Homebridge Wholesale
A division of Homebridge Financial Services, Inc.

Freddie Mac Program

Conforming and Super Conforming Loan Amounts

Fixed Rate

Owner-Occupied Primary Residence [4,5]					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2,7]	***Credit Score***
Purchase	1	97%[1,6,7]	97%[1,6,7]	Refer to the Loan Limits Topic	Per LPA
		95%[1,3]	95%		
	2	85%[1]	85%[1]	Refer to the Loan Limits Topic	Per LPA
	3-4	80%	80%	Refer to the Loan Limits Topic	Per LPA
Limited Cash-Out	1	97%[1,6,7]	97%[1,6,7]	Refer to the Loan Limits Topic	Per LPA
		95%[1]	95%		Per LPA
	2	85%[1]	85%[1]	Refer to the Loan Limits Topic	Per LPA
	3-4	80%	80%	Refer to the Loan Limits Topic	Per LPA
Cash-Out	1	80%	80%	Refer to the Loan Limits Topic	Per LPA
	2-4	75%	75%	Refer to the Loan Limits Topic	Per LPA
Second Home [3,4,5]					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2]	***Credit Score***
Purchase	1	90%[1]	90%[1]	Refer to the Loan Limits Topic	Per LPA
Limited Cash-Out	1	90% [1]	90%[1]	Refer to the Loan Limits Topic	Per LPA
Cash-Out	1	75%	75%	Refer to the Loan Limits Topic	Per LPA
Investment (Non-Owner Occupied) [3,4,5]					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2]	***Credit Score***
Purchase	1	85%[1]	85%	Refer to the Loan Limits Topic	Per LPA
	2-4	75%	75%	Refer to the Loan Limits Topic	Per LPA
Limited Cash-Out	1	85%	85%	Refer to the Loan Limits Topic	Per LPA
	2-4	75%	75%	Refer to the Loan Limits Topic	Per LPA
Cash-Out	1	75%	75%	Refer to the Loan Limits Topic	Per LPA
	2-4	70%	70%	Refer to the Loan Limits Topic	Per LPA

Refer to pg. 2 for the Manufactured Housing LTV matrix

Footnotes:

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
2. Minimum loan amount $60,000.
3. Second home/investment transactions the borrower is limited to a maximum of 10 financed properties including subject. Refer to the Financed Properties topic for additional information.
4. New condominium projects located in Florida require PERS approval. Established condominium projects in Florida with PERS approval or Full Review no LTV restrictions; projects using a Streamlined Review are subject to:
   - Primary residence: Max 75% LTV
   - Second home: Max 70% LTV
   - Investment: Requires PERS approval or Full Review: Limited Review ineligible.
5. Condominium projects converted in the previous 3 years are not eligible regardless of location.
6. Purchase transactions: At least one borrower must be first time home buyer. Refinance transactions: Current loan must be owned by Freddie Mac. Refer to the 95.01%-97% LTV topic for detailed requirements.
7. 95.01% to 97% LTV is **ineligible** (maximum 95% LTV) as follows:
   - Super Conforming loan amounts, and
   - Transactions with non-occupant co-borrowers

 11/22/21

Manufactured Housing

Owner-Occupied Primary Residence					
Transaction Type	***Units***	***LTV*** [1]	***CLTV*** [1]	***Loan Amount*** [2, 3]	***Credit Score***
Purchase and Limited Cash-Out	1	95%	95%	Refer to the Loan Limits Topic	Per LPA
Cash-Out [4]	1	65%	65%	Refer to the Loan Limits Topic	Per LPA
Second Home					
Purchase and Limited Cash-Out	1	85%	85%	Refer to the Loan Limits Topic	Per LPA

Footnotes:

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
2. Minimum loan amount $60,000.
3. Maximum loan amount is the applicable conforming loan amount where the property is located; **super conforming loan amounts are ineligible for manufactured housing**
4. Cash-out transactions secured by a manufactured home require **≤ 20 year** loan term; 25 and 30 year loan term **ineligible**

2021 Maximum Loan Limits

Conforming Loan Limits			High-Cost Area Loan Limits*	
Units	**Contiguous States**	**Alaska, Hawaii**	**Contiguous States**	**Alaska, Hawaii****
1	$548,250***	$822,375***	$822,375	N/A
2	$702,000	$1,053,000	$1,053,000	N/A
3	$848,500	$1,272,750	$1,272,750	N/A
4	$1,054,500	$1,581,750	$1,581,750	N/A

*Actual loan limits for certain high-cost counties may be **lower** than the maximum amount listed above
Alaska/Hawaii do **not have high-cost areas in 2021; the applicable conforming limit applies

To view Freddie Mac 2020 loan limits by county click here: Federal Housing Finance Agency

*****IMPORTANT NOTE REGARDING 1-UNIT CONFORMING LOAN LIMITS**

Effective with loans submitted **on or after October 8, 2021** Homebridge is increasing the **conforming** loan limit for 1-unit properties to:

- **Contiguous States**: $625,000
- **Alaska/Hawaii**: $937,500

NOTE: There is **no change** to conforming 2-4 unit loan amounts or 1-4 unit high-cost county limits

<table>
<tr><th>Topic</th><th>Guideline</th></tr>
<tr><td>COVID-19 Temporary Flexibility Policies</td><td>The temporary documentation flexibilities allowed by Freddie Mac and Homebridge policy changes due to COVID-19 are being added to the guidelines to incorporate all temporary policy in one place for reference.
It is important to remember there is no change to Freddie Mac's standard underwriting policies to determine borrower qualification and any policy not addressed under COVID-19 temporary policies topic is subject to standard guidance
Refer to the individual COVID-19 topics below for effective dates</td></tr>
<tr><td>COVID-19 Temporary Appraisal Policy</td><td><u>Standard Freddie Mac appraisal guidance will apply to applications dated on or after June 1, 2021; refer to the Appraisals topic</u>

<u>The temporary appraisal policy below will apply to applications dated on or before May 31, 2021</u>
If the transaction requires MI, the Homebridge underwriter will confirm the applicable MI company will accept the appraisal option selected
<u>Purchase Transactions Including New Construction*</u>
Primary Residence Regardless of LTV
- Traditional appraisal (interior/exterior inspection), or
- Desktop appraisal, or
- Exterior-only appraisal
Second Home and Investment ≤ 85% LTV
- Traditional appraisal (interior/exterior inspection), or
- Desktop appraisal, or
- Exterior-only appraisal
Second Home > 85% LTV
- Traditional appraisal (interior/exterior inspection) required
*Applies where the appraisal is “subject to completion per plans/specs” or property is 100% complete but interior/exterior cannot be completed; flexibilities do not apply to construction-to-perm
<u>Rate/Term Refinance Transactions</u>
Freddie Mac Owns the Loan Being Refinanced
- Traditional appraisal (interior/exterior inspection), or
- Exterior-only appraisal
Freddie Mac Does Not Own the Loan Being Refinanced
- Traditional appraisal (interior/exterior inspection) required
To determine if Freddie Mac owns the loan click here: FHLMC Loan Lookup
(cont. on next page)
<u>Cash-Out Refinance Transactions</u>
All Occupancies Regardless of LTV
- Traditional appraisal (interior/exterior inspection) required
<u>Automated Collateral Evaluation (ACE)</u>
Eligible when offered by LPA subject to Freddie Mac standard requirements
<u>Completion Reports (Form 1004D)</u>
If a 1004D is unable to be obtained, the following documentation is acceptable:
A letter, signed by the borrower, confirming all work has been completed, AND
Photographs of the completed work, OR
Paid invoices, OR
Occupancy permit(s), OR
Similar documentation that confirms the work was completed</td></tr>
<tr><td>COVID-19 Temporary Borrowers in Forbearance Policy</td><td>Refer to the Forbearance Plan Policy section in the Mortgage/Rental History topic for requirements that apply when the borrower is in a forbearance plan</td></tr>
</table>

COVID-19 Temporary Condo Project Review Policy	**Standard Freddie Mac Condo Project Review requirements will apply if the application is dated on or after May 1, 2021 refer to the Properties - Eligible: Condominiums topic** **The temporary policy below applies to loan applications dated prior to May 1, 2021** • A project review may be waived when the transaction meets the following requirements: - It is a rate/term refinance transaction **and** the loan being refinanced is owned by Freddie Mac - Eligible up to 90% LTV/CLTV/HCLTV - Owner-occupied transactions only - The project is an established project as defined by Freddie Mac - The project must meet Freddie Mac project insurance and projects in litigation requirements • **Established projects** are eligible for the following documentation flexibilities (not eligible for new projects): - The 2019 project budget may be used in lieu of the 2020 project budget when the 2020 budget has not been ratified by the HOA due to COVID-19 related issues - Other sources of condo project data may be used to complete the project review when the HOA/property management company is not available to provide the information, including but not limited to: - Appraisal, - MLS records, - Plat map/site survey, - Public record, tax searches, etc. **NOTE:** Established condo project reviews are valid for one year prior to the Note date of the applicable mortgage and may be used for multiple condo units with the same project meeting the one year time frame
COVID-19 Temporary Income Policy	**The temporary policies below are effective until further notice** The underwriter will perform a reasonability test of the borrower's income to consider the likelihood of continuance since certain industries are far more affected than others (e.g. service industries that rely heavily on tips – restaurant, casing, hair/nail salons, etc. vs. industries deemed "essential" or where telecommuting is a viable option) **Furloughed Borrowers** • Freddie Mac's temporary leave income policy does **not** apply to furloughed borrowers • Furloughed borrowers receiving income for a specified period of time (e.g. one month) do not meet the stable, predictable and likely to continue requirement, therefore the income is **ineligible** for qualifying • If the furlough was temporary, there is no waiting period once the borrower is back at work and receiving full and stable pay - A minimum of one (1) paystub is required - A decline in YTD income is acceptable provided an LOE is provided and the LOE indicates the decline was COVID-19 related **Unemployment Income** Unemployment income may only be used as qualifying income if it associated with seasonal employment (i.e. agricultural worker, resort worker such as a ski instructor, etc.) **Reduced Hours and/or Pay** The borrower must be qualified on the reduced pay. If paystubs/bank statements reflect reduces declining variable income, the income may only be used for qualifying if it has **stabilized** and there is no reason to believe the borrower will not continue to be employed at the current level. Income **cannot** be averaged over the period of decline

COVID-19 Temporary Income Policy (cont.)	**Deferred Debt Payments** Any debt payments (e.g. student loan, auto loan, etc.) that may be temporarily deferred due to COVID-19 must be included in the borrower's DTI **Fluctuating Income (Overtime, Commission, Tips, and Hourly Workers** Fluctuating income is calculated based on the history of receipt, frequency of payment and the fluctuating income trend. In addition to standard fluctuating income policy the following applies: **Determining Fluctuating Income Stability** • Freddie Mac does not require a minimum amount of time the borrower must be back at work after a gap in receipt of income for the income to be considered stable • If the borrower is actively employed and there is no expiration date for the receipt of the income and the history of receipt is documented and meets Freddie Mac requirements the income is considered stable. • An LOE will be required from the borrower if the borrower's income has declined. COVID-19 is an acceptable reason to explain any decline in income however the LOE should explain in detail why the borrower believes the decline in income has **stabilized** NOTE: Future income **cannot** be considered when determining the stability of fluctuating income **Calculating Fluctuating Income** • If the borrower experienced an employment gap due to COVID-19 the gap period **cannot** be excluded from the YTD income. YTD income must be calculated over the entire time period including months with $0 income • Fluctuating income is subject to a trending analysis. The monthly YTD income amount is compared to prior years' earnings to determine the appropriate amount of qualifying income - If the trend in the amount of fluctuating income is **stable or increasing the income amount is averaged** - If the trend was **declining but has stabilized** and there is no reason to believe the borrower will not continue to be employed at the current level, **the current lower amount of fluctuating income will be used** (i.e. the averaged YTD income amount) - If the trend is **declining and has not stabilized the income cannot be considered** **NOTE**: Gaps in employment that are **not** related to COVID-19, standard Freddie Mac policy applies **Self-Employed Paycheck Protection Program Loan Recipients** Homebridge is not required to inquire if the borrower has received a PPP loan however if it becomes evident during the underwriting process, the following applies: • PPP loan documentation is not required • The expected/anticipated payment is **not** included in the DTI and it is **not** considered in the income calculation (i.e. deducted from income) • The existence of the PPP loan will be considered when analyzing the borrower's business situation and its effect on the flow of income • PPP funds are **not** considered business assets when qualifying the borrower and **cannot** be used for down payment, closing costs, or to satisfy reserve requirements. • PPP funds **cannot** be used to support the business revenue reported on the YTD P&L • Payroll and other business expenses such as utilities, rent, that are temporarily covered under PPP funds **cannot** be excluded when assessing the businesses current cash flow as they are on-going expenses

COVID-19 Temporary Power of Attorney Policy	**Standard Freddie Mac POA policy will apply if the loan application is dated on or after May 1, 2021; refer to the Power of Attorney topic** **The temporary policy below will apply to loan applications dated prior to May 1, 2021** Standard power of attorney requirements, as detailed in the Power of Attorney topic, apply except as detailed below: • Eligible on purchase and rate/term refinance transactions; ineligible on cash-out • The initial 1003 may be signed by the POA • **Purchase Transactions**: - The POA **must be notarized** (remote notarization allowed unless local jurisdiction requires the POA be recorded) - The attorney-in-fact **cannot** be the property seller, any person related to the property seller or any person who is a direct, or indirect employee/agent of the property seller **unless** they are also a relative of the borrower - A Certification, documenting the borrower acknowledges and certifies they understand the terms of the transaction and the use of the POA, regardless of the relationship of the attorney-in-fact to the borrower, will be completed by Homebridge after the CD has been delivered to the borrower • **Rate/term refinance transactions**: - The POA is **not required** to be notarized **unless** required by applicable state law (determined by title company) **OR** the attorney-in-fact is employed by, represents or is affiliated with the title insurance company **AND** the title insurance company issuing the policy is affiliated with Homebridge

4506-C	• Signed 4506-C required prior to loan closing for both personal and business tax returns (if applicable) • Tax transcripts are **not** required NOTE: At underwriter discretion transcripts may be required in certain circumstances (e.g. handwritten paystubs, borrower employed by family member, etc.) • Homebridge will order transcripts at random for quality control purposes **Wage Earners** • W-2 transcripts for the previous one or two years, as applicable, required **Self-Employed** • Transcripts for both personal and business tax returns (if applicable) required
95.01%-97% LTV	Purchase and rate/term refinance eligible as follows: • Property is a 1-unit primary residence (SFR, condo, townhouse); manufactured **ineligible** • All borrowers must occupy the subject property as their primary residence • Fixed rate with a 15, 20, or 30 year loan term • LPA "Approve" is received • **Conforming loan amounts only** • Maximum 97% LTV/CLTV/HCLTV • At least one borrower must have a usable credit score • 35% mortgage insurance coverage • Standard minimum borrower contribution requirements apply (purchase transactions) • **Purchase transactions** at least one borrower is a first-time home buyer and will occupy the subject property (first time homebuyer defined as a borrower who has not had an ownership interest, sole or joint, in a residential property in the previous 3 years) NOTE: If **all** borrowers are first-time homebuyers, **homebuyer education required** by at least one borrower. This requirement may be fulfilled using Freddie Mac's free, online program CreditSmart. A copy of the completion certificate must be provided and included in the loan file. • **Refinance transactions** require documentation that the loan is currently owned by Freddie Mac (e.g. screen shot from Freddie Mac's Loan Look-Up Tool, documentation from loan servicer, etc.) • Loan meets all other Homebridge guidelines

Age of Documents	• All credit, employment, income and asset documentation must be dated within 120 days of the Note date • Preliminary title policies must be dated within 120 days of the Note date • Appraisal documents must have an effective date within 120 days from the Note date
Appraisals	• Appraisal requirement determined by LPA. • Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Freddie Mac's Appraiser Independence Requirements (AIR). • A Freddie Mac Submission Summary Report (SSR) is required on all appraisals. • Manufactured homes: The appraisal must be completed on Freddie Mac Form 70B and the appraiser must address the marketability of the property. Refer to the Appraisals - Manufactured Housing topic for additional appraisal requirements for manufactured housing • If an applicable law, regulation or Homebridge policy requires more than one (1) appraisal be obtained, the single most accurate appraisal must be used for underwriting and submission to the Uniform Collateral Data Portal (UCDP) • A full appraisal must provide legible interior and exterior original photos of the subject property: - The exterior photos of the subject must contain photos of the front, back and street scene. - The interior photos, at minimum, must include: - Kitchen, (free-standing stove/range or refrigerator not required) - Main living area, - All bathrooms, - Examples of physical deterioration, if present • Examples of any recent updates, if present (i.e. remodel, renovation, restoration) • Comparable sales photos require the front view of all properties used as comparable sales. The photos must be clear electronic images, which may include copies of MLS photographs, in lieu of original photographs. • The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required: - A Multiple Listing Service (MLS), or - MRIS www.mris.com or - Midwest Real Estate Dated (MRED) www.medredllc.com or - North Texas Real Estate Information Systems, Inc. (NTREIS) at www.ntreis.net or - San Antonio Board of Realtors www.sabor.com or - GeoData at www.geodateaplus.com , or - Comps Inc. at www.compsny.com. NOTE: Comparables from a public independent source are only eligible in the states of Maine, New Hampshire, and Vermont.

Appraisals (cont.)	• Comparable sales used for new construction properties (subdivisions, PUDs, condo projects, newly converted) are subject to the following: - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in New Hampshire, Maine, and Vermont only) no further action is required. - If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, bill board signs, website, etc.) - Additionally, the following applies: - One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, Comps Inc. or public source (public source Maine/New Hampshire/Vermont only). - Two of the comparable sales must be from sources other than the subject property builder. - If the new development or condo project does **not** have any units under contract, all comparable sales may be from outside the development/project however the appraiser **must comment** on the marketability of the development/project and **justify/support** the use of comparable sales from outside the development/project. The appraiser may use comparable sales that are older than 12 months as long as the appraiser can justify and support such use in the appraisal report. NOTE: The appraiser is always allowed to provide more than three comparable sales to support the property value • The appraisal must identify and address properties located within a declining market. • The property must have legal, appropriate ingress and egress. The streets that allow access to the subject property must be maintained in a manner that generally meets community standards. The comparable sales should include street maintenance similar to the subject property. When differences exist between the ownership or maintenance of the subject property street and the comparable sale's streets, adjustments must be applied as applicable and an explanation is required and the appraisal must address the effect any differences might have on the subject property's value and marketability. NOTE: A private road maintenance agreement is **not** required. • Modular/Prefabricated homes: The appraiser must address the marketability of the property • Homebridge requires properties to be, at minimum, in average condition. Additionally, the following applies: - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing. - Any broken glass that is a health hazard must be removed and the opening closed. • Properties with an unpermitted addition are eligible subject to the following: - The appraiser comments in the appraisal that the addition was completed with "workmanlike quality" - The addition does not result in a change in the number of units comprising the property (e.g. a one unit converted to two unit) - If the appraiser gives the unpermitted addition value, the appraiser must demonstrate market acceptance by the use of comparable sales with similar additions and address the following in the appraisal: - Unpermitted additions are typical for the market area and a typical buyer would consider the unpermitted additional square footage to be part of the overall square footage of the property, and - The appraiser has no reason to believe the addition would not pass inspection for a permits

Appraisals (cont.)	• Appraisal transfers are considered on a case-by-case basis. • A new appraisal will be required when the appraisal is dated more than 120 days from the Note date. • Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review. • **Freddie Appraisal Form Numbers**: - Uniform Residential Appraisal Report (Freddie Mac Form 70/Fannie Mae Form 1004) - Individual Condominium Unit Appraisal Report (Freddie Mac Form 465/Fannie Mae Form 1073) - Small Residential Income Property Appraisal Report (Freddie Mac Form 72/Fannie Mae Form 1025) - Exterior-Only Inspection Residential Appraisal Report (Freddie Mac/Fannie Mae Form 2055) - Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Freddie Mac Form 466/Fannie Mae Form 1075 - Manufactured Home Appraisal Report (Freddie Mac Form 70B/Fannie Mae Form 1004C)
Appraisals – Manufactured Housing	In addition to general appraisal requirements, the following applies to manufactured homes: • The appraiser must have experience appraising manufactured homes and be knowledgeable of the local manufactured home market, the manufactured home construction process, and have access to the appropriate data sources to render an opinion of value. Refer to the Sources of Manufactured Housing Data topic below for further details • Purchase transactions: The appraiser must be provided the following: - A copy of the executed sales contract for the both the manufactured home and the land NOTE: If the borrower has owned the land for ≥ 12 months the copy of the land contract is not required. - A copy of the manufacturer's invoice if the manufactured home is new • If the home was installed after October 20, 2008 the appraiser must be provided a copy of the Certification of Installation or the comparable state-specific form and any additional information the appraiser may need as part of the ordering of the completion repot or appraisal updated • The appraiser must, at minimum: - Perform a complete visual inspection of the interior and exterior areas of the home - Inspect the neighborhood - Inspect each comparable form at least the street - Research, verify, and analyze data from reliable public and/or private sources, - Develop an opinion of the market value of the manufactured home based on the sales comparison approach to value. Non-realty items such and insurance, warranties, or furniture must be excluded from the established value, - Develop a cost approach to support the sales comparison approach, - Ensure the manufacturer's serial number(s) and the HUD Certification Label number(s) on the home match the numbers on the contract for sale, manufacturer's invoice and any other documentation provided. If the numbers do not match, the appraisal report must clearly state the home is not the dwelling referenced on the contract for sale and other applicable documentation. • If the appraisal is completed prior to the home being delivered and installed on the permanent foundation, documentation must be provided that the home is complete. If a new appraisal is required, the appraiser must provide an analysis of previously unavailable information. If the new appraisal is an appraisal update that is being used to document completion the appraiser must state that the conditions of the underlying appraisal have been satisfied.

Appraisals – Manufactured Housing	**Sales Comparison Approach – Required** The following applies: • The appraiser must state the number of manufactured home sales and listings as well as the respective price ranges that were used • The appraisal must contain a **minimum of 2 comparable manufactured home sales** of similar configuration (i.e. multi-wide comparable for multi-wide subject) and quality If a minimum of 2 comparable sales of similar manufactured homes **cannot be provided** the transaction is **ineligible** • Site-built housing or different type of factory built housing may be used as the third comparable if the appraiser explains the reason for using the comparable, the applicable adjustments have been made and it supports the appraiser's opinion of the value. • If the home is located in a controlled market (e.g. new subdivision) at least one comparable sale must be outside of the influence of the builder, developer or property seller. Resales within the subject subdivision may be used • The appraiser cannot combine vacant land sales with the contract purchase price of the subject home to create a comparable sale.
Appraisals – Manufactured Housing (cont.)	**Cost Approach - Required** The following applies: • A cost approach is required on **all** manufactured homes to support the sales comparison approach. • It must, at minimum, include all of the information required on Freddie Mac Appraisal form 70B and provide sufficient information and data to validate the cost figures and calculations used. • The appraiser must provide a quality rating based on objective criteria • The appraiser must provide their opinion of site value supported by a summary of comparable land sales or other methods used for estimating site value.
Appraisal Management Companies (AMC)	Appraisals must be ordered from the AMC assigned by Homebridge by region/territory as follows: • Colorado, New Mexico, Oklahoma, and Texas: Nationwide Property & Appraisal Services • Northeast/Midwest: Nationwide Property & Appraisal Services • Northwest/Southwest/Central: Axis Management Solutions • Southeast: Nationwide Appraisal Network • West: Golden State AMC Brokers assigned to the Homebridge Inside Sales team are required to order appraisals as follows: • Inside Sales Team – East: Nationwide Property & Appraisal Services • Inside Sales Team – West: Golden State AMC To view a map of the territories, broken down by state, click here Homebridge Wholesale

Appraisal – Automated Collateral Evaluation (ACE)	If LP issues an Automated Collateral Evaluation (ACE) offer the following applies: • The LPA Feedback Certificate must indicate: - An "Accept" finding, and - The transaction is eligible for collateral representation and warranty relief with an appraisal waiver • The appraisal waiver offer is valid for 120 days. The loan must be resubmitted to LPA if the appraisal waiver offer is more than 120 days old as of the Note date to determine if the appraisal waiver is still eligible NOTE: If the loan criteria changes (e.g. address of the property, loan amount, loan type, occupancy, etc.) in a subsequent LPA submission, the original appraisal waiver offer may **no longer be eligible**. **Eligible for ACE (appraisal waiver) Option** The following are eligible for the ACE option: • 1-unit primary residence and second home (SFR, PUDs, condos) Reminder: When an ACE offer is accepted on a condo, a Limited Review is required • Purchase, limited cash-out (rate/term), and cash-out refinance transactions • Maximum LTV is determined by transaction type and occupancy: - Purchase transactions primary residence and second home: Maximum 80% LTV - Rate/term refinance primary residence and second home: Maximum 90% LTV - Cash-out refinance: - Primary residence: Maximum 70% LTV - Second home: Maximum 60% LTV **Ineligible for ACE (appraisal waiver) option regardless of LP Findings**: • 2-4 units • Leaseholds • Loans where the value of the subject property provided to LPA is ≥$1,000,000 • Non-arm's length transactions • Properties subject to resale/deed restrictions • Manufactured • Construction-to-perm • Purchase transactions involving REO properties • Texas Section 50(a)(6) transactions • Freddie Mac Relief Refinance Mortgage • Properties located in a disaster impacted area, • Transactions where, by law, an appraisal is required to be obtained • A transaction where an appraisal for the subject property has already been uploaded to the Freddie Mac portal • Transactions where the Freddie Mac settlement date for the mortgage was more than 120 days from the Note date • The sales contract/property inspection identifies adverse physical property conditions

Assets	Asset documentation is per LPA Findings • All funds used to close the transaction must be disclosed on the 1003 and input into LPA • **Earnest Money Deposit (EMD):** - EMD funds do **not** require sourcing if the borrower is **not** required to meet Freddie Mac's minimum contribution requirement (MCR) and the underwriter does not need to consider the funds in the asset evaluation. Evidence the settlement agent received the EMD **is required** as detailed below. Transactions that **do not** require a borrower MCR: - 1-2 unit primary residence regardless of LTV - 3-4 unit primary and the LTV is ≤ 80% - 1-unit second home and the LTV is ≤ 80% - ***Documenting Settlement Agent Received EMD Funds***: Acceptable evidence the settlement agent received the EMD funds are as follows: - Borrower's cancelled check, or - Evidence the funds were wired to the settlement agent's account, or - Written verification from the settlement agent - EMD funds **are** required to be sourced when the transaction requires the borrower to meet the MCR. Transactions that **require** a borrower MCR: - 1-unit second home **and** the LTV is > 80% - 1-4 unit investment transactions regardless of LTV NOTE: Transactions that require a borrower MCR, a copy of the canceled deposit check is acceptable to document the source of the EMD funds. Two months bank statements, all pages, covering the period up to and including the date the earnest money check cleared the bank are required. • The borrower must provide evidence of sufficient assets to cover the down payment, closing costs, prepaids and reserve (if applicable) and all funds must be verified to ensure they are coming from eligible sources. Evidence required: - One or two months' most recent bank or financial statements, all pages as required by LPA. The statements must: - Identify the financial institution, - Identify the account owner(s) - Identify the account number (minimum acceptable ID is last four digits) - Show all transactions and the ending balance - Show period covered - Indicate any outstanding loans secured by the asset - Computer-generated statements downloaded from the internet or from the financial institution's computer system, are acceptable provided all of the above information is provided and the financial institution's name and the source is included (unless used on combination with other asset verifications containing the missing information and it clearly establishes the transaction history pertains to the same account) • A VOD is ineligible as stand-alone documentation • Refinance transactions require verification of funds to close. • If the borrower uses a credit card, cash advance, or unsecured line of credit to pay for fees associated with the loan application process (e.g. appraisal, credit report, etc.) the following is required: - A copy of the account statement showing the amount charged/advanced, **and** - Verify the borrower has sufficient funds to pay the charges/advance, **or** - Include the payment for the amount charged/advanced in the monthly DTI calculation.

Assets (cont.)	• Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following: - The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation: - Letter from the bank confirming borrower is an authorized signer, or - Online documentation that confirms borrower is an authorized signer NOTE: Use of business funds when the borrower does not own a significant percentage of the business will be at underwriter discretion (e.g. borrower has a 10% ownership interest and is using a significant amount of the business funds for down payment/closing costs). - A cash flow analysis, based on 3 months business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash flow analysis: - Must indicate that the average running balance in the account for the previous 3 months stayed the same or was better, and - The amount of funds used for the transaction must not deplete the account i.e. the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal • Cash on hand, unsecured borrowed funds, and unverified funds are ineligible sources for assets. • **Loans funding on or after July 15, 2021:** In states where real estate taxes are paid in arrears, prorated real estate tax credits may not be considered an eligible asset. The underwriter must verify the borrower has sufficient assets without relying on any anticipated tax credit • Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated. • Proceeds from the sale/refinance of a property currently owned by the borrower (including a 1031 exchange or bridge loan) are eligible for down payment and closing costs. The final CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. If a cash-out refinance, the proceeds from the subject refinance cannot be used to satisfy reserve requirements. • Funds received as a wedding gift from related and/or unrelated persons are an acceptable source of funds for down payment and closing costs. The following applies: - The funds must have been deposited into the borrower's account within 90 days of the date on the marriage license/certificate. A copy of the license/certificate and acceptable documentation the funds are in the borrower's account is required. • Deposits that represent funds awarded to the borrower (e.g. disaster relief funds, lottery winnings, court-awarded settlements are eligible as long as the source providing the funds is not an interested party to the transaction. • Real estate commissions earned by a borrower who is a licensed real estate agent are eligible for down payment/closing costs when purchasing a property. The CD must reflect the commission earned and the credit toward the transaction. • Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement do not require documentation. • Large unsourced deposits must be explained and verified

Assets (cont.)	• Requirements for documenting large deposits are as follows: - **Refinance transactions**: Large deposits are not required to be sourced and explained however, at underwriter discretion, explanation and sourcing may be necessary as Freddie Mac requires any payment on borrowed funds be included in the DTI ratios. - **Purchase transactions**: If the funds from a large deposit are needed for the down payment, closing costs or reserves on the transaction documentation must be provided that the funds are from an acceptable source. Any undocumented large deposit will be deducted from the amount of verified funds and the reduced asset amount will be used for qualification *Examples:* 1. The borrower has a monthly income of $4,000 and a bank account with a balance of $20,000. A deposit of $3,000 was made but $2,500 of the deposit is documented as the borrower's tax refund (sourced). In this example only the $500 is considered "unsourced" ($3000 total deposit minus $2500 tax refund) and is included in the large deposit calculation. The unsourced $500.00 is only 12.5% of the borrower's monthly income therefore it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire $20,000 balance in the borrower's bank account may be used for underwriting purposes. 2. The same borrower has a deposit of $3,000 but only $500 is documented as the borrower's tax refund (sourced) leaving $2,500 has unsourced. In this example the unsourced $2,500 is 63% of the borrower's $4,000 monthly income which does meet the definition of a large deposit. The unsourced $2,500 must be deducted from the borrower's $20,000 bank account balance leaving $17,500 that may be used for underwriting purposes. 3. The same borrower has 3 separate unsourced deposits of $1800 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than $2,000 (50% of $4,000) however at underwriter discretion sourcing/documentation may be required. • Funds from outside the United States that will be needed for closing are eligible subject to the following requirements: - Funds must be transferred into a U.S. financial institution (cannot go directly to closing agent/escrow) and funds must be verified in U.S. dollars prior to loan closing, **OR** - The combined value of the assets must be at least 20% greater than the amount from these assets need for closing, **AND** - All documents of foreign origin must be filled out in English or the originator must provide a translation, attached to each page that warrants the translation is complete and accurate, **AND** - All foreign currency amounts must be converted to U.S. dollars at the time of translation

Assets Used for Repayment of Obligations	Assets may be used as the source for repayment of monthly obligations subject to the following: • The transaction involves a 1-2 unit primary residence or second home, **and** • Eligible on purchase and rate/term refinance transactions **only**, **and** • Maximum 80% LTVCLTV **Types of Assets Eligible for Repayment of Obligations** • **Retirement Assets** - ***Eligibility*:** - The retirement asset must be in a retirement account recognized by the IRS (e.g. IRA, 401(k) account, etc.), **and** - The borrower must be the sole owner of the account and the account is fully vested - The account is not currently used as a source of income by the borrower, **and** - As of the Note date, the borrower has access to withdraw the funds in their entirety **without being subject to a penalty or additional early distribution tax** (less any portion pledged as collateral for a loan or otherwise encumbered) - ***Documentation*:** - Documentation evidencing the account meets the above requirements must be provided along with the most recent account statement for the retirement account • **Lump-Sum Distribution (Funds Not Deposited in an Eligible Retirement Asset)** - ***Eligibility*:** - The lump-sum distribution funds must be from a retirement account recognized by the IRS (e.g. IRA, 401(k) account) and must be deposited into a depository or non-retirement securities account, **and** - The borrower on the mortgage must have been the recipient of the lump-sum distribution, **and** - Any party that has an ownership interest in the account holding the lump sum payment must also be obligated on the mortgage or the funds are ineligible, **and** - The entire amount of the funds from the lump-sum distribution must be immediately accessible and **cannot have been or currently be subject to a penalty or early distribution tax** - ***Documentation*:** - Documentation evidencing all of the following required: - Receipt and type of lump-sum distribution funds (e.g. employer distribution letter(s), or check-stub(s), or IRS 1099-R), **and** - The funds were derived from an eligible retirement asset, **and** - The funds were not, or are currently not, subject to a penalty or early distribution tax

Assets Used for Repayment of Obligations (cont.)	• **Depository Accounts and Securities** - ***Definitions*** - Depository accounts are defined by Freddie Mac as accounts used to deposit and withdraw cash (e.g. checking, savings, money market, certificates of deposit, etc.) - Securities accounts are defined by Freddie Mac as accounts that are traded on an exchange or marketplace (e.g. stocks, vested stock options, bonds, mutual funds, U.S. government securities, etc.) - ***Eligibility*** - The borrower must be the sole owner of the asset or, if owned jointly, the joint owner must also be a borrower on the loan and/or on title to the subject property, **and** - At least one borrower who is an account owner **must be at least 62 years old**, **and** - As of the Note date, the borrower has access to withdraw the funds in their entirety **without being subject to a penalty or additional early distribution tax** (less any portion pledged as collateral for a loan or otherwise encumbered), **and** - The account must be located in as U.S. or state regulated financial institution and the funds must be verified in U.S. dollars - ***Documentation*** - Documentation evidencing the account meets all of the above requirements, **and** - An account statement covering one or two months as required by LPA, **and** NOTE: For securities only if the borrower does not receive a stock/security statement evidence the borrower owns the security and verification of the value of the stock using stock prices from a financial publication or web site is acceptable - Any deposit exceeding 10% of the borrower's total eligible assets in depository and/ or securities account must be verified to ensure the deposit does not include gifts or borrower funds. If verification cannot be provided the borrower's eligible assets must be reduced by the amount of the deposit. NOTE: If the source of the deposit can be clearly identified on the account statement (e.g. direct deposit, etc.) no further documentation is required. • **Assets from the Sale of the Borrower's Business** - ***Eligibility*** - The borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited in the depository or non-retirement securities account (see definitions under Depository Accounts and Securities account above), **and** - The borrower must be the sole owner of the account where the proceeds from the sale of the business is deposited or, if owned jointly, the joint owner(s) must also be a borrower on the loan or the funds are ineligible - The entire proceeds from the sale of the business must be immediately accessible, **and** - The sale of the business cannot have resulted in any of the following - Retention of business assets, **or** - Existing secured or unsecured debt, **or** - An ownership interest, **or** - Seller-held notes to buyer of the business - ***Documentation*** - The most recent three months' depository or securities account statements, **and** - Copy of the contract for the sale of the business, **and** - Copy of the fully executed closing documents for the final sale of the business that includes the sales price and net proceeds, **and** - Most recent tax return for the business prior to the sale of the business, **and** - Evidence that the funds in the non-retirement account that are being used for qualification were derived from the sale of the business

Assets Used for Repayment of Obligations (cont.)	**Calculation of Assets Used for Repayment of Obligations** Asset calculation is determined by taking the net eligible assets (see below) and dividing by 240 months (regardless of loan term) which equals the eligible asset amount: • Net eligible assets divided by 240 months = asset amount eligible for qualification The following must be **subtracted** from the total amount of eligible assets to determine **net assets** used as the basis for the DTI calculation: • Funds required to be paid by the borrower to close the transactions (e.g. down payment, closing costs, etc.), **and** • Any gift or borrowed funds, **and** • Any portion of the assets that are pledged as collateral for a loan or otherwise encumbered
Assumptions	Not allowed
AUS	• LPA "Accept" is required. Documentation requirements are generally determined by LPA. • Manual underwriting is ineligible.
Available Markets	• All 50 states • Guam, Puerto Rico and the Virgin Islands are ineligible.
Borrowers – Eligible	• U.S. citizens • Revocable inter vivos trust that meets Freddie Mac guidelines. Trusts are eligible on: - 1 unit owner-occupied or second home. NOTE**:** Trusts are **ineligible** on 2-4 unit primary residence and investment property. A Power of Attorney is ineligible with an inter vivos trust. • Non-U.S. Citizens: Borrowers who are lawful permanent or lawful non-permanent resident aliens are eligible subject to the following: - Freddie Mac does not specify the documentation required to determine if the borrower is legally present in the United States. Homebridge will make the determination of the non-U.S. citizens status on a case-by-case basis using documentation Homebridge deems appropriate - If a borrower is a non-permanent resident alien, Homebridge will determine visa eligibility. Refer to the Visa Eligibility for Non-Citizens (Non-Permanent Resident Aliens) document on the Homebridge website for visa eligibility and documentation requirements - All loans delivered to Freddie Mac require Homebridge to rep and warrant the borrower is legally present in the U.S. - Borrowers with a Deferred Action for Childhood Arrivals (DACA) status, are **not** eligible • All borrowers are required to have a valid social security and meet legal residency documentation requirements •
Borrowers – Ineligible	• Foreign Nationals • Borrowers with diplomatic immunity • Borrowers without a social security number or a number that cannot be validated with the SSA • Borrowers with non-traditional credit • Borrowers that receive Government/Public Assistance Income (Section 8 income) • Borrowers previously convicted of mortgage fraud

Borrower Types	• **Co-Borrower:** - An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt - Signs all loan documents - Income, assets and debt used for loan qualification • **Non-Occupant Borrower**: - An individual, who applies with the applicant, takes title to the property and is liable for the debt but does not live in the property - Signs all loan documents - The non-occupant borrower's income is included in the DTI calculation • **Co-Signer:** - An individual who has no ownership interest in the property, but is liable for the debt - Signs all loan documents (**except** Mortgage/Deed of Trust) - Income, assets, and income are used for qualification - Cannot have an interest in the transaction (seller, builder, real estate broker, etc.) • **Non-Borrowing/Non Purchasing Spouse:** - Generally has no ownership interest in the property and is not liable for the debt. - In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin
Construction to Perm	The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence. • Construction-to-permanent financing can be structured as a transaction with one or two separate closings; **however Homebridge will not provide the construction financing (a one closing transaction).** The borrower must hold title to the lot, which may have been previously acquired or be purchased as part of the transaction. • All construction work, including any work that could entitle a party to file a mechanics' lien or materialmen's lien, must be completed and paid for, and all mechanics' liens, and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Homebridge. Homebridge will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to-perm mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Homebridge will retain a certificate of occupancy or an equivalent from the applicable government authority. • Units in a condo project are not eligible for construction-to-permanent financing. **Two-Closing Transactions** • The first closing is to obtain the interim construction financing (and may include the purchase of the lot). **Construction financing is not eligible through Homebridge.** • The second closing (aka "end" loan) is to obtain the permanent financing upon completion of the improvements **and is eligible** through Homebridge. • A modification may not be used to update the original Note; a new Note must be completed and signed by the borrowers. • The borrower is underwritten based on the terms of the permanent mortgage. • Transactions are subject to the limited cash-out and cash-out refinance maximum LTV/CLTV/HCLTV ratios, as applicable. • Cash-out refinance transactions require the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage. • All other standard cash-out refinance eligibility and underwriting requirements apply.

Contingent Liabilities	• **Business Debt** - Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business. - Business debt does **not** need to be considered as part of the borrower's individual recurring monthly debt when: - The account does not have a history of delinquency, **and** - Documentation is provided that the debt was paid from the borrower's business funds (e.g. 12 months cancelled business checks), **and** - The tax returns evidence that the business expenses associated with the debt (e.g. interest, lease payments, taxes, insurance, etc.) have been reported and support that the debt has been paid by the business If documentation of payment from the business funds cannot be provided, or there is history of delinquency on the account the debt must be considered as part of the borrower's individual recurring debt obligation. • **Co-Signed Debt - Mortgage** - Co-signed debt is **not required** to be included in the borrower's DTI calculation if all of the following applies: - The debt is current and the other party has been making the entire payment for the most recent 12 months, **and** - The party making the payments **is obligated** on the Note for the mortgage, **and** - The borrower is **not** on the title of the mortgaged property, **and** - 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower), **and** - The party making the payment is not an interested party to the subject transaction - Co-signed debt must **be included** in the borrower's DTI calculation if all of the above requirements are not met. Refer to the Credit - Installment/Revolving/Student Loan topic for non-mortgage debt paid by others • **Assumed Mortgage Debt** - The monthly payment may be excluded from the DTI calculation if there is evidence the borrower no longer owns the property and a copy of the fully executed assumption agreement is provided • **Court Ordered Assignment of Debt** - Debt that has been assigned by order of the court is **not** required to be included in the borrower's DTI calculation. A copy of the court order is required.

Conversion of Principal Residence or Pending Sale	• **Pending Sale**: - If the borrower is purchasing a new primary residence, and the current primary residence is pending sale and the transaction will not close prior to the new transaction, the following is required: - The borrower is qualified using their current PITIA and the proposed PITIA (principal, interest, taxes, insurance, and other assessments). The PITIA payment for the current property (pending sale) may be excluded from the DTI calculation when one of the following is provided: 1. An executed sales contract is provided. If the sales contract includes a financing contingency the following is required: - Evidence the financing contingency has been cleared, **or** - A lender's commitment to the buyer of the property pending sale; **OR** 2. An executed buyout agreement that is part of an employer relocation plan where the employer/relocation company takes responsibility for the outstanding mortgage. - Reserve requirements are per LPA • **Conversion to Second Home**: - The borrower is qualified using the PITIA payments for both properties. - Reserve requirements are per LPA • **Conversion to Investment Property:** - Reserve requirements are per LPA - Standard rental income requirements apply. Refer to the Investment Property Requirements topic for details.
Credit History	• Trade line requirements per LPA Feedback Certificate. • Authorized user trade lines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history.

Credit - Installment/Revolving	All debts will be run through LPA to ensure accurate LPA Feedback Certificate. Documentation of all monthly liability payment amounts must be included in the loan file • **Installment Debt** - Installment debt is considered as a recurring monthly debt obligation and included in the borrower's long-term debt when there are more than 10 months payments remaining. - Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations. If installment debt is excluded based on ≤ 10 months remaining the credit report or other documentation must be provided that reflects ≤ 10 months payments remaining NOTE: **All lease payments** (auto, furniture, appliances, etc.) **regardless of the number of payments remaining**, must be included in the borrower's monthly debt (only solar panel lease payments may be excluded subject to the below) - Lease payments for solar panels may be excluded as follows: - If the lease provides for delivery of a specific amount of energy for an agreed upon payment during the given period **and** - Includes a production guarantee under which the borrower is compensated on a prorated basis when the energy produced by the solar panels is less than the level required in the lease agreement, **or** - Payments for solar panels subject to a PPA or similar type of agreement may be excluded if the payment is calculated based only on the generated energy - A copy of the lease agreement or PPA must be included in the loan file - If the installment debt payment is not listed on the credit report or is listed as deferred, documentation of the payment amount is required (i.e. direct verification from the creditor, or a copy of the installment loan agreement) • **Revolving Debt** - Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following: - If the monthly payment is not included on the credit report or no other documentation indicating the actual payment is available, 5% of the outstanding balance will used to determine the monthly payment. The actual payment must be used if known. - If the revolving account is to be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio. - If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified. - If the revolving account is to be paid off at closing, the payoff must be shown on the Closing Disclosure. • **Open 30 Day Charge Account** Open 30 day charge accounts require sufficient assets to pay off the debt in order to be excluded from the debt ratio. If the monthly payment must be included in the DTI calculation the actual payment, from the credit report or documentation verification will be used. If the actual payment is not known, 5% of the outstanding balance will be used. • **Alimony/Child Support/Separate Maintenance Payments** - Alimony/child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or other legal document must be included in the borrower's monthly debt obligations if they will continue for > 10 months. A copy of the documentation stating the payment amount must be included in the loan file. - If the payment due is excluded based on ≤ 10 months remaining the credit report or other documentation must be provided that reflects ≤ 10 months payments remaining - Voluntary payments are **not required** to be considered in the DTI calculation.

Credit - Installment/Revolving (cont.)	• **Debt Paid by Others – Non-Mortgage** When the borrower is obligated on non-mortgage debt (i.e. installment loans, revolving accounts, lease payments) but is **not** making the payment the debt may be excluded from the DTI calculation subject to the following: - The other party has been paying the entire monthly payment for a minimum of 12 months (the other party is **not** required to be obligated on the debt) - 12 months cancelled checks or bank statements from the party making the payments are required to document 12 months' pay history. NOTE: The above does **not apply** if the party paying the debt is an interested party to the subject transactions. • **IRS Tax Payment Plans** Borrowers in a valid payment plan are eligible subject to the following: - A Notice of Federal Tax Lien has **not** been filed in the county where the subject property is located, and - Copies of the approved IRS installment agreement that includes the repayment terms, including the monthly payment amount and the total amount due, **and** - The borrower has made a minimum of 1 months' scheduled payment and documentation of the payment(s) is required prior to disbursement of the new loan, **and** - A satisfactory payment history is required for all payments that have been made under the repayment plan and the borrower must be current (i.e. if 5 months payments have made as part of the repayment plan then all 5 months payments must be paid as agreed). Acceptable evidence of the payment history includes the most recent payment reminder from the IRS, reflecting the last payment amount and the date of the next payment amount owed and the due date, **and** - The payment must be included in the DTI calculation NOTE: If a tax lien **has been filed** the lien must be paid off prior to close • **Student Loans – Repayment, Deferment, Forbearance** All student loans payments must be included in the DTI calculation when there are more than 10 months of payments remaining. The following applies: - **Payment Amount greater than Zero**: If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report or other documentation provided, **OR** - **Payment Amount Zero:** If the monthly amount reported on the credit report is zero, use 0.5% of the outstanding loan balance as reported on the credit report • **Student Loans – Forgiveness, Cancellation, Discharge, Employment-Contingent** A loan in one of these categories may be **excluded** from the DTI if documentation is provided that indicates the following: - The loan has 10 months or less of payments remaining until the full balance of the loan is forgiven, cancelled, discharged or, if employment-contingent, paid, **OR** - The monthly payment is deferred or in forbearance and the full balance of the student loan will be forgiven, cancelled, discharged, or, if employment-contingent, paid at the end of the deferment or forbearance period, **AND** - The borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program. Evidence of eligibility/approval must be provided by the student loan program or the employer

Credit Report/Scores	• Credit score per LPA Findings **NOTES**: A minimum of 3 tradelines must be used to generate a credit score for the credit score to be usable Any debt not reported on the credit report requires documentation that it has been paid satisfactorily • Homebridge will re-issue a credit report when provided by a Homebridge **approved** Freddie Mac credit vendor. - Approved vendors include: - Credit Plus - CIS - Credit Technologies - CBC Innovis - Equifax - Universal Credit Services - Credit reports provided by a Freddie Mac credit vendor **not approved** by Homebridge will require Homebridge to re-pull credit. • A tri-merged credit report is required for all borrowers NOTE: Borrowers with frozen credit, no more than one of the national credit repositories can have frozen credit information • The representative credit score is determined as follows: - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. - If there are two (2) valid scores, the lower of the two is used - If there is one (1) valid score, that score is used The representative score for the loan is the lowest representative score for all borrowers. • The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 90 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not) • The credit report must be dated within 120 days of the Note date
Credit Report/Scores Not All/No Borrowers Have a Usable Credit Score	**Not All Borrowers Have a Usable Credit Score** When not all the borrowers have a usable credit score, but at least one does, the following applies: • The transaction must be a purchase or rate/term refinance, • The property securing the loan must be a 1-unit primary residence and all borrowers must occupy the property • If the borrower(s) **without** a usable credit score contributes **more than 50%** of the total monthly income the following applies: • **Each borrower** without a usable credit score must have a minimum of 2 payment references in the U.S. from noncredit payment references and/or tradelines not appearing on the credit report. The payment references must have existed for at least the most recent 12 months **NOTE**: If 2 or more borrowers have the same payment references, the references may count for each borrower • **Housing Payment History Reference: At least one** borrower without a usable credit score **must have** a housing payment history as one of the payment references - 0x30 payment history for the most recent 12 months required, or if less than 12 months, 0x30 for the length of the payment history. If more than one borrower has a housing payment history, **each** housing history must be verified and meet the 0x30 in 12 months requirement • **Other Payment History References:** - No more than one payment reference may have a 1x30 in most recent 12 months, **and** - 0x60 in most recent 12 months for **all** payment references - Borrowers without a usable credit score cannot have any collections (excluding medical), judgments, or tax liens filed in the most recent 24 months - All payment references must be documented, meet Freddie Mac requirements applicable to written verifications, and meet age of documents requirements

Credit Report/Scores **Not All/No Borrowers Have a Usable Credit Score** (cont.)	**No Borrower Has a Usable Credit Score** When no borrower has a usable credit score the following applies: • The transaction must be a fixed rate purchase or rate/term refinance, • The property securing the loan must be a 1-unit primary residence **and** all borrowers must occupy the property, • Maximum 95% LTV/CLTV, • Conforming loan amounts only, • The borrower(s) cannot have any collections (excluding medical), judgments, or tax liens filed in the most recent 24 months, • **Each borrower** must have a minimum of 2 payment references in the U.S. from noncredit payment references and/or tradelines not appearing on the credit report. The payment references must have existed for at least the most recent 12 months **NOTE**: If 2 or more borrowers have the same payment references, the references may count for each borrower • **Housing Payment History Reference: At least one** borrower **must have** a housing payment history as one of the payment references - 0x30 payment history for the most recent 12 months required, or if less than 12 months, 0x30 for the length of the payment history. If more than one borrower has a housing payment history, **each** housing history must be verified and meet the 0x30 in 12 months requirement • **Other Payment History References:** - No more than one payment reference may have a 1x30 in most recent 12 months - All payment references must have 0x60 in most recent 12 months • All payment references must be documented, meet Freddie Mac requirements applicable to written verifications, and meet age of documents requirements • At least one borrower must participate in a homeownership education program prior to the Note date and documentation of completion must be provided. The following options are eligible to satisfy the homeownership education requirement: 1. Education/counseling programs developed by: - HUD Approved Counseling Agencies, - Housing Finance Agencies (HFAs), or - Community Development Financial Institutions (CDFIs) 2. Homeownership education programs developed by mortgage insurance companies or other provider programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com) 3. Freddie Mac's free online CreditSmart curriculum provided the borrower completes **all** of the following modules under the ***CreditSmart – Homebuyer U*** - Overview and Introduction of the Homebuying Process - Managing Your Money - Your Credit and Why it is Important - Getting a Mortgage - Finding a Home and Closing on a Loan - Preserving Homeownership ***Documenting Homeownership Education/Counseling*** • **Option 1 or 2**: If the borrower completes one of the programs under Options 1 or 2 above completion of the program must be documented with: - Freddie Mac Exhibit 20 Homeownership Education Certification or similar document signed by the counselor • **Option 3:** If the borrower completes Option 3, CreditSmart – Homebuyer U completion of the program must be documented with: - The Certificate of Completion generated by CreditSmart once the borrower successfully completes the final quiz

<table>
<tr>
<td>Deed / Resale Restrictions</td>
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Properties with age related restrictions (55+ communities) are eligible subject to Freddie Mac requirements. All other properties subject to deed/resale restrictions are ineligible.

If the resale restriction terminates upon foreclosure, at the end of any foreclosure redemption period (if applicable), or at the time a deed-in-lieu of foreclosure is recorded the following applies:

The appraisal must reflect the market value of the property without the resale restriction
The seller of the property must ensure the borrower and the appraiser are aware of the resale restriction and must advise the appraiser the statement below must be included in the appraisal report:

"This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure."
The requirement for the appraiser to provide two comparable sales with similar resale restrictions no longer applies. The appraiser is only required to state the existence of the resale restriction and note any impact the restriction may have on the property's value and marketability
The applicable LTV/CLTV/HCLTV is determined using the appraised value

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<tr>
<td>Derogatory Credit</td>
<td>
Derogatory credit waiting periods subject to the following:
<table>
<tr><th>Derogatory Event Type</th><th>Waiting Period Requirements*</th></tr>
<tr><td>Bankruptcy – Chapter 7, 11, 13</td><td>Per LPA</td></tr>
<tr><td>Foreclosure</td><td>Per LPA</td></tr>
<tr><td>Deed-in-Lieu of Foreclosure</td><td>Per LPA</td></tr>
<tr><td>Short Sale</td><td>Per LPA</td></tr>
</table>
*Measured from the applicable event end date to application date

Judgments and Tax Liens
Must be paid prior to close

Delinquent Child Support
Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review.
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<tr>
<td>Down Payment Assistance</td>
<td>Ineligible</td>
</tr>
<tr>
<td>DTI</td>
<td>

Per LPA with an "Accept" approval
All borrower liabilities must accurately be entered into LPA
The monthly housing expense (mortgage or rent) is based on the full monthly payment amount for the property including, for a mortgage, the principal and interest, hazard insurance, taxes, and, as applicable, mortgage insurance premium, flood insurance, leasehold payment, HOA dues, payment on any secondary financing, HELOC payment, bridge loan payment (if applicable) and any special assessments with more than 10 monthly payments remaining

The above guidance, as applicable, also applies to any other properties the borrower owns

NOTE: HEOC payment must be included when there is an outstanding balance. If the payment amount is not included on the credit report or documentation cannot be provided of the payment amount, 1.5% of the outstanding balance will be used as the payment amount

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</table>

Employment – General Requirements	• A two year employment history is generally required for both wage earner and self-employed borrowers for the income to be considered stable. Refer to the Employment History topic below for examples of when a less than 2-year history may be considered NOTE: A 2-year history does not apply to military personnel. • Self-employed borrowers with a 12-24 month history of self-employment may be eligible subject to Homebridge management review and the following: - Borrower has a documented 2 year history of receipt of income at the same or greater level in a field that provides the same products or services as the current business or an occupation with similar responsibilities as the current business, **and** - The borrower's level of experience and the amount of business debt will be considered, **and** - The service or product provided are well accepted in the market The underwriter must review a YTD financial statement for the business and/or the most recent 3 months bank statements to determine if the income is stable. • A verbal verification of employment (VVOE) is required within the 10 **business** days **prior** to the Note date for salaried borrowers and within the 30 calendar days **prior** to the Note date for self-employed borrowers. • A military Leave and Earnings Statement dated within the 120 days prior to the Note date is acceptable for active duty military in lieu of a VVOE. • A current paystub with YTD income and most recent W-2s are required for wage earners. • Self-employed borrowers require verification of the business by a third party source (e.g. CPA, **or** Federal Tax ID Certificate, **or** Business License, etc.). Self- employed borrowers are individuals who have 25% or greater ownership interest in a business. • **Employment Contracts**: - ***Educational Fields***: The income identified on a renewable or term employment contract for the educational industry, (e.g. teachers) may be considered stable monthly income and likely to continue as long as there is no documentation in the file to indicate otherwise. - ***Other Industries (Non-educational):*** The income identified on an employment contract may considered stable monthly income if employment contracts are reasonably common to the particular employment field and/or region as long as the borrower has a document ability maintain consistent employment and income with the form or similar form of income identified on the contract for the most recent 2-years. • **Employment and Income Commencing After the Note Date**: Income from new employment or a salary increase from the borrower's current employer may be considered stable monthly income subject to the following: - A copy of the non-contingent offer letter, that includes the terms of employment and income, that is signed by the borrower indicating acceptance - Refer to Income Commencing After the Note Date in the "**Income"** topic for complete requirements.
Employment History	If a borrower has less than a 2-year employment history, the Homebridge Underwriter must determine the stability of the income by reviewing the income and/or employment characteristics and the overall loan risk factors including the borrower's demonstrated ability to repay. The justification for allowing < 2-years employment must be included in the loan file. Examples of < 24 months income that may be acceptable, include, but are not limited to: **Newly Employed** The income earned by a borrower with less than a 2-year employment history may be used for qualifying if documentation is provided the borrower was attending school or in a vocational/ training program immediately prior to their current employment. **Re-Entering the Workforce** If the borrower is re-entering the workforce after an extended absence, for any reason, the employment may be considered stable if documentation is provided to support a stable employment history that directly preceded the extended absence. **Gaps in Employment** Any gaps in employment (> 30 days) the borrower must provide documentation explaining the circumstances surrounding the gap **Fluctuating Hourly Employment** If a borrower's income is derived from fluctuating hourly employment earnings, the borrower must have a **minimum of 12 month employment history**; less than 12 months is not allowed

Escrow Holdbacks	Homebridge offers the Home Fixer-Repair Escrow Option Program which allows escrow holdbacks subject to the following: • Repairs cannot affect the safety or habitability of the property • Repair work is limited to a maximum of $5,000 • An estimate from a licensed contractor or qualified professional is required, detailing all repairs • Homebridge will hold 1.5 times of the repair estimate. Borrower's using their own funds to establish the escrow holdback account must have sufficient documented assets to cover the down payment, closing costs and escrow holdback funds. • All repairs must be completed within 14 calendar days of closing and the final inspection must be completed within 72 hours of completion. NOTE: Properties that do not meet the "average condition" appraisal requirement may be eligible for an Escrow holdback. If an escrow holdback is approved, the appraiser must confirm the work completed will bring the property up to average condition.
Escrow/Impound Account	• > 80% LTV required unless prohibited by state law; CA transactions ≥ 90% LTV • < 80% LTV not required; refer to rate sheet for pricing adjustment **Reminder**: If flood insurance is required, escrow/impounds are required **regardless of LTV;** escrows **cannot** be waived
Financed Properties	• Owner-occupied properties: Unlimited • **Second home and Investment**: - Maximum of ten (10) 1-4 unit properties on which the borrower(s) are **personally obligated** (e.g. Notes, land contracts and/or any other debt or obligations) including subject and borrower's primary residence are included when calculating the number of financed properties. **NOTE: The calculation applies to each borrower individually and all borrowers collectively** - Reserve requirements are determined by the number of financed properties**. LPA will provide the amount of reserves required to be verified in the LPA Feedback Certificate** - **One to Six Financed Properties**: If the borrower(s) has 1-6 financed properties the following applies; - The borrower must have two (2) months of PITIA payments for each financed property in reserves - **Seven to Ten Financed Properties**: If the borrower(s) has 7-10 financed properties the following applies: - A minimum 720 credit score is required, and - The borrower must have eight (8) months of PITIA payments for each property in reserves **The following are not included** in the number of financed properties calculation: • Commercial real estate, • Multifamily property (5 or more units), • Property held in the name of the borrower's business provided the borrower is not personally obligated on the Note, land contract and/or any debt or obligation related to the property, • Property titled in the name of a trust where the borrower is the trustee provided the borrower is not personally obligated on the Note, land contract and/or any debt or obligation related to the property, • Timeshare, • Vacant residential lot, • Manufactured home on leasehold estate not titled as real property. • Homebridge limits its exposure to a maximum of 4 loans per borrower

<table>
<tr><td>Gift Funds</td><td>
• Gift funds, from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements as long as the borrower meets the minimum contribution requirements.
• Borrowers are required to make a 5% minimum down payment from borrower own funds on:
  - 1-unit second home and the LTV/CLTV/TLTV is > 80%
• Gift funds are not allowed on investment transactions.
• Gift funds may be provided by any of the following:
  - A relative, defined as the borrower’s spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or
  - A fiancé or fiancée, or domestic partner.
• The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction.
• The gift must be evidenced by a gift letter, signed by the donor and it must:
  - Specify the dollar amount,
  - Be signed by the donor and the borrower,
  - Specify the date the funds were transferred,
  - Indicate the donor(s) name, address, phone number, and relationship to the borrower, and
  - Include a statement by the donor that no repayment of the gift funds is expected.
• The transfer of the gift funds must be documented. Gift funds must be transferred directly from the donor’s financial institution account to the borrower’s account or to the settlement/closing agent except as noted below under gift funds for earnest money deposit. Acceptable documentation includes:
  - Copy of the donor’s cancelled check and the borrower’s deposit slip
  - Copy of the donor’s withdrawal slip and the borrower’s deposit slip
  - Copy of the donor’s check to the closing agent, or
  - The settlement statement showing receipt of the donor’s check.
  NOTE: Funds transferred using a third-party money transfer application or service (e.g. Venmo, Zelle, PayPal, etc.) are acceptable as long as documentation is provided showing the funds went directly from the donor’s account to the borrower’s account or to the settlement/closing agent
• Gift funds for earnest money deposit: When gift funds are provided for the earnest money deposit, the donor may transfer the funds directly to the real estate agent or builder. The transfer of funds to the earnest money deposit holder must be documented. Acceptable documentation includes:
  - Copy of the cancelled check/cashier’s check, or
  - Wire transfer confirmation
• If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier’s check, other official check, or wire transfer confirmation
</td></tr>
<tr><td>Gift of Equity</td><td>
If the requirements below are met, the gift of equity is not subject to the interested party contribution requirements:
• Allowed from an immediate family member only.
• Eligible on primary residence and second home purchase transactions.
• A gift letter must be provided (refer to gift funds above for gift letter requirements).
• The Closing Disclosure must indicate “gift of equity”.
</td></tr>
<tr><td>Higher Priced and High Cost Loans</td><td>
• Higher priced mortgage loans (HPML) are eligible subject to the following:
  - Establishment of an escrow account for taxes and insurance on primary residence transactions, and
  - The loan must meet all applicable and/or federal compliance requirements, and
  - The loan must be fixed rate
• High cost loans are ineligible
</td></tr>
</table>

Income	• Income documentation is determined by LPA however, at underwriter discretion, additional documentation may be required. NOTE: The use of assets to pay obligations is eligible. Refer to the Assets Used for Repayment of Obligations topic for details • **Wage Earner Borrowers**: **Applies to Loans with a Note Date Prior to November 12, 2021** - At minimum, a current paystub with YTD earnings and the most recent W-2 is required **Applies to Loans with a Note Date On or After November 12, 2021** - At minimum, a current paystub with YTD earnings, **dated no more than 30 days prior to the application date**, and the most recent W-2 is required • **Self-Employed Borrowers Tax Return Requirements:** - An income analysis (Freddie Mac Form 91 or similar) must be completed for self-employed borrowers - **Businesses operating 5 or more years:** - 1 year of tax returns (business and personal) is required. The tax returns must reflect **a full 12 months self-employment income.** Example: If 2016 tax returns used for qualification, documentation must be provided the borrower's business was in existence **on or before** 12/31/15 to meet the full 12 months self-employment requirement. Refer to the Employment topic for length of self-employment requirements and to the Self-Employed Documentation Requirements topic required documents - **Businesses operating < 5 years**: - 2 years of tax returns (business and personal) are required. Copies of the most recent 2 years signed federal individual and business tax returns with all schedules. • **Self-Employed - Profit and Loss Statements** - A year-to-date Profit & Loss (P&L) statement and balance sheet are required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower (borrower prepared is acceptable) NOTE: A balance sheet is **not** required for Schedule C borrowers - Additionally, if the income used to qualify the borrower exceeds the two year average of tax returns, an audited P&L or signed quarterly tax returns obtained from the IRS are required

Income (cont.)	

- **Self-Employed Documentation Requirements**
  - **Partnerships/S Corp/Corporations**: Tax returns must indicate the number of years the business has been in existence
- **Sole Proprietorship**: Any documentation provided must not contradict the information provided on the loan application regarding the number of years the business has been in existence.

Business Structure	Business Operating ≥ 5 years	Business Operating < 5 years
Sole Proprietorship (100% Owner)	Signed individual federal tax return for most recent year	Signed individual federal tax returns for most recent 2 years
Partnership	Signed individual and business federal tax returns (Partnership IRS Form 1065) including K-1s for the most recent year	Signed individual and business federal tax returns (Partnership IRS Form 1065) including K-1s for the most recent 2 years
S Corp	Signed individual and business federal tax returns (S-corp IRS Form 1120S) including K-1s, Form 1125-E and W-2s for the most recent year	Signed individual and business federal tax returns (S-corp IRS Form 1120S) including K-1s, Form 1125-E and W-2s for the most recent 2-years
Corporation	Signed individual and business federal tax returns (Corporation IRS Form 1120) including K-1s, Form 1125-E and W-2s for the most recent year	Signed individual and business federal tax returns (Corporation IRS Form 1120) including K-1s, Form 1125-E and W-2s for the most recent 2-years

Rental income and expenses reported on Rental Real Estate Income and Expenses of a Partnership or an S Corporation (IRS Form 8825) will be treated as self-employment income, regardless of whether or not the borrower is personally obligated on the Note

Income (cont.)	
Income (cont.)	**Self-Employed Borrowers – Applications Dated On/After June 11, 2020** Additional documentation is required for self-employed borrowers with an application dated on or after June 11, 2020. Refer to the Income – Additional Documentation Requirements for Self-Employed Borrowers: Applications Dated on/after June 11, 2020 topic for details **OR** **Self-Employed Borrowers – Applications Dated On/After December 14, 2020** Additional documentation is required for self-employed borrowers with an application dated on or after December 14, 2020. Refer to the Income – Additional Documentation Requirements for Self-Employed Borrowers: Applications Dated on/after December 14, 2020 topic for details **Temporary Leave** • Temporary leave is generally short in duration and is used for circumstances such as family and medical reasons, maternity, short-term disability, etc. The income from a borrower who is on temporary leave is eligible for qualification subject to the following: - The borrower's employment and income meet standard eligibility requirements, - The borrower must provide written confirmation of the intent to return to work and indicate the return date, - Documentation must be provided verifying the borrower's pre-leave income (i.e. regular base pay, commission, bonus income, etc., as applicable) - Documentation generated by the employer confirming the borrower's eligibility to return to work after the leave (e.g. employer-approved leave request, Family Medical Leave Family, etc.). Documentation may be provided by the employer or a third party vendor. - The borrower must demonstrate their ability to repay the mortgage and all other monthly obligations. Calculation of the income is as follows: - Borrower **returning to work** by the first mortgage payment due date: The borrower's pre-leave gross monthly income is used for qualifying - Borrower **is not returning to work** by the first mortgage payment due date: - The temporary leave income that will be received for the duration of the leave, or - In the event the temporary leave income is reduced or interrupted the temporary leave income may be combined with the borrower's available liquid assets. NOTE: Assets required for down payment, closing/financing costs, prepaids/escrows and reserves are ineligible to use for qualification. - The total qualifying income cannot exceed the borrower's pre-leave gross monthly income - In addition to the documentation noted above, the following documentation is also required for borrower's returning to work after the first mortgage payment is due: - Documentation evidencing the amount, duration and consistency of all temporary leave income sources used to qualify the borrower (e.g. short-term disability, insurance, sick leave benefits, temporarily reduced income from the employer, etc.) that is being received by the borrower during the leave, **and** - Documentation that substantiates and verifies any liquid assets used to supplement the reduced income due to the leave, **and** - A written statement from the underwriter explaining the analyses used to determine the qualifying income. **Union Workers** • Union workers are subject to the following: - Union workers employed full time through their employer and has a W-2, employment verification is per LPA Feedback Certificate. - Union workers employed through the union (i.e. contract employees, tradesmen) and/or receive variable sources of income from assigned union jobs, additional verification may be required to evidence stability of employment/income (e.g. 2 years tax returns) • **Rental Income:** Rental income is eligible for qualifying subject to requirements detailed under the Investment Property Requirements topic. • **Employment Contracts:** - **Educational Field:** If the borrower provides an annually renewable or term contract, and it is reasonable to assume it continuance, there are no unique requirements if the borrower is in the educational field (e.g. teacher) (continued on next page

Income (cont.)	**Employment Contracts** (cont.) - **Non-Educational Fields**: An employment contract is eligible to document stable monthly income, when the employment contract is common for the type of employment field and/or the region. The pay structure must be detailed in the contract and the borrower has demonstrated the ability to maintain consistent employment and income with this form or similar form of pay structure over the most recent 2 years. - If the contract does **not** detail the non-fluctuating base pay structure documentation of a 2-year history of income and employment in the same field or similar field/industry must be obtained. • **Income Commencing After the Note Date**: Borrowers starting new employment or receiving a future salary increase from their current employer are eligible subject to Homebridge management approval **Other Sources of Income** • Other sources of income are eligible for qualifying the borrower. LPA determines the documentation, verification and continuation requirements for other sources of income. • Freddie Mac requires **a 2 year consecutive history of receipt**, with 3 years likely continuance, on the following types of income when used for qualifying: - Capital gains, - Commission, bonus income, overtime, - Foster care, - Tip income, - Automobile allowance, - Dividend and interest documented by signed individual federal tax returns - Income from a second/additional job and seasonal employment • **Tax exempt/non-taxable income** is eligible subject to the following (see tax exempt social security income below for social security income requirements): - A history of receipt **not** required - The income must be likely to remain tax exempt - The amount that may be grossed-up is determined using: - 25% of the tax exempt portion of the income, **OR** - The current federal and state income tax withholding table - A copy of the borrowers most recent tax return or other documentation evidencing the income, or a portion of the income, is tax exempt • **Tax exempt/non-taxable social security income** (i.e. retirement income, disability benefits, survivor benefits, and SSI) is subject to the following: - A history of receipt **not** required - The income must be likely to remain tax exempt - The amount that may be grossed-up is determined using: - 25% of the tax exempt portion of the income, **OR** - The current federal and state income tax withholding table - 15% of the social security income may be grossed up **without obtaining documentation** to validate the portion of the social security income is tax exempt/non-taxable **Exampl**e: If SSI is $1,000 per month it can be grossed up $150 to $1150 without documentation ($1000 x 15% = $150) - If grossing up **more than 15%** of the social security income, to the maximum allowed of 25% for tax exempt income, documentation is required as follows**:** - The borrowers most recent tax return, **or** - Other documentation evidencing the income, or a portion of the income, is tax exempt **Reminder:** Even with documentation the **maximum amount non-taxable/tax exempt income may be grossed up is 25%** (e.g. if SSI is $1,000 per month the maximum it may be grossed up is $250 to $1250 ($1000 x 25% = $1250)

Income (cont.)	• **Restricted Stock (RS) and Restricted Stock Units (RSU)** income is eligible subject to determining the stability of the income and the guidance below. - The stability of the RS and/or RSU income must be determined; the following applies: - An analysis of changes in the company's stock price as well as past and future distributions detailed in a vesting schedule is required - If the YTD earnings are consistent with prior years or trending upward, the applicable calculation, detailed in the charts below, are used to determine eligible monthly income - If the YTD earnings are not consistent (i.e. the value of the vested share distributions has decreased substantially) additional analysis and documentation is required to determine eligibility

Income Type	Requirements
Restricted Stock (RS) and Restricted Stock Units (RSU) Subject to: **Performance-Based Vesting Provisions**	**History of Receipt** • Requires 2 years consecutive receipt • The RS and RSU must be vested and have been distributed to the borrower from their current employer without restriction • Must be likely to continue for a minimum of the next three (3) years (documentation **not** required unless loan file contains information that income no longer received or likely to cease) **Documentation** • YTD paystub which includes YTD earnings including the RS and RSU payouts • W-2s for the most recent 2 years • Evidence the stock is publicly traded • Copy of the RS and/or RSU Agreement **or** offer letter • The current vesting schedule(s) detailing past and future vesting • Evidence of receipt of previous years payouts of RS/RSU (e.g. year-end paystub, employer-provided statement paired with a brokerage or bank statement) showing transfer of shares or funds that at minimum include: - The number of vested shares or its cash equivalent distributed to the borrower (pre-tax) **Calculation** • **RS/RSU Distributed as Shares –** calculate as follows: - Multiply the 52-week average stock price as of the application date by the total number of vested shares distributed (pre-tax) to the borrower in the previous 2 years and divide by 24 *Example*: If 200 vested shares were distributed (pre-tax) in the past 2-years and the 52-week average stock price as of the application date is $10, multiply 200 by $10 then divide by 24 = $83.33 monthly income • **RS/RSU Distributed as Cash Equivalent** - The total dollar amount distributed (pre-tax) from the cash equivalent of vested shares for the previous 2-years is divided by 24

Income (cont.)

Other Sources of Income (cont.)

Income Type	Requirements
Restricted Stock (RS) **Restricted Stock Units (RSU)** **Subject to:** **Time-Based Vesting**	**History of Receipt** • One year minimum • The RS and RSU must be vested and have been distributed to the borrower from their current employer without restriction • Must be likely to continue for a minimum of the next three (3) years (documentation **not** required unless loan file contains information that income no longer received or likely to cease) **Documentation** • YTD paystub which includes YTD earnings including the RS and RSU payouts • W-2 for the most recent year • Evidence the stock is publicly traded • Copy of the RS and/or RSU Agreement **or** offer letter, • The most recent vesting schedule(s) detailing past and future vesting • Evidence of receipt of previous year's payout of RS/RSU (e.g. year-end paystub, employer-provided statement paired with a brokerage or bank statement) showing transfer of shares or funds that at minimum include: - Date(s) of the payout(s), **and** - The number of vested shares or its cash equivalent distributed to the borrower (pre-tax) **Calculation** • **RS/RSU Distributed as Shares –** calculate as follows: - Multiply the 52-week average stock price as of the application date by the total number of vested shares distributed (pre-tax) to the borrower in the past year and divide by 12 *Example:* If 50 vested shares were distributed (pre-tax) in the past year and the 52-week average stock price as of the application date is $10 multiply 50 by $10 and divide that by 12 = $41.67 • **RS/RSU Distributed as Cash Equivalent** - The total dollar amount distributed (pre-tax) from the cash equivalent of vested shares for the past year is divided by12

Income (cont.)	**Other Sources of Income (cont.)** - **Social Security Retirement Income, Long-Term Disability, Survivor and Dependent and Social Security Supplement Security Income (SSI). The following applies:** - Documentation and likelihood of continuance requirements are determined based on the type of benefit as detailed in the table below and on the following page - A history of receipt is **not** required for the income to be considered stable - Refer to the tax exempt guidance for requirements pertaining to the tax exempt portion of social security income

Income Type	Requirements
Retirement **(Social Security/Pension/ Annuity)** Does **not** apply to retirement account distributions; refer to next page for 401(k)/IRA distributions	**Currently Received** • Document the type, source, amount, frequency received with: - Award letter, benefit verification letter, or equivalent documentation • Document current receipt with: - 1 month bank statement, pay statement NOTE: Separate verification of current receipt is not required if the award letter, benefit verification letter verifies current receipt • A 3-year likely continuance is required **NOTE:** Social Security Retirement Benefits**:** Either the benefit verification letter **OR** documentation evidencing receipt may be provided; **both are not required** **Newly Established Benefit** • If newly established the following applies: - Current receipt verification is not required - Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes: - An award letter, benefit verification letter or equivalent documentation - The income must begin prior to or on the first payment due date of the mortgage

Income (cont.)	**Other Sources of Income (cont.)**

Income Type	Requirements
Retirement Account Distributions (401(K)/IRA etc.)	**Eligibility** • The distribution must be without penalty (i.e. early withdrawal penalty), **and** - Document the type, source, amount, frequency received and history of receipt with the most recent retirement account statement, **and** - **Required Distributions**: If distributions are due to the borrower taking the minimum distribution as required by the IRS and evidence of current receipt is documented, history of receipt is not required, **or** - **Non-Required Distributions:** If the distribution is not a required distribution the Underwriter must determine the stability of the income and review the history of receipt as detailed below: - Review the frequency and regularity of receipt - Determine the history of receipt and if that receipt demonstrates a stable pattern - The Underwriter must document the analysis used to determine the eligible qualifying income and include in the loan file, **and** • Documentation that evidences sufficient assets to support the qualifying income for a minimum of three (3) years from the Note date required (the borrower's retirement assets in aggregate may be considered when confirming continuance) **NOTE**: Any retirement assets used to verify continuance **may not** be used as a source of funds for closing or reserves, as a current source of income, or for calculation of assets as a basis for repayment obligations, **and** - Document current receipt with 1 month bank or pay statement **NOTE:** If distributions are not received monthly, (i.e. annual, semi-annual etc.) a copy of the retirement account statement, 1099 or equivalent documentation for each account issuing a distribution that is being used for qualifying, is acceptable to document current receipt

Income (cont.)

Other Sources of Income (cont.)

Income Type	Requirements
Long-Term Disability **(Social Security/VA/Workers Comp/Private Disability)**	**Currently Received** • Document the type, source, amount, frequency received with: - Award letter, benefit verification letter, or equivalent documentation • Document current receipt with: - 1 month bank statement, pay statement **NOTE:** Separate verification of current receipt is not required if the award letter, benefit verification letter verifies current receipt • Continuance may be assumed unless there is a pre-determined insurance/benefit expiration date that is less than 3 years (e.g. stated expiration on a private insurance policy) **NOTE:** Social Security Disability Benefits**:** Either the benefit verification letter **OR** documentation evidencing receipt may be provided; **both are not required** **Newly Established or Future Benefit** • If newly established the following applies: - Current receipt verification is not required - Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes: - An award letter, benefit verification letter or equivalent documentation - The income must begin prior to or on the first payment due date of the mortgage, **OR** - The income may begin **after** the first payment due date subject to: - The borrower is currently receiving short-term disability benefits that will be converting to long-term benefits, **and** - The borrower is qualified on the **lesser** amount of the long-term or short-term disability payments, **and** - The documentation requirements stated above are met

<table>
<tr><td>Income (cont.)</td><td>
Other Sources of Income (cont.)
<table>
<tr><th>Income Type</th><th>Requirements</th></tr>
<tr><td>Survivor/Dependent Benefit
(Social Security/VA or other similar benefits)</td><td>
Currently Received

Document the type, source, amount, frequency received with:
Award letter, benefit verification letter, or equivalent documentation
Document current receipt with:
1 month bank statement, pay statement

NOTE: Separate verification of current receipt is not required if the award letter, benefit verification letter verifies current receipt
A 3-year likely continuance is required
Newly Established Benefit

If newly established the following applies:

Current receipt verification is not required
Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes:
An award letter, benefit verification letter or equivalent documentation
The income must begin prior to or on the first payment due date of the mortgage

</td></tr>
<tr><td>Social Security Supplemental Security Income (SSI)</td><td>
Currently Received

Document the type, source, amount, frequency received with:
Award letter, benefit verification letter, or equivalent documentation
Document current receipt with:
1 month bank statement, pay statement

NOTE: Separate verification of current receipt is not required if the award letter, benefit verification letter verifies current receipt
Continuance may be expected unless there is evidence of a pre-determined expiration date
Newly Established Benefit

If newly established the following applies:

Current receipt verification is not required
Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes:
An award letter, benefit verification letter or equivalent documentation
The income must begin prior to or on the first payment due date of the mortgage

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</td></tr>
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Income – Additional Documentation Requirements for Self-Employed Borrowers: Applications Dated on/after June 11, 2020	**Additional Requirements for Self-Employed Borrowers with Applications Dated On or After June 11, 2020** In addition to the standard self-employed requirements the following applies: **Additional Documentation Requirements** Borrower to provide **one** of the following: • **Audited YTD P&L**: - Must be prepared and signed by a licensed accounting firm; borrower prepared is **not** allowed even if borrower is an accountant or works for accounting firm - The borrower must sign and date the P&L - P&L must cover the most recent month preceding the loan application date, and - The P&L must be dated ≤ 60 calendar days prior to the Note date **OR** • **Unaudited YTD P&L:** - The P&L may be prepared by the borrower or a financial professional and be signed and dated by the borrower - P&L must cover the most recent month preceding the loan application date, - The P&L must be dated ≤ 60 calendar days prior to the Note date, **AND** - Two (2) months **business** bank statements - Bank statements cannot be older than the last two (2) months represented on the YTD P&L (e.g. P&L dated through May 31st, bank statements provided must be from April and May) - Personal bank statements are acceptable when the borrower does not have a business bank account subject to: ▪ All deposits must be specifically identified, to determine which were personal and which were business related ▪ A reasonability test applies. Personal bank statements are only acceptable for smaller businesses; larger businesses with significant income on business tax returns are not eligible to use personal bank statements - Businesses claiming to operate on a cash basis where business or personal bank statements reflect minimal deposits will be subject to additional review and/or documentation and Homebridge management approval - The Note date must be ≤ 60 calendar days from the end of the most recent bank statement **Income Analysis Requirements** The income analysis requirement is determined by the type of P&L provided • **Audited P&L provided**: If an audited YTD P&L, prepared and signed by a licensed accounting firm, was provided no further validation of the is required • **Unaudited P&L provided**: If a YTD unaudited P&L was provided, the P&L must be validated by comparing it to the bank statements: - The revenue, expenses, and net income on the P&L must be reasonably consistent with the deposits and expenses listed on the bank statements. Homebridge will consider a 10% variance reasonable - If the information on the bank statements and the P&L **are consistent, the P&L is considered validated** - If the information is not consistent, additional documentation will be required to validate the unaudited P&L (e.g. month-to-month or quarterly trending reports with additional bank statements) - If the information is not consistent due to the cyclical or seasonal nature of the business, the income still may be eligible if the cyclical/seasonal nature of the business is established and the income is likely to continue without being negatively impacted by COVID-19 closures, stay-at-home orders, etc. For example, additional business bank statements from the same months of the prior year may be provided to establish typical revenue/expenses during the pre-pandemic time frame

<table>
<tr>
<td>Income – Additional Documentation Requirements for Self-Employed Borrowers: Applications Dated on/after June 11, 2020 (cont.)</td>
<td>
Additional Requirements for Self-Employed Borrowers with Applications Dated On or After June 11, 2020 (cont.)
Establishing Income Stability
The following applies once the P&L has been validated:

The validated P&L is compared to the qualifying income (qualifying income is determined by standard self-employment income guidelines) to determine the stability of the business and income. Requirements vary based on the results of the comparison
Income level has NOT declined: The qualifying income is calculated using standard Freddie Mac self-employed income requirements. The P&L (audited or unaudited) is not considered
Income level HAS declined: Additional documentation is required when the income level has declined to determine if it is now stable. The following is required:

A letter of explanation (LOE) provided by the borrower and/or their accountant/CPA is required. The LOE must specifically address:

The decline in income, and
Why they believe the decline has stabilized, and
That the net income is not expected to further decline

If the LOE validates the income is now stable, no more than the current level of monthly income from the P&L can be used for qualifying
If the LOE does not validate the income is now stable, the income cannot be used for qualifying

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<tr>
<td>Income – Additional Documentation Requirements for Self-Employed Borrowers: Applications Dated on/after December 14, 2020</td>
<td>
Additional Requirements for Self-Employed Borrowers with Applications Dated On or After December 14, 2020
(<u>Required</u> with applications dated on/after 12/14/20 however may also be applied to applications dated prior to 12/14/20)
In addition to the standard self-employed requirements the following applies:
Additional Documentation Requirements
Borrower to provide <u>one</u> of the following:

Audited YTD P&L:

Must be prepared and signed by a licensed accounting firm; borrower prepared is not allowed even if borrower is an accountant or works for accounting firm
The borrower must sign and date the P&L
P&L must cover the most recent month preceding the loan application date, and
The P&L must be dated ≤ 60 calendar days prior to the Note date,

OR

Unaudited YTD P&L:

The P&L may be prepared by the borrower or a financial professional and be signed and dated by the borrower
P&L must cover the most recent month preceding the loan application date,
The P&L must be dated ≤ 60 calendar days prior to the Note date, AND
Three (3) months business bank statements

Bank statements cannot be older than the last three (3) months represented on the YTD P&L (e.g. P&L dated through October 31st, bank statements provided must be from August, September, and October)
Personal bank statements are acceptable when the borrower does not have a business bank account subject to:

All deposits must be specifically identified, to determine which were personal and which were business related
A reasonability test applies. Personal bank statements are only acceptable for smaller businesses; larger businesses with significant income on business tax returns are not eligible to use personal bank statements

Businesses claiming to operate on a cash basis where business or personal bank statements reflect minimal deposits will be subject to additional review and/or documentation and Homebridge management approval
The Note date must be ≤ 60 calendar days from the end of the most recent bank statement

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</table>

Income – Additional Documentation Requirements for Self-Employed Borrowers: Applications Dated on/after December 14, 2020 (cont.)	**Additional Requirements for Self-Employed Borrowers with Applications Dated On or After December 14, 2020** (cont.) **(Required with applications dated on/after 12/14/20 however may also be applied to applications dated prior to 12/14/20** **Income Analysis Requirements** The income analysis requirement is determined by the type of P&L provided • **Audited P&L provided**: If an audited YTD P&L, prepared and signed by a licensed accounting firm, was provided no further validation of the is required • **Unaudited P&L provided**: If a YTD unaudited P&L was provided, the P&L must be validated by comparing it to the bank statements: - The gross revenue/gross income on the P&L must be reasonably consistent with the deposits listed on the bank statements. Homebridge will consider a 10% variance reasonable NOTE: **Expenses are not required to be analyzed against the bank statements** - If the information on the bank statements and the P&L **are consistent, the P&L is considered validated** - If the information is not consistent, additional documentation will be required to validate the unaudited P&L (e.g. month-to-month or quarterly trending reports with additional bank statements) - If the information is not consistent due to the cyclical or seasonal nature of the business, the income still may be eligible if the cyclical/seasonal nature of the business is established and the income is likely to continue without being negatively impacted by COVID-19 closures, stay-at-home orders, etc. For example, additional business bank statements from the same months of the prior year may be provided to establish typical revenue/expenses during the pre-pandemic time frame **Establishing Income Stability** The following applies once the P&L has been validated: • The net income on the validated P&L is compared to the qualifying income (qualifying income is determined by standard self-employment income guidelines) to determine the stability of the business and income. Requirements vary based on the results of the comparison • **Income level has NOT declined:** The qualifying income is calculated using standard Freddie Mac self-employed income requirements. The P&L (audited or unaudited) is **not** considered • **Income level HAS declined:** Additional documentation is required when the income level has declined to determine if it is now stable. The following is required: - A letter of explanation (LOE) provided by the borrower and/or their accountant/CPA is required. The LOE must specifically address: - The decline in income, and - Why they believe the decline has stabilized, and - That the net income is not expected to further decline - If the LOE validates the income is now stable, **no more than the current level of monthly income from the P&L can be used for qualifying** - If the LOE **does not** validate the income is now stable, **the income cannot be used for qualifying**
Inspections	• Septic inspections are only required when the appraiser indicates there is evidence the septic system be failing. • Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation • Well inspections are only required when state or local regulations require, or if there is indication the well may be contaminated

<table>
<tr><td>Interested Party Contributions</td><td>
Interested party contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:

Seller,
Builder/developer,
Real estate agent,
Broker, or
Any affiliate of the above who will benefit from the sale of the property and/or at the highest possible sales price.

IPCs can be either financing concessions or sales concessions and include:

Funds paid directly from the interested party to the borrower
Funds that flow from an interested party through a third-party organization, including nonprofit entities, to the borrower,
Funds that flow to the transactions on the borrower’s behalf from an interested party, (includes third party organization and nonprofit agency),
Funds donated to a third party who provides the funds to pay some or all of the closing costs for the transaction.
If the borrower is a realtor purchasing a home, the realtor’s commission funds from the transaction are an acceptable IPC, subject to the limits below, but they cannot be used for down payment, reserves, and/or minimum borrower contribution requirements.

NOTE: Loans funding on or after July 15, 2021: Prorated real estate tax credits, contributed by the property seller in areas where real estate taxes are paid in arrears, are not considered IPCs and are not included in financing concession limits
Interested party contributions are limited as follows:
<table>
<tr><th>Occupancy Type</th><th>LTV/CLTV</th><th>Maximum Allowable Contribution*</th></tr>
<tr><td rowspan="3">Primary Residence
or
Second Home</td><td>> 90%</td><td>3%</td></tr>
<tr><td>75.01% - 90%</td><td>6%</td></tr>
<tr><td>75% or less</td><td>9%</td></tr>
<tr><td>Investment Property</td><td>All</td><td>2%</td></tr>
</table>

IPC’s cannot be used to make the borrower’s down payment, reserve requirements or to meet any minimum borrower contribution requirement.
Sales concessions items such as furniture, automobiles, decorator allowances, cash, etc. and financing concessions that exceed the limits above must be deducted from the sales price when calculating the LTV/CLTV ratios.
Financing concessions are subject to the IPC limits noted above. Financing concessions include:

Financial contributions from an interested party that benefits the borrower in the financing transaction,
Payments or credits related to acquiring the property, and
Payments or credits for financing term, closing costs, or prepaids, including up to 12 months HOA dues. HOA dues must be collected at closing and transferred directly to the HOA and documented on the Closing Disclosure

Financing concessions generally include origination fee, discount points, commitment fee, appraisal cost, transfer taxes, attorney’s fees, title insurance premiums, etc. They may also include prepaid items such as interest charges (no more than 30 days), real estate taxes covering any period after the settlement date, hazard insurance premiums (≤ 14 months), HOA dues (≤ 12 months), mortgage insurance premiums and escrow accruals for borrower paid MI.
NOTE: Fees and/or closing costs paid by the seller that are considered common and customary are not subject to IPC limits e.g. owner’s title and transfer tax.
Undisclosed IPCs are ineligible i.e. borrower paid closing costs moved to seller side of CD

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<table>
<tr>
<td>Investment Property Requirements</td>
<td>
Rental Income – General Eligibility
Rental income from the following property types is eligible:

2-4 unit primary residence (income from the units not occupied by the borrower)
1-4 unit investment property
Non-subject investment property owned by the borrower (not restricted to residential property, i.e. commercial property allowed)

IMPORTANT NOTE: Whether purchasing a new rental property or converting a primary residence to a rental property, the borrower must <u>currently own a primary residence to use rental income</u> when purchasing a new rental property

Eligible rental income must be stable, generated from an acceptable and verifiable source and must be reasonably expected to continue for a minimum of 3 years
Gift funds are ineligible on investment transactions.
Required reserves will be determined by LPA; refer to the Reserves topic for details
Rent loss insurance not required
Investment property files, regardless of whether or not income is used to qualify, must contain one of the following documents at closing:

If the property is vacant, verification from the appraiser that all units are currently vacant (can be noted on the appraisal report), or
If the property has any tenants, verification from the title company that they will not have a “Tenants in Possession” exception in the title policy. Specific verification from the title company is required; the title company must provide in writing documentation that they will not have a “tenants in possession” exception, or
A copy of the lease documentation that specifically indicates one of the following:

The lease is subordinate to any mortgage, or
Any tenant’s right to purchase the property or any rights that could affect Homebridge’s interest have been formally waived by all tenants of the property.

Appraisal Form Requirements and Analysis
<table>
<tr><th></th><th>Subject Property
1-unit Investment Property</th><th>Subject Property
2-4 unit
Primary or Investment Property</th></tr>
<tr><td>Documentation</td><td>Form 1000
Single Family Comparable Rent Schedule</td><td>Form 72
Small Residential Income Property Appraisal Report</td></tr>
<tr><td>Underwriter Analysis</td><td colspan="2">

Determine if the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, as applicable
If the current market rents do not reasonable support the gross monthly rents reported on Schedule E or lease:

Additional documentation may be required at underwriter discretion, and
The underwriter must prepare a written analysis to be included in the in loan file explaining the discrepancy and documenting reasons for considering the income stable and reasonable expected to continue

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<table>
<tr><td rowspan="6">Investment Property Requirements (cont.)</td><td colspan="3">Documenting Rental Income Requirements</td></tr>
<tr><td></td><td>Subject Property <u>Purchase</u> Transactions
2-4 Unit Primary Residence and 1-4 Unit Investment</td><td>Subject Property <u>Refinance</u> Transactions or Non-Subject Investment Property
2-4 Unit Primary Residence and 1-4 Unit Investment
• Property purchased or converted to rental property in current calendar yr</td></tr>
<tr><td>Documentation Required for Determining Net Rental Income</td><td>• A copy of lease(s), if available, is required, OR
• Form 1000, or Form 72, as applicable, only when lease not available</td><td>• A copy of the lease(s) required
• Purchase date or conversion date (primary to investment) as applicable must be documented</td></tr>
<tr><td>Lease Requirements</td><td colspan="2">The following applies to the lease(s):
• Must be current and fully executed,
• Must have an original minimum lease term of one year, and
• If lease is documented as assigned to the borrower from the property seller and is now in the automatically renewable month-to-month phase of an original one year, or longer term lease, the month-to-month is acceptable</td></tr>
<tr><td>Maximum Eligible Amount of Net Rental Income</td><td colspan="2">• The borrower must currently own a primary residence to use rental income to qualify when purchasing a new rental property
• If borrower does currently own primary residence the following applies to rental income:
1. Rental income can only be used to offset the PITI payment of the new rental property, or
2. When converting primary residence, may only be used to offset PITI on current primary property the borrower is vacating, and
3. Any rental income exceeding the PITI payment cannot be added to the borrower's gross monthly qualifying income unless the borrower has a minimum of 1-year documented experience managing investment property</td></tr>
<tr><td>Documentation</td><td colspan="2">No Rental Income Used for Qualifying:
• If the borrower qualifies with the full monthly payment for the subject/non-subject property included in the DTI, no further documentation required
Rental Income Used for Qualifying:
• If rental income from the subject or non-subject property is used for qualifying the following applies:
- Obtain the most recent one year's tax returns, including Schedule E for the most recent year. If the income from the subject property is reported on Schedule E use Schedule E to determine net rental income
- If the subject property has been owned for a year or more and is reported on Schedule E for the prior year, use the income or loss as reported
- A signed lease may be used for calculating rental income if the property was out of service for any time period in the prior year and this is supported by the Schedule E showing reduced number of days in use and reflects repair costs. Form 72 or 1000 must support the income reflected on the lease OR documentation supporting 2 months receipt of rental income (bank statements cancelled rent checks etc.)
NOTE: If Schedule E indicates the property was out of service but the loan file does not contain documentation supporting a renovation/repair or that the property was purchased later in the calendar year, the rental income or loss from Schedule E must be used and annualized for qualifying</td></tr>
</table>

Investment Property Requirements (cont.)

Documenting Rental Income Requirements (cont.)

	Subject Property Purchase Transactions 2-4 Unit Primary Residence and 1-4 Unit Investment	**Subject Property Refinance Transactions or Non-Subject Investment Property** 2-4 Unit Primary Residence and 1-4 Unit Investment Property purchased or converted to rental property in current calendar year
Net Rental Income Calculation	Net Rental income calculation is determined by the rental income source: **Lease, Form 72 or Form 1000** • 75% of the gross monthly rent or gross monthly market rent **Schedule E** The net rental income for each individual property is determined based on the history of income and expenses reported on Schedule E. The net rental income from Schedule E is calculated using Freddie Mac Form 92 Net Rental Income Calculations – Schedule E as follows: • Rents received **minus** total expenses. The following expenses are added back: - Insurance, - Mortgage interest - Real estate taxes, - Depreciation and/or depletion - HOA dues (if reported as an expense), - One time losses (due to a catastrophic event) NOTE: When calculating the net rental income for each individual property, the insurance, mortgage interest paid, real estate taxes, and HOA dues are only added back if they are included in the payment being used to establish the debt payment-to-income ratio for that property. • **The result of the above calculation is the net rental income divided by 12 months to determine monthly amount**	
DTI Ratio Using Net Rental Income	**Subject 2-4 Unit Primary Residence:** • The monthly housing expense is added as a liability to the DTI, and • The net rental income may be added to the monthly income **Subject 1-4 Unit Investment:** • Subtract the monthly payment amount from the net rental income: - If positive, add that amount to the monthly income - If negative, add that amount to the DTI **Rental Income from Non-Subject Investment Property** • Subtract the monthly payment amount from the net rental income: - If positive, add that amount to the monthly income - If negative, add that amount to the DTI NOTE: If the borrower owns multiple non-subject investment properties apply the above calculation and requirement to each property	

LDP/GSA and Mortgage Fraud	**LDP / GSA** **LDP / GSA** All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System. • Borrower(s) and Borrower(s) AKA name (if applicable) • Seller(s), • Real Estate Listing and Selling Agent(s), • Appraiser, • Appraisal Company (**not** the AMC) • Broker • Loan Officer, Loan Officer Assistant • Loan Processor, • Underwriter, • Closing/Settlement Agent, • Title/Settlement Company, and • 203(k) Consultant • Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.
Manufactured Housing: Overview	• Freddie Mac defines a manufactured home as a 1-unit dwelling built on a permanent chassis in accordance with the National Manufactured Construction and Safety Standards Act as promulgated by the Department of Housing and Urban Development (HUD) and affixed to a permanent foundation. • The manufactured home and the land on which it is situated must be titled as real property **and** the borrower must own the land. Documentation must be provided to evidence the home is legally classified as real property, the home is properly titled and the lien on the home is property created, evidenced and perfected. • Homebridge follows Freddie Mac guidelines for manufactured housing unless otherwise noted in these guidelines. To view Freddie Mac's complete manufactured housing requirements refer to the Manufactured Housing topics in the Freddie Mac Seller Guide Chapter 5703 • A Manufactured Housing Limited Power of Attorney signed by the borrower is required for any post-close items pertaining to the conversion of the home from personal to real property if not completed prior to closing. Any post-closing documents must be included in the loan file. • **Conforming loan amounts only; super conforming loan amounts ineligible**

Manufactured Housing: General Terms	**HUD Certification Label (aka HUD label, seal or tag)** A 2"x4" metal plate affixed to the **exterior** of each transportable section of the manufactured home. The plate includes the HUD certification label number which evidences compliance with the Federal Manufactured Home Construction and Safety Standards. Information from the HUD Certification Label is included in the appraisal report if available. If not available a letter of label verification, obtained from the Institute for Building Technology and Safety is required **Institute for Building Technology and Safety** A letter of label verification must be obtained from The Institute for Building Technology and Safety if the HUD Certification Label is missing from the manufactured home **HUD Data Plate (aka Compliance Certificate)** A paper label mounted **inside** the manufactured home that includes the manufacturer's name, trade/model name, year manufactured, serial number, a list of the Certification Label number(s). Information from data plate is included on the appraisal report **Engineer's Certification for Manufactured Housing Foundation:** A certification the home's permanent foundation is in compliance with the Permanent Foundations Guide for Manufactured Housing (PFGMH) **New Manufactured Home** A home that is purchased directly from a retailer or a developer and has never been occupied and has never been affixed to a permanent foundation on another site **HUD Codes** – Regulations Applicable to Manufactured Homes • Federal Manufactured Home Construction and Safety Standards (MHCSS 24 CFR Part 3280) • Manufactured Home Procedural and Enforcement Regulations (24 CFR Part 3282) • Model Manufactured Home Installation Standards (MIS 24 CFR Part 3285/3286)
Manufactured Housing: Eligibility	Manufactured homes must meet HUD codes for manufactured homes. HUD codes include: • Federal Manufactured Home Construction and Safety Standards • Manufactured Home Procedural and Enforcement Regulations • Model Manufactured Home Installation Standards

Manufactured Housing: Eligibility (cont.)	Additionally the following applies: • The home must be a 1-unit multi-wide dwelling, classified as real property and permanently affixed to a permanent foundation in compliance with HUD codes • Primary residence or second home eligible • The manufactured home must be a minimum of 20 feet wide • The wheels, axles and towing hitches must be removed from the home • The land on which the home sits must be owned by the borrower in fee simple; **leaseholds are ineligible** • The home must have been built on or after June 15, 1976 • If installed prior to October 20, 2008 (prior to HUD code requirements for anchoring systems were in place) the anchoring system must comply with the manufacturer's design or a designed by a licensed, registered professional engineer. Documentation must be provided by an appropriately licensed professional attesting the anchoring system is in compliance with the manufacturer's/ or engineer's design. • The permanent foundation must adhere to the manufacturer's requirements and meet all local, state, or federal codes as applicable. • The home must be permanently connected to utilities (power, water and a sewage disposal system) per HUD codes • Any improvements, modifications or repairs that affect safety, soundness, or habitability of the home must be completed prior to loan closing • If the home is a new a copy of the manufacturer's invoice and purchase agreement must be provided and maintained in the loan file • The home must be built on a permanent chassis in compliances with the applicable HUD code in effect as of the date the home was constructed. The following must be present and legible to evidence the home was built in compliance: - The HUD Certification Label, and - The HUD Data Plate. The appraisal must include all of the information from the HUD Data Plate and Certification label If either of the above are not present, the following may be provided as evidence of compliance: - **HUD Certification Label:** A verification letter from the Institute for Building Technology and Safety (IBTS) - **HUD Data Plate**: A copy of the Data Plate or substitute perform verification from the IBTS, **or** - A copy of the Data Plate from the In-Plant Primary Inspection Agency (IPIA), **or** - The manufacturer of the manufactured home NOTE: **If the original/alternative documentation cannot be obtained the loan is ineligible** **Ineligible** The following are **ineligible**: • An investment property secured by a manufactured home • A manufactured home subject to a leasehold estate • A home moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site. • A single wide manufactured home • A manufactured home located in a condominium project • A manufactured home located in a senior community • A mortgage secured by a manufactured home where the proceeds will be used to pay the outstanding balance under a land contract • A super conforming loan amount secured by a manufactured home • A transaction involving the payoff of a land contract • Construction to perm if the foundation not complete and home not fully installed prior to loan documents

<table>
<tr><td>Manufactured Housing: Purchase Transactions</td><td>A purchase transaction may be used to purchase the manufactured home and the land or just the manufactured home if the borrower already owns the land.
• The purchase price may include documented costs for:
- Delivery and set-up,
- Site development,
- Installation, and
- Permanent utility connections (including well/septic)
• Credit for wheels and axles and any retailer rebates must be deducted from the purchase price along with any sales concessions
• Financing of insurance, with the exception of mortgage insurance, is not allowed
• A copy of the manufacturer’s invoice and the manufactured home purchase agreement
New Construction
New construction is defined a home not previously owned and/or is not affixed to a permanent foundation as of the application date. The maximum LTV/CLTV for a new manufactured home is based on the value determined by the lower of:
• The purchase price of the home, and
- If the land was purchased < 12 months prior to the application date, the lowest purchase price at which the land was sold during that 12-month period, or
- If the land was purchased 12 months or more prior to the application date, the current appraised value of the land,
OR
• The current appraised value of the home and land
Existing Manufactured Home
An existing manufactured home that is affixed to a permanent foundation prior to the application date. The maximum LTV/CLTV is based on the lowest of:
• The purchase price of the home and land, or
• The current appraised value of the manufactured home and land, or
• If the home was affixed to a permanent foundation < 12 months prior to the application date, the lowest priced at which the home was previously sold during that 12 month period, and the lower of:
- The current appraised value of the land, or
- The lowest price at which the land was sold during the 12-month period (if there was a sale)</td></tr>
<tr><td>Manufactured Housing: Refinance Transactions</td><td>No Cash-Out (Rate/Term) Refinance
• The maximum LTV/CLTV, regardless of length of ownership, is based on the current appraised value of the manufactured home and land (for both single or separate liens)
• Cash back to the borrower not to exceed the lesser of 2% of the balance of the new loan or $2,000
Cash-Out Refinance
A cash-out refinance involves the payoff of an existing loan secured by the home and land (or loans if home and land are encumbered by separate mortgages) or allows the property owner to obtain a loan on a property that does not currently have a loan against it and allows the borrower to take equity out of the property.
• To be eligible for a cash-out refinance, the borrower must have owned both the home and the land for a minimum of 12 months prior to application date.
• The value for a cash-out refinance is based on the current appraised value of the home and land</td></tr>
<tr><td>Manufactured Housing: Land Acquired through Gift/Inheritance</td><td>Land Acquired Through Gift/Inheritance
If the borrower acquired the land as a gift or inheritance or other “non-purchase” transaction , 12 months prior to the application date, appropriate documentation must be provided to verify the acquisition and transfer of ownership of the land. In any of these cases, the value of the land is the current appraised value.</td></tr>
</table>

Manufactured Housing: Required Documentation	• **HUD Certification Label**: Verification of the HUD Certification Label: If the Certification Label is not attached to the manufactured home, an alternative to the HUD Certification Label is a verification letter that provides the same information which must be provided from one of the following: - The Institute for Building Technology and Safety (IBTS), **or** - An In-Plant Primary Inspection Agency (IPIA), **or** - The manufacturer of the manufactured home **AND** • **HUD Data Plate**: Information as detailed in the appraisal topic **must be** included in the appraisal report **AND** • **Inspection Report – Required only when an Addition/Alteration made to Home:** If an addition or alteration has been made to the original manufactured home one of the following is required: - Evidence is provided that an inspection by a state agency to approve the modifications has been completed (in states which require such inspections), **OR** - The property must be inspected by a licensed professional engineer certifying the addition or structural changes were completed in accordance with the HUD Manufactured Construction Safety Standards. NOTE: In either instance, a copy of the inspection report must be included in the loan file. **AND** (as applicable) • **Manufactured Home Installed <u>on or after</u> October 20, 2008**: - An Engineers Certification completed by a licensed engineer stating the home was attached to the permanent foundation in accordance with the manufacturer's requirements and the foundation meets all manufacturer and state/local requirements, **OR** - A copy of the Certification of Installation or comparable state specific form **OR** • **Manufactured Home Installed <u>prior to</u> October 20, 2008:** An Engineers Certification completed by a licensed engineer stating the home was attached to the permanent foundation in accordance with the manufacturer's requirements and the foundation meets all manufacturer and state/local requirements

<table>
<tr>
<td>Manufactured Housing: Legal/Closing Provisions</td>
<td>
The loan must be secured by both the manufactured home and the land on which it sits and must be legally classified as real property under applicable state law. The owner of the home must own both the home and the land. The following also applies:
ALTA Endorsement
An ALTA form 7.1 endorsements in states where available or Form 7 endorsement for other states or its equivalent (such as a T-31 endorsement in the state of Texas) The title policy must identify the home on the land an insure against any loss if the manufactured home is not real property
Affidavit of Affixture
An Affidavit of Affixture must be signed by the borrower and Homebridge indicating their intent the manufactured home be a permanent part of the real property securing the mortgage. The Affidavit must be notarized and recorded and a copy must be included in the loan file. Loans without the Affidavit are ineligible
Limited Power of Attorney
A Manufactured Housing Limited Power of Attorney signed by the borrower is required for any post-close items pertaining to the conversion of the home from personal to real property. Any post-closing documents must be included in the loan file.
Certificate of Title
The certificate of title is required if the property is located in a state where there is no procedure for cancelling the certificate of title. If the applicable state law requires the owner of the home to retain the original certificate of title a copy is acceptable
Closing Instructions
The following applies to closing instructions:

Closing instructions must be provided to the closing agent that instruct the agent to obtain the required documentation evidencing the home is affixed to a permanent foundation
In non-certificate of title states the closing agent must provide documentation the home is real property and does not require a certificate of title including documentation the home has been permanently installed
In certificate of title surrender states, the instructions must instruct the closing agent to perform all procedures to assure the certificate of title was properly cancelled, or the manufacturer’s statement of origin properly surrendered, and include evidence in the loan file

Closing Protection Letter (CPL)
An insured CPL is required for each mortgage securing the manufactured home unless not allowed under state law. If an insured CPL is not available it must be documented in the loan file
Uniform Commercial Code (UCC)
If state law requires a UCC filing in order to perfect a security interest in the home, the filing is required.
Security Instrument and Manufactured Home Rider
The security instrument must:

Indicate that the manufactured home is an improvement to the land and an immovable fixture or similar language that the manufactured home will be treated as real property under applicable state law, and
Include a comprehensive description of the home and the land in the property section or on a separate, attached addendum. The description must include:

The serial number or VIN (required for each unit),
Make,
Model,
Size, and
Any other information required by applicable law to definitely identify the home.

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<tr><td>Mortgage Insurance</td><td>

Loans with > 80% LTV, mortgage insurance is required and are subject to MI guidelines. The more restrictive of Homebridge or MI company guidelines apply. Links to review individual MI Company guidelines are provided below.
Eligible MI products:
- Borrower paid mortgage insurance (BPMI). Monthly or single premiums are eligible.
- Lender paid mortgage insurance (LPMI). Single premium only.
Eligible MI options:
- Financed MI eligible for BPMI single premium
- Non-refundable
- Refundable (eligible with BPMI single premium only)
- Renewal type: Level/constant
Homebridge approved MI companies are:
- Arch
- Essent
- Genworth
- Radian
Manufactured housing: MI must be obtained from Radian
Mortgage insurance coverage is determined by LTV and loan term as detailed below.

<table>
<tr><th colspan="4">Required MI Coverage</th></tr>
<tr><th rowspan="2">Loan Term</th><th colspan="3">LTV</th></tr>
<tr><th>80.01-85%</th><th>85.01 - 90%</th><th>90.01-95%</th></tr>
<tr><td>25/30 year</td><td>12%</td><td>25%</td><td>30%</td></tr>
<tr><td>10/15/20 year</td><td>6%</td><td>12%</td><td>25%</td></tr>
</table>
</td></tr>
<tr><td>Mortgage Insurance – New York</td><td>
New York state statute supersedes Freddie Mac standard requirements for calculating the LTV used for determining the need for mortgage insurance. The following applies to loans secured by properties in New York:
Calculating the LTV to Determine if MI Required
The appraised value is always used to calculate the LTV ratio to determine whether or not mortgage insurance is required. If MI required determine coverage as outlined below.
Determining the Required Amount of MI Coverage
If mortgage insurance is required, the lesser of the appraised value or the sales price is used to calculate the LTV ratio that determines the amount/percentage of mortgage insurance coverage required (see Required MI Coverage chart above for required coverage amounts by LTV/Loan Term)
</td></tr>
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<tr><td>Mortgage/Rental History</td><td>

Per LPA. If delinquencies are allowed, a satisfactory explanation is required and is subject to underwriter review.
Current mortgage must be current for the month closing
Third-party documentation, to verify the monthly payment amount, is required if the credit report does not provide the monthly housing payment.

Forbearance Plan Policy
The policy below applies to the subject property and to any other real estate mortgage loan where the borrower is in a forbearance plan,
<u>Subject Property Lien (Loan being Refinanced) and is Current</u>

If the borrower is current and has not missed a payment, the loan is eligible

<u>Other REO OR Subordinating Second Lien and is Current</u>

The loan is eligible if the borrower is current and has never missed a payment, and
Written evidence, provided directly from the servicer, confirming the forbearance plan has been withdrawn, closed or cancelled prior to the closing of the new subject loan required.
NOTE: Documentation must be obtained for loans in a forbearance plan and for loans where borrower inquired about forbearance and the servicer flags the inquiry

<u>Subject Property, Subordinating Second Lien, AND Other REO NOT Current/Missed Payment AND Loan is Brought Current (Reinstatement)</u>

If the borrower has brought the loan current (aka reinstatement), using their own funds, the loan is eligible subject to:

The funds used to bring the loan current must be the borrower's own funds <u>and</u> must be sourced and seasoned, and
The borrower cannot have entered into a forbearance repayment plan or loan modification agreement, and
Proceeds from a refinance cannot be used to bring the loan current or, if cash-out, to reinstate the mortgage on other REO, and
The payoff cannot include any deferred or missed payments
Other REO or Subordinating Second ONLY: Written evidence must be provided directly from the servicer confirming that the forbearance plan has been with withdrawn or otherwise close out/canceled prior to closing of our new Homebridge loan

<u>Subject Property AND Other REO NOT Current/Missed Payment AND Borrower in Forbearance Repayment Plan, Loan Modification, Payment Deferral, or Other Loss Mitigation Solution</u>

The following applies to loans in a repayment plan, had a loan modification, payment deferral or any other loss mitigation solution.

The loan is eligible if the borrower has made three (3) on-time payments per the applicable agreement
When the above requirement is met for the existing mortgage being refinanced, the new loan amount may include the full amount required to satisfy the existing mortgage

NOTE: The borrower is only required to have made the three (3) consecutive payments; completion of the applicable plan is not required
</td></tr>
<tr><td>Non-Arm's Length or Identity of Interest Transactions</td><td>

A non-arm's length transaction is a purchase transaction where the is a relationship or business affiliation between the buyer and seller of the property
Non-arm's length transactions are eligible for re-sale properties on all occupancy types.
When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-arm's length transactions on new construction properties are ineligible if the property is a second home or investment.
An identity of interest transaction involves parties who are not related and do not have close personal ties, however they have a strong interest in the transaction. Identity of interest transactions are eligible on owner-occupied transactions, however additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.

</td></tr>
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Occupancy	• 1-4 unit owner-occupied primary residence • 1-unit second home: - Borrower must occupy the property for some portion of the year, - The property must be available for the borrower's personal use and enjoyment more than half of the calendar year - The property must be in a location that is reasonable for a second home, - The property must be suitable for year-round occupancy with the following exception: - A property with seasonal limitations (e.g. lack of accessibility in the winter) is acceptable if the appraiser includes a minimum of one (1) comparable sale with a similar limitation to demonstrate the marketability of the property - The borrower may rent the property on a short-term basis subject to: - The property cannot be subject to a rental pool or rental agreement that requires the borrower to rent the property, and - A management/other entity cannot have any control over the occupancy of the property and there cannot be any revenue sharing between any owners, the developer or any other another party - The property cannot be subject to a timeshare or other shared ownership arrangement • 1-4 unit investment (non-owner occupied). Investment ineligible when secured by manufactured housing
Power of Attorney	A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions. A POA is eligible on cash-out transactions with Homebridge management review and approval. The use of a POA is subject to the following: • The use of a POA is **only** eligible in the event of: - A medical emergency, - Natural disaster, - Military deployment, - Other hardship that prevents the borrower from signing the required docs, **OR** - If an applicable law requires the use of a POA. **NOTE:** An explanation for the use is required and must be maintained in the loan file. Freddie Mac **does not** allow the use of a POA just for the convenience of the parties • The person acting as the attorney-in-fact must: - Have a familial or fiduciary relationship with the borrower, or - Be an individual employed by the title insurer that is underwriting the title insurance insuring the mortgage, or - Be an individual employed or engaged contractually by the title agency issuing the title insurance for the mortgage and closing and closing the transaction **IF** the title insurer has issued a CPL (or similar contractual indemnity) relating to the transaction for such policy issuing agent • Must include the borrower name, property address and loan amount • The POA is not required to be specific to the transaction but must be fully executed and notarized • If the use of a POA is approved by Homebridge management on a cash-out transaction, the following applies: - After the terms of the loan are finalized but prior to closing, the Broker/NDC is required to review the terms of the loan with the borrower. The attorney-in-fact is not required to be a participant. This requirement may be waived in the event the borrower is unavailable due to military service or is incapacitated such that the borrower cannot participate in the discussion. The following must be addressed with the borrower: - A review of the rate, term, and principal balance of the mortgage, **and** - The address of the property that will be securing the mortgage, **and** - The fact that the attorney-in-fact will use the borrower's POA to sign documents on behalf of the borrower, and - The scheduled/estimated closing date of the transaction (cont. on next page)

Power of Attorney (cont.)	- The discussion must be acknowledged, in writing, by the borrower. The acknowledgment may be: - In writing, **or** - An e-mail exchange with the borrower is acceptable provided it uses a borrower email address that is on file, **and** - The acknowledgement must be maintained in the loan file • Homebridge to review and approve prior to loan closing • The POA must be recorded along with the mortgage
Prepayment Penalty	Not permitted
Products	Fixed Rate: 10, 15, 20, 25 and 30 year NOTE: Cash-out transactions secured by a manufactured home require **≤ 20 year** loan term; 25 and 30 year loan term **ineligible**
Properties – Eligible	• Single family residences (attached/detached) • 2-4 units • PUDs (attached/detached) • Condominiums, low and high rise (attached/detached) Freddie Mac warrantable **or** Fannie Mae Warrantable with PERS approval or CPM acceptance. NOTE: Condo conversions ineligible if converted in the previous 3 years (all states) • Modular/prefabricated properties 1-unit only. Factory built but **not** built on a permanent chassis; built on site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems • Multi-wide (double/triple) manufactured home that is a minimum of 20 feet wide. Owner-occupied primary residence only (excluding manufactured homes on leasehold estates; manufactured homes on leasehold estates are **ineligible**. • Leaseholds meeting Freddie Mac guidelines eligible on a case-by-case basis subject to Homebridge Management review and approval. The lease term must extend a minimum of 5 years from the mortgage maturity date. • Rural properties • Properties in Hawaii in lava zones 2, 3, and 4. NOTE: If the property is located in lava zone 2 the property insurance coverage must be for 100% replacement cost

Properties – Eligible Condominiums	• Project review must be completed within 180 days prior to the Note date for new projects • Project review must be completed within 1 year prior to the Note date for established projects • Projects with Fannie Mae PERS approval or projects with a project acceptance certification through CPM are eligible if documentation of the PERS or CPM acceptance is provided. • Freddie Mac Streamlined Review eligible for established projects subject to Freddie Mac guidelines. When a Streamlined Review is performed, the following LTV restrictions (**all states except Florida**) apply: - Owner occupied maximum LTV 90% - Second home/investment maximum LTV 75% • A Streamlined Review is required for the project if a loan secured by a condo utilizes the automated collateral evaluation (ACE) offer • A project review may be waived on rate/term refinance transactions when the loan being refinanced is owned by Freddie Mac and the following requirements are met: - The LTV/CLTV ratio is ≤ 80% - The project is not an ineligible project as defined by Freddie Mac - The project has the required applicable project-related property insurance coverage • **Detached units only** (project consists of all detached condo units or mixture of detached/attached): The project must have insurance that meets Freddie Mac requirements (liability and fidelity coverage is **not** required to be verified). If the project is on a leasehold estate the lease must also comply with Freddie Mac requirements. • Projects where the HOA (or developer if not turned over to the HOA) is a party to litigation, arbitration, mediation or other dispute are only eligible in the following circumstances: - The litigation amount is known, the insurance company has committed to providing defense, and the litigation amount is covered by the insurance policy, or - The litigation/arbitration involves non-monetary neighbor disputes regarding the rights of enjoyment, or - The HOA is the plaintiff in the litigation but it can be determined that the matter is minor in nature with insignificant impact to the financial status of the condo project. • **Florida Specific** - New condo projects require PERS approval - Established Project Review is eligible for established projects - Streamlined Review for established condo project eligible as follows: - Maximum 75%/90% LTV/CLTV for owner-occupied - Maximum 70%/75% LTV/CLTV for second home/investment property

Properties - Ineligible	• Non-warrantable condominiums • New condominium projects in Florida without a PERS approval • Condominium conversions that were converted in the previous 3 years regardless of location • Condominiums < 450 square feet • Cooperative projects • Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) • Unique properties • Agricultural-type properties, farms, orchards, ranches • Properties zoned for agricultural use • Unimproved land • Rural property > 10 acres • Timeshares • Commercial property • Properties with Condition Rating of C5/C6 or Quality Rating of Q6 • Property currently in litigation (except as noted above in the Properties Eligible-Condominiums) topic • Home Possible Financing • Land Trust • Properties in Hawaii located in lava zone 1 • Investment property secured by manufactured home • Single wide manufactured/mobile homes • Manufactured home located on a leasehold estate • Manufactured home located in a condo project • Manufactured home located in senior projects • A manufactured home moved from another site (i.e. previously installed at another site). The home must have been delivered directly from the manufacturer/dealer to its current site.
Property Acquired at Auction	If the subject property is purchased at auction, the buyer's premium may be included in the final sales price. The following applies: • The purchase contract, Closing Disclosure, and all loan documents must reflect the final purchase price which includes the premium • The purchase contract must break-out the auction price from the premium, and • The lesser of the final sales price or appraised value is used to establish the LTV/CLTV ratios.

Property with Accessory Unit	**Accessory Units** **Overview** An accessory unit is defined as an additional living area that includes, at minimum, a kitchen, bathroom, has a separate entrance and is independent, with no interior access, of the 1-unit primary dwelling unit. The accessory unit may be site built or factory built (i.e. manufactured). A factory built unit must be a minimum of 400 square feet Accessory units include, but are not limited to: • A living area above a garage, in a basement, or a unit that is attached or detached from the primary dwelling NOTE: If the ADU is a manufactured home it must meet the manufactured home requirements stated in this guideline **and** the primary dwelling must be site-built in addition to the requirements in this topic The following applies to accessory units: • The primary unit must be a 1-unit property with an accessory unit (aka in-law/granny unit); accessory unit ineligible with a 2-4 unit property • There is only one accessory unit; more than one accessory unit **ineligible, and** • The unit must be smaller in size than the primary dwelling, **and** • The accessory unit is legal or legal non-conforming based on the applicable zoning and land use requirements (including any HOA restrictions), **and** • The borrower must qualify for the mortgage without considering any rental income from the unit **Appraisal Requirements for Legal Accessory Units** • The appraiser must describe the accessory unit and appraise the property based on its current use, **and** • The appraiser must analyze any effect the accessory unit has on the value or marketability of the subject property, **and** • At least one (1) comparable sale with an accessory unit should be provided when available to demonstrate marketability of the subject property - If a recent comparable sale is not available in the subject neighborhood an older sale with an accessory unit from the subject neighborhood or competing neighborhood or to support market data is acceptable. The appraiser may always use more than 3 comparable sales, including pending sales and or current listing to justify and support any adjustments/opinion of market value, as long as at least 3 are actual closed sales - If a comparable sale with an accessory unit is **not** available, a comparable sale in the subject neighborhood without an accessory unit is acceptable as long as the appraiser justifies and supports the use in the appraisal **Illegal Accessory Units** If the accessory unit does **not comply** with the zoning and land use requirements the following applies: • The appraiser must indicate the non-compliance in the "Site" section of the appraisal, **and** • The appraisal must contain a minimum of two (2) comparable sales, each with an accessory unit, that are also non-compliant with zoning/land use requirements (to demonstrate conformity/marketability of the subject property), **and** • The accessory unit cannot jeopardize any future hazard insurance claims
Property Flips	Eligible subject to underwriter review and the following: • Appraisal must support any value increases. Additional documentation, a desk review or second appraisal may be required at underwriter discretion. • Borrower must have an excellent credit and employment history, savings pattern, etc.

Refinance Transactions	**Limited Cash-Out Transactions** • Limited (rate/term) refinance transactions are eligible subject to the following: - Proceeds can be used to pay off a first mortgage, payoff or pay down any second mortgage related to the purchase of the subject property, and related closing costs and prepaid items. Any remaining balance of the second mortgage must be subordinated to the new mortgage. - Cash-back to the borrower is allowed up to the **greater of**: - 1% of the loan amount, **or** - $2,000 NOTE: Any cash back that is received by the borrower on a limited cash-out (rate/term) may **not** be used to satisfy any required reserves • **Transactions Funding on or after July 15, 2021**: A 30 day seasoning (measured from the Note date of the loan being paid off to the new loan Note date) is required on rate/term transactions **Cash-Out Transactions** • Cash-out refinance transactions require 6 months seasoning measured from settlement date to the Note date of the new cash-out refinance transaction. - Property ownership held in a limited liability company (LLC) or limited partnership (LP) is eligible to meet the 6 month seasoning requirement if the borrower was 100% owner or a majority owner of the LLC since the date the property was acquired by the LLC or LP. Title must be transferred into the borrower's name **prior to the Note date** - The 6 month seasoning is waived if one of the borrowers inherited or was legally awarded the property (e.g. in the case of divorce, separation, dissolution of a domestic partnership) • If none of the borrowers have been on title for at least 6 months the following applies: - The executed Closing Disclosure from the original purchase transactions reflects that no financing secured by the subject property was used to purchase the property (a recorded trustee's deed or equivalent documentation may be used when a Closing Disclosure was not used for the purchase transaction), **and** - The preliminary title report for the refinance transaction must reflect the borrower as the owner of the subject property and indicate there are no existing liens on the property, **and** - The source of the funds used to purchase the subject property must be fully documented, **and** - If funds were borrowed to purchase the subject property, those funds must be repaid **or** paid down. Funds must be reflected on the Closing Disclosure for the refinance transaction, **and** - The amount of the cash-out transaction cannot exceed the sum of the original purchase price, plus related closing costs, financing costs, and prepaids/escrows as documented on the Closing Disclosure for the purchase transaction (subject to the maximum LTV/CLTV ratios for a cash-out transaction based on the current appraised value), **NOTE:** If the borrowed funds are paid down, but not paid off, **no additional cash-out is permitted <u>and</u>** the payment on the outstanding borrowed funds must be included in the borrower's DTI**, and** - There must have been no affiliation or relationship between the buyer and seller of the purchase transaction (non-arm's length purchase ineligible), **and** - An "Accept" Feedback Certificate from LPA is required and the transaction must meet all other cash-out eligibility requirements. NOTE: Continuity of obligation requirements **do not** apply since there is no mortgage on the property. • Properties being refinanced that were listed for sale in the previous 12 months must have been taken off the market prior to the disbursement date. Borrower(s) must provide written confirmation of their intent to occupy the property for primary residence transactions.

Refinance Transactions (cont.)	• A continuity of obligation is required on all refinance transactions. Continuity of obligation is met when at least one borrower on the existing mortgage is also a borrower on the new refinance transaction and is measured from the date of the event (such as transfer of title) to the disbursement date of the new refinance transaction. NOTE: Continuity of obligation does **no**t apply to properties owned free and clear (i.e. no mortgage lien) due to the borrower purchasing the property with all cash **or** the prior mortgage that the borrower was obligated on has been paid in full. • Exemptions to the above continuity of obligation requirements are: - The borrower has been on title **and** living in the property for at least 12 months but is not obligated on the existing mortgage **and** the following applies: - Has paid the mortgage, including any secondary financing, payments for the last 12 months, or - Can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor**, or** - The borrower recently inherited, or was legally awarded, the property (divorce, separation, or dissolution of a domestic partnership). NOTE: Transfer of ownership from a corporation or LLC to an individual does **not** meet the continuity of obligation requirement **Financing Real Estate Taxes –** the following applies when real estate taxes are financed: • **Limited Cash-out Refinance:** A loan is **ineligible** as a limited cash-out refinance and must be considered a cash-out transaction when: - The borrower finances the payment of real estate taxes for the subject property in the loan amount but does not establish an escrow account, or - The borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount. • **Cash-out Refinance**: - A loan with financed real estate taxes that are more than 60 days delinquent is eligible as long as an escrow account is established. If an escrow account is **not** established the loan is **ineligible**.
Reserves	• Reserve requirements are per the LPA Feedback Certificate • All reserves entered into LPA must be verified **Reserve Requirements when Subject Property is Second Home and Investment** • **Second home or Investment**: - **1-6 Financed Properties**: Two (2) months PITIA for each additional second home **and/or** 1-4 unit investment property that is financed **and on which the borrower is obligated (required reserve amount is included in the reserves required received from LPA)** - **7-10 Financed Properties: Eight (**8) months PITIA for each additional second home **and/or** 1-4 unit investment property that is financed **and on which the borrower is obligated (required reserve amount is included in the reserves required received from LPA)** • Reserves are based on the full monthly payment amount for the property including principal and interest, hazard insurance, taxes, and, as applicable, mortgage insurance premium, leasehold payment, HOA dues, and payment on any secondary financing.
Seller Contributions	Refer to the Interested Party Contributions topic for seller contribution limits.

Subordinate Financing	• If existing subordinate financing is a HELOC, the full amount of the available credit must be used to determine the CLTV. • Unacceptable subordinate financing terms include: - Mortgages with negative amortization (with the exception of employer subordinate financing that has deferred payments) - Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new fist mortgage - Subordinate financing that has a prepayment penalty - Cannot allow for equity sharing • A CA HERO program are ineligible subordinate financing
Temporary Buydowns	Not available
Texas Section 50(a)(6) (Texas Equity)	A Texas Section 50(a)(6) loan (aka Texas Home Equity) is a cash-out refinance. A current Texas equity loan may be refinanced as a rate/term refinance subject to specific requirements. See requirements specific to a Texas Equity Being Refinanced as a Rate/Term Transaction topic. The following applies: • Cash-out refinance • Owner-occupied primary residence classified as a homestead under Texas law • All borrowers must reside in the home. • Non-occupant co-borrowers are not allowed. • Maximum 80% LTV/CLTV. • Power of Attorney eligible • Subordinate financing not allowed (all liens must be paid in full by refinance transaction.) • 1 unit single family residence, PUD or condo. • "Accept" LPA Finding required. • Maximum of 10 acres, no exceptions. Land that is taxed as agricultural is eligible NOTE: The borrower cannot obtain an agricultural designation **after** they have originated a Texas equity loan (state of Texas restriction) • Maximum 2% fee limitation for all closing costs, fees and charges. The following are excluded from the limitation: - Prepaid and bona fide discount points (discount points eligible if borrowers sign an "Election to Pay Discount Points" affidavit at closing), - Escrow reserves, - Insurance premiums, - Property taxes paid at closing, - Per diem interest - Homeowner's insurance, - Title insurance premium and endorsement fees, - Survey costs, and - Third party appraisal fees • Notice Concerning Extension of Credit required (aka "12 Day Disclosure"): - Borrower and non-borrowing spouse (if applicable) must sign the Notice Concerning Extension of Credit, - The loan cannot close until 12 days after the Notice was signed. • A survey is required • Loan must close at the closing agent's office; it cannot close at the borrower's home. • Borrower must receive a copy of the final 1003 along with the CD for review a minimum of 24 hours prior to closing • All married parties, regardless if on the loan or not, must sign the Deed of Trust and Notice of Right to Cancel as Texas is a community property state • Borrower(s) cannot sign early (i.e. cannot sign before the date of the closing package) • Deed of Trust must be completed on the Security Instrument (must be a Texas resident and is typically an attorney).

Texas Section 50(a)(6) (Texas Equity) cont.	• Property taxes are due yearly in December. Tax Certificates are generally provided. School, city, county and MUD taxes are common • Waiting periods: - The loan cannot close until the Notice Concerning Extensions of Credit (12 Day Disclosure) has been signed and received by Homebridge for 12 days - The loan cannot close until 24 hours after the borrower(s) have signed the final Closing Disclosure and the final 1003 - There is a 12 months seasoning requirement. The loan cannot close until a minimum of 12 months have passed after the closing of the previous loan • There is a 3 day right of rescission period Fixed rate only; ARMs ineligible **Texas Equity Being Refinanced as a Rate/Term Transaction** The following are specific requirements for an equity loan being refinanced as rate/term: • A minimum of one (1) year has passed since the home equity loan closed • Rate/term refinances are also limited to 80% CLTV • The borrower **cannot receive any cash at close** • The borrower must sign the Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan **within 3-days of loan application and a minimum of 12 calendar days prior to loan closing** (a new application will be required if Notice not signed within 3 days of application) NOTE: The state of Texas does not have a specific seasoning requirement for the refinance of a rate/term transaction; Freddie Mac requirements apply.
Transactions – Eligible	• Purchase • Limited cash-out refinance (rate/term) • Cash-out refinance
Transactions – Ineligible	• Any transaction without an LPA “Accept” Feedback Certificate • Manual underwrites • Interest-only • Freddie Mac Home Possible • Freddie Mac Open Access • Non-traditional credit • Non-arm’s length transaction that involves new construction and the loan is secured by a second home or investment property • Refinance transactions where the property was listed for sale at time of loan disbursement. • Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after Feb. 8, 2011 and the fee collected does not directly benefit the property. • Illinois Land Trust • Transaction with PACE/HERO program subordinate financing • A transaction with a super conforming loan amount secured by a manufactured home