



Expanded Prime Closed End Fixed 2nd

Effective 12.09.24

Stand Alone Program Guide				Primary Residence				Second Home				Investment			
Loan Amount	Max Combined Liens	Max DTI %	FICO	Full Doc (12 or 24)	Bank Statement (12 or 24)	1099/WVOE	P&L	Full Doc (12 or 24)	Bank Statement (12 or 24)	1099/WVOE	P&L	Full Doc	Bank Statement (12 or 24)	1099/WVOE	P&L
\$50,000 – \$350,000	CLTV	50 ¹	720+	90%	85%	85%	80%	80%	75%	75%	70%	80%	75%	75%	70%
			700 – 719	90%	80%	80%	75%	80%	70%	70%	65%	80%	70%	70%	65%
			680 – 699	85%	75%	75%	70%	75%	65%	65%	60%	75%	65%	65%	60%
			660 – 679	80%	70%	70%	65%	70%	60%	60%	55%	70%	60%	60%	55%
\$350,001 - \$450,000	<=65%: 4.0M <=75%: 3.5M <= 85%: 3M	50 ¹	720+	85%	80%	80%	75%	80%	70%	70%	65%	80%	70%	70%	65%
			700 – 719	85%	75%	75%	70%	75%	65%	65%	60%	75%	65%	65%	60%
			680 – 699	80%	70%	70%	65%	70%	60%	60%	55%	70%	60%	60%	55%
			660 – 679	75%	65%	65%	60%	65%	55%	55%	50%	65%	55%	55%	50%
\$450,001 - \$600,000	<=90%: \$2M	50 ¹	720+	80%	75%	75%	70%	75%	65%	65%	60%	75%	65%	65%	60%
			700 – 719	80%	70%	70%	65%	70%	60%	60%	55%	70%	60%	60%	55%
			680 – 699	75%	65%	65%	60%	65%	55%	55%	50%	65%	55%	55%	50%
			660 - 679	70%	60%	60%	55%	60%	50%	50%	45%	60%	50%	50%	45%

¹Max 45% with an I/O 1st lien

Program Requirements	
Limits	
Minimum Loan Amount	\$50,000
Minimum Loan Amount (Balloons)	\$200,000
Maximum Loan Amount	\$600,000 (\$500,000 Piggyback)
Maximum DTI	50% (45% Piggyback)
Condo / 2-4 Units (Primary/2nd Home)	75% CLTV (80% Piggyback)
Condo / 2-4 Units (Investment)	70% CLTV
Declining Markets (Primary/2nd Home)	75% CLTV
Declining Markets (Investments)	70% CLTV
Credit Event (BK/FC/DIL/SS)	48 Months
Lien Position	2 nd Lien Only
Min Co-Borrower Credit Score	500
Maximum Combined Liens (CLTV)	<=65%: 4.0M <=75%: 3.5M <= 85%: 3M <=90%: \$2M

Agency Companion "Piggyback" Seconds				Owner-Occ & Full Doc	Piggy-Back Agency Companion Purchase
Loan Amount	Max Combined Liens	Max DTI %	FICO	CLTV	
\$50,000 to \$350,000	CLTV	45	740	90%	<ul style="list-style-type: none"> Expanded Prime 2nds can be combined with a new 1st mortgage for the purchase of a Primary, Second Home or investor property. Full Doc Only When the product is combined with a new 1st mortgage in a purchase transaction, the required income and asset documentation will follow the AUS Recommendations and/or the 1st mortgage loan approval. The following credit requirements will default to the AUS Recommendation and/or the 1st loan approval: <ul style="list-style-type: none"> Housing history limit of 0x30x12 can be waived if allowed by 1st loan approval. FTHB overlays can be waived if allowed by 1st loan approval. Minimum tradelines requirements are waived when the 1st lien has an AUS Approve/Eligible or Approve/Ineligible Recommendation. Expanded Prime Guidelines and overlays apply with an AUS "Out of Scope" finding. A copy of the appraisal and original pictures and any secondary valuation (if applicable) used for the 1st mortgage is required for the file. Appraisal waivers not accepted. Provide purchase agreement, Note and Closing Disclosure from first mortgage
			700	85%	
\$350,001 to \$600,000	<=65%: 4.0M <=75%: 3.5M <= 85%: 3M <=90%: \$2M	45	700	85%	

Underwriting Criteria	
Underwriting Criteria	<ul style="list-style-type: none"> The Guidelines are intended to reference and supplement the Fannie Mae Seller Guide. For specific information concerning qualification requirements that are not referenced in this document, refer to the Fannie Mae Seller Guide
Income	
2 Year Full Documentation	<ul style="list-style-type: none"> Salaried: 2 years W2 and YTD paystub covering minimum 30 days Self-Employed: 2 years tax returns, all schedules. YTD P&L or 3 months business bank statements to support continuance of tax return income Piggybacks may follow AUS documentation requirements

	<ul style="list-style-type: none"> • Tax transcripts for any tax return income used to qualify
1 Year Full Documentation	<ul style="list-style-type: none"> • Salaried: 1 year W2 and YTD paystub covering minimum 30 days • Self-Employed: 1 year tax returns, all schedules, YTD P&L or 3 months business bank statements to support continuance of tax return income • Piggybacks may follow AUS documentation requirements • Tax transcripts for any tax return income used to qualify
VOE (Full Doc)	<ul style="list-style-type: none"> • A verbal VOE from each employer within 10-days of the note date for wage and salaried employees. • For self-employed verify existence of business within 30-days of the note date with one of the following: <ul style="list-style-type: none"> o Letter from business tax professional. o On-line verification from regulatory agency or licensing bureau. o Certification verifying business existence through direct contact or internet search.
Alternative Documentation (12 or 24 Month Bank Statements)	<ul style="list-style-type: none"> • Not available on Agency Companion • The primary borrower (greater than 50% of income) must be self-employed for at least 2 years (25% or greater ownership) • Borrower must document two years current continuous self-employment with business license or statement from corporate accountant/CPA confirming the same. <ul style="list-style-type: none"> o Other documentation from third parties may be acceptable on a case by case basis (e.g., letter from an attorney). o Acceptable business license must be verified by third party (e.g., government entity, borrower's business attorney). Borrowers whose self-employment cannot be independently verified are not eligible. o In instances where a license is not required (e.g., choreographer), a letter from a CPA confirming employment may be accepted in lieu of a license. • Business Bank Statements must be operating account(s) reflecting normal business expenses • Underwriter may use a higher expense factor than 50% if the analysis of the bank statements reflects higher expenses • When the borrower is in an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification • The Bank Statements should show a trend of ending balances that are stable over the 24 or 12 month period • Large deposits inconsistent with history must be sourced as business income • Excessive NSF's on the bank statements may cause the loan to be ineligible • Net deposits must not reflect any other income sources already taken into consideration (deduct SS payments, W-2 wages, etc that have already been used for income) • See Bank Statement Income Analysis and Statement Review sections below <p><u>1099 Contractor</u></p> <ul style="list-style-type: none"> • A borrower who is a "1099 contractor" may be considered self-employed for this program with confirmation from a CPA that the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns). Borrower cannot have ownership of 1099 Payor's business. <p><u>Service & Tip Industry</u></p> <ul style="list-style-type: none"> • Due to the cash nature of the service and tip industry, those borrowers may participate the bank statement program. • Full documentation is required for employment. • Base salary is verified with pay stubs and W-2s. Qualified tips are averaged over time. • Utilize the bank statement analysis to determine tip income. • Borrowers who obtain their income primarily in the form of service fees or tips, are not required to have a business license. <p><u>Non-taxable Income (if included in deposits)</u></p> <ul style="list-style-type: none"> • Non-taxable income may be grossed up by 15% for qualifying (e.g., Social Security) • Supporting documentation is required to validate deposits. <p><u>Retirement and Other Income (if included in deposits)</u></p> <ul style="list-style-type: none"> • Retirement income and other fixed documentable income is allowed for qualifying income for both a self-employed borrower and for any non-self-employed or retired co-borrower • Non-taxable income may be "grossed up" by 15% • Other non-retirement income from the self-employed borrower (e.g., W-2 wage income) may be used. This other income must be fully documented (i.e., may not use the bank statement documentation) • Supporting documentation is required to validate deposits <p><u>Rental Income (if included in deposits)</u></p> <ul style="list-style-type: none"> • Rental income used for qualification must be documented with lease(s). Use 75% of lease rent amount minus PITIA for net rental income • An expired lease agreement that has verbiage that states the lease agreement becomes a month-to-month lease once the initial lease/rental term expires is allowed • Supporting documentation is required to validate deposits <p><u>Employed Borrowers (if co-borrower)</u></p> <ul style="list-style-type: none"> • Most recent paystub including year-to-date earnings (covering minimum of 30 days) and two years W-2s; or, • Traditional Written Verification of Employment with 30 days of paystubs and 2 years W-2s. • Must have 2 years continuous employment in the same line of work. Gaps of 90 days or less may be accommodated with adequate explanation. • W-2 only and/or 1099 transcripts

Bank Statement Income Analysis

- Bank statements are used to calculate and show consistency of income for the self-employed borrower.
- When using 12 or 24 months of bank statements, no P&L is required.

Personal & Business Bank Statements Combined

- If personal and business bank activity are combined in one bank account, borrower is to provide the most recent 24 or 12 months consecutive bank statements from the same account
- The bank statements are analyzed per Bank Statement Income: Review of Statements section below
- **Standard expense factor applies; 50% expense factor.**
- If the type of business operates more efficiently or typically has a materially different expense factor (lower than standard expense factor), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied. PTIN acceptable if documented as employed by a 3rd party tax preparation service.
- The underwriter may use an expense factor higher than the standard 50% when the analysis of the bank statements reflect higher expenses.
- **The minimum expense factor with CPA letter or P&L is 20%.**
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income (subject to the minimum expense factors). Provide either of the following:
 - A CPA/CTEC/EA produced written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement shall not include unacceptable disclaimer or exculpatory language regarding its preparation (See Sample CPA Letter section below); or,
 - A CPA/CTEC/EA produced Profit and Loss (P&L) statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.
- When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification.

Personal & Business Bank Statements Separated

- If the borrower maintains separate bank accounts for personal and business, only personal bank statements are used for qualifying.
- The borrower is to provide the most recent 24 or 12 months consecutive personal bank statements and two (2) months business bank statements (to support the borrower does maintain separate accounts, and to show business cash flows in order to utilize 100% of business-related deposits in personal account).
- The deposits are analyzed and averaged to determine monthly income:
 - No expense factor
 - Deposits to a personal account from sources other than self-employment are not to be included.
- When the borrower is an inter vivos trust, personal bank statements in the name of the trust are allowed for qualification.

Business Bank Statements Only

- If only using business bank statements, borrower is to provide the most recent 24 or 12 months consecutive business bank statements.
- The bank statements are analyzed per Bank Statement Income: Review of Statements section below
- **Standard expense factor applies; 50% expense factor.**
- If the type of business operates more efficiently or typically has a materially different expense factor (lower than 50%), then the expense factor per either a CPA/CTEC/EA letter or P&L may be applied. PTIN acceptable if documented as employed by a 3rd party tax preparation service.
- The underwriter may use an expense factor higher than the standard 50% when the analysis of the bank statements reflect higher expenses.
- **The minimum expense factor with CPA letter or P&L is 20%.**
 - When a CPA or tax preparer produced statement is provided, apply the stated expense factor to calculate the qualifying income. Provide either of the following:
 - A CPA/CTEC/EA produced written statement/letter specifying the actual expense ratio of the business (including cost of goods sold and all other business expenses) based on the most recent year's filed tax returns. Such statement shall not include unacceptable disclaimer or exculpatory language regarding its preparation (See Sample CPA Letter section below); or,
 - A CPA/CTEC/EA produced Profit and Loss (P&L) statement that has been reviewed by the CPA/CTEC/EA, the CPA/CTEC/EA states they have reviewed the P&L in writing, and the P&L and accompanying statement do not have unacceptable disclaimer or exculpatory language regarding its preparation.
 - The expense factor per the P&L or CPA/CTEC/EA produced statement must be reasonable. The annual deposits on the bank statements must be at least 75% of the gross receipts per the P&L.
- The bank statements should show a trend of ending balances that are stable over the 24 or 12 month period.
- Large deposits inconsistent with history must be documented as business income.
- Net deposits must not reflect any other income sources already taken into consideration (i.e. deduct SS payments, W-2 wage earnings, etc., that have already been used for income calculation).

Bank Statement Income: Review of Statements

Using bank statements to document qualifying income requires the underwriter to review each set of statements differently according to the type of business and the detail of information contained in the statements.

Unlike a paystub, W2 or tax return, bank statements do not contain the same details from one bank to another. All bank statements will contain the same general information such as deposits, debits, balances etc. The information that will vary widely will be the details shown for each debit or deposit source. Some accounts will contain copies of checks written while most will not. The underwriter will have to understand and analyze the following to determine a supportable qualifying income:

- Research the business type – The UW must have an understanding of the type of business the statements represent and the expected deposits and expenses for the business both in dollar amounts and frequency. The UW must review the address(es) of the business to ensure the location could support the type and size of business reported if applicable.
- The UW will have to categorize the type of bank statements being reviewed as either combined personal and business or business only. Statements cannot be categorized based solely on the account "name". The activity in the details are to be used to determine the account type.
- The UW will have to review the individual electronic and check debit activity to determine that the expense ratio being applied is accurate and supported by the statements.
- When the bank statement debit activity reflects expenses higher than the standard expenses, the UW is to analyze the monthly debits to determine the representative expenses for the business.
- The UW will have to recognize when the bank statements provided are insufficient to determine a supportable qualifying income. Often additional statements or "other" accounts may be required to provide a complete income picture.

Personal and business bank statements combined: These are accounts that are typically used by small business owners for both business and personal use. The account activity will show deposits from business activity as well as all other sources of income (wages from spouse, second job, SSI, rents, etc.).

	<p>Business Bank Statement: These are accounts that are used solely for business revenue and expenses. The account will typically show revenue and expense activity for only the business. Occasionally the account could show deposits or liability payments that are not business related.</p> <ul style="list-style-type: none"> • An acceptable business account will reflect business revenue deposits and business expense payments. An account showing deposits and only transfers to other accounts is not sufficient to analyze the business expenses and determine qualifying income. • Trust accounts or Client Trust accounts are not acceptable documentation for determining qualifying income. The Operating account for the business must be used to accurately analyze business expenses. <p>Initial Deposit Review: Using an income worksheet the UW is to document the total deposits from the monthly statement. The UW will review the individual deposits on the statement and itemize deposits that are not allowable (unknown wires, transfers from other accounts, refunds, unusually large deposits). Income documented separately (SSI, W2, etc.) but included in deposits being reviewed must be backed out of deposits. Gross rents from any REOs are to be backed out of the deposit totals.</p> <ul style="list-style-type: none"> • From statement to statement the UW can recognize a deposit pattern of regular dollar amounts, frequency and source. From this pattern and the UW knowledge of business type, the threshold for unusual deposit amounts will be apparent. Additional documentation of unusual deposits will be required to be included as business revenue. • UW to research deposits/wires that the source is identified to insure the deposit is business revenue. The UW will be able to identify deposits that are from business financing sources and not to be included as revenue. • Deposits that are inconsistent in type, size or source are to be noted by UW for further review after several months have been completed. The UW can often determine a deposit as acceptable or not after multiple months of activity for deposits and debits are reviewed. <p>Review of Debits: The UW is to review each statement debit activity for the purpose of supporting the business expense factor used to determine qualifying income. Subject to the information provided for each debit, the UW will be able to determine the accuracy of the expense factor.</p> <ul style="list-style-type: none"> • Debits from the account are to be reviewed for consistency with the business type and expense factor applied or provided in the case of a CPA P&L. A business with a 40% expense factor per the P&L will not have 60% of the monthly deposits paid out to 3rd parties over a 12 or 24 month period. The UW will be able to support the expense factor provided or determine the accurate expenses of the business with the review of the debit activity and checks paid. • Debits that are known personal liabilities (as per credit report) are not viewed as business operating expenses. Undisclosed liabilities that occur regularly are to be researched to determine if additional documentation is required to categorize the expense as business or personal. • Debits that are paid to the same sources that a deposit has been received from must be backed out of the deposit totals. • Debits that are reversals or adjustments to a deposit item are to be backed out of the deposit total for that statement period. <p>Review of Checks Paid: All bank statements will itemize checks paid during the statement period. Some statements will also include copies of each check.</p> <ul style="list-style-type: none"> • Statements without copies of checks – With a list of the checks written during the statement period, the information an UW can capture is limited. The approach with checks written from a business account is to treat them as business expenses unless documented as otherwise by a copy of the cancelled check. • Statements with copies of checks – With the copies of cancelled checks the UW will have clarity as to whether the payment is an expense of the business. The payee name, memo line and the endorsement of the check will provide information that can assist the UWs review and assessment of the business expenses.
<p>Bank Statements: Sample CPA Letter</p>	<p>ABC CPA FIRM ADDRESS CITY, ST ZIP CODE</p> <p>XYZ LENDER ADDRESS CITY, ST ZIP CODE ABC</p> <p>To whom it may concern: I have worked with borrower, John Homeowner, for 5 years. Mr. Homeowner has been the founder/CEO of company, 123 Business, since 2008. I have either completed or reviewed Mr. Homeowner's taxes and determined that 123 Business operates at a 35% expense factor.</p> <p>SINCERELY, JANE SMITH, CPA</p>
<p>1099</p>	<p>This program is designed for borrowers who are paid on a 1099 basis and would benefit from alternative loan qualification methods.</p> <ul style="list-style-type: none"> • 1099 plus either: Current check/check stub or bank statement showing deposits from each 1099 payor (10% expense factor applied) • Qualifying income = 1099 gross – 10% expense factor. Current check stub or bank statement deposits must support amounts consistent with 1099 levels • One yr. 1099 documentation allowed, must have 2 year history of 1099 employment • Current paystub or bank statement for each 1099 source utilized for qualification • Third party documentation (CPA/CTEC/EA) supporting 2 year employment history required when using 1 year 1099 • Tax transcripts for each 1099 required • Not available for Agency Companion
<p>Business Bank Statements OR Combined Personal & Business Bank Statements</p>	<ul style="list-style-type: none"> • At least one of the borrowers must be self-employed for at least 2 years (25% or greater ownership) • Asset Depletion allowed with Bank Statement documentation • Standard expense factors apply: 50% expense factor <ul style="list-style-type: none"> ◦ If business operates < standard expense factor, P&L or expense letter from CPA, CTEC (California Tax Education Council), or EA (Enrolled Agent) required; PTIN allowed if employed by a 3rd party tax preparation service ◦ Minimum expense factor with 3rd party prepared P&L or letter is 20%. NOTE: the annual deposits on bank statements must be at least 75% of gross receipts per P&L
<p>Separated Personal & Business Bank Statements</p>	<ul style="list-style-type: none"> • At least one of the borrowers must be self-employed for at least 2 years (25% or greater ownership) • Asset Depletion allowed with Bank statement documentation • Personal used to qualify, 2 months business to show business cash flows in order to utilize 100% of business-related deposits in personal account (no expense factor) • Deposits from sources other than self-employment are not to be included
<p>P&L only (app on or after 6/25/2024)</p>	<ul style="list-style-type: none"> • 12-month signed and dated P&L on business letterhead with license # prepared by CPA, CTEC, EA, multiple P&Ls not allowed; PTINs not allowed. • 2 yrs. self-employment, at least one borrower >25% owner • Requires business license for the past 2 yrs. • CPA must: <ul style="list-style-type: none"> ◦ Confirm they have prepared the most recent year's business tax return filing, AND ◦ Include the business name, borrower's name, and percentage of business ownership by the borrower

	<ul style="list-style-type: none"> • Minimum expense factor 20% for service business, 40% for product business • Service Business examples: accounting, consulting, counseling, financial planning, insurance, therapy • Product Business examples: Sells goods such as contracting or construction, food services, manufacturing, retail, restaurant • No other income type other than Asset Depletion may be combined with the self-employed borrower using the P&L only • Co-borrowers who are wage earners may provide paystubs and W-2(s) to document income
Asset Depletion (Supplemental Income)	<p>Stand Alone:</p> <ul style="list-style-type: none"> • May be used to supplement Full Income and Bank Statement Documentation files • Cannot be used as a stand-alone income documentation type <p>Allowable and documented assets are divided by 84 months to determine amount added to qualifying income</p> <ul style="list-style-type: none"> • Document each asset with statements covering 6 months <p>Piggy-back:</p> <ul style="list-style-type: none"> • Use of asset depletion as qualifying income must follow 1st lien requirements and calculations if applicable. • Asset depletion cannot be used if not included in the 1st lien qualifying income
WVOE only	<ul style="list-style-type: none"> • See matrix for acceptable credit, max CLTV, loan amount, combined lien amount and DTI for the transaction. • This documentation program is not available to borrowers employed by a family-owned/managed business. • Not available on Agency Companion • Acceptable documentation forms <ul style="list-style-type: none"> ◦ FNMA Form 1005 plus 2 months personal bank statements ◦ Equifax (The Work Number) ◦ Finicity (TXVerify) ◦ Any other acceptable online income data vendor • Form 1005 must be fully completed (current gross pay, YTD earnings, past 2 years earnings) by an authorized company representative (Owner, Officer, HR). When Form 1005 is provided as specified above • 2 months personal bank statements supporting WVOE employment wages must be provided.
Employment and Income Verification	<ul style="list-style-type: none"> • For stand-alone loans, most recent two (2) years employment is required to be documented and verified for all income/documentation types unless otherwise noted by specific program requirements • A two-year employment history is required for the income to be considered stable and used for qualifying • When the borrower has less than a two-year history of receiving income, written analysis and strong compensating factors required to justify the stability of the income used to qualify the Borrower. • For piggy-back loans, documentation to follow 1st lien approval.
Other	
Amortization	Stand Alone: 10, 15, 20, and 30 Year Fixed Fully Amortizing; 30/15 and 40/15 Year Balloon Notes Piggyback: 10,15,20 Year Fixed
Occupancy	Primary, Second Homes, Investment Properties
Eligible Property Types	<ul style="list-style-type: none"> • SFR, PUD, 2-4 Units and Warrantable Condo, Townhome, Rowhome, Modular • 2-4 Units and Rural are ineligible for Agency Companion
Ineligible Property Types	<ul style="list-style-type: none"> • Rural Investment Properties and 2nd Homes, Condotels, Non-Warrantable Condos, Manufactured/Mobile Homes, Log Homes, Working Farms and Hobby Farms, Unique Properties, Agricultural or Commercial Zoned Properties, Co-Ops, Room and Board Facilities, Adult Assisted Living/Care Facilities, Mixed-Use, Land Trust, Deed-restricted Properties, Houseboats, Income producing properties with acreage, multiple dwellings on single lot (1 legal AUD acceptable on SFR) • Properties > 10 acres
Rural Properties	<ul style="list-style-type: none"> • Max 10 acres • Max 80% CLTV
Eligible Borrowers	<ul style="list-style-type: none"> • U.S. Citizen • Permanent Resident Alien • Non-Permanent Resident Alien (with U.S. credit) – Visa Type allowed: <ul style="list-style-type: none"> ◦ E-1, E-2, E-3, EB-5, G-1 - G-5, H-1, L-1, NATO, O-1, R-1, TN, NAFTA ◦ Visa must be current. If Visa will expire within 6 months of the loan closing date, additional documentation is required. Document that extension steps taken and fees paid shown by UCSIS website ◦ When applicable, valid employment authorization doc (EAD) required for US employment if not sponsored by current employer
Ineligible Borrowers	<ul style="list-style-type: none"> • Non-Occupant Co-Borrowers, Foreign Nationals, Irrevocable and Land Trusts, Diplomats with Immunity, parties found on LDP/GSA, no SSN, Borrowers who are a party to a lawsuit
Assets	<ul style="list-style-type: none"> • Standalone: None • Piggyback: Provide Assets required as per 1st lien

Other (continued)	
Self-Employment Verification	<p>Verify Existence within 30 days of the Note Date with one of the following:</p> <ul style="list-style-type: none"> • Letter from business tax professional, OR • On-line verification from regulatory agency or licensing bureau, OR • Certification verifying business existence through direct contact or internet search
Age of Documentation	<ul style="list-style-type: none"> • 60 days – Income and Assets • 120 days – New AVM/Appraisal, Credit and Title • 180 days – Appraisal with Recertification of Value

Appraisal Requirements	<p>Primary / 2nd Home: <u>HPML</u></p> <ul style="list-style-type: none"> • Full Appraisal (1004, 1025, 1073) • Declining markets max 75% CLTV <p><u>Non-HPML OR Full Doc + HPML + QM</u></p> <ul style="list-style-type: none"> • Loan Amount <= \$400K: <ul style="list-style-type: none"> ◦ AVM with 90% Confidence Factor and exterior Property Condition Inspection ◦ Allowable Vendors for AVM: Clear Capital – Clear AVM, Collateral Analytics – CA Value, Quantarium, Veros ◦ Allowable Vendor for exterior Property Condition Inspection – Clear Capital • Loan Amount > \$400K or Loan Amount <= \$400K and AVM < 90% confidence <ul style="list-style-type: none"> ◦ Full Appraisal (1004, 1025, 1073) • Declining markets max 75% CLTV <p>Investment:</p> <ul style="list-style-type: none"> • Previous appraisal within 12 months (Recert required after 6 months) + Clear Capital CDA. Review value must be equal to or greater than the appraisal, OR: • Full Appraisal (1004, 1025, 1073) or New 2055 Appraisal and Clear Capital CDA supporting value within 10% variance. Greater than 10% variance, use lower of the two values • Declining markets max 70% CLTV
Appraisal Review	<ul style="list-style-type: none"> • CU score <= 2.5 – value is acceptable • CU score > 2.5 <= 3.5 – underwriter to review value for acceptability using CU findings and Drive AVM for support • CU Score > 3.5 – Manager to review, CDA required case by case
Property Listed for Sale	Properties listed for sale in the last 6 months as of the Note date are not eligible
Cash Out	Signed and dated letter of explanation for cash out required (when closing in a business entity, purpose must be for business use)
Non-Arm's Length	Ineligible
Asset Depletion	<ul style="list-style-type: none"> • Allowed as a Supplemental Income source • Eligible assets are divided over 84 months
Tradelines	<p>Stand-Alone:</p> <ul style="list-style-type: none"> • 3 tradelines for 12+ months or 2 tradelines for 24+ months, in either case with activity within the last 12 months <p>Piggybacks:</p> <ul style="list-style-type: none"> • No minimum tradelines with AUS approval, OR: <ul style="list-style-type: none"> ◦ At least 2 active tradelines reporting for a minimum of 24 months (institutional reporting only, no private party mortgages), OR ◦ Current mortgage history on credit reporting 0*30*24 (institutional reporting only, no private party mortgages) <p>All:</p> <ul style="list-style-type: none"> • Limited Credit (loans that do not meet minimum tradelines) are acceptable on primary only with 0*30<12 mortgage history reported on the credit report (No private party mortgages) • No accounts currently delinquent or in CCCS • Ineligible Tradelines: not on credit, no activity < 12 months, student loans not in repayment, liabilities in deferment, accounts discharged in BK, authorized user, charge-offs, collections, foreclosures, deed-in-lieu, short sales, pre-foreclosures • An acceptable 12- or 24-month housing history not reporting on credit may also be used as a tradeline
Credit Scores	<ul style="list-style-type: none"> • Qualifying FICO: lowest of 2 scores or middle of 3 scores from the Primary Wage Earner • Non-traditional credit ineligible • Minimum Co-Borrower score: 500 • Use lower score of self-employed borrowers with equal partnership • Security freezes must be removed
Credit Event Seasoning	<ul style="list-style-type: none"> • 48 Months – Foreclosure: Foreclosure actions (NOI, NOD), Short-Sale, Deed-in-Lieu, Bankruptcy.
Multiple Credit Events	Multiple Credit Events (BK, FC, DIL, SS) within the last 7 years are ineligible
Consumer Credit Counseling Services (CCCS)	<ul style="list-style-type: none"> • Borrowers currently in CCCS are ineligible
Judgements, Liens and Income Tax Liens (Federal, State, Local)	Must be paid off prior to closing
Disputed Accounts	Provide Signed and Dated Letter of Explanation for disputed tradelines with derogatory information reported in the last 2 yrs.
Credit Inquiries	Inquiries < 90 days of the credit report must be addressed; if new credit was extended, borrower must provide documentation on the current balance and payment; based on the verification of all new debt/liabilities, the borrower should be qualified with the additional payment. If no credit was extended, borrower must state the purpose of the inquiry.
Credit Refresh/UDN	<ul style="list-style-type: none"> • Credit refresh or UDN required within 5 business days of the note date and for dry states within 2 business days of funding
Housing History	<p><u>Purchase</u></p> <ul style="list-style-type: none"> • 12 month housing history consisting of mortgage reporting on credit OR VOR from management company. Combination of mortgage and rent history covering 12 months acceptable <p><u>Cash-Out</u></p> <ul style="list-style-type: none"> • 6 months current senior lien reporting on credit report, OR one of the following: <ul style="list-style-type: none"> ◦ VOM from an institutional lender ◦ Legally inherited property supported by cancelled checks to senior lien <p><u>All</u></p> <ul style="list-style-type: none"> • 0x30x12 on all mortgages for all borrowers; Minimum 12 months housing history required (Piggybacks defer to AUS approval) • VOR must be institutional or provide alt docs (bank statements/cancelled checks)

	<ul style="list-style-type: none"> • First-Time Homebuyer: 0x30x12 housing history required; Alt docs for VOR are ineligible
Alimony, Child Support, Or Separate Maintenance Fees	<ul style="list-style-type: none"> • Must be included in DTI • Must be current • Must be documented with divorce decree, property settlement agreement, signed legal separation agreement, or court order
Seasoning	<ul style="list-style-type: none"> • > 6 months ownership seasoning as of application date, no restrictions. <= 6 months seasoning ineligible for refinance • <= 6 months seasoning since previous cash-out refinance on either a 1st lien or 2nd lien Max 80% CLTV • Properties listed for sale < 6 months are ineligible • No seasoning required for properties that are inherited or legally acquired through a divorce, separation or dissolution of a domestic partnership
Property Standards	<ul style="list-style-type: none"> • 600 square feet, constructed for year-round use, permanently affixed continuous heat source • Maximum deferred maintenance \$2,000 (no health or safety issues)
Max Financed Properties	<ul style="list-style-type: none"> • Primary and Second Homes max 20 residential, including the subject (exclude commercial/>5 units) • Investments: Unlimited
Condominiums	Fannie Mae eligible condominium projects allowed
Ineligible Senior Liens	<ul style="list-style-type: none"> • Negative Amortization, Reverse Mortgages, and Private Party • Loans in active forbearance or deferment are ineligible. Deferred balance due to documented hardship may remain open (hardship must be documented) • Balloon loans that the balloon payment comes due during the amortization period of the 2nd lien • Mortgages not reporting on credit <p>Documentation:</p> <ul style="list-style-type: none"> • Mortgage Note is typically required to document terms of senior lien. If a mortgage statement is provided that provides sufficient information, the statement must be within 60 days of the Note date.
Interest Only Senior Lien	<p>Max DTI: 45%</p> <p>Qualify 1st lien I/O on fully amortized payment on remaining term after I/O period</p>
Senior Lien Calc (ARM)	1st lien ARMS with < 3 years fixed period remaining qualified on fully indexed payment
Texas 50(a)(6)	Allowed
Derogatory Credit	<ul style="list-style-type: none"> • Open medical collections, collections, and charge-offs <\$1,000 per occurrence is eligible • No delinquent tradelines at closing • All judgements, liens/tax liens must be paid prior to or at closing
Title Report	<ul style="list-style-type: none"> • ALTA Long or Short Form – Lenders Policy • Fee simple or Leasehold • Solar liens must be paid-off prior to closing • Eligible Vesting: Individuals, Joint Tenants, Tenants in Common, Inter-Vivos Revocable Trust • Eligible Vesting (Investment Only): LLC, Limited and General Partnerships, Corporations <ul style="list-style-type: none"> o Loans must originate in individual borrower(s) names. Entities are eligible for vesting only. o Must be solely business purpose loans o All persons with >= 25% interest must apply for the loan and meet credit requirements o Maximum 4 members/partners/shareholders. No entities as members o Persons who sign the note or a personal guaranty must sign an Occupancy Affidavit prior to closing o See guidelines for collateral signing requirements o Provide the following documents: <ol style="list-style-type: none"> a) Articles of Incorporation and bylaws b) Certificate of Formation and Operating Agreement, or Partnership Agreement c) Tax ID number d) Certificate of Good Standing
Property Insurance	Follow FNMA guidelines
State Specific	<ul style="list-style-type: none"> • Not available in MD • Texas 50(a)(6) is allowed
Compliance	<ul style="list-style-type: none"> • No Section 32 or state high cost allowed • Fully documented ATR including Borrower Attestation (included with closing docs) • HPML and HPCT are permitted subject to complying with all applicable regulatory requirements • Loans must comply with all applicable federal and state regulations • Non-QM allowed
3rd Party Processing Fee	• \$495 Maximum

Change Log:

Effective 6/25/2024	Income: <ul style="list-style-type: none"> Added 1099 section
Effective 6/25/2024	Tradelines: <ul style="list-style-type: none"> Clarified Limited Tradelines only allowed on Primary Residence
Effective 9/03/2024	Appraisal: <ul style="list-style-type: none"> AVMs allowed for QM HPML Full Doc Loans Added Declining Market restrictions to Appraisal section
Effective 9/03/2024	Clarified when vesting is business, borrower(s) must still be individual(s)
Effective 9/03/2024	Clarified max 80% CLTV applies to previous cash-out refinance
Effective 9/03/2024	<ul style="list-style-type: none"> Added PTINs acceptable for expense factor if employed by 3rd party tax prep service
Effective 9/3/2024	<ul style="list-style-type: none"> Clarified PTINs not allowed for P&L only
Clarification	Full Doc – Tax Returns: <ul style="list-style-type: none"> Specified that transcripts are required for any income requiring Tax Returns
Clarification	Underwriting Criteria: <ul style="list-style-type: none"> Specified that Fannie Mae guidelines are followed for guidelines not listed
Enhancement	<ul style="list-style-type: none"> Added more robust guidance on Bank Statement income: supplemental income, income analysis, bank statement review Specified that bank statement income is not allowed on Agency Companion
Enhancement	<ul style="list-style-type: none"> Added Sample CPA letter verbiage for Bank Statement Expense Factor
Clarification	1099 Income: <ul style="list-style-type: none"> Not available for Agency Companion
Effective Applications on or After 12/9/24	Ineligible Senior Liens: <ul style="list-style-type: none"> Mortgages not reported on credit Clarified that Note is typically required, but if statement is used, must be within 60 days
Clarification	Asset Depletion <ul style="list-style-type: none"> May be used to supplement full and bank statement docs, but not as a standalone income type
Enhancement	WVVOE Only <ul style="list-style-type: none"> Added guidelines for this income type
Enhancement	Employment and Income <ul style="list-style-type: none"> Added guidelines regarding length of employment
Clarification	Eligible Property Types <ul style="list-style-type: none"> 2-4 Units and Rural are Ineligible for Agency Companion
Clarification	Ineligible Property Types <ul style="list-style-type: none"> Houseboats, Income producing properties with acreage, multiple dwellings on single lot (1 legal ADU is acceptable on SFR)
Enhancement	Eligible Borrowers <ul style="list-style-type: none"> Added allowable Visa Types
Clarification	Appraisal <ul style="list-style-type: none"> Clarified full appraisal may be provided for Investment properties
Clarification	Housing Event Seasoning <ul style="list-style-type: none"> Clarified Foreclosure includes Foreclosure actions
Enhancement	Credit Refresh/UDN <ul style="list-style-type: none"> Added more specific guidance for handling new debt Added Credit Refresh/UDN timing requirements
Clarification	Housing History <ul style="list-style-type: none"> Added clarifying language regarding Purchase and Cash-Out housing history
Effective Applications on or After 12/9/2024	Properties Listed for Sale <ul style="list-style-type: none"> Update 6 months seasoning to based on Note date
Effective for all new locks on or after 1/21/2025	<ul style="list-style-type: none"> Loans is MD ineligible