WHOLESALE
COMMERCE
HOME MORTGAGE

JUMBO EXPRESS CHOICE NON-QM

VERSION 3.0

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EXPRESS CHOICE NON-QM ELIGIBILITY MATRIX

FIXED RATE AND HYBRID ARM PRODUCTS

PRIMARY RESIDENCE | PURCHASE, RATE AND TERM REFINANCE

Transaction Type	Units	Minimum FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Purchase or Rateand Term Refinance	1-2	680	90%[2]	$1,000,000
		661	80%	$1,500,000
		680	75%	$2,000,000
	3-4	661	70%	$2,000,000

PRIMARY RESIDENCE | CASH-OUT REFINANCE[2]

Transaction Type	Units	Minimum FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Maximum Cash-Out
Cash-Out Refinance	1-2	680	80%	$1,000,000	$250,000
		661	70%	$1,000,000	$250,000
		661	60%	$1,500,000	$500,000

SECOND HOME | PURCHASE, RATE AND TERM REFINANCE[3]

Transaction Type	Units	Minimum FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount[1]
Purchase or Rate and Term Refinance	1	661	80%	$1,000,000
			70%	$1,500,000
			65%	$2,000,000

SECOND HOME | CASH-OUT REFINANCE

Transaction Type	Units	Minimum FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Maximum Cash-Out
Cash-Out	1	661	65%	$1,000,000	$250,000
			60%	$1,500,000	$500,000

INVESTMENT | PURCHASE, RATE AND TERM REFINANCE, CASH-OUT REFINANCE[4]

Transaction Type	Units	Minimum FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
Purchase	1-4	680	75%	$1,000,000
Rate and Term Refinance		680	70%	$1,000,000
Cash-Out Refinance		680	60%	$1,000,000 Max cash-out $250,000

1 **First-Time Homebuyers are subject to a maximum loan amount of $1,000,000. Loan amounts up to $1,500,000 allowed in CA. See Eligible Borrower section for specific requirements for First-Time homebuyers.**

2 **The following requirements apply for transactions with LTVs greater than 80%:**

- MI not required.
- Secondary financing is allowed. See Secondary Financing section for allowable secondary financing.
- Non-permanent resident aliens not allowed.
- Escrow/impound accounts required for LTVs greater than 80% unless prohibited by applicable laws.

3 **Texas 50 (a) (6) refinance (Texas Equity Loans) only allowed on 20, 25 and 30-year fixed rate. Additional restrictions apply, please see page 9 for details.**

4 **The following requirements apply for Investment Property Purchase, Rate and Term Refinance and Cash-Out Refinance transactions:**

- Florida condominiums limited to 50% LTV/CLTV/HCLTV.
- Transaction must be arm's length
- Gift funds not allowed
- Appraiser to provide rent comparable schedule
- First-time homebuyers not allowed

CHOICE LOANS QM NOTES:

- **Choice Non-QM is a Non-QM loan with any of the following attributes:**
    - Interest-Only product.
    - Debt-to-income ratio > 43%.
    - Qualifying income stream using asset depletion calculation as outlined in the Income section.
    - Projected income without a guaranteed non-revocable contract. See Projected Income requirements.
    - Gaps of employment outside of QM requirements (exception basis only).
    - Investment purchase transaction using rental income with no lease agreements provided. See Rental Income requirements.
    - Departure residence excluded from DTI when the property is not listed for sale or leased to rent at the time of the subject transaction. See Departure Residence Section for requirements.

- **Minimum loan amount is $1 over the current conforming/high balance limit set by the FHFA. fhfa.gov**
- **Higher priced Mortgage Loans (HPML) are allowed if the following requirements are met:**
    - Loan must have an escrow account for a minimum of 5 years.
    - If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required.
    - If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20% then a second full appraisal is required.
    - If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals.

- **Exceptions may be granted on a case-by-case basis by Commerce (at its sole determination) for loans with terms or characteristics that are outside of Commerce's Choice Non-QM guidelines. Approval of the exception must be granted by Commerce prior to Final Approval.**
- **A loan closed as a Non-QM loan that was not locked with Commerce on or before the Note date is not eligible for delivery under the Choice Non-QM product.**
- **Residual income calculation must be provided and must meet the residual income requirements indicated in the Income/Employment section of this guide.**

CHOICE QM UNDERWRITING GUIDELINES	
ELIGIBLE PRODUCTS	**Fixed Rate:** » 10, 15, 20, 25, 30 per year term **Fixed Rate Interest Only:** » 30 year term only. 10 year IO period. Qualify based on Note rate with a 20 year amortization. **ARM Features:** » 5/1, 7/1, 10/1 ARM Fully Amortizing, 30 year term » 5/1, 7/1, Interest Only, 30 year term with 10 year IO period » Margin: 3.50 » Floor: 3.50 » Caps 2/2/5 (Initial, Subsequent, Lifetime) 5/1, 7/1, 10/1 ARMs » Caps 5/2/5 allowed on 7/1, 10/1 ARMs » Index: 1 Year LIBOR » Assumable » No Conversion Option » Qualifying Rate: - 5/1 ARM, qualify with greater of the fully indexed rate or the Note rate +2%. - 7/1 ARM & 10/1 ARM, qualify with the greater of the fully indexed rate or the Note rate. - Interest Only, qualify based on ARM type above with a 20 year amortization
INELIGIBLE PRODUCTS	» Higher-Priced Mortgage Loans (HPML) » High Cost Loans (Federal, State or Local) » Non-Standard to Standard Refinance Transactions (ATR Exempt) » Balloons » Graduated Payments » Temporary Buy Downs » Loans with Prepayment Penalties » Convertible ARMs » Construction to Permanent Financing
UNDERWRITING	» Manual underwrite is required. » AUS findings are not considered; no documentation waivers are considered. » Unless otherwise noted in Commerce guidelines, the more restrictive of the Fannie Mae Selling Guide or Appendix Q (to part 1026 to 12 CFR Chapter X-Truth-in-Lending Regulation Z) should be followed. » In all cases, the loan file must document the eight (8) ATR rules. » In some cases, exceptions to program or product guidelines may be acceptable when strong » compensating factors exist to offset the risk. Prior exception approval required from Commerce.
ELIGIBLE BORROWERS	» 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. - Maximum loan amount is $1,000,000. - For transactions located in CA, the maximum loan amount of $1,500,000 is allowed if the following requirements are met - 680 Minimum FICO score - Primary residence only - Reserve requirements met for FTHB as specified in the Asset section - Maximum 80% LTV/CLTV/HCLTV » US Citizens » Permanent Resident Aliens with evidence of lawful residency - Must be employed in the US for the past twenty-four (24) months.

ELIGIBLE BORROWERS	» **Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions:** - Primary residence only. - Maximum LTV/CLTV/HCLTV 80%. - 20, 25, 30 year fixed rate only. - Unexpired H1B, H2B, E1, L1 and G Series Visas only. G Series Visas must have no diplomatic immunity. - Credit tradeline requirements must be met, no exceptions. - Borrower must have a current twenty-four (24) month employment history in the US. » **Documentation evidencing lawful residency must be met (see Jumbo Program Eligibility Supplement for requirements).** » **Non-Occupant Co-Borrowers are allowed with the following restrictions:** - Primary residence – One (1) Unit Property. - Purchase and rate & term refinance transactions only. - Max loan amount $1,000,000; $1,500,000 is allowed for properties located in CA - Max LTV/CLTV 80% - No minimum down payment required from the occupant borrower, down payment and reserves may be from the occupant borrower or non-occupant co-borrower. - Additional six (6) months reserves required. - Non-occupant co-borrower must be an immediate family member. - Blended ratios allowed with a maximum 43% DTI. - Transaction must be an arm's length transaction. » **Illinois Land Trust (see Jumbo Program Eligibility Supplement for requirements).** » **Inter Vivos Revocable Trust (see Jumbo Program Eligibility Supplement for requirements).** » **All borrowers must have a valid Social Security Number**
INELIGIBLE BORROWERS	» **Foreign Nationals** » **Borrowers with diplomatic status** » **Life Estates** » **Non-Revocable Trusts** » **Guardianships** » **LLCs, Corporations or Partnerships** » **Land Trusts, except for Illinois Land Trust** » **Borrowers with any ownership in a business that is federally illegal, regardless if the income is not being considered for qualifying (ie) cannabis grow or dispensary**
ELIGIBLE OCCUPANCY TYPES	» **Primary residences for 1-4 units** » **Second home residences for one (1) unit properties** - Must be a reasonable distance away from borrower's primary residence. - Must be occupied by the borrower for some portion of the year. - Must be suitable for year-round use. - Must not be subject to a rental agreement and borrower must have exclusive control over the property. - Any rental income received on the property cannot be used as qualifying income. » **Investment properties for 1-4 units**

DOCUMENTATION	» **All loans must be manually underwritten and fully documented. No documentation waivers based on AUS recommendations permitted.**
	» **Income calculation worksheet or 1008 with income calculation. The FannieMae Form 1084, Freddie Mac Form 91 or equivalent is required for self-employment analysis.**
	» **Full income and asset verification is required.**
	» **All credit documents, including title commitment must be no older than ninety (90) days from the Note date.**
	» **All appraisals must be no older than 120 days from the Note date. Recertification of value is not allowed.**
	» **A new appraisal is required.**
	» **QM designation must be provided in the loan file; For the Choice Non-QM program;**
	- QM designation is Non-QM/ATR OR
	- QM designation is Not Applicable for investment property transactions when the transaction is exclusively for business purposes. (Refer to §1026.3(a) and the Official Interpretation to §1026.3(a))
	  - Investment property transactions require an attestation from the borrower stating the property is used 100% of the time for business purposes in order for the designation to be Not Applicable. If the borrower does not use the property 100% of the time for business purposes, the QM designation would be Non-QM/ATR for Choice Non-QM loans.
	  - Cash-out refinances of investment properties must contain an attestation regarding the proceeds from the cash-out refinance. If 100% of the proceeds are not used for business purposes, the loan is subject to ATR and the designation would be Non-QM/ATR.
	» **Loan file must document the eight {8) Ability to Repay {ATR) rules identified in Part 1026-Truth-in-Lending (Regulation Z).**
	» **Residual income calculation must be provided and meet the residual income requirements indicated in the Income/Employment section of this guide.**
	» **If subject transaction is paying off a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed.**
	» **If the 1003, title commitment or credit documents indicate 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.**

DEBT TO INCOME RATIO	» **Fixed Rate: 49.99%** » **Fixed Rate ARM: 47.00%** » **LTV/CLTVs over 80%: 38.00%** » **Non Occupant Co-Borrowers with Blended Ratios 43.00%**
LTV/CLTV/HCLTV CALCULATIONS FOR REFINANCES	» **If subject property is 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, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame is defined as prior Note date to subject Note date.** » **If subject property is 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, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame is defined as prior Note date to subject Note date.**
REFINANCE TRANSACTIONS	**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.** - 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. - A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months. - A seasoned equity line is denied as not having draws totaling over $2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history. - Max cash back at closing is limited to 1% of the new loan amount.

REFINANCE TRANSACTIONS	» **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**
	- Must have clear title or copy of probate evidencing borrower was awarded the property.
	- A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries.
	- Borrower retains sole ownership of the property after the pay out of the other beneficiaries.
	- 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.
	- Cash back to borrower not to exceed 1% of loan amount.
	
	» **Delayed Purchase Refinancing is allowed with the following requirements**
	- Property was purchased by borrower for cash within six (6) months of the loan application.
	- HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property.
	- Preliminary title reflects the borrower as the owner and no liens.
	- Funds used to purchase the property are fully documented and sourced and must be the borrower's own funds (no borrowed funds, gift funds, business funds).
	- LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance.
	- If funds used to purchase the property were secured by a pledged asset or retirement account, it is not considered the borrower's own funds and the transaction would not be eligible for Delayed Financing. See Cash-Out Refinance Requirements section below for additional guidance.
	- Investment properties are allowed as long as borrower is not a builder or in the construction industry and prior transaction was arm's length.
	
	Cash-Out Refinance Requirements:
	
	» **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 above.**
	» **Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand.**
	» **Inherited properties may not be refinanced as a cash-out refinance prior to twelve {12) months ownership. See Rate and Term Refinances for requirements.**
	» **Cash-out refinances where the borrower is paying off a loan from a pledged asset/retirement account loan, secured loan, unsecured family loan or replenishing business funds used to purchase the property, the following guidelines apply:**
	- Cash-out limitation is waived if previous transaction was a purchase.
	- Seasoning requirement for cash-out is waived (borrower does not have to have owned for six (6) months prior to subject transaction).
	- Funds used to purchase the subject property must be documented and sourced.
	- HUD-1/CD for subject transaction must reflect payoff or pay down of pledged asset/retirement account loan, secured loan, unsecured family loan or business asset account. If cash-out proceeds exceeds payoff of loans, excess cash must meet cash-out limitations.
	- The purchase must have been arm's length.
	- Investment properties are ineligible.
	
	Continuity of Obligation:
	
	» **When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible**
	- The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:
	    - Has been making the mortgage payments (including any secondary financing) for the most recent twelve (72) months, or
	    - Is related to the borrower on the mortgage being refinanced
	- The borrower on the new refinance transaction was added to title twenty-four (24) months or more prior to the disbursement date of the new refinance transaction.

REFINANCE TRANSACTIONS	- The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership.
	- 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:
	    - Borrower must have been a beneficiary creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer.
	    - The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) 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.**

SECONDARY FINANCING	» **Institutional Financing only. Seller subordinate financing not allowed.**
	» **Subordinate liens must be recorded and clearly subordinate to the first mortgage lien.**
	» **If there is or will be an outstanding balance at the time of closing, the monthly payment for the subordinate financing must be included in the calculation of the borrower's debt-to-income ratio.**
	
	» **Full disclosure must be made of the existence of subordinate financing and the subordinate financing repayment terms. The following are acceptable subordinate financing types:**
	- Mortgage terms with interest at market rate.
	- Mortgage with regular payments that cover at least the interest due, resulting in no negative amortization.
	
	» **Employer subordinate financing is allowed with the following requirements:**
	- Employer must have an Employee Financing Assistance Program in place.
	- Employer may require full repayment of the debt if the borrower’s employment ceases before the maturity date.
	- Financing may be structured in any of the following ways:
	    - Fully amortizing level monthly payments
	    - Deferred payments for some period before changing to fully amortizing payments
	    - Deferred payments over the entire term.
	    - Forgiveness of debt over time
	    - Balloon payment of no less than five (5) years, or the borrower must have sufficient liquidity to pay off the subordinate lien.
	» **LTV/CLTV/HCLTV guidelines must be met for loans with subordinate financing.**

TEXAS 50 (A) (6) REFINANCE (TEXAS EQUITY LOANS)	**Texas Owner Occupied Homestead Property**
	
	» 20, 25 and 30 year fixed rate only
	» Buydowns not allowed
	» Max LTV/CLTV is the lesser of 80% or program maximum
	» Owner occupied primary residence only
	» Proof of Homestead required
	» 1 unit SFR, attached or detached PUD or eligible Condo only
	- Condos are not eligible for Limited Review
	» General Requirements
	In addition to standard guidelines, loans originated in the state of Texas may be subject to additional requirements and restrictions due to the provisions of Section 50(a)(6) of the Texas Constitution (Texas Equity Loan). All cash-out loans and certain Rate and Term refinance transactions, involving the borrower’s primary homestead property, are subject to these special requirements. CHMW follows Fannie Mae requirements related to Texas Section 50(a)(6) loans. Failure to follow these requirements will result in the loan being ineligible for purchase.
	The following transaction types are subject to the provisions of Texas Section 50(a)(6):
	    - Jumbo Rate and Term Refinance where new loan pays off an existing Texas Equity Loan. Once a Texas Equity Loan always a Texas Equity Loan
	    - Jumbo Rate and Term Refinance with incidental cash back
	    - Jumbo Cash-Out Refinance

TEXAS 50 (A) (6) REFINANCE (TEXAS EQUITY LOANS)	**Texas-Owner Occupied Homestead Property** **If the existing loan is not a Texas Equity Loan, funds from a new loan may be used in the following manner and still be considered a standard Rate and Term refinance transaction:** - New loan is less than or equal to the existing UPB - New loan equals UPB plus prepaids and closing costs - New loan pays down or pays off a purchase money second - New loan pays down or pays off an existing Secured Home Improvement Loan (mechanic's lien) - New loan provides funds necessary to satisfy a court ordered divorce equity buyout - New loan pays down or pays off a tax lien **If the new refinance loan is classified under Texas law as a Texas 50 (a) (6), the loan must be locked as a Cash-Out Refinance.** » **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. Executed "Notice of Right to Cancel" by the non-borrowing spouse is required.** » **Property Valuation: to determine current value CHMW must obtain a new full appraisal. The appraisal of the property and the acknowledgment of fair market value must not include any property other than the homestead.** » **The survey must demonstrate that the homestead property and any adjacent land are separate parcels and the homestead property is separately platted and subdivided lot for which full ingress and egress is available.** » **Additional requirements for Texas Equity Loans:** - Fees and charges to make the loan may not exceed 3% of the loan amount. - The borrower's first payment must be due no later than two (2) months after closing. - The lender must provide the title company with a detailed closing instruction letter, and require acknowledgement of its receipt. - If this loan is being used to pay off a previous Texas Equity Loan, the loan may not close before twelve (12) months have passed from the closing date of the » **Texas Equity Loan being paid off:** - If the new 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 Equity Loan secured by a homestead property was closed does not apply. - The loan may not close before twelve (12) days after the 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 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. - The loan may only close at the office of the lender, title company or an attorney at law. - Power of Attorney may not be used on a Texas Equity Loan. - Use FNMA approved Texas Equity legal documents (Note, Deed, Riders, etc.) - The proceeds from a Texas Equity Loan must not be used to acquire or improve the homestead if a mortgage for that purpose could have been made under a different provision of the Texas Constitution.
CREDIT	**Tradeline Requirements:** » **Minimum three (3) tradelines are required. The following requirements apply** - One (1) tradeline must be open for twenty-four (24) months and active within the most recent six (6) months. - Two (2) remaining tradelines must be rated for twelve (12)months and may be opened or closed, or

CREDIT	- Minimum two (2) tradelines are acceptable if the borrower has a satisfactory mortgage rating for at least twelve (12) Months (opened or closed) within the last twenty-four (24) months and one (1) additional open tradeline. - Each borrower contributing income for qualifying must meet the minimum tradeline requirements; however borrowers not contributing income for qualifying purposes are not subject to minimum tradeline requirements. - Authorized user accounts are not allowed as an acceptable tradeline. - Non-traditional credit is not allowed as an acceptable tradeline. **Disputed Tradelines:** » All disputed trade lines 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. **Mortgage History Requirements:** » If the borrower(s) has a mortgage or rental history in the most recent twenty-four (24) months, a VOM or VOR must be obtained. Applies to all borrowers on the loan. » No more than 1X30 in the last twelve (12) months or 2X30 in the last 24 months. Mortgage lates must not be within the most recent three (3) months of the subject transaction. 0X60 and 0X90 required in the most recent 24 months. » If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required. **Rental History Requirements:** » If the borrower(s) has a rental history in the most recent twelve (12) months, a VOR must be obtained. Applies to all borrowers on the loan. » No more than 1X30 in the last twelve (12) months. 0X60 and 0X90 required in the most recent twelve (12) months. Rental lates must not be within the most recent three (3) months of the subject transaction. » If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required; otherwise if not related or a party to the transaction a satisfactory VOR can be provided. **Derogatory Credit:** » Bankruptcy, Chapter 7, 11, 13 - Must be seasoned four (4) years since discharge/dismissal date » Foreclosure - Must be seasoned four (4) years since completion date » Short Sale/Deed-in-Lieu - Must be seasoned four (4) years since completion date/sale date » Mortgage accounts that were settled for less, negotiated or short pay-offs - Must be seasoned four (4) years since settlement date Borrowers with credit events listed above between four (4) and seven (7) years must meet the following requirements: » Tradeline requirements must be met » Satisfactory housing history for twenty-four (24) months required » No mortgage lates since credit event » No public records since credit event » Primary residence – purchase or rate/term refinance with a maximum 80% LTV/CLTV/HCLTV or program maximum if lower » Exceptions for credit events will be considered on a case-by-case basis between two (2) and four (4) years with extenuating circumstances subject to the following: » Extenuating circumstances are defined as non-recurring events that were beyond the borrower's control resulting in a sudden, significant and prolonged reduction in income or catastrophic increase in financial obligations.

CREDIT	» Examples would include death or major illness of spouse or child but would not include divorce or job loss. » Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the borrower had no reasonable option other than to default on their obligations. » If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on an exception basis. » Loan Modification - Allowed if seasoned 24 months with no mortgage lates in the last 24 months. » Notice of Default-Two (2) Years Multiple derogatory credit events are not allowed » Medical collections are allowed to remain outstanding as long as the balance is less than $10,000 in aggregate. **Outstanding Judgments/Tax Liens:** » Tax liens, judgments, charge-offs, past-due balanced must be satisfied prior to closing. Cash-out proceeds from the subject transaction may not be used to satisfy these balances. » Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full. **Credit Inquiries:** » If the credit report indicates recent inquiries within the most recent 120 days of the credit report, must confirm the borrower did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances the borrower must explain 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. » Confirmation of no new debt may be in the form of a new credit report, pre-close credit report or gap credit report. **Credit Reports-Frozen Bureaus:** » Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

LIABILITIES	**Liability Requirements:**
	
	» 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%.
	» If the credit report reflects an open-end or net thirty (30) day account, the balance owing must be subtracted from liquid assets.
	» Loans secured by financial assets (life insurance policies, 401(k), IRAs,CDs, etc.) do not require a payment to be included in the DTI as long as documentation is provided to show the borrower's financial asset as collateral for the loan.
	
	» For all student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in the borrower's monthly debt obligation
	- If the monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used to qualify
	- If the credit report does not provide a monthly payment or if it shows -0- as a monthly payment, the monthly payment may be one of the following options below:
	  - 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 if it shows $0 as the monthly payment, the monthly payment may be one of the options below:
	    - 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

LIABILITIES	» HELOCs with a current outstanding balance with 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. » Lease payments, regardless of the number of payments remaining must be included in the DTI. » Instalment debts lasting ten (10) months or more must be included in the DTI. » Alimony payments may be deducted from income rather than included as a liability in the DTI. » If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date. **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 obliger (other than the borrower) is provided 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 court order, the payment may be excluded from the DTI if the following documents are provided. - Copy of 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 owing on the mortgage property should be taken into account when reviewing the borrower's credit profile. » Assumption with No Release of Liability: The debt on a previous mortgage may be excluded from DTI with evidence the borrower no longer owns the property. The following requirements apply: - 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. **Departure Residence:**

Departure Residence to be Rented	
Option 1 (No lease)	**Option 2 (Lease Required)**
No lease required. Signed letter of intent from borrower indicating they intend to rent the departure residence within ninety (90) days of closing on the subject transaction.	Copy of current lease agreement. Copy of security deposit and evidence of deposit into borrower's account.
Departure residence must have a minimum of 20% equity after deduction of outstanding liens in order to use rent to offset the payment. If less than 20% equity, the full payment with no benefit of rent must be included in the DTI. Equity in the departure residence must be documented with the prior purchase price, AVM, BPO or 2055 exterior appraisal dated within six (6) months of the subject transaction.	Departure residence must have a minimum of 20% equity after the deduction of outstanding liens in order to use rent to offset the payment. If less than 20% equity, the full payment with no benefit of rent must be included in the DTI. Equity in the departure residence must be documented with the prior purchase price, AVM, BPO or 2055 exterior appraisal dated within six (6) months of the subject transaction.

<table>
<tr><td rowspan="11">LIABILITIES</td><th>Option 1 (No lease)</th><th>Option 2 (Lease Required)</th></tr>
<tr><td>Market Rent Survey is required by a licensed appraiser. Rent calculation is 75% of the market rent less PITIA.

Any negative amount must be included in the DTI.

Any positive rental income is disregarded for the income calculation and can only be used to offset the payment</td><td>Rental calculation is based on 75% of the lease amount less PITIA. Any negative amount must be included in the DTI. Any positive income is included as rental income.</td></tr>
<tr><td>Required reserves for departure residence = 9 months PITIA</td><td>Required reserves for departure residence = 6 months PITIA</td></tr>
<tr><td>Maximum LTV/CLTV/HCLTV on the subject transaction is 80%</td><td>No limit on LTV/CLTV/HCLTV, refer to program maximum</td></tr>
<tr><th colspan="2">Departure Residence to be Sold</th></tr>
<tr><th>Option 1 (Not under contract)</th><th>Option 2 (Under Required)</th></tr>
<tr><td>No contract required for departure residence (not under contract or listed for sale).

Signed letter of intent from borrower indicating they intend to list the departure residence for sale within ninety (90) days of closing on subject transaction.</td><td>A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied.

The departure transaction must be closing within 30 days of the subject transaction.

The pending sale transaction must be arm's length.</td></tr>
<tr><td>Equity in the departure residence must be documented with a 2055 exterior appraisal or full appraisal.

Departure residence must have a minimum of 20% equity after deduction of outstanding liens in order to exclude the payment from the DTI.

If less than 20% equity, the full payment must be included in the DTI.</td><td>No appraisal required for departure residence.

The borrower must be netting a positive number from the sale of the property or assets must be accounted for to cover any funds the borrower may have to bring to closing on the sale of the departure residence.</td></tr>
<tr><td>Required reserves for the departure residence are based on the marketing time indicated by the departure residence appraisal:

If appraisal indicates marketing time of six (6) months or less = 12 months PITIA

If appraisal indicates marketing time over six (6) months = 24 months
PITIA</td><td>Required reserves for the departure residence = 6 months PITIA</td></tr>
<tr><td>Maximum LTV/CLTV/HCLTV on the subject transaction is 80%.</td><td>No limit on LTV/CLTV/HCLTV, refer to program maximum.</td></tr>
</table>

LIABILITIES	**Departure Residence Subject to Guaranteed Buy-out with Corporation Relocation:** » **In order 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 guarateed buy-out agreement. - Evidence of receipt of equity advance if funds will be used for down payment or closing costs. - Verification of an additional six (6) months PITIA of the departure residence.

ASSETS

Asset Requirements:

- **Beyond the minimum reserve requirements and in an effort to fully document the borrowers' ability to meet their obligations, borrowers should disclose all liquid assets.**
- **Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs. Lender is responsible for verifying large deposits did not result in any new undisclosed debt.**

Asset Type	% Eligible for Calculation of Funds	Additional Requirements
CHECKING/SAVINGS/ MONEY MARKET/CDS	100%	Two (2) months most recent statements.
STOCKS/BONDS/ MUTUAL FUNDS	100%	Two (2) months most recent statements.
RETIREMENT ACCOUNTS (401(K), IRAS, ETC.)	If borrower is >59 ½, then 70% of the vested value after the reduction of any outstanding loans.	» Most recent statement(s) covering a two (2) month period. » Evidence of liquidation if using for down payment or closing costs. » Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves.
	If borrower is <59 ½, then 60% of the vested value after the reduction of any outstanding loans.	
CASH VALUE OF LIFE INSURANCE/ANNUITIES	100% of value unless subject to penalties.	Most recent statement(s) covering a two (2) month period.
1031 EXCHANGE	Allowed on second home and investment purchases only. Reverse 1031 exchanges not allowed.	» HUD-1/CD for both properties. » Exchange agreement. » Sales contract for exchange property. » Verification of funds from the Exchange Intermediary.

ASSETS	**BUSINESS FUNDS**	100% for down payment/ closing costs and reserves with additional requirements met	» Cash flow analysis required using most recent three (3) months business bank statements to determine no negative impact to business. » Borrower must be 100% owner of the business. Business funds for reserves or a combination of personal/business funds for reserves will require the total amount of reserves to be 2X or double the regular requirement for the subject property and any additional financed REO.
	GIFT FUNDS	» Gift funds may be used once borrower has contributed 5% of their own funds. » Gift funds not allowed for reserves. » Gift funds not allowed on LTVs>80%. » Gift funds not allowed on investment properties.	» Donor must be immediate family member, future spouse or domestic partner. » Executed gift letter with gift amount and source, donor's name, address, phone number and relationship. » Must verify sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account. » Acceptable documentation includes the following: - Copy of donor's check and borrower's deposit slip. - Copy of donor's withdrawal slip and borrower's deposit slip. - Copy of donor's check to the closing agent. - A settlement statement/CD showing receipt of the donor's gift check.
	RESERVE REQUIREMENTS (# OF MONTHS OF PITIA)		
	Occupancy	**Loan Amount**	**# of Months**
	PRIMARY RESIDENCE	≤$1,000,000 with LTV ≤80%	6
		≤$1,000,000 with LTV >80%	12
		$1,000,001-$1,500,000	9
		$1,500,001-$2,000,000	12
		≤$1,000,000	12
	SECOND HOME	≤$1,000,000	12
		$1,000,001-$1,500,000	18
		$1,500,001-$2,000,000	24
	INVESTMENT PROPERTY	≤$1,000,000	12
	FIRST-TIME HOMEBUYER	≤$1,000,000 with LTV ≤80%	12
		≤$1,000,000 with LTV >80%	15
		$1,000,001-$1,500,000	15
	NON-OCCUPANT CO-BORROWER	Additional six (6) months reserves	
	INTEREST ONLY PRODUCTS	Reserves based on the qualifying PITIA	

ASSETS	Additional 1-4 Unit Financed Residential Properties Owned (If excluded from the count of multiple financed properties, reserves are not required.) » Additional six (6) months reserves PITIA for each property
FINANCING CONCESSIONS	» **IInterested party contributions include funds contributed by the property seller, builder, real estate agent/ broker, mortgage lender or their affiliates and/or any other party with an interest in the real estate transaction. The following restrictions for interested party contributions apply:** - May only be used for closing costs and prepaid expenses and may not be used for down payment or reserves. - Maximum interested party contribution is limited to 6% for primary and second home transactions with LTVs ≤80%; 3% for primary residences with LTVs over 80%; 2% for investment properties regardless of LTV.
SELLER CONCESSIONS	» **All seller concessions must be addressed in the sales contract, appraisal and HUD-1/CD. A seller concession is defined as any interested party contribution beyond the stated limits (as shown in the prior section, financing concessions) or any amounts not being used for closing costs or prepaid expenses.** » **If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount for the purposes of calculation LTV/CLTV/HCLTV.**
PERSONAL 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 the appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.**
INCOME / EMPLOYMENT	**Stable monthly income must meet the following requirements to be considered for qualifying:** » Stable - two (2) year history of receiving the income » Verifiable » High probability of continuing for at least three (3) years **Declining Income:** » When the borrower has declining income, the most recent twelve (12) months should be used. 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. 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. » If declining income is for a non-self-employed borrower, 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. **Gaps in Employment:** » A minimum of two (2) years employment and income history is required to be documented. » Choice QM: Gaps in excess of sixty {60) days during the past two {2) years require a satisfactory letter of explanation and the borrower must be employed with their current employer for a minimum of six {6) months to include as qualifying income. - Exceptions for gaps in employment in excess of six (6) months and when the borrower has been employed by their employer less than six (6) months will be considered on the Choice Non-QM program only. **General Documentation Requirements:** » Residual Income Calculation required. All Choice loans must meet the residual income requirements below. Residual income equals Gross Qualifying Income less Monthly Debt (as included in the debt-to-income ratio). » Add $150 for additional family members above 5

# in Household	1	2	3	4	5
Required Residual	**$1,550**	**$2,600**	**$3,150**	**$3,550**	**$3,700**

INCOME / EMPLOYMENT

- **Tax transcripts for two (2) years are required to validate all income used for qualifying and must match the documentation in the loan file. For Tax Payer Identity Theft instructions, see Jumbo Program Eligibility Supplement. For cases where the IRS indicates "No Record Found" see Jumbo Program Eligibility Supplement.**
- **4506-T must be signed and completed for all borrowers.**
  - A signatory attestation box has been added to the signature section of the 4506-T. The IRS will require the new form with the check box and require it be marked. (4506-T Rev. September 2015Form) Required on all loans closed on or after 03/01/2016.
- **Income calculation worksheet or 1008 with income calculation. The Fannie Mae 1084, or Freddie Mac Form 91 or equivalent is required for self-employment analysis.**
- **Pay stubs must meet the following requirements:**
  - Clearly identify the employee/borrower and the employer.
  - Reflect the current pay period and year-to-date earnings
  - Pay stubs issued electronically via email or internet, must show the URL address, date and time printed and identifying information.
  - Year-to-date pay with most recent pay period at the time of application and no earlier than ninety (90) days prior to the Note date.
- **W-2 forms must be complete and be a copy provided by the employer.**
- **Verification of Employment Requirements:**
  - Verbal Verification of Employment (VVOE) 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:
    - Date of contact
    - Name and title of person contacting the employer
    - Name of employer
    - Start date of employment
    - Employment status and job title
    - Name, phone #, and title of contact person at employer
    - 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 thirty (30) calendar days prior to the Note date.
    - Third party verification can be from a CPA, regulatory agency or applicable licensing bureau. A borrower's website is not acceptable third party source.
    - Listing and address of the borrower's business
    - Name and title of person completing the verification and date of verification.
  - Written Verification of Employment may be required for a borrower's income sourced from commissions, overtime and or other income when the income detail is not clearly documented on W-2 forms or paystubs. Written VOEs cannot be used as a sole source or verification of employment, paystubs and W-2s are still required.

Tax Returns must meet the following requirements when used for qualifying:

- **Personal income tax returns (if applicable) must be complete with all schedules (W-2 forms, K-1s etc.) and must be signed and dated on or before the closing date.**
- **Business income tax returns (if applicable) must be complete with all schedules and must be signed.**
- **For unfiled tax returns for the prior year's tax return, please see the Jumbo Program Eligibility Supplement.**

Unacceptable Sources of Income:

- Any unverified source
- Deferred compensation
- One-time occurrence income
- Rental income from primary residence or second home
- Retained earnings
- Education benefits
- Trailing spouse 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 from these sources are not allowed for qualifying:
  - Foreign shell banks
  - Medical marijuana dispensaries
  - Any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law.
  - Businesses engaged in any type of internet gambling.

INCOME / EMPLOYMENT

SPECIFIC INCOME DOCUMENTATION REQUIREMENTS
SELF-EMPLOYMENT DOCUMENTATION REQUIREMENTS:

SALARIED INCOME

- YTD pay stub
- W-2s or personal tax returns – two (2) years
- VVOE

HOURLY AND PART-TIME INCOME

- YTD pay stub
- W-2s or personal tax returns – two (2) years
- VVOE
- Stable to increasing income should be averaged for the two (2) years.

COMMISSION INCOME

- YTD paystub
- Two (2) years W-2s if commissions are less than 25% of total income or
- Two {2) years tax returns and W-2 forms required if commissions are ≥25% of the total income. Unreimbursed business expenses {form 2106) must be subtracted from income.
- VVOE
- Stable to increasing income should be averaged for the two (2) years.

OVERTIME AND BONUS INCOME

- YTD pay stub
- W-2s or personal tax returns – two (2) years
- VVOE
- Stable to increasing income should be averaged for the two (2) years.

2106 EXPENSES

- Employee business expenses must be deducted from the adjusted gross income.

ALIMONY/CHILD SUPPORT/SEPARATE MAINTENANCE

- 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.

INCOME / EMPLOYMENT

ASSET DEPETION

- Allowed only on the Select Non-QM and Choice Non-QM loan programs only. Calculate the depletion of assets using a 3% return over the life of the loan; similar to calculating a P & I payment for a mortgage:
  - For borrowers >59 ½ years of age, all post-closing retirement and liquid assets may be used in the calculation as long as the assets are fully vested and unrestricted.
  - For borrowers <59 ½, all post-closing liquid (non-retirement) assets can be included in the calculation.
    - Minimum liquid post-closing assets of $500,000 required in order to include asset depletion for qualifying income.
  - Business funds are not allowed for income calculation.

BORROWERS EMPLOYED BY FAMILY

- YTD paystub
- Two (2) years W-2s and
- Two (2) years personal tax returns
- VVOE
- Borrower's potential ownership in the business must be addressed.

BORROWERS EMPLOYED BY FAMILY

- YTD paystub
- Two (2) years W-2s and
- Two (2) years personal tax returns
- VVOE
- Borrower's potential ownership in the business must be addressed.

CAPITAL GAINS

- 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.
- Document assets similar to the assets reported as capital gains to support the continuation of the capital gain income.

DIVIDENDS AND INTEREST INCOME

- Personal tax returns – two (2) years.
- Documented assets to support the continuation of the interest and dividend income.

FOREIGN INCOME

- 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.
- VVOE
- All income must be converted to US Currency.

K-1 INCOME/LOSS ON SCHEDULE E

- If the income is positive and not used for qualifying, the K-1 is not required.
- If the income is negative, the K-1s for the applicable years are required and if ownership is 25% or greater, see self-employment requirements below.

NON-TAXABLE INCOME (CHILD SUPPORT, MILITARY RATIONS / QUARTERS, DISABILITY, FOSTER CARE, ETC.)

- 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.
- If the borrower is not required to file a federal tax return, gross-up to 25%.

INCOME / EMPLOYMENT	**NOTE INCOME** » **Copy of the Note must document the amount, frequency and duration of the payment.** » **Evidence of receipt for the past twelve (12) months and evidence of the Note income must be reflected on personal tax returns.** » **Note income must have a three (3) year continuance.** **PROJECTED INCOME** » **Choice Non-QM - Allows projected income with an executed offer letter with employment starting within sixty {60) days of closing:** - All contingencies of the offer letter must be removed/satisfied. - Two (2) year employment history/schooling in the same field prior to the start date - Borrower must qualify with base pay only. - A paystub or written VOE (once employment has started) from the new job must be provided prior to the note date. **RENTAL INCOME** **All properties (except departing primary residence)** » **Lease agreements must be provided if rental income is used for qualifying purposes.** - Current lease for each rental property, including commercial properties listed in Part 1 of Schedule E of the 1040s. Rent rolls are not allowed. - If the current lease amount is less than the rental income reported on the tax returns, justification for using the incomefrom the tax returns must be provided and warrant the use of the higher income. If there is no justification, the lease amount less expenses will be considered for rental income/loss. » **Personal tax returns – Two (2) years** - For properties listed on Schedule E, rental income should be calculated using net rental income + depreciation + interest +taxes + insurance + HOA divided by applicable months minus PITIA. - If rental income is not available on the borrower's tax returns, net rental income should be calculated using gross rents X75% minus PITIA. » **Net rental income may be added to the borrower's total monthly income.** » **Net rental losses must be added to borrower's total monthly obligations.** » **If the subject property is the borrower's primary residence (one (1) unit property or one (10 unit property with an accessory unit) and generating rental income, the full PITIA should be included in the borrower's total monthly obligations.** » **If the subject is the borrower's primary residence with 2-4 units, rental income may be included for the units not occupied by the borrower if the requirements for a lease agreement and/or tax returns above are met.** **RENTAL INCOME - DEPARTING PRIMARY RESIDENCE** » **If the borrower is converting their current primary residence to a rental property and using rental income to 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 lease agreement. - Copy of security deposit and evidence of deposit to borrower's account.

INCOME / EMPLOYMENT	**RESTRICTED STOCK AND STOCK OPTIONS** » **May only be used as qualifying income if the income has been consistently received for two {2) years and is identified on the pay stubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of three (3) years at a similar level as prior two (2) years.** » **A two (2) year average of prior income received from 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 52 week low for the most recent twelve (12) months reporting at the time of closing. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule.** » **Vested restricted stock units and stock options (vested) cannot be used for reserves if using for income to qualify.** » **Additional awards must be similar to the qualifying income and awarded on a consistent basis.** » **Borrower must be currently employed by the employer issuing the RSUs/stock options in order for the RSUs/stock options to be considered in qualifying income.** **RETIREMENT INCOME (PENSION, ANNUITY, 401(K), IRA DISTRIBUTIONS)** » **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 loan application 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 (signed and dated on or before the closing date). - Most recent IRS W-2 or 1099 forms. - Proof of current receipt with two (2) months bank statements. **If any retirement income will cease within the first three (3) years of the loan, the income may not be used.** **SOCIAL SECURITY INCOME** » **Social Security income must be verified by a Social Security Administration benefit verification letter. If benefits expire within the first three (3) years of the loan, the income may not be used.** » **Benefits (children or surviving spouse) with a defined expiration date must have a remaining term of at least three (3) years.** **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:** - Total amount of borrower designated trust funds - Terms of payment - Duration of trust » **Portion of income that is non-taxable. Non-taxable trust income must include proof of distribution.**

INCOME / EMPLOYMENT	

SELF-EMPLOYMENT

- Self-Employed borrowers are defined as having 25% or greater ownership or receive 1099 statement to document income. The requirements below apply for Self-Employed borrowers.
- Income calculations should be based on the Fannie Mae Form 1084 or Freddie Mac Form 91 or equivalent income calculation form.
- Year-to-date is defined as the period ending as of the most recent tax return through the most recent quarter ending one (1) month prior to the Note date. For tax returns on extension the entire unfiled year is also required. For example: 2014 returns in file and Note date is 7/14/2015 would require 2015 YTD documentation through Q1 or through March 31, 2015. Note date of 8/14/2015 would require YTD documentation covering Q1 and Q2 or through June 30, 2015.

SOLE PROPRIETORSHIP

- Two (2) years personal tax returns, signed on or before the closing date.
- YTD profit and loss statement
- YTD balance sheet. Tax returns for prior year is not a substitute for balance sheet if most recent quarter falls in previous tax year.
- Stable to increasing income should be averaged for two (2) years.

NOTE: YTD P&L and YTD Balance Sheet may be waived if the borrower is a 1099 paid borrower who does not actually own a business if all of the following requirements are met:

- Schedule C in Block 28 (Total Expenses) must be analyzed in relation to income in Block 7 (Gross Income). Expenses are less than 5% of income.
- Analysis of Blocks 8 (Advertising), 11 (Contract Labor), 16a (Mortgage Interest, 20 (Rent/Lease) 26 (Wages) must indicate the borrower does not have expenses in these categories.
- Analysis of Blocks 17 (Legal and Professional Services) and Block 18 (Office Expense) indicate nominal or $0 expense.
- Block C (Business Name) does not have a separate business name entity.
- Year-to-date income in the form of a written VOE or pay history is provided by the employer paying the 1099. YTD income must support prior year's income.

PARTNERSHIP/S-CORPORATION

- Two (2) years personal tax returns, signed on or before the closing date.
- Two (2) years K-1s reflecting ownership percentage if counting any income from this source in qualifying (K-1 income, W-2 income, capital gains or interest/dividends) or if Schedule E reflects a loss.
- Two (2) years business tax returns (1065s or 1120s) signed if 25% or greater ownership. Business returns are not required if the income reporting is positive, not declining and not counted as qualifying income.
- YTD profit and loss statement if 25% or greater ownership.
- YTD balance sheet if 25% or greater ownership.
- Stable to increasing income should be averaged for two (2) years.

CORPORATION

- Two (2) years personal tax returns, signed on or before the closing date.
- Two (2) years business returns (1120) signed if 25% or greater ownership.
- Business returns must reflect % of ownership for borrower.
- YTD profit and loss statement if 25% or greater ownership.
- YTD balance sheet if 25% or greater ownership.
- Stable to increasing income should be averaged for two (2) years.

MULTIPLE FINANCED PROPERTIES	» **The borrower(s) may own a total of ten (10) financed, 1-4 unit residential properties including the subject property and regardless of the occupancy type of the subject property.** - If the borrower owns up to four (4) financed properties: the max max financing for the subject transaction is allowed. Additional financed 1-4 residential properties require an additional six (6 months reserves for each property. - If the borrower owns between five (5) and ten (10) financed properties: the subject transaction is limited a maximum of 80% LTV/CLTV/HCLTV or program maximum (whichever is lower); Subject property requires a greater of six (6) months reserves or requires reserves per guidelines as indicated in the Asset Section of this guide; Additional financed 104 residential properties require an additional six (6) months reserves for each property » **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 not included in this limitation.**
PROPERTIES LISTED FOR SALE	» **Properties currently listed for sale (at the time of application) are not eligible.** » **Properties listed for sale within six (6) months of the application date are acceptable if the following requirements are met.** - Rate and Term refinance only. - Primary and second homes only. - Documentation provided to show cancellation of listing. - Acceptable letter of explanation from the borrower detailing the rationale for cancelling the listing. » **Cash-out refinances are not eligible if the property was listed for sale within twelve (12) months of the application date.**

ELIGIBLE PROPERTIES	» **1-4 Unit Owner Occupied Properties**
	» **1 Unit Second Homes**
	» **1-4 Unit Investment Properties**
	» **Condominiums – Warrantable**
	- CPM or PERS allowed
	- Full Review required, warranty to Fannie Mae guidelines.
	- Limited review allowed only for detached condominiums. Site Condos meeting Fannie Mae's definition/requirements do not require limited review.
	- Limited review allowed for attached units (including 2-4 unit projects) in established condominium projects as long as the following requirements are met:
	    - Primary residence with maximum LTV/CLTV/HCLTV of 80%.
	    - Second home with maximum LTV/CLTV/HCLTV of 75%.
	    - Limited review requirements per Fannie Mae are met and property is eligible for limited review based on Fannie Mae requirements.
	    - Projects located in AZ, FL, NV, MI and TX are not eligible for limited review.
	- Florida condominiums limited to 50% LTV/CLTV/HCLTV on investment transactions
	» **Condominiums – Non-Warrantable (see Non-Warrantable Condominiums section below)**
	» **Cooperatives**
	- Must meet Fannie Mae project standards
	- Underlying Blanket Mortgage - Any underlying/blanket mortgage for the project may be a balloon mortgage with a remaining term of less than three (3) years, but not less than six (6) months. If the balloon incorporates an adjustable rate feature, the current interest rate may not be subject to an interest rate adjustment prior to the maturity date.
	- Investment properties not allowed
	» **Modular homes**
	» **Planned Unit Developments (PUDs)**
	» **Properties with ≤40 Acres**
	- Properties >10 acres ≤40 acres must meet the following:
	    • *Maximum land value 35%*
	    • *No income producing attributes*
	- Transaction must be 5% below maximum LTV/CLTV/HCLTV as allowed on Choice Non-QM for transactions over twenty (20) acres
	- 20, 25, 30-year fixed rate only for transactions over twenty (20) acres
	» **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.

ELIGIBLE PROPERTIES	- 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. **NOTE: Properties that fall outside these parameters can be considered on an exception basis.** **Miscellaneous:** » **Properties with leased solar panels must meet Fannie Mae requirements.** » **Acceptable Forms of Ownership:** - Fee Simple with title vesting as: • *Individual* • *Joint Tenants* • *Tenants in Common* » **Leaseholds must meet Fannie Mae requirements.** » **Deed/Resale Restrictions must meet Fannie Mae requirements.**
NON-WARRANTABLE CONDOMINIUMS	» **Only one (1) non-warrantable feature is allowed and LTV/CLTV must be 10% below product/program maximum. For example, if borrower qualifies for a loan at 90% LTV based on FICO score, loan amount and reserves, then the maximum allowed would be 80%:** - Commercial Space - Commercial space includes space above and below grade. Commercial space must be compatible with the residential use of the project. For example, restaurants, small shops, business offices, small market/grocery store that complement the neighborhood. • *Maximum 35% commercial space or* • *Maximum >35%-50% allowed if the commercial space is owned and controlled by an HOA that is separate from the subject project HOA.* - Maximum ownership by one (1) entity is 25% for projects with more than ten (10) units. • *Units owned by the developer, sponsor, or succeeding developer that are vacant and being actively marketed for sale are not included in the calculation.* • *Units currently leased must be included in the calculation.* • *For projects with ten (10) units or less, Fannie Mae guidelines apply for the number of units owned by one (1) entity and would not be considered non-warrantable.* - Presale - New projects or converted projects (as defined by Fannie Mae) must have at least 30% of the units sold or under contract to owner occupants or second home purchasers for the subject phase;common areas/amenities must be complete for the subject phase. - Budget - for projects with line item for replacement reserves of less than 10%; • *Less than 70% but greater than 7% replacement reserves allowed if current reserve balance exceeds 70% of operating expenses* • *Less than 7% replacement reserves allowed if current reserve balances exceeds 20% operating expenses.* • Project balance sheet must be provided and within 120 days of the Note date. » **The subject legal phase and any other prior legal phases in which units have been offered for sale are substantially complete (common elements complete and units complete subject to selection of buyer upgrades/preference items).** » **Primary residence and second homes only.** » **All other Fannie Mae condo requirements met.** » **Loan must be locked as a non-warrantable condominium with applicable pricing adjustments applied.** » **Loans outside of these parameters with strong compensating factors may be considered on an exception basis.** » **Condotel Projects - LTV/CLTV must be 10% below product/program maximum. For example, if borrower qualifies for a loan at 90% LTV based on FICO score, loan amount and reserves, then the maximum allowed would be 80%:** - Rental income may not be used for qualifying

NON-WARRANTABLE CONDOMINIUMS	- If subject unit appears on Schedule E of the borrower's tax returns,there must be a minimum of thirty (30) days the unit is used for personal use - No fractional ownership allowed in the project - Subject unit must not be subject to a mandatory rental pool; it must be for the borrower's exclusive use and enjoyment - Project must have no more than 50% investor concentration - Commercial space limited to 35% - Minimum square footage of 500 square feet and unit must have a fully functioning kitchen - Housekeeping, front desk, card key access and daily rentals allowed - Property must be located in a resort area or metropolitan area with a project associated with luxury high-end hotel brand - Primary residence and second homes only - Appraisal must include similar condotel comps » **All other Fannie Mae condominium requirements met** » **Loan must be locked as a condotel with applicable pricing hits applied**
INELIGIBLE PROPERTIES	» **2-4 unit second home properties** » **Manufactured Homes/Mobile Homes** » **Mixed-use properties** » **Properties with condition rating of C5/C6** » **Properties with construction rating of Q6** » **Properties located in Hawaii in lava zones 1 & 2** » **Properties located on Indian/Native American tribal land** » **Properties >40 acres** » **Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant** » **Unique properties** » **Working farms, ranches or orchards**
NON ARMS-LENGTH TRANSACTIONS	» **A non-arm's length transaction exists whenever the borrower has a personal or business relationship with parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm's length transactions are eligible:** - Family Sales or Transfers - Property seller acting as their own real estate agent - Relative of the property seller acting as the seller's real estate agent - Originator is related to the borrower - Borrower acting as their own real estate agent - Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file. - Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord). » **Investment property transactions must be arm's length.** » **Other non-arm's length transactions may be acceptable on an exception basis.** -Gifts from relatives that are interested parties to the transaction are not allowed, unless it is a gift of equity Real estate agents may apply their commission towards closing costs and/or prepaids as long as the amounts are within the interested party contribution limitations.
DISASTER POLICY	» **See Jumbo Program Eligibility Supplement for requirements.**
ESCROW HOLDBACKS	» **Not allowed unless the holdback has been disbursed and a certification of completion prior to delivery to the investor. The lock must be extended through the delivery date.**

APPRAISAL REQUIREMENTS

- **Transferred appraisals are not allowed.**
- **Appraisals must be completed for the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed.**
- **Recertification of value is not allowed. If appraisal is over 120 days old, a new full appraisal is required.**
- **Investment properties must contain a rent comparable schedule.**
- **Collateral Desktop Analysis (CDA) with accompanying MLS sheets ordered from Clear Capital is required to support the value of the appraisal. CHMW 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 a10% 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. CHMW is responsible for ordering the BPO and Value Reconciliation through Clear Capital.*
    - A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. The borrower is responsible for a field review or 2nd full appraisal.

- **For properties purchased by the seller of the property within 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.
  - The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed-in lieu.

- **Higher-Priced Mortgage Loans (HPML)**
  - If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required. Bank owned properties are not exempt.
  - If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20% then a second full appraisal is required. Bank owned properties are not exempt.
  - If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals.

- **Appraisal requirements based on loan amount:**

FIRST LIEN AMOUNT	APPRAISAL REQUIREMENT
Purchase Transaction	
≤$2,000,000	**1 Full Appraisal**
>$2,000,000	**2 Full Appraisals**
Purchase Transaction	
≤$1,500,000	**1 Full Appraisal**
>$1,500,000	**2 Full Appraisals**

- **When two (2) appraisals are required, the following applies:**
  - Appraisals must be completed by two (2) independent companies.
  - The LTV will be determined by the lower of the two (2) appraised values as long as the lower appraisal supports the value conclusion.
  - Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled.
  - A CDA is required, see requirements listed above for CDAs.
  - If the two 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.