Condominiums-Low/mid/high-rise, new and established types R, S and T <ul style="list-style-type: none"> • Must be warrantable, eligible transaction as per Fannie Mae Selling Guide • New condominiums (type R) may not be subject to additional phasing or annexation • Condominiums with HOA in litigation are ineligible • Florida Condo's requiring PERS approval are ineligible (new or newly converted attached) • Minimum square footage= 400ft • Limited is not eligible, all attached condominiums require full lender review with CPM. • Project must be reviewed within the three (3) months preceding the note date • Condominium documents to support condominium eligibility review must be no older than 120 days from Note date • Projects with pending litigation are ineligible
COVID-19	All loans must be underwritten to/meet current Agency as well as GHMC COVID-19 temporary guidance and overlays.
Credit Documents Age	<ul style="list-style-type: none"> ○ For all transaction types, including new construction, credit documents may not be older than 90 days from the Note date.
Credit Inquiries	<ul style="list-style-type: none"> ○ All inquiries that have taken place within 120 days of the credit report date must be explained by the borrower and documented accordingly. ○ The Seller must confirm the borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. <ul style="list-style-type: none"> • Confirmation of no new debt may be in the form of a new credit report, pre-close credit report or gap credit report ○ If additional credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment
Credit Score	<ul style="list-style-type: none"> ○ 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. <p>See Product Matrix on page 12 for minimum credit score requirements</p>
Credit Tradeline Requirements	<p>Minimum Tradelines</p> <ul style="list-style-type: none"> ○ Each borrower contributing income must have three (3) open and active trade lines for 24 months with a 24-month history. Two (2) of the three (3) trade lines must show activity within the past 12 months from date of application. ○ One trade line must be an installment, mortgage account or rental account. ○ Authorized user accounts and/or Non-traditional/Alternative credit accounts are <u>not</u> considered acceptable trade lines. ○ Trade lines may not show significant adverse history. ○ See Mortgage/Rental History for additional requirements.

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<p>Disputed Accounts</p> <ul style="list-style-type: none"> ○ All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute ○ Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded <p>Frozen Credit</p> <ul style="list-style-type: none"> ○ Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required
Debts and Liabilities	<ul style="list-style-type: none"> ○ The monthly payment on revolving accounts with a balance must be included in the borrower's DTI, regardless of the number of months remaining. If the credit report does not reflect a payment and the actual payment cannot be determined, a minimum payment may be calculated using the greater of \$10 or 5% of the balance. ○ If the credit report reflects an open-end thirty (30) day account, the balance owing must be subtracted from liquid assets ○ Lease payments, regardless of the number of payments remaining, must be included in the DTI ○ Installment debts lasting ten (10) months or more must be included in the DTI ○ Child support, alimony, and separate maintenances within ten (10) or more month remaining <ul style="list-style-type: none"> • Alimony payments may be deducted from income rather than included as a liability in the DTI for divorces prior to 1/1/2019. For borrowers with a divorce on or after 1/1/2019, the alimony payment must be treated as a liability <p>Student Loans</p> <ul style="list-style-type: none"> ○ For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in the borrower's monthly debt obligation <ul style="list-style-type: none"> ▪ If a monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used in qualifying ▪ If the credit report does not provide a monthly payment or shows \$0 as the monthly payment, the monthly payment may be one of the options below: <ul style="list-style-type: none"> • Loan payment indicated on student loan documentation verifying monthly payment is based on an income-driven plan • For deferred loans or loans in forbearance: <ul style="list-style-type: none"> ➢ 1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment) or ➢ A fully amortizing payment using the documented loan repayment terms <p>HELOCs and Other REOs</p> <ul style="list-style-type: none"> ○ HELOCs with a current outstanding balance and no payment reflected on the credit report may have the payment documented with a current billing statement. HELOCs with a current \$0 balance do not need a payment included in the DTI unless using for down payment or closing costs ○ Include the monthly PITIA for any additional properties owned by the borrower including second homes and investment properties with a negative cash flow ○ Include current real estate taxes and insurance on properties owned free and clear <p>Tax liens and Payment Plans</p> <ul style="list-style-type: none"> ○ If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date or if the tax transcripts show an outstanding balance due. ○ A payment plan for the <u>most recent tax year</u> is allowed when all of the following requirements are met: <ul style="list-style-type: none"> ▪ The payment plan was setup at the time the taxes were due ▪ The file contains a copy of the payment plan ▪ Must obtain satisfactory pay history based on terms of payment plan (at least one payment must have been made)

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<ul style="list-style-type: none"> ▪ Payment is included in the DTI ▪ The borrower(s) does not have a prior history of tax liens <p><i>*PAYMENT PLANS ON PRIOR TAX YEARS ARE NOT ALLOWED</i></p> <p><u>Contingent Liabilities</u></p> <ul style="list-style-type: none"> • Co-Signed loans – the monthly payment on a co-signed loan may be excluded from the DTI if evidence of timely payments made by the primary obligor (other than the borrower) is provided for the most recent twelve (12) months and there are no late payments reporting on the account • Court Order – if the obligation to make payments on a debt has been assigned to another person by a court order, the payment may be excluded from the DTI if the following documents are provided: <ul style="list-style-type: none"> ○ Copy of the court order ○ For mortgage debt, a copy of the document transferring ownership of property ○ If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owning on the mortgage property should be considered when reviewing the borrower's credit profile • Assumption with No Release of Liability – the debt on a previous mortgage may be excluded from the DTI with evidence that the borrower no longer owns the property. The following requirements apply: <ul style="list-style-type: none"> ○ Payment history showing the mortgage on the assumed property has been current during the previous twelve (12) months or ○ The value on the property, as established by an appraisal or sales price on the HUD- 1/CD results in an LTV of 75% or less
Debt-to-Income Ratio	<p>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 mortgage, rent, alimony, child support, and other consistent and recurring expenses. The seller must ensure that liabilities are included in qualifying.</p> <ul style="list-style-type: none"> ○ Max DTI 43% ○ Max DTI 35% for Self-Employed Rate/Term Refinance
Declining Markets	Reduce maximum LTV by 10% for any property located in an area of declining property values as reported by appraiser.
Disaster Requirements	Refer to GHMC's Disaster Guidelines
Eligible/Ineligible Borrowers	<ul style="list-style-type: none"> ○ U.S. Citizens ○ Permanent resident aliens with evidence of lawful residency <ul style="list-style-type: none"> ▪ Copy of valid resident alien card must be included in the loan file ▪ Must be employed in the US for the past twenty-four (24) months ○ All Borrowers must have a valid Social Security number ○ First time homebuyers (defined as having no ownership in a property in last 3 years) with the following restrictions: <ul style="list-style-type: none"> ▪ Owner-Occupied primary residences only. ▪ First time homebuyers are limited to a maximum LTV of 80%. ▪ 720 Minimum Credit Score ▪ See Reserve Requirement Matrix to determine reserves ▪ Loan amounts >\$1 MM and ≤ \$1.5MM <ul style="list-style-type: none"> ➢ No gift funds allowed ○ Maximum of four (4) borrowers per loan. ○ Borrowers must have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located.

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<p>Ineligible Borrowers</p> <ul style="list-style-type: none"> Non-Perm Resident Aliens Borrowers with only an ITIN (individual taxpayer identification number). Irrevocable trusts. Corporations, limited partnerships, general partnerships, and limited liability companies. Non-occupant co-borrowers Foreign Nationals (nonresident alien). Borrowers with Diplomatic Immunity Community Land Trusts, including Illinois Land Trusts Inter-Vivos and Non-Revocable Trusts Life Estates Guardianships Borrowers with any ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying
<p>Eligible Transaction Types</p>	<p>Purchase</p> <ul style="list-style-type: none"> 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 more than 90 days from date of 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. <p>Rate and Term Refinance</p> <ul style="list-style-type: none"> Properties listed for sale are ineligible for refinances unless the listing was withdrawn (or expired) prior to the date of application Properties listed for sale within six (6) months of the application date are acceptable if the following requirements are met: <ul style="list-style-type: none"> Rate & Term refinance only Must provide documentation to show listing has been cancelled Borrower to provide letter of explanation detailing reason for taking home off the market Minimum of six (6) months seasoning from the note date of the new transaction required if previous refinance was cash-out, including the pay-off of a non-seasoned subordinate lien. For properties owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property (must be clearly and well documented by receipts) or the appraised value. Original sales price will be determined from the Closing Disclosure from the subject acquisition transaction (application date to current note date). Properties inherited less than twelve (12) months prior to application date can be considered if the following are met: <ul style="list-style-type: none"> Copy of the will or probate document clearly identifying the borrower as a beneficiary Must have clear title or copy of probate evidencing borrower was awarded the property Copy of the buyout agreement, signed by all required parties (borrower must retain sole ownership of the property upon buyout of other beneficiaries) Cash back to borrower not to exceed 1% of the loan amount LTV will be based on Appraised Value For properties owned more than twelve (12) months the current appraised value may be used to calculate LTV (application date to new note date). The mortgage amount may include the: <ul style="list-style-type: none"> Principal balance of the existing first lien.

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

<p>Eligible Transaction Types Cont.</p>	<ul style="list-style-type: none"> ▪ Payoff of a purchase second lien seasoned a minimum of 12 months with no draws exceeding \$2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. ▪ Payoff of a co-owner pursuant to a written agreement. ▪ Financing of the payment of prepaid items and closing costs. ▪ Payoff of a non-purchase second lien seasoned a minimum of 12 months from date of application. The second lien must not evidence draws exceeding \$2,000 within the past 12 months from date of application. Withdrawal activity must be documented with a transaction history of the line of credit. <ul style="list-style-type: none"> ○ Cash back to the borrower is limited to 1% of the new mortgage loan. <p>Cash-Out Refinance</p> <ul style="list-style-type: none"> • Borrower must have owned the property for at least six (6) months. If the property is owned free and clear and six (6) month seasoning is not met, refer to Delayed Purchase Refinancing section below • Maximum cash-out- refer to Jumbo Eligibility Matrix • Self-employment income may not be used for qualification • Inherited properties may not be refinanced as a cash-out refinance prior to twelve (12) months ownership • Properties listed for sale within twelve (12) months of the application date are not eligible. • See Rate and Term Refinances for additional requirements related to inherited properties. <p>Continuity of Obligation</p> <p>For a refinance transaction to be eligible for purchase there must be a continuity of obligation of the outstanding lien that will be paid through the refinance transaction. Continuity of obligation is met when any one of the following exists:</p> <ul style="list-style-type: none"> ○ At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced. ○ The borrower has been on title and residing in the property for at least 12 months and has either paid the mortgage for the last 12 months or can demonstrate a relationship (spouse, domestic partner, relative, etc.) with the current obligor. ○ The loan being refinanced and the title to the property are in the name of a natural person, or the borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership, the following requirements apply: <ul style="list-style-type: none"> ➢ Borrower must be a beneficiary/creator of the trust; OR ➢ 25% or greater ownership percentage of the LLC or partnership prior to the transfer; AND ➢ The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six(s) months prior to the disbursement of the new loan. (Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement). ○ The borrower has recently been <u>legally awarded</u>, the property (divorce, separation or dissolution of a domestic partnership via a court decision) <p>Loans with an acceptable continuity of obligation may be underwritten, priced, and delivered as either cash-out or limited cash-out refinance transaction based on the requirements for each type of transaction.</p> <p>Delayed Financing Refinance</p> <p>Delayed financing refinances in which the borrowers purchased the subject property for cash within ninety (90) days 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 not subject to cash-out refinancing program limitations.</p> <p>The original purchase transaction must be documented by a Closing Disclosure confirming that no mortgage financing was used to obtain the subject property.</p> <p>A Delayed Financing may be treated as a Rate/Term refinance transaction if the following criteria are met:</p> <ul style="list-style-type: none"> ○ Primary Residence only ○ 5% reduction to the maximum LTV/CLTV per program matrix ○ No asset depletion
--	--

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<ul style="list-style-type: none"> Property not listed for sale since acquisition. Property not located in Texas. All other requirements as noted in FNMA Selling Guide B2-1.3-03 <p>Contract for Deed/Land Contract The payoff of an installment loan land contract is not eligible.</p> <p>Construction to Permanent Financing Loan must be originated as a rate and term refinance. The LTV/CLTV/HCLTV is determined based on the length of time the borrower has owned the lot. The timeframe is defined as the date the lot was purchased to the Note date of the subject transaction</p> <ul style="list-style-type: none"> For lots owned twelve (12) months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV For lots owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value or the total acquisition costs (documented construction costs plus documented purchase price of lot). 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 alternative proof must be provided. Cash out is ineligible Construction loan refinances in which the borrower has acted as a builder are not eligible for purchase. <p>Non-Arm's Length Transactions Non-Arm's length transactions are eligible for purchase transactions only and under the below circumstances, provided that such transactions and the related circumstances are properly documented:</p> <ul style="list-style-type: none"> Sales or transfers between members of the same family. Transaction may not be due to any adverse circumstances. Property seller acting as his or her own real estate agent Relative of the seller acting as the seller's real estate agent Borrower acting as his or her own real estate agent Relative of the borrower acting as the borrower's real estate agent Borrower is the employee or relative of the originating lender Borrower purchasing from his or her current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord) Gifts from relatives that are interested parties to the transaction are not allowed unless it is via a gift of equity. <p>Texas Refinance</p> <ul style="list-style-type: none"> 50(a)(6) & 50(f)(2) are eligible Must meet FNMA Selling guide and all Texas Equity loan requirements Refinances not subject to section 50(a)(6) and the first lien loan is being renewed and extended, a subordination agreement for a second lien on the mortgaged property is not required unless the title company requires a subordination agreement in order to ensure that the lien will remain in first lien position.
Escrow Holdback	Escrow holdbacks are not allowed
Home Equity Line of Credit (HELOC)	<ul style="list-style-type: none"> 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.
Income and Employment Documentation Requirements	<p>Income Sources and Calculations of Income All income sources and method of income calculation must meet most recent Agency/Appendix Q Standards for determining monthly debt and income. For any income types not listed in this guide specifically, refer to Agency Selling guide and Appendix Q Standards.</p>

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

<p>Income Documentation Requirements</p>	<p>The loan file must include an income analysis form detailing all income calculations which may include one or all of the following:</p> <ul style="list-style-type: none"> ○ A Standard income calculation worksheet ○ FNMA 1084, FHLMC Form 91 or equivalent for self-employment analysis ○ Copy of liquidity analysis when K-1 income from boxes 1, 2 or 3 is greater than the distributions. <ul style="list-style-type: none"> ○ If a liquidity analysis is required, and the borrower is using business funds for down payment or closing costs, the liquidity analysis must consider the reduction of those assets ○ 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. <p>All required documentation as described here and in the following sections must be obtained prior to closing and submitted in the closed loan file.</p> <p>Salaried Borrowers:</p> <ul style="list-style-type: none"> ○ W-2's from all employers for the past two (2) years are required. All W-2s must be computer generated. ○ If the borrower does not have a 2-year employment history due to previously being a full-time student (college/trade etc.) 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. ○ Written Verification of Employment (WVOE) cannot be used as a sole source income/employment; paystubs and W2's is still required. ○ Borrowers who also own 25% or more of a business/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. <u>This requirement includes all businesses and entities including those organized as pass thru entities.</u> ○ 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. <u>This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes.</u> ○ 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 schedule K-1. Loss must be deducted from income. <p>Bonus, Commission or other non-base salary compensation</p> <ul style="list-style-type: none"> ○ Salaried borrowers receiving bonus, commission, or any other non-base salary compensation in addition to base salary must have a 2-year history of the receipt of the income is required. ○ The income must be documented 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. <p>Employment and Income Stability/Gaps of Employment</p> <ul style="list-style-type: none"> ○ Borrower(s) must have a minimum of two (2) years employment and income history documented. ○ Gaps in employment over thirty (30) days during the most recent two (2) years period require a satisfactory letter of explanation from the borrower. ○ Extended gaps of employment (six (6) months or greater) require a documented two (2) year work history prior to the absence. <ul style="list-style-type: none"> ○ 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 greater than six (6) months during the previous two (2) years. <p>Verbal Verification of Employment (VVOE)</p> <ul style="list-style-type: none"> ○ Verbal VOE must be performed no more than ten (10) business days prior to the Note date. ○ 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.
---	---

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

Cont.	<p>4506-C and Tax Transcripts</p> <ul style="list-style-type: none"> W2 Transcripts for two (2) years are required to validate W2 wages when tax transcripts are not otherwise required. Two (2) years tax transcripts are required with the following W2 type earnings: <ul style="list-style-type: none"> Borrower with commission-based income that is greater than 25% of borrowers total pay Borrowers with 2106 expenses Borrowers employed by family Borrowers with ownership in a company All transcripts must be obtained directly via third party. Borrower obtained transcripts are not acceptable <p>Borrowers Employed by Family-Owned Business</p> <ul style="list-style-type: none"> Must meet all of the requirements as noted above, and also must obtain: <ul style="list-style-type: none"> Most recent two (2) years personal tax returns IRS transcripts for the most recent (2) years Documentation to support the borrower has no ownership interest in the business which may include a signed copy of the corporate tax return showing ownership percentage, K-1's from the Corporation, etc. <ul style="list-style-type: none"> Letter from a CPA is not sufficient to document lack of ownership <p>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. <u><i>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.</i></u></p> <p>Self-Employed Borrowers:</p> <ul style="list-style-type: none"> Borrowers with a 25 percent or greater ownership interest in a business are considered self-employed and will be evaluated as self-employed borrower for underwriting purposes. 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 paid by the business must provide: <ul style="list-style-type: none"> W-2's for the past two (2) years in addition to the most recent tax returns Paystubs covering a thirty-day (30) period with year-to date earnings. W-2 and paystubs must be computer generated. Partnership & S Corp- Due date for business returns is typically March 15, with an extension for six (6) months (September 15). Loan is not eligible without the filed tax return. 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. Year to date P&L statement and balance sheet are required if note date is beyond 90 days from the end of the last fiscal year. Year to date P&L and balance sheets are required for all self-employed borrowers owning 25% or more of the company regardless if 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
-------	--

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

Income Documentation Requirements Cont.	<p>be provided. The P & L and balance sheet is required even if the borrower does not have a business checking account.</p> <ul style="list-style-type: none"> ○ P&L and tax returns must show stable or increasing income for 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. ○ Must apply Agency requirements for additional documentation (P & L, bank statements etc.) and analysis of self-employed income COVID-19 impact. <ul style="list-style-type: none"> ○ If the YTD period on the P & L covers multiple quarters, it must be revised to break out each quarter separately ○ A payment for PPP loans does not need to be included in the borrower's liabilities at this time, however, if it has been determined that any portion of the PPP loan must be repaid, follow the requirements of the debts/liability's sections of the guide. ○ Proceeds from a PPP loan must not be included as business income <p>Verbal Verification of Employment (VVOE)/Verification of the Existence of the borrower's business</p> <ul style="list-style-type: none"> ○ Verification of the existence of the borrower's self-employment must be verified through a third-party no more than twenty (20) business days prior to the Note date. Methods of verifying business include: <ul style="list-style-type: none"> ○ Verification from a third party such as a CPA, regulatory agency or by an applicable licensing bureau. <ul style="list-style-type: none"> ▪ If CPA letter is used, it must indicate the borrower has been self-employed for a minimum of 2 years. ○ Must Apply agency COVID-19 requirements (business is currently open and operating) <p>4506-C and Tax Transcripts</p> <ul style="list-style-type: none"> ○ Two (2) years tax transcripts are required to be obtained from the IRS ○ All transcripts must be obtained directly via third party. Borrower obtained transcripts are not acceptable ○ Business Transcripts only required when using income from 1120 to qualify, however, may be used in lieu of a signed business return. <p>Rental Income</p> <ul style="list-style-type: none"> ○ 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, including commercial properties listed in Part 1 of the Schedule E. Rent Rolls are not allowed. ○ If the current lease amount is less than the rental income reported on the tax returns, documentation must be provided to use the higher amount, otherwise, lease amount less expense will be considered for rental income/loss. ○ Rental income for properties with leases from management companies or other rental companies (i.e Airbnb and VRBO) is not allowed. ○ 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 subject to appropriate vacancy factor. ○ Properties with roll-over clause leases (either contractually or State required), provide a copy of the most recent lease and evidence receipt of rent (copy of check and proof of deposit for the most recent 3 months preceding the loan application) ○ 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. <p>Departing Residence</p> <ul style="list-style-type: none"> ○ If the borrower is converting their current primary residence to a rental property and using rental income to qualify or offset the payment the following requirements apply:
--	--

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

- Borrower must have documented equity in departure residence of 25%
 - Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction; **or** documented equity may be evidenced by the original sales price and the current unpaid principal balance
- Copy of current lease agreement
- Copy of security deposit and evidence of deposit to borrower's account
- Net rental income should be calculated using gross rent x 75% minus PITIA
- Must meet applicable reserve requirements

Retirement or Pension Income

- Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years
- Distribution must have been set up at least six (6) months prior to Note date if there is no prior history of receipt; **or** two (2) year history of receipt evidenced
- Distributions cannot be set up or changed solely for loan qualification purposes.
- Document regular and continued receipt of income as verified by any of the following:
 - Letters from the organizations providing the income
 - Copies of retirement award letters
 - Copies of Federal income tax returns
 - Most recent IRS W-2 or 1099 forms
 - Proof of current receipt with two (2) months bank statements
 - Two (2) years tax transcripts
- Annuity retirement benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.

Social Security Income

- Social security income must be verified by a Social Security Administration benefit verification letter
- Benefits must have a minimum continuance of three years from the date of the application to be considered as qualifying income.

Declining Income as it applies to ALL Employment/Income types

- When the borrower has declining income, the lesser of the most recent twelve (12) month income average, or the most conservative income calculation if the declining period is shorter than 12 months.
- Income must be stabilized and not subject to further decline in order to be considered for qualifying purposes
- In certain cases, an average of income for a longer period may be used when the decline is related to a one-time capital expenditure and proper documentation is provided
- Income cannot decline 20% or more from the previous tax period

***In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay. The employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying**

Non-Taxable Income

- Documentation must be provided to support continuation for three (3) years
- Income may be grossed up by applicable tax amount. Tax returns must be provided to confirm income is non-taxable, and two (2) years tax transcripts to support tax returns
- If the borrower is not required to file a federal tax return, gross up to 25%

Trust Income

- Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years
- Regular receipt of trust income for the past twelve (12) months must be documented

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<ul style="list-style-type: none"> ○ Copy of trust agreement or trustee statement showing: <ul style="list-style-type: none"> ○ Total amount of borrower designated trust funds ○ Terms of payment ○ Duration of trust ○ Evidence the trust is irrevocable ○ If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income <p>Alimony/Child Support</p> <ul style="list-style-type: none"> ○ Considered with a divorce decree, court ordered separation agreement, or other legal agreement provided the income will continue for at least three (3) years ○ If the income is the borrower's primary income source and there is a defined expiration date (even if beyond three (3) years) the income may not be acceptable for qualifying purposes ○ Evidence of receipt of full, regular and timely payments for the most recent twelve (12) months ○ Two (2) years tax transcripts <p>Foreign Income</p> <ul style="list-style-type: none"> ○ YTD paystub ○ W-2 forms or the equivalent and personal tax returns reflecting the foreign earned income ○ Income must be reported on two (2) years US tax returns with two (2) years tax transcript ○ VVOE ○ All income must be converted to US Currency <p>Capital Gains</p> <ul style="list-style-type: none"> ○ Must be gains from similar assets for three (3) continuous years to be considered qualifying income ○ If the trend results in a gain, it may be added as income ○ If the trend results in a loss, the loss must be deducted from total income ○ Personal tax returns – three (3) years with a consistent history of gains from similar assets. Three (3) years tax transcripts to support tax returns. <p>Unacceptable Income</p> <ul style="list-style-type: none"> ○ Any source that cannot be verified ○ Income that is temporary ○ Rental Income (Boarder Income) received from the borrower's primary residence ○ Expense account payments ○ Retained earnings ○ Non-occupant income ○ Restricted stock and Stock Options (RSU) ○ Projected Income ○ Asset Depletion
Installment Debt	<ul style="list-style-type: none"> ○ Installment debt, including car lease payments, must be included in the qualifying ratio regardless of months remaining. ○ Debt that is not a contingent liability must be included in the DTI. A contingent liability is defined as a debt paid by a party or entity other than the borrower where said party or entity and not the borrower is the primary obligor. If the borrower is the primary obligor on any liability the debt must be included in the DTI. Example: A borrower financed the purchase of an automobile for their business and the business pays the loan. If the loan is in the borrower's name this debt must be included in the DTI.

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<ul style="list-style-type: none"> Real estate owned by the borrower where the borrower is not on the note may be excluded from DTI with 12 months cancelled checks showing another party is making the payments. Tax and insurance amounts must be documented and included in the DTI. PITI on real estate owned pending sale must be included in the DTI. Borrowers who have entered into an IRS repayment plan must have a minimum of three (3) months timely pay history. Credit report and title must not indicate an IRS tax lien. Student loans must be included as a long-term debt even if payments are deferred. If the monthly amount of a student loan is not shown on the credit report a payment of one percent (1%) may be used for qualifying. Payments related to a 401 (K) loan do not need to be included in total debt obligations. Child support payments with 10 months or less remaining do not need to be included in total debt obligation unless the debt effects the borrower's ability to pay the mortgage immediately after closing. Installment debt may be paid off to qualify either before or at closing using cash-out proceeds. Gift funds may not be used to pay off debt to qualify
Liens, Judgments and Collections	<ul style="list-style-type: none"> Satisfactory explanation for any delinquent credit from the borrower is required. Borrower must pay off all delinquent credit, tax liens, judgments, charged-off accounts prior to closing. Medical collections may remain unpaid if the aggregate balance is \$2,500 or less. IRS repayment plan on prior year tax liens/liabilities are not allowed and must be paid in full. * (Refer to <i>Debts & Liabilities/Tax liens & Payment Plans</i> section for additional requirements) Credit report and title must not indicate an IRS tax lien. Cash-out proceeds may not be used to satisfy judgments, tax liens, charged off or past-due accounts.
Modifications	Loans with Modifications are ineligible
Mortgage/Rental History	<ul style="list-style-type: none"> A minimum of twenty-four (24) months verified housing payment history is required, and is applicable to all borrowers on the loan Payment history must reflect 0 x 30 dates in most recent 24 months. <p>Mortgage/Rental history may be documented as follows:</p> <ul style="list-style-type: none"> Credit bureau report reference for 24 months. A 24-month mortgage payment history from an institutional lender or 24 months canceled checks. Standard VOR completed by a professional management company or 24 months bank statements or canceled checks. If a borrower is refinancing a privately held mortgage the following payment verification requirements apply: <ul style="list-style-type: none"> The privately held mortgage payments must be verified with either cancelled checks or bank statements (if the payment is automatically withdrawn from the borrower's account). Evidence must be included in the loan file that the lien being paid off is a current recorded lien against the subject property.
Multiple Financed Properties	<ul style="list-style-type: none"> Borrowers may not own more than four (4) residential 1-4 unit financed properties regardless of the occupancy of the subject property. Borrowers must have six (6) months PITI reserves for each additional financed property owned. Financed properties held in the name of an LLC or other corporation, commercial properties, and unimproved land can be excluded from the calculation of number of properties financed.

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

Occupancy	<p>Primary Residence</p> <ul style="list-style-type: none"> ○ 1 Unit, attached, PUD and eligible condominiums. ○ 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. <p>Second Home</p> <ul style="list-style-type: none"> ○ 1 unit detached, attached, PUD, and eligible condominiums ○ Occupied by the borrower for some portion of the year ○ Suitable for year-round use ○ Must be located in either a resort or vacation area of for convenience in a city where the borrower works when the primary residence is in a distant suburb ○ Must be a reasonable distance away from the borrower's primary residence ○ Property may not be a time share, subject to a rental agreement or other shared ownership arrangements. ○ Borrower must have exclusive control over the property ○ Rental income and expenses on Schedule E of the borrower's personal tax return(s) must not be significant and cannot exceed 30 rental days. ○ Rental income from a second home cannot be used to qualify the borrower. <p>Investment Property (non-owner occupied) Not Eligible</p>
Ownership	<p>Ownership must be fee simple only and must be in the name of the individual Borrower(s). Borrower(s) may hold title as follows:</p> <ul style="list-style-type: none"> ○ Individual ○ Joint Tenants ○ Tenants in Common
Property	<p>Eligible Property Types</p> <ul style="list-style-type: none"> ○ 1 Unit Owner Occupied Properties ○ 1 Unit Second Homes ○ Condominiums ○ Planned Unit Developments (PUDs) <p>Maximum 40 Acres</p> <ul style="list-style-type: none"> ○ Properties >10 acres up to 40 acres must meet the following: <ul style="list-style-type: none"> ● Maximum land value 35% ● No income producing attributes ● Transaction must be 10% below the program maximum LTV/CLTV/HCLTV ● Appraisal must have 3 comparable sales with similar acreage <p>Leased Solar Panels</p> <ul style="list-style-type: none"> ○ Properties with leased solar panels must meet Fannie Mae requirements <p>Ineligible Property Types</p> <ul style="list-style-type: none"> ○ 2-4-unit properties ○ Investment Properties ○ Manufactured homes ○ Factory built housing ○ Condo hotel units

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<ul style="list-style-type: none"> o Log homes o Properties with condition rating of C5/C6 o Properties with a quality rating of Q6 o Properties in Hawaii lava zones 1 & 2 o Properties with Private transfer fee covenants o Tenants-in-Common projects o Unwarrantable condominiums or FL Condos requiring PERS Approval o Condominiums with HOA in litigation o Timeshare units o Geothermal homes o Unique properties o Mixed use properties o Working farms and hobby farms o Properties located in Puerto Rico, Guam, and US Virgin Islands o Properties with income producing attributes o Commercial properties o Agriculturally zoned properties (agricultural/residential is eligible) o Properties held as a leasehold o Properties with an oil and/or gas lease o Properties with >40 acres
Revolving Debt	<ul style="list-style-type: none"> o All revolving debt is included for qualifying regardless of number of payments remaining. o Debt that is not a contingent liability must be included in the DTI. A contingent liability is defined as a debt paid by a party or entity other than the borrower where said party or entity and not the borrower is the primary obligor. If the borrower is the primary obligor on any liability the debt must be included in the DTI. Example: A borrower financed the purchase of an automobile for their business and the business pays the loan. If the loan is in the borrower's name this debt must be included in the DTI. o The monthly amount of a revolving account shown on the credit report may be used for qualifying. o If the monthly amount of a revolving account is not shown on the credit report a payment of five percent (5%) may be used for qualifying. o Payments may only be excluded if documented account is paid in full and closed. o Revolving debt may be paid off to qualify either before or at closing using cash-out proceeds. Documentation that the revolving debt has been paid off and the account is closed is required. o For open 30-day charge accounts (for example, American Express), the borrower must have sufficient verified liquid assets to pay off the balance in addition to any reserve requirements to exclude the payment o Gift funds may not be used to pay off revolving debt to qualify.
Source of Funds/Asset Requirements	<p>The borrower must have sufficient liquid assets to meet the requirements for down payment, pre-paid items, closing costs and reserves.</p> <p>Checking/Savings/Money Market/CD's</p> <ul style="list-style-type: none"> o Most recent two (2) months bank statements including all pages <p>Stocks/Bonds/Mutual Funds</p> <ul style="list-style-type: none"> o Most recent two (2) months statements o Non-vested stock is ineligible o Margin account and/or pledged asset balances must be deducted <p>Retirement Accounts (401K, IRA etc.)</p> <ul style="list-style-type: none"> o Most recent statement(s) covering a two (2) month period o Evidence of liquidation if using for down payment or closing costs o Evidence of access to funds required for employer-sponsored retirement accounts

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<ul style="list-style-type: none"> ○ Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves ○ If borrower is >59 ½ then 70% of the vested value after the reduction of any outstanding loans can be used ○ If borrower is <59 ½ then 60% of the vested value after the reduction of any outstanding loans can be used <p>Cash Value of Life Insurance/Annuities</p> <ul style="list-style-type: none"> ○ Most recent statement(s) covering a two (2) month period ○ If life insurance surrender value if used for cash to close must be liquidated ○ Stocks and bonds will be discounted at 70% of for value for reserves <p>Large deposits</p> <ul style="list-style-type: none"> ○ Defined as a single deposit that exceeds 50% of total monthly qualifying income, must be sourced. ○ Large deposit that cannot be sourced may be subtracted from asset amount with confirmation from the borrower that the funds were not from a party to the transaction or borrowed <p>Business funds Allowed for down payment and closing costs, subject to the following:</p> <ul style="list-style-type: none"> ○ Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business (as determined by underwriting) ○ Business bank statements must not reflect any NSF's (non- sufficient funds) or overdrafts. ○ If borrower(s) ownership in the business is less than 100%, the following requirements must be met: <ul style="list-style-type: none"> • Borrower(s) must have majority ownership of 51% or greater • The other owners of the business must provide an access letter to the business funds • The amount of business assets that can be used must correspond to the borrower's percentage of ownership in the business • The funds may not be a loan • Business funds may not be counted toward cash reserves <p>Gift funds Gift funds are an acceptable source of funds subject to the following:</p> <ul style="list-style-type: none"> ○ Borrower must first contribute 5% of their own funds ○ Not allowed to be used as reserves ○ Not allowed to be used to pay off debts to qualify ○ Must evidence transfer and receipt prior to closing ○ Gift of equity can only be used for down payment, may not be used for closing costs ○ Must meet all gift requirements as noted in Agency Selling guides <p>Reserves See Reserve Requirement Matrix</p>
<p>Title and Closing Documentation</p>	<p>Forms</p> <ul style="list-style-type: none"> ○ 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 Exchange must be prepared on approved Agency forms unless this guide specifically requires otherwise. See most recent Fannie Mae or Freddie Mac Selling Guide for reference. ○ Copy of security instrument submitted in the file must be a true and certified stamped copy of the original recorded security instrument. <p>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</p>

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021

	<p>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.</p> <ul style="list-style-type: none"> ○ The title insurance policy/commitment must be dated within 90 days (with gap coverage as noted above) and insure the exact loan amount. ○ Must report the most recent 24 months chain of title ○ 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, Co-op share loans and ARM loan types. ○ The title insurance coverage must include an environmental protection lien endorsement (ALTA 8.1-06 or equivalent state form). ○ A mortgage subject to a leasehold estate must include the ALTA Endorsement 13.1-06. ○ The title insurance policy must ensure 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
Additional Requirements	<ul style="list-style-type: none"> ○ Full income and asset verification is required. ○ QM designation must be provided in the loan file: <ul style="list-style-type: none"> ○ QM designation is QM Safe Harbor if the loan is not a Higher Priced Covered Transaction (HPCT) ○ Loan file must document the eight (8) Ability to Repay (ATR) rules identified in Part 1026- Truth-in-Lending (Regulation Z) ○ All loans require a full 2nd Underwrite by a GHMC Regional Underwriting Manager

Guaranty Home Mortgage Corp

Jumbo Program Guidelines

April 13, 2021