Expanded Jumbo Guidelines

All GHMC overlays are written in BLUE.
Newest updates are written in RED

02.02.2023

Primary Residence | Purchase, Rate and Term Refinance

Transaction Type	Term	Units	FICO	Maximum LTV/ CLTV/ HCLTV[5]	Max DTI	Maximum Loan Amount[2]
Purchase or Rate and Term Refinance	20/25/30 Year Fixed	1	740	89.99%[4]	36%	$1,500,000
			720	85%[4]		
			700[3]	80%	45%	
			720	75%		$2,000,000
			720	70%		$2,500,000
			680[3]	60%		$1,000,000
		2-4	700[3]	65%		$1,000,000
			720	60%		$1,500,000

Primary Residence | Cash-Out Refinance

Transaction Type	Term	Units	FICO	Maximum LTV/CLTV/ HCLTV[5]	Max DTI	Maximum Loan Amount
Cash-Out Refinance	20/25/30 Year Fixed	1	700[3]	75%	45%	$1,000,000
			720	70%		$1,500,000
				60%		$2,000,000
				50%		$2,500,000
		2	700[3]	60%		$1,000,000

Second Home | Purchase, Rate and Term Refinance

Transaction Type	Term	Units	FICO	Maximum LTV/ CLTV/ HCLTV[5]	Max DTI	Maximum Loan Amount
Purchase	20/25/30 Year Fixed	1	720	80%	45%	$1,000,000
Purchase or Rate and Term Refinance				75%		
				70%		$1,500,000
				65%		$2,000,000
				50%		$2,500,000

Second Home | Cash-Out Refinance

Transaction Type	Term	Units	FICO	Maximum LTV/CLTV/ HCLTV[5]	Max DTI	Maximum Loan Amount
Cash-Out Refinance	20/25/30 Year Fixed	1	740	60%	45%	$1,500,000
				50%		$2,000,000

[1] Minimum loan amount is $1 over the baseline confirming loan limit established by FHFA. High balance loans are permitted.
[2] First-Time homebuyer maximum loan amount is $1,500,000 for 20/25/30 year fixed. See First-Time homebuyer section for additional requirements for loan amounts over $1,000,000 and up to $1,500,000
[3] Self-Employment income: Minimum 720 FICO when any self-employment income is required for qualifying purposes. If the self-employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable.
[4] The following requirements apply for transactions with LTVs greater than 80%:

- MI not required
- Escrow/impound accounts required unless prohibited by applicable laws.

[5] See Declining Market Section for LTV/CLTV reductions.
[6] First-Time Homebuyer Minimum FICO 740

Fair Lending Statement	Federal law prohibits discrimination in connection with the origination of 1-4 family mortgage loans. The Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age, because an applicant receives income 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.
Selling Guides	***For scenarios not specifically addressed in the following guidance, please utilize the most recent Fannie Mae Selling Guide for assistance; also see section related to income referencing Appendix Q Standards***.
Products Offered	• Fully Amortizing Fixed Rate 20, 25, 30-year terms • Product Code: J30E
Ineligible Product Types	• Higher-Priced Mortgage Loans • Non-Standard to Standard Refinance Transactions (ATR Exempt) • Higher-Priced Covered Transactions (HPCT QM-Rebuttable Presumption) • Balloons • Graduated Payments • Interest Only Products • Temporary Buydowns • Loans with Prepayment Penalties • Adjustable-Rate Terms • Construction to Perm/ One-Time Close Mortgages

Additional Loan Attributes and Policies	• If the 1003, title commitment, or credit documents indicate that the borrower is a party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets, or collateral
	• Down payment and closing cost assistance subordinate financing is not permitted.
	• The following must meet Fannie Mae Requirements:
	  ◦ Properties with leased solar panels
	  ◦ Leaseholds
	  ◦ Deed/resale restrictions.
	• Full income and asset verification is required
	• QM designation must be provided in the loan file
	• 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

(Cont) Additional Loan Attributes and Policies	**Interested Party Contributions** • Interested party contributions include funds contributed by the property seller, builder, developer, real estate agent or any other party with an interest in the real estate transaction. • Interested party contributions may only be used for closing costs and prepaid expenses. • Interested party contributions may not exceed 6% of the sales price for Primary Residence and Second Homes • Interested party contributions may not exceed 3% for primary residence with LTVs > 80%. **Seller Concessions/Contribution** • Seller contributions in excess of the interested party contribution limits or contributions not being used for prepaid expenses or closing costs are considered seller concessions. The amount of the seller concession must be deducted from the purchase price and appraised value to determine the LTV • All seller concessions must be addressed in the sales contract, appraisal, and HUD-1/CD. **Escrow Accounts** • All applicable loans must adhere to HFIAA regarding flood insurance escrows. • Escrow/Impound accounts required for LTVs greater than 80% unless prohibited by applicable laws
Subordinate Financing	• Allowed up to maximum CLTV per matrix. Secondary financing term must conform to Fannie Mae Guidelines. • Down payment and closing cost assistance subordinate financing is not permitted • Shared equity finance agreements are an ineligible source of subordinate financing.

AUS/ Underwriting	• All loans must have Fannie Mae DU Findings included in the loan file.
	    • The DU recommendation may be either Approve/Ineligible due to loan amount or maximum cash-out on a rate/term refinance transaction or Approve/Eligible for high balance loan amounts only
	    • Lender is responsible for ensuring that all data and information provided in the final submission to DU matches the terms of the closed loan or is within the acceptable tolerances specified in the Fannie Mae Selling Guide.
	• Manual underwrite is not permitted

Age of Documents	• Follow Fannie Mae Selling Guide Requirements. • See Self-Employment section for further restrictions.
Declining Markets	• LTV / CLTV / HCLTV must be 10% below product maximum per product matrix eligibility grid up to a maximum 75% LTV / CLTV / HCLTV As an example: If the eligibility grid indicates a maximum of 89.99% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 75% OR If the eligibility grid indicates a maximum of 80% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%

Appraisal Requirements

- Transferred appraisals are not allowed
- The subject property must be appraised within 90 days prior to the Note Date
- Appraisal must be ordered through GHMC approved AMC.
- Full appraisal is required regardless of DU findings.
- Appraisals must be completed for the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed
- Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note Date. A New full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date.
    - The appraiser must inspect the exterior of the property and provide a photo
    - Appraiser must review current market data to determine whether the property has declined in value since the date of the original appraisal. If the value has declined since the original appraisal, a new full appraisal is required
    - The Appraisal Update (1004D) must be dated within 120 days of the Note date
- **Appraisal Review Requirements:**
    - Collateral Desktop Analysis (CDA) ordered from Clear Capital is required to support the value of the appraisal. GHMC is responsible for ordering the CDA
        - If the CDA returns a value that is "Indeterminate "or if the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance, then one (1) of the following requirements must be met:
            - A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. GHMC is responsible for ordering the BPO and Value Reconciliation through Clear Capital
            - A field review or a second full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. GHMC is responsible for ordering the field review or second full appraisal.
        - If two (2) full appraisals are provided, a CDA is not required
        - Collateral Underwriter (CU) with a score of 2.5 or less is allowed in lieu of a CDA (30 year fixed rate only)
            - Maximum LTV 80%
            - Maximum loan amount of $1,500,000
            - Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirements. A CDA is required for properties in declining markets.
    - Collateral Underwriter (CU) with a score of 2.5 or less is allowed in lieu of a CDA with the following loan characteristics:
        - LTV = 80% or less
        - Loan amounts up to $1,500,000
- For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply:
    - Second full appraisal is required
    - Property seller on the purchase contract is the owner of record
    - Increases in value should be documented with commentary from the appraiser and recent paired sales

Appraisal Requirements based on Loan Amount	
First Lien Amount	**Appraisal Requirements**
Purchase Transactions	
≤ $2,000,000	1 Full Appraisal
> $2,000,000	2 Full Appraisals

Appraisal Requirements (cont)	• When two (2) appraisals are required, the following applies: o Appraisals must be completed by two (2) independent companies o The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion o Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled o If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon.
Significant Derogatory Credit	• Bankruptcy: Chapter 7, 11, 13 - Seven (7) year waiting period from discharge/ dismissal date • Foreclosure: Seven (7) year waiting period from completion date • Notice of Default: Seven (7) year waiting period from date default filed • Short Sale/Deed-in-Lieu - Seven (7) year waiting period from completion / sale date • Forbearance resulting in subsequent loan modification: Seven (7) year waiting period from exit from forbearance (See below Forbearance section below for additional information/requirements) • Mortgage accounts that were settled for less, negotiated, or short payoffs - S even (7) year waiting period from settlement date • Loan modifications: o Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No waiting period would apply o If the modification was due to hardship or included debt forgiveness - Seven (7) year waiting period from date of modification • Multiple derogatory credit events not allowed, regardless of being seasoned over seven (7) years o A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event o A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event • Medical collections are allowed to remain outstanding if the balance is less than $10,000 in aggregate • Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing • Cash-Out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs, or past-due accounts • Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full

Forbearance	Determining Eligibility for New Loan For Borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.02.2022, the below listed criteria is to be used to determine eligibility. All other loans must follow the forbearance waiting period as required in the Significant Derogatory Credit section. • Any loans that are shown to be in active or previous forbearance but where the borrower continued to make regularly scheduled payments and has made at least one (1) regularly scheduled payment since forbearance inception date are eligible o All payments must have been made within the month due o The forbearance plan must be terminated at or prior to closing and the loan file must contain documentation that the forbearance is no longer active (i.e., removal letter from servicer, etc.). • Any loans (including but not limited to the subject mortgage) where a mortgage reflects reduced or missed payments under a forbearance <u>and borrower has accepted a payment deferral. initiated a repayment plan or has reinstated the mortgage to return to a current status</u> must meet the requirements below: o <u>Purchase & Rate/Term Refinance:</u> • Three (3) consecutive months of required payments since completed forbearance plan • All payments must have been made within the month due • <u>Cash-out Refinance:</u> • Twelve (12) consecutive months of required payments since completed forbearance plan • All payments must have been made within the month due. • <u>Payment Deferral</u>: The refinance of a loan that has a payment deferral and where the amount of the deferred payments is included in the new loan is eligible as a rate/term transaction. Funds applied to pay off the prior loan, including the deferred portion, are not considered cash out • <u>Repayment Plan:</u> The full amount of the repayment plan monthly payment must be considered in meeting the required consecutive payment requirements (Purchase/Rate Term or Cash-out) detailed above • A mortgage subject to forbearance must utilize the mortgage payment history inaccordance with the forbearance plan in determining late housing payments • Loan file must contain a letter of explanation from the borrower detailing the reason for forbearance and that the hardship no longer exists Forbearance resulting in subsequent loan modification is considered a significant derogatory credit event and subject to a seven (7) year waiting period

Condominium Restrictions	• Condominiums – Attached o Must be a warrantable, eligible transaction as per Fannie Mae Selling Guide o Florida Condo's requiring PERS approval are ineligible (new or newly converted attached) o Limited review • Allowed for attached units in established condominium projects: • Must be an eligible transaction as per Fannie Mae guidelines o Full Review • Allowed as per Fannie Mae full review guidelines • CPM approval required o Projects with 2-4 units - no condominium review or condominium warranty is required. • Fannie Mae basic requirements apply o Condominium documents to support condominium eligibility review must be no olde than o 120 days from Note date • **Condominiums- Detached (including site condominiums)** o No condominium review or condominium warranty is required. Fannie Mae basic requirements apply
COVID-19	All loans must be underwritten to/meet current Agency as well as GHMC COVID-19 temporary guidance and overlays.
Credit Inquiries	• If the credit report indicates inquiries within the most recent 120 days of the credit report, the borrower must provide a written explanation detailing the reason for the credit inquiry • If additional credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment • GHMC must confirm no new debt resulted from the inquiry via a UDM report
Credit Requirements	• All borrowers must have a minimum of two (2) credit scores. • Non-traditional credit is not allowed. • Disputed tradelines: o 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 o Derogatory accounts must be considered in analyzing the borrower's willingness to repay. o However, if a disputed account has a zero balance and no late payments, it can be disregarded • Credit Inquiries: o If the credit report indicates inquiries within the most recent 120 days of the credit report, the borrower must provide a written explanation detailing the reason for the credit inquiry o If additional credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment o GHMC must confirm no new debt resulted from the inquiry via a UDM report • Frozen Credit: o 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	**Housing History** • If the borrower(s) has a Mortgage in the most recent twenty-four (24) months, a mortgage rating must be obtained, reflecting 0x30 in the last twenty-four (24) months. • If the borrower(s) has rented in the most recent twenty-four (24) months, a rental rating must be obtained, reflecting 0 x 30 in the last twenty-four (24) months • Borrower(s) living rent free must provide a signed statement from the person allowing them to live rent free confirming the borrower(s) has no housing obligation. • Applicable to all borrowers on the loan • Review of the borrower(s) credit report to determine status of all mortgage loans including verification mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan is required. In addition to reviewing the credit report, underwriters must also apply due diligence for each mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine the loan payments are current as of the Note date of the subject transaction. Current means the borrower has made all payments due in the month prior to the Note date of the subject transaction and no later than the last business day of that month. Acceptable documentation includes one of the following: o Loan payment history from the servicer or third-party verification service o Payoff statement for loans being refinanced o Current mortgage statement from the borrower o Verification of mortgage (VOM) • If the mortgage holder or landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage/rental history is required **Revolving & Installment Debts** • 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. 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 Gift funds may **not** be used to pay off revolving debt to qualify. • Loans secured by financial assets (life insurance policies, 401(k), IRAs, CDs, etc.) do not require a payment to be included in the DTI if documentation is provided to show the borrower's financial asset as collateral for the loan • 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 o Cannot be prepaid to get balance under 10 payments. • Gift funds may **not** be used to pay off debt to qualify. • Child support, alimony, and separate maintenances within ten (10) or more month remaining. • Alimony payments: o Follow Fannie Mae Selling Guide

Debts and Liabilities	**Student Loans** • For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in the borrower's monthly debt obligation o If a monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used in qualifying o 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: • Loan payment indicated on student loan documentation verifying monthly payment is based on an income-driven plan • For deferred loans or loans in forbearance: • 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 **HELOCs and Other REOs** • 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 • If subject property has a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed. • Include the monthly PITIA for any additional properties owned by the borrower including second homes and investment properties with a negative cash flow • Real estate owned by the borrower however, the borrower is not obligated 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. • Include current real estate taxes and insurance on properties owned free and clear **Tax liens and Payment Plans** • 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: o The payment plan was setup at the time the taxes were due o The file contains a copy of the payment plan o Must obtain satisfactory pay history based on terms of payment plan (at least one payment must have been made) o Payment is included in the DTI o The borrower(s) does not have a prior history of tax liens ***PAYMENT PLANS ON PRIOR TAX YEARS ARE NOT ALLOWED*** **Contingent Liabilities** • 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: o Copy of the court order o For mortgage debt, a copy of the document transferring ownership of property o 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: o Payment history showing the mortgage on the assumed property has been current during the previous twelve (12) months or o 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	• LTVs ≤ 80% have max DTI of 45% • LTVs > 80% have max DTI of 36%
Disaster Requirements	Refer to GHMC's Disaster Policy/Guidelines
Eligible Borrowers	• U.S. Citizens • Permanent resident aliens with evidence of lawful residency o Copy of valid resident alien card must be included in the loan file o Must be employed in the US for the past twenty-four (24) months • Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions: o Primary Residence only o Maximum LTV/CLTV/HCLTV 75% o Unexpired H1B, H2B, E1, L1, and G Series VISAs only. G Series VISAs must have no diplomatic immunity. o Borrower must have a current twenty-four (24) month employment history in the US. • All Borrowers must have a valid Social Security number • Borrowers must have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. • Non-Occupant Borrower – Follow FNMA Selling Guide requirements with exception of non-occupant relationship; must be a relative as defined in selling guide section B3-4.3-04. • Inter Vivos Revocable Trust
First-Time Homebuyer	First-Time Homebuyer is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, First-Time Homebuyer requirements do not apply. • First-Time Homebuyers must meet the following requirements: o Verification of rental history is not required. o Maximum loan amount is $1,500,000 o Reserve requirements met for FTHB as specified in the Asset section o For loan amounts > $1,000,000 up to $1,500,000 the following requirements must be met: • 720 Minimum FICO score or program minimum (greater of) • No gift funds allowed • Primary Residence only
Ineligible Borrowers	• Borrowers with only an ITIN (individual taxpayer identification number). • Irrevocable trusts. • Corporations, limited partnerships, general partnerships, and limited liability companies. • Foreign Nationals (nonresident alien). • Borrowers with Diplomatic Immunity • Community Land Trusts, including Illinois Land Trusts • Life Estates • Guardianships • Borrowers with any ownership in a business that is Federally illegal, regardless of if the income is not being considered for qualifying

Eligible Transaction Types (cont)	**Purchase** • Must adhere to all applicable agency guidelines. • LTV/CLTV is calculated using the lesser of the purchase price or the appraised value of the subject property. • Any personal property transferred with a property sale must be deemed to have zero transfer value as indicated by the sales contract and appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV **Rate and Term Refinance** • The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items o If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed $2000 in the most recent twelve (12) months o A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months o A seasoned equity line is defined as not having draws totaling over $2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history o Max cash back at closing is limited to 1% of the new loan amount • Properties inherited less than twelve (12) months prior to application date can be considered for a Rate and Term refinance transaction if the following requirements are met: o Must have clear title or copy of probate evidencing borrower was awarded the property o A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries o Borrower retains sole ownership of the property after the pay out of the other beneficiaries o Cash back to borrower not to exceed 1% of the loan amount **Cash-Out Refinance** • No maximum Cash-Out limit. **LTV/CLTV/HCLTV Calculation for Refinance Transactions:** • If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note Date. • If subject property is owned less than twelve (12) months, the LTV/CLTV/HCTLV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note Date. **Continuity of Obligation** For a refinance transaction to be eligible 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: • 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 borrower on the new refinance transaction has been on title for at least twenty-four (24) months prior to the disbursement date of the new refinance transaction. • The borrower has recently been legally awarded the property (divorce, separation, or dissolution of a domestic partnership via a court decision). • The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership and meets the following requirements: o Borrower must be a beneficiary/creator of the trust; *OR* o 25% or greater ownership percentage of the LLC or partnership prior to the transfer; *AND* o 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. **Note**: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.

(Cont) Eligible Transaction Types	**Delayed Financing Refinance** • Follow Fannie Mae Selling Guide requirements. • LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas. **Contract for Deed/Land Contract** The payoff of an installment loan land contract is not eligible. **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 • 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.

(Cont) Eligible Transaction Types	**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: • 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. **Texas Refinance** • 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. **General Restrictions and Requirements for Section 50 (a)(6) (Texas Equity Loans)** The following outlines the restrictions and requirements applicable to Texas Equity Loans. Failure to originate these Mortgage Loans within these guidelines can potentially invalidate the Mortgage Loan and lien • Eligible Property Type - Single-unit principal residence designated as the Borrower's homestead under Texas law. Eligible property types are limited to an attached or detached dwelling, a unit in a PUD project, or a unit in a condominium project. Owner occupied primary residences only. Documented proof of Homestead Designation is required. • Non-borrowing spouse - The owner of the homestead and their spouse must consent to the extension of credit by executing the Deed of Trust. A non-borrowing spouse, regardless of their ownership interest in the homestead property, has the right to cancel. Company will accept either the appropriate federal "Notice of Right to Cancel" or a Texas specific "Notice of Right to Cancel." • Property Valuation - To determine current value lenders must obtain a new full appraisal on either a Uniform Residential Appraisal Report, or Individual Condominium Unit Appraisal Report. The appraisal for the property and the acknowledgment of fair market value must not include any property other than the homestead. • Survey (or other acceptable evidence) is required and must demonstrate that: o Homestead property and any adjacent land are separate parcels, and o Homestead property is a separately platted and subdivided lot for which full ingress and egress is available.

(Cont) Eligible Transaction Types	o Fees and charges to make the Mortgage Loan may not exceed 2% of the Mortgage Loan amount. The following fees and charges can be excluded from the testing: • Bona Fide Discounts to lower the rate selected • Appraisal Fee • Survey Fee • Lender's Title Policy o The Borrower's first payment must be due no later than two (2) months after closing. o The lender must provide the title company with a detailed closing instruction letter and require acknowledgement of its receipt. o If this Mortgage Loan is being used to pay off a previous Texas Equity Loan, the Mortgage Loan may not close before twelve (12) months have passed from the closing date of the Texas Equity Loan being paid off. (See Section D.3 for additional information) o If the new Mortgage Loan is a Texas Equity Loan originated to cure a failure in the original mortgage to comply with Section 50(a)(6), then the Texas law requirement that at least twelve (12) months have passed since any previous Texas Home Equity loan secured by a homestead property was closed does not apply. o The Mortgage Loan may not close before twelve (12) days after the Mortgage Loan application was taken by the lender or the Borrower receives the "NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION 50(a)(6), ARTICLE XVI, TEXAS CONSTITUTION" disclosure, whichever date is later AND may not close, without the Borrower's consent, one (1) business day after the date on which the Borrower receives a copy of the Mortgage Loan application, if not previously provided, and a final itemized disclosure of the actual fees, points, interest, costs and charges that will be charged at closing. o The Mortgage Loan may only close at the office of the lender, title company or an attorney at law. o Power of Attorney may not be used on a Texas Equity Loan. o The use of FNMA approved Texas Equity legal documents (Note, Deed, Riders, etc.) is required. If the new refinance mortgage loan is classified under Texas law as a Texas 50(a)(6), the loan must be locked with GHMC as a cash out refinance ***Note: In certain cases, paying a divorce settlement, property tax lien, or mechanics lien will require a company cash out lock while this would be considered a rate and term refinance per the regulatory text. Consult FNMA & FHLMC Selling Guide for additional guidance**

Loan Closing in the Name of a Trust	• Must be an Inter Vivos Revocable Trust • 1-2 Unit Owner Occupied Primary Residence • 1 Unit Second Home • At least one (1) individual establishing the trust must be used to qualify for the mortgage loan • Title insurance must provide full title insurance coverage without exceptions • Copy of Complete Trust agreement or Trust Certification as applicable • Attorney Opinion Letter stating trust meets all requirements of FNMA and any applicable State requirements (If Attorney Opinion letter is not provided, GHMC will obtain) • The Trust must comply with the following: o The trust is established by one or more natural persons, solely or jointly. The person establishing the trust is known as the settlor, trustor, or grantor (referred to below as "Settlor") o The trust is effective during the Settlor's lifetime o The Settlor has the right to revoke or alter the trust during his or her lifetime o The Settlor is the primary beneficiary of the Trust. If there is more than one Settlor, there can be more than one primary beneficiary o The Settlor is the trustee or one of the co-trustees o The trustee has the power to mortgage the Mortgaged Property for the purpose of securing a Mortgage Loan to the party (or parties) who are the Borrowers on the Mortgage Note o The trustee is not required to obtain written consent from the beneficiaries to mortgage the Mortgaged Property if written consent has been provided o There is no unusual risk or impairment of lender's rights (such as distributions required to be made in specified amounts other than net income o The trust is valid under law o If the trust agreement requires more than one trustee to mortgage the security property, the requisite number of trustees have signed the Mortgage Loan Documents o If the trust agreement requires more than one trustee to borrower money or to purchase, construct or encumber realty, that the requisite number of trustees have signed the Mortgage Loan Documents • Trust Certifications must be completed in accordance with all State laws and must also contain the following: o The existence and date of the trust o The Settlors and the current trustees o The enumerated powers of the trustees, such as the right to borrower or encumber o Whether the trust is revocable or not; and, if revocable, who holds the right to revoke o The names and number of the trustees required to sign on behalf of the trust o The trust identification number, whether that is a social security number, or an IRS issued TIN o How title to the trust assets should be taken o A statement that the trust has not been revoked, modified, or amended in any manner
Escrow Holdback	**Escrow holdbacks are not allowed**
Home Equity Line of Credit (HELOC)	• For HELOC loans paid off at closing, the line must be closed to any future draws. • Requirement on title commitment for payoff and cancellation of HELOC is acceptable to document.

Income and Employment Documentation Requirements	**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. The loan file must include an income analysis form detailing all income calculations which may include one or all of the following: • 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. o 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. **All required documentation as described here and in the following sections must be obtained prior to closing.** **Salaried Borrowers:** • 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 of income/employment; paystubs and W2's are 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**. *This requirement includes **all** businesses and entities including those organized as pass thru entities.* • Borrowers who file a schedule C (sole proprietorship) will be considered as self-employed and required to provide a year-to-date P&L and balance sheet. *This includes borrowers who may be filing the Schedule C as a tax write off for accounting purposes.* • Most recent signed two (2) years business tax returns are required for businesses where the borrower owns 25% or more **and** the business reports an income loss on schedule K-1. Loss must be deducted from income. **Bonus, Commission, Overtime, or other non-base salary compensation** • 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 income for the past 2 years, further supported by a year-to-date paystub. **A year-to-date paystub & W-2's alone are not sufficient, a Written VOE must be obtained.** • Bonus income received on an annual basis and exceeds 25% of total income must be carefully considered due to the potential impacts of COVID-19. • Employer must confirm that the year-end bonus is in line with the prior years and is not negatively impacted due to COVID-19.

Income and Employment Documentation Requirements	**Employment and Income Stability/Gaps of Employment** • 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. • 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. **Verbal Verification of Employment (VVOE)** • Verbal VOE must be performed no more than ten (10) business days prior to the Note date. The Verbal VOE should include the following information for the borrower: o Date of contact o Name and title of person contacting the employer o Name of employer o Start date of employment o Employment status and job title o Name, phone number, and title of contact person at employer o Independent source used to obtain employer phone number • Verification of the existence of borrower's self-employment must be verified through a third-party source and no more than twenty (20) business days prior to the Note date. In addition, confirmation that the business is currently operating must be provided. Below are acceptable examples of documentation to confirm the business is currently operating: o Evidence of current work (executed contracts or signed invoices) that indicate the business is operating on the day the lender verifies self-employment. o Evidence of current business receipts within 10 days of the note date (payment for services performed); o Lender certification the business is open and operating (lender confirmed through a phone call or other means); or o Business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled **4506-C and Tax Transcripts** • 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: o Borrower with commission-based income that is greater than 25% of borrowers total pay o Borrowers with 2106 expenses o Borrowers employed by family o Borrowers with ownership in a company • All transcripts must be obtained directly via third party. Borrower obtained transcripts are not acceptable **Borrowers Employed by Family-Owned Business** • Must meet all the requirements as noted above, and in addition must obtain: o Most recent two (2) years personal tax returns o IRS transcripts for the most recent (2) years o 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. • Letter from a CPA is not sufficient to document lack of ownership

Income and Employment Documentation Requirements	**Self-Employed Borrowers:**
	
	• 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. (See exceptions below for 1099 borrowers filing a Schedule C).
	• Minimum 720 FICO when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable.
	• Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrowers total qualifying income must be deducted from qualifying income. Additional self-employment documentation is not required.
	  o K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrowers total qualifying income.
	  o Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a case-by-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income
	
	Documentation Requirements
	The requirements below apply for Self-Employed Borrowers with Self-Employment income used for qualifying:
	• Follow the requirements per the DU findings and the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020 except as detailed below:
	  o If DU returns a recommendation for one (1) year of tax returns, the most recent year's tax return must be provided. IRS extensions are not permitted
	    o If borrower has filed an extension, the most recent prior two (2) years tax returns are required
	• YTD profit and loss statement (audited or unaudited) up to and including the most recent month preceding the loan application date. YTD profit and loss statement must not be more than 90 days aged prior to the Note date
	  o Audited P&L
	    o An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date; **OR**
	  o Unaudited P&L
	    o An unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income.
	
	  o If the borrower has filed an extension for the current tax year, the year-to-date profit and loss statement must be provided to cover the full year
	  o If the year-to-date business income is less than the historically calculated income derived from the tax returns, the borrower may qualify by reducing the historical income to no more than the current level of stable monthly income using details from the year-to-date profit and loss statement and business account statements (if applicable)

Income and Employment Documentation Requirements	**4506-C and Tax Transcripts** • IRS Transcripts required when income from an income tax return is used in qualifying. • All transcripts must be obtained directly via third party. Borrower obtained transcripts are not acceptable. • Business Transcripts required when using income from 1120 (C Corp) to qualify.

Income and Employment Documentation Requirements	**Departing Residence to Investment**
	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:
	• 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, fully executed, 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 appliable reserve requirements
	
	Departing Residence Subject to Guaranteed Buy-Out with Corporation Relocation
	To exclude the payment for a borrower's primary residence that is part of a Corporate Relocation, the following requirements must be met:
	• Copy of the executed buy-out agreement verifying the borrower has no additional financial responsibility toward the departing residence once the property has been
	• transferred to the third party
	• Guaranteed buy-out by the third party must occur within four (4) months of the fully executed guaranteed buy-out agreement
	• Evidence of receipt of equity advance if funds will be used for down payment or closing
	
	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.
	• If any retirement income will cease within the first three (3) years of the loan, the income may not be used.
	
	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 **<u>all</u>** cases, a 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 must provide a written justification for including the declining income in qualifying.
	
	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
	• Copy of trust agreement or trustee statement showing:
	    o Total amount of borrower designated trust funds
	    o Terms of payment
	    o Duration of trust
	    o 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

Income and Employment Documentation Requirements	**Restricted Stock (RS) and Restricted Stock Units (RSU) and Stock Options**
	• May only be used as qualifying income if the income is vested, has been consistently received for the most recent two (2) years, is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of two (2) years at a similar level as prior two (2) years.
	• A two (2) year average of prior income received from RS/RSUs or Stock Options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve (12) months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule.
	• Additional awards must be similar to the qualifying income and awarded on a consistent basis
	• There must be no indication the borrower will not continue to receive future awards consistent with historical awards received
	• Borrower must be currently employed by the employer issuing the RS/RSU/Stock Options in order to be considered in qualifying income
	• Stock must be publicly traded
	• Vested RS/RSU and Stock Options cannot be used for reserves if using for income to qualify
	• Incentive sign on income and future RSU's are limited to 50% of total qualifying income. Income calculation results may be reduced to meet the 50% restriction.
	• ***RSU income must be entered into DU as bonus income.***
	
	Projected Income:
	• A Paystub (once borrower has started with new employer) must be provided prior to the note date. For NDL2 & 3 , paystub must be provided prior to purchase).
	
	Social Security Income:
	• Secondary validation is required when income is documented via either a Social Security Benefit Award Letter or a 1099. Acceptable validation can be in the form of tax transcripts/ 1099 transcripts or a bank statement showing evidence of the SSI deposit and dated within 30 days of application.
	
	Unacceptable Income
	• Any income that is not legal in accordance with all applicable federal, state, and local laws, rules, and regulations. Federal law restricts the following activities and therefore the income these sources are not allowed for qualifying:
	   o Foreign shell banks
	   o Any income resulting from ownership in a business or activity related to recreational or medical marijuana use, growing, selling, or supplying of marijuana, even if legally permitted under state or local law.
	   o Businesses engaged in any type of internet gambling.
	• Any source that cannot be verified
	• Rental Income (Boarder Income) received from the borrower's primary residence
	• Expense account payments
	• Retained earnings
	• Deferred compensation
	• Temporary or one-time occurrence income
	• Rental income from a second home

Asset Depletion as Income

- Maximum 80% LTV/CLTV/HCLTV
- Primary residence 1-2 units only and Second Homes
- Purchase, Rate/Term and Cash-Out transactions are eligible
- Eligible assets must be held in a US account
- There are no age restrictions for the use of Asset Depletion as a source of qualifying income
- Qualifying Asset Income = Net Eligible Assets divided by 240

  Asset Depletion may not be combined with employment related income to qualify (i.e., salaried income, self-employment income, etc.,) for any Borrower that is an account holder of the assets used for Asset Depletion. If there is employment related income from a Borrower that is not a joint account holder of the account used for Asset Depletion, then this income may be eligible to be used for qualifying purposes
- Pension, Social Security or other annuity type income streams may be used and combined with Asset Depletion income as long as the assets generating that income are not used in the Asset Depletion income calculations
- Income from assets may not be double counted. For example, income derived from assets generating capital gains, interest income or note income from assets may not also be included in those assets in the Asset Depletion income calculation
- Net Eligible Assets
  - Minimum Net Eligible Assets: Borrowers must have at least $1,000,000 of Net Eligible Assets
  - Net Eligible Assets equals Total Eligible Assets as defined in the below table (after any haircuts required for retirement assets per the Asset Requirements section of this product matrix) minus:
    - Funds required to be paid by borrower for closing (i.e., down payment, closing costs)
    - Gift and/or borrowed funds
    - Reserves
    - Any portion of assets pledged as collateral for a loan
  - Cash Out proceeds are not allowed to be used in the Asset Depletion calculation and are not an Eligible Asset
- Business funds not permitted to be included in total asset amount
- Most recent two years of tax returns and corresponding tax transcripts are required
- Assets must meet the eligibility and documentation requirements outlined in the below table:

Asset Type	Asset Eligibility Requirements	Documentation Requirements
Retirement Assets	• The retirement assets must be in a retirement account recognized by the Internal Revenue Service (IRS) (e.g., 401(k), IRA) • Borrower must be the sole owner • The asset must not currently be used as a source of income by the Borrower. • As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty or an additional early distribution tax • The Borrower's rights to the funds in the account must be fully vested.	• Most recent retirement asset account statement • Documentation evidencing asset eligibility requirements are met • Most recent two years tax returns and corresponding tax transcripts

Asset Type	Asset Eligible Requirements	Documentation Requirements
Lump-sum distribution funds not deposited to an eligible retirement asset	• If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow the requirements for retirement assets described above, otherwise: o Lump-sum distribution funds must be derived from a retirement account recognized by the IRS (e.g., 401(k), IRA) and must be deposited to a depository or non-retirement securities account o A Borrower must have been the recipient of the lump-sum distribution funds o Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the funds from the lump-sum distribution o The proceeds from the lump-sum distribution must be immediately accessible in their entirety o The proceeds from the lump-sum distribution must not have been or currently be subject to a penalty or early distribution tax	• Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received) • Satisfactorily documented evidence of the following: o Funds verified in the non-retirement account and used for qualification must have been derived from eligible retirement assets o Lump-sum distribution funds must not have been or currently be subject to a penalty or early distribution tax • Most recent two years tax returns and corresponding tax transcripts
Depository accounts and Securities	• The Borrower must solely own assets or, if asset is owned jointly, each asset owner must be a Borrower on the Mortgage and /or on the title to the subject property • As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty • Account funds must be located in a United States- or State-regulated financial institution and verified in U.S. dollars	• Provide account statement(s) covering a two-month period • For securities only, if the Borrower does not receive a stock/security account statement o Provide evidence the security is owned by the Borrower, and o Verify value using stock prices from a financial publication or web site • Documentation evidencing asset eligibility requirements are met • Sourcing deposits: o The Seller must document the source of funds for any deposit exceeding 10% of the Borrower's total eligible assets in depository accounts and securities, and verify the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to qualify the Borrower by the amount of the deposit o When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file, the Seller is not required to obtain additional documentation • Most recent two years tax returns and corresponding tax transcripts
Assets from the sale of the Borrower's Business	• The Borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited to the depository or non-retirement securities account • Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the proceeds from the sale of the Borrower's business • The proceeds from the sale of the business must be immediately accessible in their entirety • The sale of the business must not have resulted in the following: retention of business assets, existing secured or unsecured debt, ownership interest or seller-held notes to buyer of business	• Most recent three months' depository or securities account statements • Fully executed closing documents evidencing final sale of business to include sales price and net proceeds • Contract for sale of business • Most recent business tax return prior to sale of business • Satisfactorily documented evidence of the following: o Funds verified in the non-retirement account and used for qualification must have been derived from the sale of the Borrower's business • Most recent two years tax returns and corresponding tax transcripts

Liens, Judgments and Collections

- 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.
- 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.

<table>
<tr><td>Tax Liens and Payment Plans</td><td>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 most recent tax year is allowed if the following requirements are met:
Payment plan was setup at the time the taxes were due. Copy of the payment plan must be included in the loan file
Payment is included in the DTI
Satisfactory pay history based on terms of payment plan is provided
Payment plan is only allowed for taxes due for the most recent tax year, prior years not allowed. For example, borrower files their 2019 return or extension in April 2020 A payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed
Borrower does not have a prior history of tax liens</td></tr>
<tr><td>Modifications</td><td>Loans with Modifications are ineligible</td></tr>
<tr><td>Multiple Financed Properties</td><td>Maximum number of financed properties – follow Fannie Mae Selling Guide requirements
All financed 1-4 unit residential properties require an additional six (6) months reserves for each property, unless the exclusions below apply
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
Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation</td></tr>
<tr><td>Ownership</td><td>Ownership must be fee simple only and must be in the name of the individual Borrower(s).
Borrower(s) may hold title as follows:
Individual
Joint Tenants
Tenants in Common</td></tr>
<tr><td>Occupancy</td><td>Primary Residence
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.
Second Home
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
Investment Property (non-owner occupied)
Not Eligible</td></tr>
</table>

Property	**Eligible Property Types** • 1-4 Unit Owner Occupied Properties • 1 Unit Second Homes • Warrantable Condominiums • Planned Unit Developments (PUDs) • Modular homes **Properties subject to existing Oil/Gas Leases must meet the following:** • Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease • No active drilling: Appraiser to comment or current survey to show no active drilling • No lease recorded after the home construction date; Re-recording of a lease after the home was constructed is permitted • Must be connected to public water **Maximum 40 Acres** • Properties >10 acres up to 40 acres must meet the following: o Maximum land value 35% o No income producing attributes o Appraisal must have 3 comparable sales with similar acreage o Properties > 20 acres, LTV/CLTV/HCLTV must be 10% below the program maximum. For Example, loan qualifies at 80% LTV, however, is > 20 acres, max LTV would be reduced to 70% **Leased Solar Panels** o Properties with leased solar panels must meet Fannie Mae requirements
Ineligible Property	**Ineligible Property Types** • 2–4-unit properties second home properties • Condotel/ Condo Hotels • Investment Properties • Manufactured homes / Mobile Homes • Mixed-Use properties • Model Home Leasebacks • Condo hotel units • Properties with condition rating of C5/C6 • Properties with a quality rating of Q6 • Properties in Hawaii lava zones 1 & 2 • Properties with Private transfer fee covenants • Tenants-in-Common projects • Unwarrantable condominiums or FL Condos requiring PERS Approval • Timeshare units • Geothermal homes • Unique properties • Mixed use properties • Working farms, hobby farms, and orchards • Properties located in areas where a valid security interest in the property cannot be obtained • Properties located in Puerto Rico, Guam, and US Virgin Islands • Commercial properties • Properties with >40 acres

Source of Funds/Asset Requirements	The borrower must have sufficient liquid assets to meet the requirements for down payment, pre-paid items, closing costs and reserves.
	
	• Eligible assets must be held in a US Account
	• Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves, or closing costs
	• Underwriter is responsible for verifying large deposits did not result in any new undisclosed debt.
	• Follow the DU findings and requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide except as detailed below:
	• A written VOD as a stand-alone document is not acceptable
	    ▪ A system generated automated VOD may be used as a stand-alone documentation if provided by a verifiable institutional bank.
	• Stocks, bonds, and mutual funds do not require documentation of liquidation or of the borrower's actual receipt of funds when used for down payment or closing costs.
	
	Retirement Accounts (401K, IRA etc.)
	• Eligibility percentage to meet reserve requirements:
	    ▪ If borrower is ≥59 ½, then 70% of the vested value after the reduction of any outstanding loans.
	    ▪ If borrower is <59 ½, then 60% of the vested value after the reduction of any outstanding loans.
	• Refer to Fannie Mae Selling Guide for liquidation of funds requirements
	
	Business funds
	• Allowed for down payment and closing costs (not reserves), subject to the following:
	    ▪ 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 NSFs (non- sufficient funds) or overdrafts.
	    ▪ If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
	        • 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
	
	Gift funds
	• Gift funds may be used once borrower has contributed 5% of their own funds.
	• Not permitted for reserves
	• LTVs greater than 80% - gift funds not permitted
	
	Virtual Currency
	• Ineligible asset type.
	• Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs, or reserves. Refer to Fannie Mae Selling Guide for additional details.

Cash Reserves	• **All loans require a minimum cash reserve.**

Reserve Requirements (# of Months of PITIA)		
Occupancy	**Loan Amount**	**# of months**
Primary Residence	≤$1,000,000 with LTV ≤ 80%	6
	$1,000,001 - $1,500,000 with LTV ≤ 80%	9
	≤$1,000,000 with LTV > 80%	12
	$1,000,001 - $1,500,000 With LTV > 80%	15
	$1,500,001 - $2,000,000	12
	$2,000,001 - $2,500,000	24
Second Home	≤$1,000,000	12
	$1,000,001 - $1,500,000	18
	$1,500,001 - $2,000,000	24
	$2,000,001 - $2,500,000	36
First-Time Homebuyer	≤$1,000,000 with LTV ≤ 80%	12
	$1,000,001 - $1,500,000 with LTV ≤ 80%	15
	≤$1,000,000 with LTV > 80%	15
	$1,000,001 - $1,500,000 With LTV > 80%	18
Additional 1-4 Unit Financed REO	• Additional six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO. • If eligible to be excluded from the count of multiple financed properties, reserves are not required.	
Borrowed Funds	• Borrowed funds (secured or unsecured) are not allowed for reserves.	

Title and Closing Documentation	**Title** Title insurance must meet Agency requirements and be written on the 2006 American Land Title ALTA form providing gap coverage or the ALTA short form. Other state forms may be used in states in which standard ALTA forms of coverage are not used or in which the 2006 ALTA forms have not been adopted. If alternative forms are used, the amendments provide the same coverage o The title insurance policy/commitment must be dated within 90 days (with gap coverage) and insure the exact loan amount. o Must report the most recent 24 months chain of title o 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. o The title insurance coverage must include an environmental protection lien endorsement (ALTA 8.1-06 or equivalent state form). o A mortgage subject to a leasehold estate must include the ALTA Endorsement 13.1-06. o The title insurance policy must ensure the mortgagee and its successors and assigns as to the priority lien of the loan amount at least equal to the outstanding principal balance of the loan.

Updates		
Section	**Date**	**Update**
Restricted Stock and Stock Options	05.26.2022	Added • Incentive sign on income and future RSU's are limited to 50% of total qualifying income. Income calculation results may be reduced to meet the 50% restriction.
Asset Requirements	05.26.2022	Added **Virtual Currency** • Ineligible asset type. • Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs, or reserves. Refer to Fannie Mae Selling Guide for additional details. •
Subordinate Financing	05.26.2022	Added • Shared equity finance agreements are an ineligible source of subordinate financing.
Forbearance	07.27.2022	Added: For Borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.02.2022, the below listed criteria is to be used to determine eligibility. All other loans must follow the forbearance waiting period as required in the Significant Derogatory Credit section.
Asset Requirements	07.27.2022	Removed: • Retirement Accounts ▪ In cases where the account holder is not of retirement age and funds are being used for down payment or closing costs, evidence of liquidation of retirement funds is required.
Credit Requirements	07.27.2022	Added: Social Security Income • Secondary validation is required when income is documented via a Social Security Benefit Award letter of a 1099. Acceptable validation can be in the form of tax transcripts / 1099 transcripts, or a bank statement showing evidence of the SSI deposit and dated within 30 days of the application date.
First-Time Homebuyer	07.27.2022	Added: • Verification of rental history is not required.
Eligibility Matrix	12.08.2022	Added Declining Market footnote
Declining Market	12.08.2022	Added Declining Market Section: • LTV / CLTV / HCLTV must be 10% below product maximum per product matrix eligibility grid up to a maximum 75% LTV / CLTV / HCLTV As an example: If the eligibility grid indicates a maximum of 89.99% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 75% OR If the eligibility grid indicates a maximum of 80% LTV/CLTV/HCLTV for the subject transaction and the appraisal indicates a declining market, then the maximum LTV/CLTV/HCLTV should be reduced to 70%
Appraisal Requirements	12.08.2022	Removed: Appraisal update (Form 1004D) is allowed for appraisals that are over 120 days aged. Added: • Appraisal Update (Form 1004D) is not permitted for appraisals that are over 90 days aged from Note date. A new full appraisal is required for loans where the appraisal effective date is greater than 90 days from the Note date • The subject property must be appraised within 90 days prior to the Note date • Properties identified by appraiser as being in a declining market are not eligible to use the CU to meet appraisal review requirement. A CDA is required for properties in declining markets

Cash Reserves	03.06.2023	**Removed:** • Max of four (4) financed properties may be owned.