Simple Access Program

Applies to Loans Lock On and After December 1, 2022

Fixed Rate and 7/6 or 10/6 ARM

The Simple Access program has five documentation options. An overview and option specific requirements are detailed on pages 7-37. General program guides begin on page 48

FULL DOC (1-2 Year Paystub/W-2 or 1-2 Year Tax Returns)				
1-4 Unit Primary Residence [4]				
Transaction Type	**Credit Score** [6]	**LTV/CLTV** [5, 6, 7, 8]	**Maximum Loan Amount** [1]	**DTI** [2]
Purchase and Rate/Term Refinance	740	90% [5,6,7,8]	$1,000,000	50%
	700	85% [5,7]	$1,500,000	50%
	660	80% [5]	$1,500,000	50%
	740	85% [5,7]	$2,000,000	50%
	700	80% [5]	$2,000,000	50%
	660	75%	$2,000,000	50%
	720	80% [5]	$2,500,000	50%
	700	75%	$2,500,000	50%
	720	75%	$3,000,000	50%
	700	70%	$3,000,000	50%
Cash-Out [3, 7]	680	75%	$1,000,000	50%
	700	75%	$1,500,000	50%
	660	70%	$1,500,000	50%
	720	75%	$2,000,000	50%
	700	70%	$2,000,000	50%
	680	65%	$2,000,000	50%
	660	60%	$2,000,000	50%
	720	70%	$2,500,000	50%
	700	65%	$2,500,000	50%
	720	65%	$3,000,000	50%
	700	60%	$3,000,000	50%

Refer to next page for Full Doc Second home/Investment FICO/Loan Amount/LTV matrix

Footnotes:

1. Minimum loan amount $125,000
2. Maximum DTI 50%, **no exceptions**
3. Cash-out subject to the following:
   - **LTV ≤ 50%:** Unlimited cash-out: Cash-out > $300,000: Minimum 700 credit score required
   - **LTV > 50%:** Maximum cash-out $1,000,000: Cash-out > $300,000: Minimum 700 credit score required, **and** Cash-out > $500,000: Max 60% LTV
   - Borrowers using non-retirement account distributions for qualifying are **ineligible** for cash-out

   NOTE: Refer to the Cash-Out Transactions topic for complete requirements
4. New York Loans **ONLY**: Loan amounts that fall within the conforming limit must pass the NY sub-prime test
5. Non-warrantable condo transactions: Max 75% LTV
6. Interest-only Transactions: Maximum 85% LTV **and** minimum 700 FICO **or** minimum required per matrix
7. Non-permanent Resident Borrowers: Maximum 80% LTV; purchase & rate/term only; **ineligible for cash-out**
8. 2-4 unit properties: Maximum 85% LTV

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FULL DOC (1-2 Year Paystub/W-2 or 1-2 Year Tax Returns)				
1-Unit Second Home and 1-4 Unit Investment [7, 8]				
Transaction Type	**Credit Score** [5]	**LTV/CLTV** [5]	**Maximum Loan Amount** [1]	**DTI** [2]
Purchase and Rate/Term	660	80% [4]	$1,000,000	50%
	700	85% [4,6,8]	$1,500,000	50%
	680	80% [4]	$1,500,000	50%
	660	75%	$1,500,000	50%
	700	80% [4]	$2,000,000	50%
	680	75%	$2,000,000	50%
	660	70%	$2,000,000	50%
Cash-Out Refinance [3]	700	75%	$1,000,000	50%
	720	75%	$1,500,000	50%
	660	70%	$1,500,000	50%
	700	70%	$2,000,000	50%
	680	65%	$2,000,000	50%
	660	60%	$2,000,000	50%

Footnotes:

1. Minimum loan amount $125,000
2. Maximum DTI 50%, **no exceptions**
3. Cash-out subject to the following:
   - **LTV ≤ 50%:** Unlimited cash-out
     - Cash-out > $300,000: Minimum 700 credit score required
   - **LTV > 50%:** Maximum cash-out $1,000,000
     - Cash-out > $300,000: Minimum 700 credit score required, **and**
     - Cash-out > $500,000: Maximum 60% LTV
   - Borrowers using non-retirement account distributions for qualifying are **ineligible** for cash-out

   NOTE: Refer to the Cash-Out Transactions in the Refinance Transactions topic for complete requirements
4. Non-warrantable condo transactions: Max 75% LTV
5. **Interest-only**: Maximum 85% LTV **and** minimum 700 FICO **or** minimum required per matrix (whichever is **higher**)
6. Non-permanent resident borrowers: Maximum 80% LTV; purchase & rate/term only; **ineligible for cash-out**
7. Gift funds **ineligible** on investment property
8. Investment property: Maximum LTV 80%

ALT DOC (Bank Statements, 1099 Only, P&L Only)				
1-4 Unit Primary Residence [4]				
Transaction Type	**Credit Score** [10]	**LTV/CLTV** [5,6,7,8,10]	**Maximum Loan Amount** [1]	**DTI** [2]
Purchase and Rate/Term Refinance	740	90% [5,6,7,8,10]	$1,000,000	50%
	700	85% [5,7,8,10]	$1,500,000	50%
	660	80% [5,10]	$1,000,000	50%
	680	80% [5,10]	$1,500,000	50%
	660	75%	$1,500,000	50%
	740	85% [5,7,10]	$2,000,000	50%
	700	80% [5,10]	$2,000,000	50%
	660	75%	$2,000,000	50%
	720	80% [5,10]	$2,500,000	50%
	700	75%	$2,500,000	50%
	720	75%	$3,000,000	50%
Cash-Out Refinance [3]	660	70%	$1,000,000	50%
	680	70%	$1,500,000	50%
	660	65%	$1,500,000	50%
	720	75%	$2,000,000	50%
	700	70%	$2,000,000	50%
	680	65%	$2,000,000	50%
	660	60%	$2,000,000	50%
	700	60%	$2,500,000	50%
1-Unit Second Home and 1-4 Unit Investment [9]				
Transaction Type	**Credit Score** [10]	**LTV/CLTV**	**Maximum Loan Amount**	**DTI**
Purchase and Rate/Term Refinance	660	80% [5,10]	$1,000,000	50%
	680	80% [5,10]	$1,500,000	50%
	660	75%	$1,500,000	50%
	700	80% [5,10]	$2,000,000	50%
	680	75%	$2,000,000	50%
	660	70%	$2,000,000	50%
Cash-Out Refinance [3]	660	70%	$1,000,000	50%
	720	75%	$1,500,000	50%
	680	70%	$1,500,000	50%
	660	65%	$1,500,000	50%
	700	70%	$2,000,000	50%
	680	65%	$2,000,000	50%
	660	60%	$2,000,000	50%

Footnotes:

1. Minimum loan amount $125,000
2. Maximum DTI 50%, **no exceptions**
3. Cash-out subject to the following (Refer to Cash-Out Transactions topic for complete requirements)
   - **LTV ≤ 50%:** Unlimited cash-out; Cash-out > $300,000: Minimum 700 credit score required
   - **LTV > 50%:** Maximum cash-out $1,000,000; Cash-out > $300,000: Minimum 700 credit score required **and** cash-out > $500,000: Max 60% LTV
4. New York Transactions **ONLY**: Loan amounts within the conforming limit must pass the NY sub-prime test
5. Non-warrantable Condos: Maximum 75% LTV
6. Interest-only Transactions: Maximum 85% LTV **and** minimum 700 FICO **or** minimum required per matrix
7. Non-permanent resident borrowers: Maximum 80% LTV; purchase & rate/term only; **ineligible for cash-out**
8. 2-4 units: Maximum 85% LTV; **P&L Only**: Maximum 75% LTV
9. Gift funds **ineligible** on investment transactions
10. **P&L Only: Maximum 75% LTV (including IO transactions) AND minimum 700 credit score**

Alt-Doc (Asset Qualifier)			
1-4 Unit Primary Resident [2.3,4]			
Transaction Type	**Credit Score**	**LTV/CLTV**	**Maximum Loan Amount** [1]
Purchase and Rate/Term Refinance	700	75%	$2,500,000
	720	75%	$3,000,000

Footnotes:

1. Minimum loan amount $125,000
2. Significant derogatory credit event requires 5 years seasoning
3. **New York Transactions ONLY**: Loan amounts that fall within the conforming limit will require the transactions to pass the NY sub-prime test
4. Interest-only eligible

INVESTOR CASH FLOW				
1-4 Unit Investment [10]				
Transaction Type	**Credit Score** [5,8]	**LTV/CLTV** [3,4,8, 9]	**Maximum Loan Amount** [1]	**Minimum DSCR**
Purchase Only	720	80% [3,4,8, 9]	$1,500,000	1.15
Purchase and Rate/Term Refinance	720	80% [3,4,8,9]	$1,000,000	1.15
	680	75%	$1,000,000	1.00
	660	70%	$1,000,000	1.00
	700	75%	$1,500,000	1.00
	680	70%	$1,500,000	1.00
	660	65%	$1,500,000	1.00
	720	75%	$2,000,000	1.00
	700	70%	$2,000,000	1.00
	680	65%	$2,000,000	1.00
	660	60%	$2,000,000	1.00
Cash-Out Refinance [2]	660	65%	$1,000,000	1.00
	700	70%	$1,500,000	1.00
	660	60%	$1,500,000	1.00
	700	60%	$2,000,000	1.00
Transaction Type	**Credit Score**	**LTV/CLTV**	**Maximum Loan Amount**	**Minimum DSCR** [6]
Purchase and Rate/Term Refinance	700	75% [7]	$1,000,000	0.75
	700	70%	$1,500,000	0.75
	700	65%	$2,000,000	0.75
Cash-Out Refinance [2]	720	70%	$1,000,000	0.75
	700	65%	$1,500,000	0.75

Footnotes:

1. Minimum loan amount $125,000
2. Cash-out subject to:
   - LTV ≤ 50%: Unlimited cash-out; LTVs > 50%; Max $500,000; Cash-out > $300,000: Min 700 FICO required

   Refer to the Cash-Out Transactions section in Refinance Transactions topic for complete cash-out requirements
3. 2-4 unit transactions and condos limited to a maximum 75%
4. Non-warrantable condos: Maximum 75% LTV
5. Interest-only: Minimum 700 FICO
6. DSCR < 1.00 requires an **additional** 3 months PITIA reserves
7. If the LTV is > 70% and the DSCR is < 1.00 **a prepayment penalty is required**. Refer to the Prepayment Penalty topic for a list of states. **If the state is NOT listed, a minimum DSCR of 1.00 is required**
8. Short-term rentals are limited to maximum 75% LTV with a minimum 700 credit score
9. **Non-permanent Resident Borrowers**: Maximum 75% LTV; purchase & rate/term only; **ineligible for cash-out**
10. Gift funds **ineligible**

Foreign National [1,5,6,7] (Investor Cash Flow Option ONLY)				
1-4 Unit Investment				
Transaction Type	**Credit Score [2]**	**LTV/CLTV**	**Maximum Loan Amount [3]**	**Minimum DSCR**
Purchase and Rate/Term Refinance	680	65%	$2,000,000	1.00
Cash-Out Refinance [4]	680	65%	$1,000,000	1.00
	700	65%	$1,500,000	1.00
	680	60%	$1,500,000	1.00
	700	60%	$2,000,000	1.00

Footnotes:

1. **Eligible on Investor Cash Flow ONLY**
2. The credit score requirement **only applies** only if borrower has U.S. credit. Borrowers without U.S. credit are eligible subject to the LTV and loan amount requirements above without regard to the credit score requirement

   NOTE: When pricing a Foreign National loan the following applies:

   - **Borrowers with U.S. Credit**: The applicable credit score and Foreign National LLPAs apply
   - **Borrowers without U.S. Credit**: Only the Foreign National LLPA applies
3. Minimum loan amount $125,000
4. Maximum cash-out: $500,000. Cash-out > $300,000: Minimum 700 credit score required. Refer to the Cash-Out Transactions section in Refinance Transactions topic for complete cash-out requirements
5. Interest-only **ineligible**
6. **The applicable ICF option guidelines apply AND the requirements detailed in the Foreign Nationals topic**
7. Gift funds i**neligible**

Full Documentation Eligibility and Summary	
Full Documentation	
Overview	• The Full Doc program is available for both salaried and self-employed borrowers. • Fannie Mae guidelines apply to topics not addressed in the Full Doc Eligibility and Summary topic or the Simple Access Guidelines
Borrower's Income Type Eligibility	• Wage earner/salaried borrowers. Generally, 2 years employment in the same line of work required however < 2 years acceptable on case-by-case if training/education in the same field is acceptable substitute. • Self-employed borrowers (defined as an individual who has a 25% or greater ownership interest in a business). Self-employed borrower must have a minimum of 2 years self-employment. The following must be considered when analyzing self-employed borrowers: - The stability of the income - The location and nature of the business - The demand for the product or service offered by the business - The financial strength of the business, and - The ability of the business to continue generating and distributing sufficient income that will allow the borrower to meet ATR requirements NOTE: 1-2 years self-employment may be considered on a case-by-case basis with 2 years previous employment in the same line of work with no gaps • A borrower who converts from **W-2 to 1099** in the previous year and the filed tax returns are not available are eligible. The following applies - The borrower is in the same or substantially similar role in their contractor position as they were in the W-2 employee position in the same industry, and - A contract, stating the new terms of the borrower's employment, is provided, and - Two years employment in the same line of work prior to converting to 1099 must be documented. - Two years most recent tax returns and a year-end and/or YTD P&L and balance sheet. Expenses claimed on the P&L must be reasonable for the line of work - The new 1099 income must be greater than or equal to their previous W-2 income - The previous 2 years W-2s (less 2106 expenses, if applicable) will be used to determine the average income for qualifying. The P&L must support the income.
4506-C/Tax Returns	• A signed 4506-C and applicable tax transcripts (W-2, 1099, 1040) covering the number of years provided • 4506-C results must be validated against the income documentation • Broker provided processed 4506-C results are **not** eligible
Assets	Refer to the Assets topic in the general guidelines section for detailed requirements
Borrowers - Eligible	Refer to the Borrowers - Eligible topics for complete list of eligible borrowers and requirements
Debt-to-Income	• Maximum 50% DTI, **no exceptions**. Refer to the Debt to Income topic in the General Underwriting section for complete requirements • DTI cannot be rounded down to qualify

Full Documentation Eligibility and Summary	
Full Documentation	
Derogatory Credit–Significant Events	Derogatory credit events are measured from the completion date of an event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • Pre-foreclosure including Notice of Default or Lis Pendens where the borrower is **currently** delinquent (NOD is **not** considered a significant derogatory credit event if payments are up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirements** • A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance Plan Policy topic for requirements

Full Documentation Eligibility and Summary	
Full Documentation	
Documentation of Income	Income may be documented using multiple methods as described below **Borrowers who are subject to a temporary salary reduction must be able to qualify on the income most recently documented as of the loan closing date** **Wage Earner Requirements** **Wage Earner/Salaried Borrower Requirements** • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 120 calendar days of the Note date and support income used for qualifying), **and** • The most recent 2 years W-2s, **and** • W-2 transcripts for 2 years, **and** • Written VOE (if required to determine any variable income sources) **Salaried Borrowers with Commission/Bonus or OT Income** • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 120 calendar days of the Note date), **and** • W-2s for previous 2 years, **and** • W-2 transcripts for previous 2 years, **and** • **A written VOE to confirm a 2 year average and proof continuance**. Commission/bonus income received for more than 1-year but less than 2-years may be eligible on a case-by-case basis **with Homebridge management review and approval.** Documentation that the YTD commission income received is in line with or greater than the average being used to qualify required **NOTE: Overtime income must be received for a minimum of 2-years** and requires documentation that YTD OT income is in line with or is greater than the average being used to qualify • YTD commission income must be equal to or greater than the average being used to qualify **Part-Time or Second Job Income** • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 120 calendar days of the Note date), **and** • The most recent 2 years W-2s, **and** • W-2 transcripts for previous 2 years**, and** • Second job/part-time income used for qualifying will be based on a 2-year average of the W-2s NOTE: Part-time/second job income considered on case-by-case basis with Homebridge management review and approval **Tip/Gratuity Income** • Income received from tips/gratuities may only be used for qualifying income if it has been received for the prior 2-years as evidenced on the W-2s or 1040s • The income is averaged unless declining • Current receipt of tip/gratuity income must be documented and be consistent with the tip income received for the previous 2-years

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income (cont.)

Self-Employed Borrower Requirements

There are two (2) methods for documenting self-employed income.

Method One – One Year's Tax Return

- Maximum DTI 50%, **no exceptions**
- One (1) year personal and business federal tax returns, including all schedules, that cover a 12 month period of self-employment
- A borrower prepared profit and loss statement/balance sheet covering the time from the end of the time the tax returns covered (a minimum 6 months' time frame required).
- Income is generally calculated using the tax return and comparing it to the trend on the P&L. The income trend should be stable or positive
- If the income trend is not stable or positive, two years tax returns are required.
- The tax returns provided must cover a 12 month period of self-employment

  NOTE: Year-to-date or year-end profit and loss statement and balance sheet required if the Note date is greater than 120 days from the end date of the most recent tax return (if tax return on fiscal year, P&L and balance sheet requirements are based off of fiscal tax return end date).

Method Two: - **Two Year's Tax Returns**

- Two (2) years most recent tax returns, both personal and business, including all schedules.
- Income is generally calculated based on a 24 month average if income is increasing and a 12 month average of the most recent year's returns if income is declining
- Declining income will require an explanation and/or additional documentation from the borrower. A borrower prepared year-end and/or YTD P&L and balance sheet may also be required.

  NOTE: Year-to-date or year-end profit and loss statement and balance sheet required if the Note date is greater than 120 days from the end date of the most recent tax return (if tax return on fiscal year, P&L and balance sheet requirements are based off of fiscal tax return end date).

Use of Interim Financials to Determine Qualifying Income

- The borrower may include either year-end or year-to-date financials prepared in accordance with either Method One or Method Two (above) as part of their qualifying income.
- The income will be averaged over the period of the tax returns and the P&L provided
- The borrower must provide the bank statements from their business account for the period covered by the P&L and the bank statements must show deposits which:
  - Are part of the borrower's income stream, and
  - Total at least 90% of the gross receipts listed on the P&L
- Regardless of the method used above, the following may be added back to the borrower's income calculation:
  - Depreciation
  - Amortization
  - Pension contributions directly contributed to borrower
  - Any expenses(s) that can be reasonably documented as one-time/non-recurring
  - Net operating loss carryforwards from the years prior to the tax returns provided
  - Business expenses for debts already included in the DTI
  - Business use of home
  - Mileage

Business Income Not Used to Qualify

The borrower is **not required** to provide corporate/partnership tax return(s) or interim financials if the income generated by the entity is not considered to qualify. The following applies:

- The underwriter must ensure there are no losses from businesses that are not considered
- K-1s reflecting income on the tax return(s) which are not being used to qualify and do not reflect losses are not required
- K-1s and business returns (as applicable) reflecting losses on the tax return years provided must be provided

Full Documentation Eligibility and Summary	
Full Documentation	
Documentation of Income (cont.)	**Documenting the Business** Evidence of the existence of the business for the previous 2 years. A CPA, enrolled agent (EA), or licensed tax preparer letter, or equivalent, is required to verify self-employment. The letter must include: - The name of the business, and - The borrower's percentage of ownership, and - Length of self-employment, and - That the business/borrower is in good standing - The letter **cannot include** any disclaimers as to the accuracy of the information - The letter may be addressed to Homebridge or "To Whom it May Concern" is also acceptable - **The CPA/EA/tax preparer letter cannot be older than 60 days at loan funding**
Documentation for Other Real Estate Owned	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Employment	**Wage Earner/Salaried Borrowers** • Generally, 2 years employment in the same line of work required however < 2 years acceptable on case-by-case if training/education in the same field is acceptable substitute • Gaps in employment greater than 60 days require the borrower to provide a signed letter of explanation • Gaps in employment that are > 6 months require a signed LOE and additional documentation may be requested. The borrower must have a minimum 2-year history in the same line of work prior to the gap • Borrowers with an employment contract that is fully executed by borrower and employer, does not contain any contingencies but the borrower has not commenced employment prior to closing are eligible. The borrower is qualified using the income documented on the contract. The following applies: - The contract (including employment agreements/offer letters) must contain the employment start date, length of employment, and salary) The contract terms should be reasonable to the position - The borrower will start employment or begin receipt of the income **within 60 days** of loan closing **Self-Employed Borrowers** • Generally a 2-year history of self-employment in the same line of work is required. 1-year history to < 2-years may be considered if the borrower has a minimum 2-year previous work history in the same line of work • Gaps in employment greater than 90 days require the borrower to provide a signed LOE • Gaps in employment > 6 months require a signed LOE and a minimum 2-year history in the same line of work prior to the gap.
Gift Funds	Eligible; refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Eligible; refer to the Gift of Equity topic in the general underwriting guide for requirements
Income – Annuity	Annuity income is eligible subject to the following: • A copy of the annuity contract or letters from the organization providing the income is provided • The income must continue for a minimum of 3 years from the closing date of the loan • One of the following must be provided to document receipt: - The most recent years' W-2, 1099, or tax returns, **or** - Twelve (12) months bank statements to document the regular deposits of the annuity income

Full Documentation Eligibility and Summary	
Full Documentation	
Income - Automobile Allowance	Income received for an automobile allowance is eligible for qualifying subject to the following: • The income has been received for a minimum of two (2) years • Written verification from the borrower's employer **or** paystubs are required to document receipt • The borrower's employer must provide confirmation the allowance will continue • The full amount of the allowance is added to the borrower's monthly income • The full amount of the lease or loan payment is included in the borrower's liabilities.
Income – Capital Gains and Losses	Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. If the trend results in a gain, it may be added as effective income**. If the trend consistently shows a loss, it must be deducted from the total income.** • An average of the gain or loss for the previous 2 years, as disclosed on the borrowers 1040 Schedule D, will be used to calculate the income • When the income from this source represents a substantial portion of the borrower's income, tax returns for the previous 3 years must be reviewed (regardless of documentation type) to determine an accurate estimated average of the earnings (e.g. an asset sold during the year might be an income-producing asset, which could result in a reduction in future income) • Borrowers must have an asset base in order to use capital gains on an on-going basis. NOTE: A one-time capital gain or loss will **not** be considered as a gain or loss in determining income available to the borrower.
Income – Distributions from Non-Retirement Accounts AKA Asset Utilization	Income from regular distributions from non-retirement assets are eligible for qualifying as follows: • Two months most recent account statements (all pages) and most current year-end statement required • Eligible on purchase and rate/term transactions only; **ineligible** on cash-out transactions • **A written verification** from the financial institution managing the assets is required to document: - Monthly distributions have been set-up, - The amount and frequency of distributions, and - Duration of the distributions • One month's distribution must have been received prior to closing • Documentation must be provided that the borrower has owned the assets a minimum of 12 months with unrestricted access • Any deposits > 10% of the face value of the account based on the most recent account statement requires sourcing. • Documentation required the distribution will continue for a minimum of 3 years is required or the income is not eligible • Assets being utilized for income qualifying, and the income generated from the assets, **cannot** be used for down payment or to satisfy reserve requirements • The most recent full month's account statement prior to the closing date is required NOTE: If statements are issued quarterly, a statement(s) with updated balance(s) within 60 days of the Note date may be provided **Eligible Qualifying Balances** • Checking/Savings: 100% • Marketable Securities: 80% **Calculation Method** Any set-up distribution requires an 84 months continuance. Account balances must be verified within 120 days of the Note date unless a more recent is requested at Underwriter discretion. *Example:* • Marketable Securities Account Balance: $1,000,000 • 80% of the balance eligible: $1,000,000 x 80% = $800,000 • $800,000 divided by 84 = $9,524 the maximum distribution amount eligible for qualifying

Full Documentation Eligibility and Summary	
Full Documentation	
Income – Distribution from Retirement Accounts	Income from regular distributions from retirement accounts are eligible for qualifying subject to: • The borrower **must be** of retirement age (59 ½ and older), **and** • One month's distribution must have been received prior to closing, **and** • Documentation required the distribution will continue for a minimum of 3 years is required or the income is not eligible, **and** • 80% of the vested value to determine the qualifying balance, **and** • Account balances must be verified with bank/financial statements within 120 days of the Note date
Income – Family Owned Business	Borrowers employed by a family member in a family owned business must provide evidence that they are not an owner of the business by providing copies of signed personal tax returns, or a copy of the corporate tax return showing ownership percentage.
Income – Fixed	Fixed income includes alimony/child support, retirement/pension, social security (including dependent's social security), temporary/permanent disability, and VA disability. Fixed income is an eligible source of income subject to the following: • Evidence of the borrower's receipt of the income and the probability the income will continue for a minimum of 3 years past the application date must be provided. - Alimony/child support income requires a copy of the final divorce decree, separation agreement, court order or voluntary payment agreement, **AND** - Evidence of receipt for the previous 6 months with cancelled checks, deposit slip, tax returns, or court order NOTE: Borrowers on temporary leave (e.g. maternity, short- term disability, etc.) will be considered on a case-by-case basis subject to Homebridge management approval. If allowed, the income will be subject to Fannie Mae's Temporary Leave Income requirements. Temporary leave policy **does not** apply to furloughed borrowers • Fixed income that is verified as non-taxable (e.g. social security, child support, alimony, etc.), may be adjusted or "grossed-up" by 125% subject to: - Only the net income will be used for determining disposable/residual income (Medicare and insurance payments are excluded), - The borrower must clearly benefit as a result of the income being grossed-up to qualify, - The borrower's net income (before being grossed-up) is sufficient to pay all debts. • Housing allowance is eligible for qualifying income subject to the following: - There is a history of the housing allowance as being a part of the salary, - Written documentation is provided from the employer stating the amount of the allowance, - Proof the allowance has been received for the most recent 12 months (non-military housing allowance **only**) - The amount of the housing allowance may be grossed up by 1.25% if 2-years tax returns are provided The following non-taxable income is ineligible to be grossed up: • Foreign earned income, • Foster care income
Income – Foster Care	Eligible for qualifying subject to: • Documentation is provided that it has been received for a minimum of 24 months • The income is received from a governmental agency • Copies of the checks or contracts/agreement from the governmental agency must be provided • The income cannot be grossed up
Income – Interest and Dividend	Interest and dividend income is eligible subject to the following: • Verified through 2 years tax returns as a stable source of income, **and** • Proof the underlying funds are still on deposit in the financial institution and/or investment portfolio account(s) is required. • Income must be proportionately reduced if funds from the account(s) are used for closing in a purchase money transaction NOTE: Income may be limited to an earnings rate of 3% if the verified earnings do not appear to be supported by current market conditions.

Full Documentation Eligibility and Summary	
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Income – K-1	A history of receipt is not required to utilize K-1 income • **NOTE:** If the borrower recently converted to K-1 income the income is considered on a case-by-case basis subject to Homebridge management review and approval. Refer to the Borrower's Income Type Eligibility for additional details
Income – Military	• Income received for clothing and quarter's allowance, hardship and/or hazard may be included as stable income if there is a likelihood of continuance. • The non-taxable income received for Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS) may be grossed up 125% • Other allowances may be grossed up if documentation is provided evidencing the allowance is non-taxable
Income - Note	Note income is eligible as qualifying income subject to the following: • A complete copy of all pages of the Note that outlines the terms and conditions of repayment, • The repayment period must extend at least 3 years past the application date of the loan, • Evidence of receipt for a minimum of 12 months required (tax returns, deposit slip, cancelled checks, etc.)
Income – Rental	Rental income from investment properties owned by the borrower is eligible for qualifying income. The borrower is not required to have a history of managing rental properties. **Calculating Rental Income** Calculate rental income using one of the following methods: **Method One: Tax Returns – Schedule E** • If the borrower has a history of renting a property, rental income is reported on Schedule E of the borrower's personal tax return and may be used for qualification • When using Schedule E to calculate qualifying rental income: - **Add back** to the borrower's cash flow: - Listed depreciation - Amortization, and - Interest - **Subtract the principal and interest portion** of the payment from the figure determined above NOTE: Current property tax, property insurance and HOA dues do not require documentation - Determine the PITIA on the non-subject rental by using 1/12th of the expenses claimed on the 1040 **Method Two: Lease Agreement** If a lease is used to document rental income the lease must be for a minimum 12 month period. Short term leases are acceptable, if the lease is in place and covers the most recent 12 months. Gaps are acceptable however the rental income will still be averaged over a 12 month period. • When using current lease agreements, calculate the rental income by multiplying the gross rent(s) by 75% • Document current receipt of the rental income, **within 60 calendar days of the Note date**, with the most recent one month's check. • If the amount of the lease is considerably greater than the income listed on the tax return supporting documentation is required. An expired lease, which converted to a month-to-month is acceptable to document rental income • Purchase transactions where there is not an executed lease available the appraiser's opinion of market rent noted on the Comparable Rent Schedule, less 25% vacancy factor, may be used. T**he lower** of the lease or the appraiser's opinion of market rent must be used for qualifying **NOTE**: Rental income from a 1-unit investment property purchased by a first-time home buyer is **ineligible** for qualifying

Full Documentation Eligibility and Summary	
Full Documentation	
Income – Rental (cont.)	**Two-to-Four Primary Residence** Rental income from a 2-4 unit primary residence is eligible from the tenant occupied units as follows: - The gross rental income, minus vacancy and maintenance factors, is eligible NOTE: The gross rental income is **not** used to offset the mortgage payment **Rental Income – Accessory Unit** Rental income from an accessory unit is eligible to use for qualifying income when the appraiser comments that the accessory unit is legal and may legally be rented. **Verification of receipt of rent within the 60 calendar days of the Note date required i**f relying on a lease for qualification - ***Purchase Transactions***: - 75% of the appraiser's opinion of market rent may be used - ***Refinance Transactions***: - The rental income must be listed on the borrower's tax return **AND** be supported by a lease, unless the underwriter can justify reliance on the lease alone; 75% of documented rental income is eligible **Rental Income – Boarder** Rental income from a boarder is eligible for qualifying when: - The boarder is related to the borrower by blood, marriage, or law, **and** - The rental income **must be** documented on the borrower's tax return, **and** - **Verification of receipt of rent within the 60 calendar days of the Note date required** **NOTE**: Income from a roommate is **not** eligible **Conversion of Primary Residence** • Refer to the Conversion of Principal Residence topic for requirements
Income – Seasonal	Seasonal income is eligible on a case-by-case basis subject to **Homebridge management review and approval.** The following applies: - A minimum 2-year history of receipt required, - The income must be from the same job for the past 2 years
Income – Trust	Income derived from an irrevocable or revocable trust is eligible subject to all of the following: • The borrower, who is the beneficiary of the trust is also the person who established the trust, **and** • A complete copy of the trust agreement, showing the terms and conditions of the income that will be received, is provided, **or** • A Trust Certificate provided from the trust administrator that outlines the following: - Total income paid to the borrower, - The method of payment, - The duration of the trust, and - If there is any non-taxable portion • Current receipt of the income must be documented, and the income must be expected to continue for a minimum of 3 years after the date of the application
Income – Unacceptable Sources	• Income that is illegal under local, state, and/or federal law is not eligible (including income generated from marijuana dispensaries) • Educational benefits • Temporary or non-recurring income • Trailing spouse/co-applicant income • Non-reported income/undocumented income • Gift income, even if received on a regular and on-going basis, is not eligible • Gains from trading cryptocurrency
Income – Unemployment	Unemployment income may be considered acceptable stable income subject to: • It is received for the previous 2 years, is predictable and likely to continue (e.g. a seasonal worker) • The use of unemployment income for qualifying income requires **Homebridge management review and approval**

Full Doc Eligibility and Summary	
Full Doc	
Income - Unreimbursed Business Expenses	If unreimbursed employee expenses do not appear on the borrower's most recent years tax returns, the unreimbursed business expenses do not need to be considered
Products	**Fixed Rate** • 15 and 30 year term • Qualify at the Note rate **Fixed Rate: 30 Year Term with Interest-Only (IO ineligible > 85%)** • 30 year term with 20 year amortization • Qualify using the full PITIA payment amortized over 20 years • Interest-only period is for the first 10 years of the loan; P&I payment begins in year 11 **Fixed Rate: 40 Year Term with Interest-Only Feature (IO ineligible > 85%)** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • Qualify using the full PITIA payment amortized over 30 years • Interest-only period is for the first 10 years of the loan; P&I **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.00% • Floor = Margin • Qualify at the **greater of** the start rate **or** index plus margin, amortized over full term of the loan **7/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.00% • Floor = Margin • **30 Year Loan Term:** Qualify at the **greater of** the start rate **or** the index plus margin amortized over 20 years • **40 Year Loan Term:** Qualify at the **greater of** the start rate or the index plus margin amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11 **10/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.00% • Floor = Margin • **30 Year Loan Term**: Qualify at the **greater of** the start rate **or** the index plus margin amortized over 20 years • **40 Year Loan Term**: Qualify at the **greater of** the start rate **or** the index plus margin amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11
Reserves	Required. Refer to the Reserves topic for requirements
Residual Income	• Residual income **is required** on all primary residence transactions • The minimum required residual income is $2,000 • Residual income is the total gross income **minus** total monthly debt **equals** residual income

Bank Statement Eligibility and Summary	
Bank Statement	
Overview	• The Bank Statement option is available for self-employed borrowers. At least one borrower on the transaction must derive their primary income source from self-employment. Self-employment is defined as an ownership interest of ≥ 25%. • 12 or 24 months personal or business bank statements are used to qualify borrowers • Borrowers who derive their income from investments may utilize the Bank Statement option. There must not be any evidence of significant employment income in addition to other specific requirements detailed under the "Borrower Eligibility – Income from Investments" topic below • Transactions are subject to ATR requirements
4506-C/Tax Returns	**Not required.** Tax returns must **not** be submitted when using the Bank Statement option or the loan is ineligible for bank statement option **except** as follows: • A co-borrower or non-occupant co-borrower using full documentation, applicable transcripts, based on documentation used to qualify, is required so a signed 4506-T must be obtained
Assets	Refer to the Assets topic in the general guidelines section for requirements
Borrower Eligibility	**Self-Employed** • Self-employed borrowers (defined as an individual who files Schedule C or corporate tax returns) with 25% or greater ownership in business **NOTE:** Specific ownership requirements apply when utilizing business bank statements. Refer to the Business Bank Statements topic for details • Borrower must have a minimum of two (2) years self-employment in the same business. Borrowers self-employed 1-2 years may be considered on a case-by case basis under the 12 months bank statement option **only** if: - The borrower was in the same line of work for a minimum of 2 years prior to their self-employment, **and** - The borrower has an additional 6 months reserves above what is required, **and** - A minimum of 12 months bank statements supporting self-employment income required • At least one borrower must meet the above requirements. • Co-Borrower: Income from a co-borrower, who is not self-employed, is acceptable using the full documentation option. Taxable income is counted on a "gross" amount regardless of the net deposit shown on the bank statements. Non-taxable income may be grossed up 25%. **NOTE:** Tax returns **cannot** be provided; if provided the transaction must be underwritten under the Full Doc option **1099 Contractor** • Eligible with CPA confirmation the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns) • If the borrower receives some W-2 income as part of the independent contractor employment, that income may be considered so long as the CPA confirms it is part of their self-employed income **Service & Tip Industry** • Borrowers employed in a service/tip industry position are eligible for the Bank Statement program • Base salary is verified with current paystubs and most recent W-2 • Employment is verified using traditional methods • Bank statements are used to determine qualified tips which are averaged over 12 or 24 months • **Two (2) corporate reference letters are required** (i.e. documentation that confirms borrower is in the service/tip industry required) • A P&L and business license are **not** required Refer to the Borrowers - Eligible topic for complete list of eligible borrowers and requirements

Bank Statement Eligibility and Summary	
Bank Statement	
Borrower Eligibility – Income from Investments	A borrower who receives income from their investments (i.e. trust income, distributions from partnerships where the borrower is a limited partner, rental real estate interest, dividends, etc.) and are **not** self-employed are eligible for the Bank Statement option subject to specific requirements. The following is documentation requirements apply: • 24 months **personal** bank statements required to document income receive, **and** • Income derived primarily from dividends, interest, or capital gains, requires brokerage statements confirming ownership of the assets, **and/or** • Income derived primarily through trust income requires a copy of the trust agreement and/or trustee's statements, **and/or** • Income derived through other sources, e.g. passive investments in partnerships, requires a detailed narrative of the income stream from the borrower **and** a CPA letter, confirming the borrower owns the assets generating income • **Any significant employment generated income must be from the co-borrower** **NOTE:** Gift income is an **unacceptable** source of income
Debt-to-Income	• Maximum 50% DTI, **no exceptions**. Refer to the Debt to Income topic in the General Underwriting section for complete requirements • DTI cannot be rounded down to qualify
Derogatory Credit-Significant Events	Derogatory credit events are measured from the completion date of a event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • Pre-foreclosure including Notice of Default or Lis Pendens where the borrower is **currently** delinquent (NOD is **not** considered a significant derogatory credit event if payments are up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirements** • A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance Plan Policy topic for requirements
Documenting Business	Homebridge will verify the existence of the business within 120 calendar days prior to the Note date for the initial verification and will re-verify within 20 business days of the Note date

Bank Statement Documentation Eligibility and Summary

Bank Statement

Documentation of Income

- The newest bank statements in the file cannot be more than 120 calendar days old as of the Note date, based on the end date of the statement

  NOTE: The 12/24 months bank statements provided must be **all** personal **or all** business (i.e. cannot provide 8 months personal statements and 4 months business statements)
- A CPA letter documenting length of time business has been open and the borrower's percentage of ownership is required

Personal Bank Statements

- 12 or 24 months most recent personal bank statements. Statements from multiple accounts are acceptable.
- Deposits are evaluated to verify they are part of the borrower's income

  NOTE: Any deposits that appear abnormal/atypical must be sourced and documented to be considered as part of the borrower's income
- **Three (3) months most recent business bank statements are required to verify the income is coming from the borrower's business. Transfers from only one (1) business are eligible for qualifying**
  - If the borrower does not utilize a separate business account, the above is not applicable and business bank statement guidelines apply
- Qualifying income is the total eligible deposits divided by 12 or 24, as applicable, to determine monthly income
  - Transfers between personal accounts are **not** considered income

Business Bank Statements

- 12 or 24 months most recent business bank statements. Statements from multiple accounts are acceptable however the same calculation method must be applied (see options below)
- Transfers between business accounts are not considered deposits and therefore are **not considered income**
- Any deposits that appear abnormal/atypical must be sourced and documented to be considered as part of the borrower's income
- **The borrower(s) combined must own 25% or more of the business to utilize business bank statements**

Documenting Bank Statement Income

There are 3 options for documenting business bank statement income

1. **Uniform Expense Ratio**
   - The underwriter multiplies the eligible deposits received by 50% expense ratio
   - The above result is multiplied by the borrower's ownership percentage and divided by 12, or 24 as applicable
   - If the expense ratio is reasonable for the borrower's line of work, no further information is required
2. **Profit and Loss Statement**
   - Requires a P&L provided by a CPA, EA or licensed tax preparer for the most recent 12, or 24 months as applicable
   - If the deposits on the business statements support a minimum of 75% of the gross receipts listed on the P&L the P&L may be used for qualifying based on the borrower's pro-rata share of ownership. The resulting income should be reasonable for the borrower's line of work.
3. **CPA Letter for Expense Ratio**
   - A letter provided by a CPA, EA or licensed tax preparer stating the business' expense ratio based on the most recent year's tax return is required. **The letter may not include any disclaimers as to the accuracy of the information**
   - Multiply the expense ratio by the business' total deposits over the 12, or 24 month period shown on the bank statements. Deduct that figure from the total deposits. Multiply net deposits by the applicant's pro-rata ownership percentage and divide by 12, or 24 as applicable.

Bank Statement Documentation Eligibility and Summary

Bank Statement

Documentation of Income (cont.)

The following applies to **both personal and business bank statement** options:

- Income that is illegal under local, state, and/or federal law is **not eligible** (including income generated from marijuana dispensaries)

Co-Mingled Accounts

The following applies when the borrower does **not** maintain separate business and personal accounts:

- Co-mingled accounts will be treated as **business accounts** when determining income.

Non-Sufficient Funds (NSFs)

Excessive NSFs will require a written explanation from the borrower. The following applies:

- **12 Months Bank Statements**:
  - Maximum of three (3) **instances*** of NSFs within the past 12 months (detailed written explanation required)
  - Four (4) or more **instances*** of NSFs within the past 12 months**, the loan is ineligible**
- **24 Months Bank Statements**:
  - Maximum of six (6) **instances*** within the past 24 months (detailed written explanation required)
  - Seven (7) or more **instances*** NSFs within the past 24 months, **the loan is ineligible**

*NSF "**instances"** are defined as a time period where the account is overdrawn and subsequently brought current (i.e. funds are deposited to bring the account balance positive) One instance may have multiple NSFs during that period but all occur within the same time period prior to the account being brought current. If the account becomes overdrawn again, that is considered a second "instance"

Income Trend

Bank statements must show a stable or increasing trend. If the trend is increasing or stable, no additional review is required. If the trend is declining and/or irregular, additional documentation is required as detailed below.

- **12 Months Bank Statements:**
  - A decline in eligible deposits 6 months over 6 months up to 10% is acceptable.
  - If the decline is > 10%, an additional 12 months of statements is required
- **24 months Bank Statements**
  - If eligible deposits are declining, refer to the chart below for requirements
  - If the decline is > 10% year over year, the account **cannot** be used for income calculation

24 Month Bank Statements: Declining Deposit Trend Requirements

Scenario	Requirement
If the eligible deposits declined year over year by < 5%	Utilize 24 month average
• If the eligible deposits decline by > 5% up to 10% year over year. • Borrower must provide an LOE explaining the reason for the decline and if the decline is expected to continue	Utilize a 12 month average of the most recent years eligible deposits
If the eligible deposits decline year over year by > 10%	The income is **ineligible**

- **Calculating the Income Trend 24 Months Bank Statements:** The deposit trend is determined by calculating the percentage change from year one (months 13 to 24) to year two (months 1 to 12).
  - Eligible deposits from year one are subtracted from year two and the difference is divided by year one eligible deposits to determine the change

  Example:
  - Year 1 Eligible Deposits: $100,000
  - Year 2 Eligible Deposits: $80,000
  - Calculate: 80,000 minus $100,000 -$20,000 divided by $100,000 = 20% decline

Bank Statement Documentation Eligibility and Summary	
Bank Statement	
Documentation for Other Real Estate Owned	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Gift Funds	Eligible; refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Eligible; refer to the Gift of Equity topic in the general underwriting guides for requirements
Other Income Sources	**Conversion of Primary Residence** • Refer to the Conversion of Principal Residence topic for requirements **Rental Income – Boarder** Rental income from a boarder is eligible for qualifying when: - The boarder is related to the borrower by blood, marriage, or law, **and** - Receipt of income must be documented for 12 months (e.g. bank statements, cancelled checks) - **Verification of receipt of rent within the 60 calendar days of the Note date required** **NOTE**: Income from a roommate is **not** eligible **Rental Income – Subject Property Purchase** • History of managing rental property **not** required and a lease is **not** required • 75% of the gross rental income is eligible. Gross rental income is determined using: - If there is a valid lease in place use the **lesser of:** - The rent stated on the lease, or - Market rent as determined by the appraiser - If a lease is not in place use the market rent as determined by the appraiser • If 2-4 unit primary residence, the rental income is added to the borrower's income • If the property is an investment property, calculate the rental income on a net basis **Rental Income – Subject Property Refinance** • A current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable. Properties with a history of being rented on a short term basis are eligible. Gaps are acceptable however the income will still be averaged over the most recent 12 months. • Documentation of receipt of one months' rental income with bank statement or cancelled check (front and back) and be **dated within 60 calendar days of the Note date** • 75% of the current income identified on the lease may be used • Rental deposits are not included in the income stream • If the property is a 2-4 unit primary residence, the rental income is added to the borrower's income • If the property is an investment property calculate the rental income on a net basis **Rental Income – Non-Subject Property** • A current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable. Properties with a history of being rented on a short term basis are eligible. Gaps are acceptable however the income will still be averaged over the most recent 12 months • 75% of the current income identified on the lease minus the documented PITIA may be used for qualifying • Rental deposits are not included in the income stream • Document the most recent one (1) months' current receipt with bank statement or cancelled check (front/back) and be **dated within 60 calendar days of the Note date**

Bank Statement Documentation Eligibility and Summary	
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Other Income Sources (cont.)	**Rental Income – Accessory Unit**
	Rental income from an accessory unit is eligible to use for qualifying income on the subject property when the appraiser comments that the accessory unit is legal and may legally be rented subject to the following:
	- ***Purchase Transactions***:
	  - 75% of the appraiser's opinion of market rent may be used
	- ***Refinance Transactions***:
	The rental income must be documented by a lease, **and** proof of receipt of most recent one months' rental income, **dated within 60 calendar days of the Note date**, must be provided; 75% of the documented rents are eligible
	Supplemental Income Sources
	• Income from social security, pension, alimony/child support, second job, and asset utilization/distribution may be used for qualifying subject to the following:
	  - The self-employment income calculated using bank statements must be the borrower's primary income source. If other income sources are used to qualify the borrower, the borrower's primary income source (> 50%) must be the income calculated based on the bank statements less expense ratio, if applicable
	  - Full documentation guidelines will be used to determine documentation eligibility
	  - W-2s and/or 1099s, as applicable, will be required. Tax returns should **not** be provided

Bank Statement Documentation Eligibility and Summary	
Bank Statement	
Products	**Fixed Rate** • 15 and 30 year term • Qualify at the Note rate **Fixed Rate: 30 Year Term with Interest-Only (IO ineligible > 85%)** • 30 year term with 20 year amortization • Qualify using the full PITIA payment amortized over 20 years • Interest-only period is for the first 10 years of the loan; P&I payment begins in year 11 **Fixed Rate: 40 Year Term with Interest-Only (IO ineligible > 85%)** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • Qualify using the full PITIA payment amortized over 30 years • Interest-only period is for the first 10 years of the loan; P&I **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • Qualify at the **greater of** start rate **or** the index plus margin amortized over full term of the loan **7/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **30 Year Loan Term:** Qualify at the **greater of** the start rate **or** the index plus margin amortized over 20 years • **40 Year Loan Term:** Qualify at the **greater of** the start rate or the index plus margin amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11 **10/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.250 • Floor = Margin • **30 Year Loan Term:** Qualify at the **greater of** the start rate **or** the index plus margin amortized over 20 years • **40 Year Loan Term:** Qualify at the **greater of** the start rate or the index plus margin amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11
Reserves	Required. Refer to the Reserves topic for requirements
Residual Income	• Residual income **is required** on all primary residence transactions • The minimum required residual income is $2,500 • Residual income is the total gross income **minus** total monthly debt **equals** residual income

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow	
Overview	• The Investor Cash flow option uses only rental income from the **subject investment property** to determine cash flow • No income or employment is verified when this option is utilized; qualification is determined by the debt service coverage ratio of the subject property • Loans using the Investor Cash Flow (ICF) option are **not** subject to ATR or HPML requirements as **they are considered business purpose loans** • **At least one borrower must have a documented 12 month history of owning and managing rental properties**. See Borrower Eligibility topic below for complete requirements and exception to this requirement • Foreign Nationals are eligible under ICF option. Complete Foreign National requirements are detailed in the Foreign National topic.
4506-C/Tax Return	N/A
Assets	Refer to the Assets topic in the general guidelines section for requirements
Borrower Eligibility	• At least one borrower must have a documented 12 month history of **owning and managing rental properties** (copy of lease, or a CPA letter stating borrower has the management history is acceptable documentation) See exception below (exception **does not** apply to Foreign National borrowers) - Ownership/management of commercial property are acceptable to satisfy the 12 month history requirement - The management history is **not** required to have been in the most recent 3-year period • **Exception to History of Owning and Managing Rental Property**: The requirement for a documented 12 month history of owning and managing rental properties may be waived if the following is met: - Borrower must currently own a primary residence, **and** - Purchase transaction only, **and** - Minimum 680 credit score, **and** - Minimum 1.000 DSCR based on a 30 year amortizing payment, **and** - 0x30 in previous 12 months on all housing trade lines as of loan application date, **and** - No mortgage forbearance with a missed payment in the most recent 12 months prior to the application date - At underwriter discretion request a motivation letter or other documentation to establish the loan as a business purpose loan **NOTES:** 1. The above requirements apply to **all** borrowers on the transaction. In the event all borrowers do not meet all the requirements, additional documentation will be required to confirm the transaction is a business purpose loan 2. Foreign National borrowers are **not** eligible for the exception; FN borrowers **must have a 12 month history of owning and managing rental properties.** • First time home buyers (FTHB) are **not eligible** when **ALL** borrowers are a FTHB. FTHBs are defined as a borrower who has not owned a property in in the past 3 years. - A transaction involving one or more FTHB and a non-FTHB may be considered on a case-by-case basis subject to Homebridge management review and approval • Borrowers living rent free **ineligible** (rent free borrowers only eligible on primary residence and second home transactions) Refer to the Borrowers - Eligible topic for a complete list of eligible borrowers and requirements
Debt-to-Income	N/A; DTI is **not** calculated. See the Debt Service Coverage Ratio topic for requirements

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow	
Debt Service Coverage Ratio (DSCR) – Definition and Minimum DSCR Requirements	DTI is not considered on the Investor Cash Flow option. Qualification is based on the DSCR of the **subject property only**. **The DSCR cannot be rounded up to qualify** **DSCR Definition** The DSCR is the gross rent divided by the qualifying PITIA on the **subject property including interest-only loans unless the loan meets specific requirements.** • **Fixed rate**: Qualify at the Note rate amortized over the loan term • **7/6 or 10/6 ARM**: Qualify at the start rate amortized over 30 years • **7/6, or 10/6 ARM Interest-Only:** Qualify at the start rate amortized over 20 years with 30 year loan term or amortized over 30 years with a 40 year loan term **Minimum DSCR Requirements** • Refer to the Investor Cash Flow matrix for minimum DSCR requirements • **DSCR < 1.00 3 months additional PITIA reserves required** (3 months **more** than standard requirement) • If the DSCR is < 1.00 and the LTV is > 70% a prepayment penalty is required. If the property is located in a state where a prepayment penalty is **not** available, **a minimum DSCR of 1.00 or 1.15, as applicable, is required.** Refer to the Prepayment Penalty topic for a list of states available for a prepayment penalty • **Foreign National** (regardless of LTV or credit score): Minimum 1.000 DSCR required
Debt Service Coverage Ratio (DSCR) – Calculating the DSCR	The Determination of Rents topic below provides details for determining the rent. Once the determination has been made the gross rent is divided by the PITIA for the subject property to calculate the DSCR. Refer to Minimum DSCR Requirements topic above for acceptable DSCRs **Calculating the DSCR** **The DSCR is calculated using the fully amortizing PITIA payment including interest-only transactions** **Refer to the ICF Products topic for specific qualifying and amortization requirements** **DSCR Calculation Examples** ***Example of Acceptable DSCR:*** • **Gross Rent:** $2000.00 • **PITIA Subject Property:** $1600 • **Calculation**: $2,000 divided by $1600 = 1.250

Investor Cash Flow Documentation Eligibility and Summary

Investor Cash Flow

Debt Service Coverage Ratio (DSCR) - Determination of Rents

Determination of Rents

Purchase Transactions:

- 100% of the **lesser of**:
  - The current rent (if currently rented, leases must be provided), **or**
  - The market rent as determined by the appraiser if a unit is not currently leased
- In the event a property is subject to an at-will tenancy without a written lease agreement, which will continue after closing, a signed letter **from the seller of the property**, detailing the terms of the agreement, including the tenants name, address, amount of monthly rent is acceptable. The rental income utilized cannot exceed the market rent as determined by the appraiser
- If a tenant is in place with a lease, which will commence within 60 days of purchase, the lease may be considered when determining the rent. A copy of the executed lease, and proof of receipt of 1 month's rent and/or security deposit is required. The rental income utilized cannot exceed the market rent as determined by the appraiser.

Refinance Transactions:

- 100% of the **lesser** of:
  - Current rent (if currently rented, leases must be provided), **or**
  - 100% of market rent as determined by the appraiser if the unit is currently vacant
- If the property is leased for more than the appraiser's opinion of market rents, the lease amount may be used provided the lease will continue for at least six (6) months after the Note date **and** the timely receipt of the two (2) months of rents due prior to the application date are documented. Acceptable documentation includes copy of check, bank statements, etc. If receipt of rents cannot be verified the unit will be considered vacant and market rent will be utilized
- In the event a property is subject to an at-will tenancy without a written lease agreement, a signed letter from the borrower, detailing the terms of the agreement, including the tenants name, address, amount of monthly rent is acceptable. Documentation that confirms the receipt of rents **within 60 days of the Note date is required**.
- The income from properties rented on a short-term basis may be eligible **subject to Homebridge management review and approval**. If approved, the following applies:
  - If the actual rent exceeds the market rent, the actual rent may be used
  - A 12 month average for the period preceding the application will be developed
  - A 25% vacancy factor will be applied to the DSCR calculation
  - The gross rents may not be declining more than 10% over 6 months
  - Short term rentals are limited to maximum 75% LTV with minimum 700 credit score

Multi-Year Lease

If there is a multi-year lease with a rent increase coming within 12 months that will continue for 12 months after the adjustment, the increased rent may be utilized to calculate the DSCR. The increased rent may not exceed the appraiser's opinion of market rent for the unit(s).

Rental Income – Accessory Unit

Rental income from an accessory unit is eligible when the appraiser comments that the accessory unit is legal and may legally be rented subject to the following:

- ***Purchase Transactions***:
  - The appraiser's opinion of market rent may be used
- ***Refinance Transactions***:
  - **Vacant Property:** The appraiser's opinion of market rent may be used **when the property is vacant**, **OR**
  - **Leased Property**: **The lesser** of:
    - The lease, **or**
    - The appraiser's opinion of market rent is used

If the property is leased documentation that confirms the receipt of rents **within 60 days of the Note date is required**. Acceptable documentation includes copy of check, bank statement, etc.

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow	
Derogatory Credit-Significant Events	Derogatory credit events are measured from the completion date of a event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** **NOTE:** Foreign National borrowers; refer to the Foreign Nationals topic for requirements Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • Pre-foreclosure including Notice of Default or Lis Pendens where the borrower is **currently** delinquent (NOD is **not** considered a significant derogatory credit event if payments are up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirements** • A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance Plan Policy topic for requirements
Documentation of Income	N/A. Income is **not** documented on this program
Documentation for Other Real Estate Owned	Mortgage statements for other real estate owned are required to validate the payment history **only**; other documentation (e.g. property tax bill, insurance bills, HOA dues, etc.) it **not required**
Gift Funds	Eligible. Refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Eligible. Refer to the Gift of Equity topic in the general underwriting guides for requirements
Liabilities	N/A. Liabilities are not considered

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow	
Products	**Fixed Rate** • 15 and 30 year term • Qualify at the Note rate **Fixed Rate: 30 Year Term with Interest-Only** • 30 year term with 20 year amortization • Qualify using the full PITIA payment amortized over 20 years • Interest-only period is for the first 10 years of the loan; P&I payment begins in year 11 **Fixed Rate: 40 Year Term with Interest-Only** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • Qualify using the full PITIA payment amortized over 30 years • Interest-only period is for the first 10 years of the loan; P&I **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.500 • Floor = Margin • **Qualify at the start rate** **7/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.500 • Floor = Margin • **30 Year Loan Term:** Qualify at the start rate, using the full PITIA payment, amortized over 20 years • **40 Year Loan Term:** Qualify at the start rate, using the full PITIA payment, amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11 **10/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.500 • Floor = Margin • **30 Year Loan Term:** Qualify at the start rate, using the full PITIA payment, amortized over 20 years • **40 Year Loan Term:** Qualify at the start rate, using the full PITIA payment, amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11
Reserves	**Reserves are required**. Refer to the Reserves topic for details
Residual Income	Not required

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier	
Overview	• Borrowers are qualified based on their liquid assets or assets that may be liquidated without restriction. Refer to the Asset Qualification topic for details • Income and employment are **not verified** when this option is utilized • Loans using the Asset Qualifier option are subject to ATR or HPML requirements • **Primary residence** purchase and rate/term transactions **only; second home, investment properties, and cash-out ineligible**
4506-C/Tax Return	N/A
Asset Qualification	**Method One** Total post-closing assets must equal 125% of **all** outstanding mortgage debt for which the borrower is personally liable **Method Two** Total post-closing assets must: • Equal 120% of the subject property loan amount **plus** • 30% of all other outstanding debt (mortgage and consumer) **Method Three** Total post-closing assets must cover the sum of the following: • 100% of the loan amount, **plus** • 60 months of total debt service (PITIA for subject or rental properties **not** included), **plus** • 60 months of net loss on rental properties Refer to the Debt to Income/Debt Service topic for additional details on Debt Service and eligible exclusions to the debt required to be included in **Method One** and **Method Two**

Assets – Eligible	The borrower may only use their proportionate share of any account held jointly with a person(s) who will **not** be on the loan. If no specified percentage of ownership is stated, it is assumed the account is divided equally among the account holders.
	Eligible Assets:
	• Cash and cash equivalents at 100% of face value
	• Marketable securities (**excludes unvested** RSUs and Stock options) – 80% (minus any outstanding margin loans, if applicable).
	• Cash surrender value of an annuity. Any loan secured by the annuity must be deducted from the cash value
	• Cash value of a vested life insurance policy – 100%
	  - When used for reserves, the cash value must be documented but liquidation not required
	• Retirement funds:
	  - Borrower **not** at retirement age (< 59½): 70%
	  - Borrower is of retirement age (≥ 59½ years): 80%
	  - Borrowers who are not of retirement age must document that they have unrestricted access to all retirement-based funds used for down payment and closing costs and documentation of liquidation of the assets needed to close the loan is required.
	• **Bitcoin** assets are eligible **subject to Homebridge management review and approval**. The following applies:
	  - Bitcoin must be liquidated and deposited into a U.S. bank/financial institution and be seasoned for a minimum of 60 days
	• Proceeds from the documented sale of any assets owned by the borrower over the prior 6 months
	• The balance of any loan secured by the asset being used for asset qualification the value of the asset must be reduced by the loan amount prior to applying the percentage above, without regard to the total amount that may be drawn

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier	
Assets – Eligible (cont.)	**Liquidation** • Liquation requirements are as follows: - If the funds are required for closing (e.g. down payment, closing costs) the liquidation of the funds and the ending balance of the account(s) must be documented - If the funds are being used to satisfy reserve requirements, liquidation is **not** required **Business funds** may be considered an acceptable source **for funds to close** only when the borrower is self-employed subject to the following: • The borrower must have at least 51% greater interest in the business to utilize business funds and the ownership percentage must be verified. The amount of business assets that may be utilized are restricted to the percentage of ownership interest the borrower has in the business • One of the following is required: 1. A letter from the borrower stating they have access to the business funds and a cash flow analysis to document the withdrawal of funds will not negatively affect the business. The cash flow analysis must be based on: - Determine the business' monthly operating expenses based on either the most recent years tax returns **or** average the deductions on six (6) months of business bank statements, **and** - Deduct six (6) months' worth of expenses from current business balance to determine available balance and apply the borrower's ownership percentage to the result to determine eligible business assets, **OR** 2. A CPA letter must be provided to confirm withdrawal of funds will not have a negative impact on the business **Ineligible Assets:** • Business funds (**eligible for funds to close only** – see requirements below) • Non-liquid assets (e.g. cars, artwork, business net worth, etc.) • Face value of life insurance policy. • Unvested restricted stock • Stock options, unless exercised • Securities that are not publicly traded • Cryptocurrencies with the exception of bitcoin
Assets – Documenting	• The most recent six (6) months of statements for each account that will be utilized for asset qualification must be provided • Large deposits, defined as > 10% of the face value of the account, on the most recent statement must be sourced and documented. Any deposits that cannot be sourced will be deducted from the value of the account • Asset balances must be verified within 120 days of the Note date
Borrower Eligibility	Refer to the Borrowers - Eligible topic for requirements
Debt-to-Income	N/A; DTI is not calculated. While the borrower's DTI is not calculated under this program, the borrower's monthly debt service is considered when qualifying determined. Refer to the Asset Qualification topic for requirements

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier	
Derogatory Credit-Significant Events	Derogatory credit events are measured from the completion date of a event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • Pre-foreclosure including Notice of Default or Lis Pendens where the borrower is **currently** delinquent (NOD is **not** considered a significant derogatory credit event if payments are up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirements** • **A five (5) year waiting period** is required measured from event completion/dismissal/ discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance Plan Policy topic for requirements
Documentation of Income	N/A; income is not documented. Qualification is determined by borrower's assets
Documentation for Other Real Estate Owned	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Gift Funds	• Eligible for down payment and closing costs on **purchase transactions**. Gift funds may be eligible for closing costs on refinance transactions on an exception basis • Gift funds **cannot** be used to meet reserve requirements **or** as an eligible asset to meet Asset Qualifier requirements Refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Eligible. Refer to the Gift of Equity topic in the general underwriting guides for requirements
Income - Rental	Negative cash flow from rental property/properties owned by the borrower must be considered in the borrower's debt service. Positive cash flow is not considered. The following calculations must be applied to each rental property owned by the borrower • Rental income is determined on a net basis based on 75% of the payment on the lease less the PITIA to determine the impact on debt service • **Three (3) months of receipt of rental income must be documented** • If rental income cannot be documented, **the full PITIA for the property must be included in the borrower's debt service** • Net rent can never exceed $0 for determining impact **Example #1** • Rent Received: $1600 • PITIA Payment: $1500 • Calculation: $1600 x 75% = $1200 minus $1500 = -$300 (negative $300) • Added to Debt Service: $300 **Example #2** • Rent Received: $2400 • PITIA Payment: $1500 • Calculation: $2400 x 75% = $1800 minus $1500 = $300 (positive) • Added to Debt Service: $0

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier	
Product	**Fixed Rate** • 15 and 30 year term • Qualify at the Note rate **Fixed Rate: 30 Year Term with Interest-Only** • 30 year term with 20 year amortization • Qualify using the full PITIA payment amortized over 20 years • Interest-only period is for the first 10 years of the loan; P&I payment begins in year 11 **Fixed Rate: 40 Year Term with Interest-Only Feature** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • Qualify using the full PITIA payment amortized over 30 years • Interest-only period is for the first 10 years of the loan; P&I **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.250 • Floor = Margin • **Qualify at the greater of** the start rate **OR** the index plus margin amortized over the full term of the loan **7/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.250 • Floor = Margin • **30 Year Loan Term:** Qualify at the **greater of** the start rate **or** the index plus margin amortized over 20 years • **40 Year Loan Term:** Qualify at the **greater of** the start rate or the index plus margin amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11 **10/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.250 • Floor = Margin • **30 Year Loan Term:** Qualify at the **greater of** the start rate **or** the index plus margin amortized over 20 years • **40 Year Loan Term:** Qualify at the **greater of** the start rate or the index plus margin amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11
Reserves	Refer to the Reserves topic for reserve requirements
Residual Income	• A minimum of $1300 per month of residual income **is required** • The required residual income is calculated based on the total qualifying assets divided over 60 months **minus** total monthly debt **equals** residual income

1099 Documentation Eligibility and Summary	
1099 Only	
Overview	• The 1099 Only option is available for borrowers who are an independent contractor who receive a 1099 at year-end or receive income from commission • The 1099s provided must cover a complete calendar year. In the event the borrower converted from W-2 to 1099 during the previous year, refer to the Borrowers Income Type Eligibility topic for requirements. • A borrower who is an independent contractor and receives a portion of their independent contractor income as W-2 income may have that income included in the income calculation when documentation is received from a CPA, enrolled agent, or licensed tax preparer that verifies the W-2 income is not the result of employment income. The letter is valid for **60** days • The borrower's primary income source (> 50% of qualifying income) must be 1099 income minus the applicable expense ratio • The 1099 income must be recurring (i.e. income that is part of the borrower's normal and recurring income stream • The 1099 income used to qualify the borrower cannot be from a source owned by the borrower(s) or from a family-owned business • Income derived from sources deemed illegal under local, state, and/or federal law is **not eligible**
4506-C/ Transcripts	• A signed 4506-C and applicable 1099 tax transcripts covering the number of years of 1099s provided (1 or 2 years) • 4506-C results must be validated against the income documentation • Broker provided processed 4506-C results are **not** eligible • A co-borrower using full documentation, requires a signed 4506-C and the applicable transcripts, based on Full Documentation requirements, must be obtained
Assets	Refer to the Assets topic in the general guidelines section for detailed requirements
Borrowers – Eligible	• Borrowers who receive income from commission or are an independent contractor who receive a 1099 at year-end • 1099s issued to an entity instead of the borrower, the borrower must have **100% ownership** interest in the entity. The ownership interest must be documented by a CPA, Enrolled Agent, or licensed tax preparer in writing or equivalent documentation provided • Refer to the Borrowers Eligible topic for complete borrower eligibility information
Debt-to-Income	• Maximum 50% DTI, **no exceptions**. Refer to the Debt to Income topic in the General Underwriting section for complete requirements and eligible exception • DTI cannot be rounded down to qualify

1099 Documentation Eligibility and Summary	
1099 Only	
Derogatory Credit - Significant Events	Derogatory credit events are measured from the completion date of an event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • Pre-foreclosure including Notice of Default or Lis Pendens where the borrower is **currently** delinquent (NOD is **not** considered a significant derogatory credit event if payments are up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirements** • A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance Plan Policy topic for requirements
Documentation for Other Real Estate Owned	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Documentation of Employment/Income	• Two year's employment history must be verified with one of the following: - Written VOE, or - CPA letter, or - Documentation determined acceptable by the Homebridge Underwriter based on the borrower's circumstances • Most recent one (1) or two (2) years 1099(s). The 1099 income must be recurring (i.e. income that is part of the borrower's normal and recurring income stream) • Acceptable documentation of year-to-date income within **120** calendar days of the Note date is one the following: - A paystub or check(s) showing YTD income, **OR** - Bank statements showing receipt of YTD income • Transcripts for the number of years of 1099s submitted required • Methods Two or Three (detailed below) require a CPA/enrolled agent/licensed tax preparer prepared P&L or expense ratio letter to calculate income

1099 Documentation Eligibility and Summary	
1099 Only	
Documentation of Employment/Income	**Income Calculation Methods** Qualifying income is based on the gross income on the 1099s provided (one or two years) **minus** the applicable expense ratio (established using one of the three (3) methods described below). YTD gross income must support the 1099s provided and used to qualify • If two (2) years 1099s are provided the following applies: - If the gross income is stable or increasing, a 24 months average of the net income is utilized - If the gross income is declining, a 12 months average of the net income is utilized - YTD gross income must support the 1099s provided and used to qualify **Method One: Uniform Expense Ratio** • The eligible gross receipts are multiplied by 25% of the expense ratio • If the expense ratio is reasonable for the line of work and the borrower qualifies, additional documentation is **not** required **Method Two: Profit and Loss Statement** • A profit and loss, prepared by a CPA/enrolled agent/licensed tax preparer covering the time period of the 1099(s) (i.e., one or two years as applicable) • If the gross income on the 1099(s) support a minimum of 90% of the gross income listed on the P&L the net income on the P&L is used for qualifying • **If two (2) year's 1099s are provided, and the gross income shows a declining trend, a P&L covering the most recent calendar year must be provided and used for qualifying** • The income must be reasonable for the borrower's line of work **Method Three: CPA Letter for Expense Ratio** • A CPA/enrolled agent/licensed tax preparer prepared letter stating the borrower's expense ratio based on the borrower's most recent year's tax return. The letter **cannot** contain any exculpatory language • The expense ratio is multiplied by the gross income shown on the 1099(s) used for qualification. That figure is subtracted from the gross income listed on the 1099(s) and the resulting number is used to qualify, averaged over the number of months of income provided • The income must be reasonable for the borrower's line of work • **If two (2) year's 1099s provided, and the gross income shows a declining trend, the income will be calculated using the most recent year's 1099 only minus the stated expense ratio**
Income – Co-Borrower	Income from a co-borrower who does not utilize 1099s is eligible to supplement the 1099 income. Refer to the Full Documentation option for eligible sources of income and documentation requirements
Income – Other Sources	Other income sources may be used to supplement 1099 income; **1099 income must be the borrower's primary source of income (> 50%)** Full Documentation option requirements are used to calculate and document the income types below with the exception of providing tax returns; **tax returns cannot be used to document receipt of income.** The borrower **must provide alternative documentation** (bank statements, checks, W-2s, 1099s, etc.) • Alimony, • Asset Utilization/Distribution, • Child Support, • Pension, • Second Job, • Social Security

1099 Documentation Eligibility and Summary

1099 Only

Income – Other Sources (cont.)

Rental Income Requirements

A history of managing rental property is not required to utilize rental income

Conversion of Primary Residence

- Refer to the Conversion of Principal Residence topic for requirements

Rental Income – Subject Property Purchase

- History of managing rental property **not** required and a lease is **not** required
- 75% of the gross rental income is eligible. Gross rental income is determined using:
  - If there is a valid lease in place use the **lesser of:**
    - The rent stated on the lease, or
    - Market rent as determined by the appraiser
  - If a lease is not in place use the market rent as determined by the appraiser
- If the property is a 2-4 unit primary residence, the rental income is added the borrower's income; it is **not** used to offset the PITIA
- If the property is an investment property, calculate the rental income on a net basis
- Rental income from a second home is not eligible

Rental Income – Subject Property Refinance

- A current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable
- If the tenancy is at-will, with no formal lease agreement in place, a signed letter from the borrower outlining the terms of the agreement is acceptable. A lease that has expired and converted to month-to-month is acceptable.
- 75% of the current income identified on the lease may be used
- Rental deposits are not included in the income stream
- If the property is a 2-4 unit primary residence, the rental income is added to the borrower's income, it is **not** used to offset the PITIA
- If the property is an investment property calculate the rental income on a net basis
- Rental income from properties historically leased on a short-term basis is eligible. The income is averaged over the most recent 12 month period Gaps are acceptable however the income will still be averaged over the most recent 12 months

Rental Income – Non-Subject Property

- A current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable
- If the tenancy is at-will, with no formal lease agreement in place, a signed letter from the borrower outlining the terms of the agreement is acceptable.
- 75% of the current income on the lease **minus** the documented PITIA eligible for qualifying
- Rental deposits are not included in the income stream
- Document one (1) months' current receipt with bank statement or cancelled check (front and back) dated within 60 calendar days of the Note date
- Rental income from properties historically leased on a short-term basis is eligible. The income is averaged over the most recent 12 month period. Gaps are acceptable however the income will still be averaged over the most recent 12 months

Rental Income – Accessory Unit

Rental income from an accessory unit is eligible to use for qualifying income when the appraiser comments that the accessory unit is legal and may legally be rented subject to the following:

- **Purchase Transactions:** 75% of the appraiser's opinion of market rent may be used
- **Refinance Transactions:** The rental income must be documented by a lease and documentation of the receipt of most recent one month's rental income (bank statement, cancelled check, etc.) dated within 60 calendar days of the Note date; 75% of the documented rental income is eligible

Rental Income – Boarder

Rental income from a boarder is eligible for qualifying when:

- The boarder is related to the borrower by blood, marriage, or law, **and**
- Receipt must be documented for 12 months (e.g. bank statements, cancelled checks), **and**
- **Verification of receipt of rent within the 60 calendar days of the Note date required**

NOTE: Income from a roommate is **not** eligible

1099 Documentation Eligibility and Summary	
1099 Only	
Product	**Fixed Rate** • 15 and 30 year term • Qualify at the Note rate **Fixed Rate: 30 Year Term with Interest-Only (IO ineligible > 85%)** • 30 year term with 20 year amortization • Qualify using the full PITIA payment amortized over 20 years • Interest-only period is for the first 10 years of the loan; P&I payment begins in year 11 **Fixed Rate: 40 Year Term with Interest-Only Feature (IO ineligible > 85%)** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • Qualify using the full PITIA payment amortized over 30 years • Interest-only period is for the first 10 years of the loan; P&I **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • Qualify at the **greater of** start rate **or** the index plus margin amortized over full term of the loan **7/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **30 Year Loan Term:** Qualify at the **greater of** the start rate **or** the index plus margin amortized over 20 years • **40 Year Loan Term:** Qualify at the **greater of** the start rate or the index plus margin amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11 **10/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.250 • Floor = Margin • **30 Year Loan Term:** Qualify at the **greater of** the start rate **or** the index plus margin amortized over 20 years • **40 Year Loan Term:** Qualify at the **greater of** the start rate or the index plus margin amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11
Reserves	Refer to the Reserves topic for reserve requirements
Residual Income	• Residual income **is required** on all primary residence transactions • The minimum required residual income is $2,500 • Residual income is the total gross income **minus** total monthly debt **equals** residual income

P&L Documentation Eligibility and Summary	
Profit and Loss (P&L) Only	
Overview	• **Maximum 75% LTV** • **Minimum 700 credit score** • Self-employed borrowers **only**. **Borrower's tax returns/P&Ls must be prepared by an independent entity; self-employed borrowers who complete and file their own tax returns/P&Ls are not eligible**
4506-C/ Transcripts	**Not required.** Tax returns must not be submitted when using the P&L Only option or the loan is ineligible for P&L Only option **except** as follows: • A co-borrower using full documentation, requires a signed 4506-C and the applicable transcripts, based on Full Documentation requirements, must be obtained
Assets	Refer to the Assets topic in the general guidelines section for detailed requirements
Borrowers - Eligible	• Self-employed borrowers with ≥ 50% ownership in the business • Refer to the Borrowers Eligible topic for complete borrower eligibility information
Debt-to-Income	• Maximum 50% DTI, no exceptions. Refer to the Debt to Income topic in the General Underwriting section for complete requirements • DTI cannot be rounded down to qualify
Derogatory Credit – Significant Events	Derogatory credit events are measured from the completion date of an event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • Pre-foreclosure including Notice of Default or Lis Pendens where the borrower is **currently** delinquent (NOD is **not** considered a significant derogatory credit event if payments are up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirement** A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance Plan Policy topic for requirements
Documenting Business	Homebridge will verify the existence of the business within 120 calendar days prior to the Note date for the initial verification and will re-verify within 20 business days of the Note date
Documentation for Other Real Estate Owned	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.

P&L Documentation Eligibility and Summary

Profit and Loss (P&L) Only

Gift Funds

Eligible on primary residence and second home transactions; ineligible on investment properties

Refer to the Gift Funds topic for complete details

Gift of Equity

Eligible on primary residence and second home transactions; ineligible on investment properties

Refer to the Gift of Equity topic for complete details

Income

Qualifying income is the **lower of:**

- The income based on the unaudited P&L(s) **OR**
- The monthly income disclosed on the **initial**, signed 1003 (a revised/updated 1003 is **not** eligible)

Net Income

The net income is calculated from the P&L(s) based on the borrower(s) percentage of ownership (e.g., if the borrower(s) have a 65% ownership interest, the borrower's qualifying income is the net income calculated using the P&L(s) multiplied by 65%)

Income Documentation

- A minimum of 2-years self-employment in the borrower's current profession required
  - Documentation that the business has been in existence for a minimum of 2-years must be provided. The following is considered acceptable:
    - Business license,
    - Letter from a tax preparer,
    - Secretary of State filing
- Borrower(s) must have **≥ 50%** ownership in the business. The ownership percentage must be documented by one of the following:
  - Certified Public Accountant (CPA), **or**
  - IRS Enrolled Agent (EA), **or**
  - California Tax Education Council (CTEC) letter (tax preparer registered with CTEC), **or**
  - Operating Agreement

  NOTE: Ownership is **cumulative** for all borrowers (i.e. if borrower 1 has 25% ownership and borrower 2 has 25% ownership, the ≥ 50% ownership requirement has been met)
- The borrowers most recent unaudited P&L(s) must be provided and the following applies:

Application Dated	Required Profit & Loss Statements
January 1st through March 31st	Unaudited 12 month P&L from prior year
April 1st through December 31st	Unaudited 12 month P&L from prior year **PLUS** unaudited YTD P&L for current year

- The P&L must be dated ≤ 90 calendar days prior to the Note date, **and**
- The P&L(s) **must be prepared by an independent** entity (borrower prepared **are not allowed**). Acceptable entities include:
  - Certified Public Accountant (CPA),
  - Enrolled Agent (EA), or
  - Tax preparer **registered with the CTEC**
- **The P&L(s) must be signed by both the borrower(s) with ownership interest and preparer (non-owner borrowers are not required to sign)**
- The CPA, EA, or CTEC registered tax preparer must confirm, in writing, **one** of the following:
  - They have reviewed working papers provided by the borrower and certify, based on this review, the P&L represents an accurate summary of the business cash flow and applicable cash expenses. The CPA/EA/CTEC registered tax preparer must also confirm that they have prepared the most recent year of business tax returns, **OR**
  - They prepared the prior two years of tax returns for the borrower's business, that they prepared the P&L(s) and the P&L(s) represent an accurate summary of the business cash flow and the applicable cash expenses
- A copy of the CPA or CTEC registered tax preparers active license must be included in the loan file. A screen shot from the IRS EA website, validating the enrolled agent credentials, is acceptable documentation to include in the loan file
- A letter detailing the nature of the business, signed and dated by the borrower, is required

P&L Documentation Eligibility and Summary	
Profit and Loss (P&L) Only	
Income Documentation (cont.)	• Two (2) months **most recent business** bank statements. The business bank statements must: - Support the gross receipts/sales reflected on the CPA/EA/tax preparer prepared P&L, **and** - The average deposits from the bank statements must be greater than the average monthly sales **OR** no less than 10% below the average monthly sales - If the average deposits are more than 10% below the average monthly sales, additional bank statements i.e. the next most recent statement(s) may be added to the analysis until the tolerance is acceptable ***Example:*** • ***Acceptable Tolerance:*** Average deposits that are 10% below (i.e. 10%, 9%, 8%, etc.) the average monthly sales **do not require** the additional most recent bank statement • ***Unacceptable Tolerance****:* Average deposits that are 10.01% or more (i.e. 10.01%, 11%, 12%, etc.) below the average monthly sales **will require** the next most recent statement(s) until the tolerance is acceptable
Income – Co-Borrower	**Co-Borrower Income** Income from a co-borrower, who is not self-employed, is acceptable to supplement the P&L income using the full documentation option. Refer to the Full Documentation option for information on acceptable sources of income and requirements **NOTE:** Tax returns **cannot** be provided to document co-borrower income; if provided the transaction must be underwritten under the Full Doc option
Income – Other Sources	**Conversion of Primary Residence** • Refer to the Conversion of Principal Residence topic for requirements **Rental Income – Subject Property Purchase** • History of managing rental property **not** required and a lease is **not** required • 75% of the gross rental income is eligible. Gross rental income is determined using: - If there is a valid lease in place use the **lesser of:** - The rent stated on the lease, **or** - Market rent as determined by the appraiser - If a lease is not in place use the market rent as determined by the appraiser • If 2-4 unit primary residence, the rental income is added to the borrower's income • If the property is an investment property, calculate the rental income on a net basis • Income from a second home is **not eligible** **Rental Income – Subject Property Refinance** • A current lease **is required** to utilize rental income. A lease that has expired and converted to month-to-month is acceptable. • Properties with a history of being rented on a short term basis are eligible **on a case-by-case basis subject to Homebridge management review and approval.** Gaps are acceptable however the income will still be averaged over the most recent 12 months and the 25% vacancy factor applies • A history of managing rental property is not required • Documentation of receipt of the most recent one months' rental income with bank statement or cancelled check (front and back) and be **dated within 60 calendar days of the Note date** • 75% of the current income identified on the lease may be used • Rental deposits are not included in the income stream • If the property is a 2-4 unit primary residence, the rental income is added to the borrower's income • If the property is an investment property calculate the rental income on a net basis (cont. on next page)

Income – Other Sources (cont.)	**Rental Income – Non-Subject Property** • A current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable. • Properties with a history of being rented on a short term basis are eligible **on case-by-case basis subject to Homebridge management review and approval.** Gaps are acceptable however the income will still be averaged over the most recent 12 months and the 25% vacancy factor applies • A history of managing rental history is not required • 75% of the current income identified on the lease minus the documented PITIA may be used for qualifying • Rental deposits are not included in the income stream • Document of receipt of the most recent one (1) months' rental income with bank statement or cancelled check (front/back) and be **dated within 60 calendar days of the Note date** **Rental Income – Accessory Unit** Rental income from an accessory unit is eligible to use for qualifying income on the subject property when the appraiser comments that the accessory unit is legal **and** may legally be rented subject to the following: • ***Purchase Transactions***: - 75% of the appraiser's opinion of market rent may be used • ***Refinance Transactions***: - The rental income must be documented by a lease, **and** proof of receipt of most recent one months' rental income, **dated within 60 calendar days of the Note date**, must be provided; 75% of the documented rents are eligible **Rental Income – Boarder** Rental income from a boarder is eligible for qualifying when: • The boarder is related to the borrower by blood, marriage, or law, **and** • Receipt must be documented for 12 months (e.g. bank statements, cancelled checks), **and** • **Verification of receipt of rent within the 60 calendar days of the Note date required** **NOTE**: Income from a roommate is **not** eligible **Supplemental Income Sources** • Borrowers using P&L statements to calculate DTI may supplement their income with social security, pension, alimony/child support, second job, and asset utilization/distribution subject to the following: - The self-employment income calculated using the P&L(s) must be the borrower's primary income source. If other income sources are used to qualify the borrower, the borrower's primary income source (> 50%) must be the income calculated based on the P&L(s) less expense ratio, if applicable - Full documentation guidelines will be used to determine documentation eligibility - W-2s and/or 1099s, as applicable, will be required. **Tax returns cannot be provided** **NOTE:** Asset utilization/distribution not eligible as supplemental income on cash-out transactions

P&L Documentation Eligibility and Summary	
Profit and Loss (P&L) Only	
Products	**Fixed Rate** • 15 and 30 year term • Qualify at the Note rate **Fixed Rate: 30 Year Term with Interest-Only** • 30 year term with 20 year amortization • Qualify using the full PITIA payment amortized over 20 years • Interest-only period is for the first 10 years of the loan; P&I payment begins in year 11 **Fixed Rate: 40 Year Term with Interest-Only** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • Qualify using the full PITIA payment amortized over 30 years • Interest-only period is for the first 10 years of the loan; P&I **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • Qualify at the **greater of** start rate **or** the index plus margin amortized over full term of the loan **7/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **30 Year Loan Term:** Qualify at the **greater of** the start rate **or** the index plus margin amortized over 20 years • **40 Year Loan Term:** Qualify at the **greater of** the start rate or the index plus margin amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11 **10/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.250 • Floor = Margin • **30 Year Loan Term:** Qualify at the **greater of** the start rate **or** the index plus margin amortized over 20 years • **40 Year Loan Term:** Qualify at the **greater of** the start rate or the index plus margin amortized over 30 years • Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11
Reserves	Required. Refer to the Reserves topic for requirements
Residual Income	• Residual income is required on all **primary residence** transactions • The minimum required residual income is $2,500 • Residual income is the total gross income minus total monthly debt equals residual income

Simple Access Underwriting Guidelines

Simple Access Specific Forms	Homebridge will complete these forms, as applicable, and send with loan closing docs. • **Borrower Affidavit – Full Documentation**. Signed by borrower(s) • **Borrower Affidavit – Bank Statement**. Signed by borrower(s) • **Borrower Affidavit** – **Investor Cash Flow**. Signed by borrower(s) • **Borrower Affidavit - Asset Qualifier**. Signed by borrower(s) • **Borrower Affidavit** – **1099 Only**: Signed by borrower(s) • **Borrower Affidavit** – P&L Only: signed by borrower(s)
Ability to Repay	• The Simple Access program is designed for loans that are **not** eligible under Fannie Mae/Freddie Mac guidelines • All **Full Doc, Bank Statement, Asset Qualifier, 1099 Only, and P&L Only option loans** must meet Ability to Repay (ATR) requirements (N/A for Investor Cash Flow option). All of the following criteria must be considered when determining if the borrower has sufficient income and assets to repay the loan. - Current or reasonable expected income or assets, - Current employment status, - Monthly payment on the covered transaction, - Monthly payment on any simultaneous loan, - Monthly payment for mortgage-related obligations, - Current debt obligations, alimony and child support, - Credit history, and - Debt-to-income ratio • The loan file must include documentation of the borrower's ability to repay • HPML requirements apply to Full Doc, Bank Statement, Asset Qualifier, 1099 Only, and P&L Only Refer to the HPML topic for details.
Age of Documents	• Income documentation must be dated no more than 120 days prior to the Note date • Asset documentation must be dated no more than 120 days prior to the Note date • The **credit report** cannot be more than 120 days old as of the Note date • Appraisal documents cannot be more than 120 days old at funding. A recertification of value is eligible provided the original appraisal is **not more than 180 days old at funding** • Title commitment cannot be more than 60 days old at funding
Appraisals	• All transactions require an appraisal • Appraisal requirements are as follows: **Appraisal Requirements** **Loan Amount** / **Requirement** ≤ $1,500,000 / One (1) full appraisal > $1,500,000 / Two (2) full appraisals • When two appraisals are required and **neither** are a transferred appraisal, the lower of the two is used to determine value and there are no additional requirements • **Collateral Desktop Analysis (CDA)**: A CDA must be obtained on transactions where only one full appraisal is required (see **exception** below) **or** the transaction involves a **transferred appraisal(s).** The cost of the CDA is $150 • **CDA Waiver:** The CDA requirement may be waived when the transaction only requires one appraisal **AND** the appraisal receives a Fannie Mae Collateral Underwriter (CU) **and/or** the Freddie Mac Loan Collateral Advisor (LCA) Risk Score of ≤ 2.5. If the CU **and/or** LCA score is > 2.5 or there is no CU and/or LCA score a CDA is required. See requirements on following page *The Risk Score is provided on page 2 of the Fannie Mae/Freddie Mac Submission Summary Report (SSR) **NOTE:** A **CDA waiver not eligible** if: • It is a transferred appraisal(s), **or** • If the loan amount is > $1,500,000 to $3,000,000, **or** • Either the CU **or** the LCA risk score is > 2.5 **or** there is no CU **and/or** LCA score

Appraisals	• **One Appraisal**: When a waiver of the CDA requirement is not eligible a Collateral Desktop Analysis (CDA) must be obtained and the following applies: - If the CDA value is **higher** by more than 10% of the appraised value, the appraised value is used. - If the CDA is **lower** than the appraised value by > 10%, a field review is **required**. - If the value of the field review is **within 5%** of the value of the appraisal the lower of the two will be used - If the value of the field review is outside 5% of the appraised value, another full appraisal is required • **Transferred Appraisals:** Transferred appraisals **are eligible subject to the following for <u>each</u> appraisal:** - The transferred appraisal must meet all Homebridge requirements for transferred appraisals, **and** - A CDA, for **each appraisal**, is required with a variance between 0% and positive 10% (inclusive) • **Purchase Transactions**: The value is the **lesser** of: - The purchase price (minus concessions or excess contributions), **or** - The appraised value • **Refinance Transactions**: - **If property owned < 12 months** the following applies: - The current value may be used provided the value is supported by the appraisal and a CDA (CDA variance must be ≤ 10, **OR** - If the CDA variance is > 10%, the value is determined by the **lesser** of: o The purchase price plus the documented cost of improvements since time of purchase, **or** o The current appraised value - **If property owned > 12 months:** The value is the current appraised value • The subject property must conform to the neighborhood in terms of age, design and materials used for construction. The appraiser must comment on and describe any items that might impact the marketability and make applicable adjustments based on those comments • Homebridge requires properties to be, at minimum, in average condition • All factors that negatively impact the property's condition must be considered including: - **Deferred Maintenance**: Considered on a case-by-case basis. "Subject to" items must be described in detail and any required work must be completed prior to closing - **Debris, Graffiti, or Trash**: Property with excessive amount of debris, graffiti or trash may require clean-up. When clean-up required, a Satisfactory Completion Certificate (Fannie Mae Form 1004D/Freddie Mac Form 442) and photos will be required - **Infestation**: Any indication of termites or other infestation, must be investigated, treated, and remedied. - **Roof Damage**: Any evidence of roof leaks and/or interior water damage (ceiling stains) must be addressed by the underwriter even if not identified on the appraisal. If any of these conditions exist, a roof certification must be obtained, indicating a remaining useful and physical life of at least 3 years • Properties with security bars must address any safety issues prior to close. Security bars must comply with local fire codes and meet one of the following conditions: - There is a "quick release" on at least one window in each bedroom. The appraiser must comment on whether or not the bars meet local codes and whether or not there is a "quick release", **OR** - The appraiser must indicate that all bedrooms must have adequate egress to the exterior of the home

Appraisal (cont.)	• Properties with any of the following conditions are ineligible: - Boarded-up, - Inadequate foundation that does not meet code, - Any property that poses an imminent threat to the health and safety of the occupant - Inadequate heating (must be a permanently affixed legal heating system). Exceptions may be made on a case-by-case basis subject to Homebridge management approval - No water or public electricity - Cantilevered or properties on stilts, posts or piers, - Shared services for well, septic, or utilities that are private agreements, - Properties showing evidence of mold, - Environmental hazards or nuisances • Refer to the Properties - Ineligible topic for a complete list of ineligible properties. • Room additions must be permitted. Unpermitted additions are eligible on a case-by-case basis subject to Homebridge management approval. Refer to the Property with an Addition Without Permits topic for complete requirements **Appraisal Requirements** • The appraisal must include all of the following: - Street map showing the location of the subject property and all comparable sales used, - Exterior building sketch of the improvements indicating dimensions, - A floor plan sketch is required along with calculations demonstrating how the estimate for the gross living area was determined, - A sketch of the unit that indicates the interior perimeter unit dimensions instead of exterior building dimensions for a condo located in a condominium project, - Original color photographs or digital color images of the front, street and rear view of the subject property, **NOTE**: Original digital black and white photographs/pictures are permitted if the appraisal clearly documents the subject property meets Homebridge guidelines. - Interior photos of the subject property that include all of the following: - Kitchen, - All Bathrooms, - The main living area, - Any area with physical deterioration, and - Any renovations/improvements. - Any other information necessary to provide an adequately supported estimate of the market value must be attached or an addendum to the report - An analysis of all agreements of sale, options or listing for the subject property, that are effective as of the date of the appraisal, - An analysis of all sales of the subject property that occurred within the 3 years prior to the effective date of the appraisal, - A completed Sales Comparison Approach section of the Fannie Mae 1004 Appraisal when any comparable sales used have more than one sale or transfer in the 12 months prior to the effective date of the appraisal, - Appraiser comments on any unfavorable conditions (e.g. adverse environmental or economic factors) and how those conditions impact the market value of the property. If such conditions exist the appraiser must include comparable sales that are similarly affected, and - A Certification and Statement of Limiting Conditions (Fannie Mae Form 1004B/Freddie Mac Form 439) signed by the appraiser. • **Full Doc and Investor Cash Flow Investment Properties:** Fannie Mae Form 1007 Single-Family Comparable Rent Schedule or Fannie Mae Form 1025 Small Residential Income Property Appraisal Report, as applicable, required

Appraisals (cont.)	**Comparable Sales** • Comparable sales should be located within 1 mile of the subject property in urban/suburban areas. If 2 of the 3 comparable sales used by the appraiser are > 5 miles from the subject property the property will be considered rural. The appraiser must provide an explanation for using any comparable outside the subject property neighborhood. • The comparable sales must represent the best market data available to support the property's estimated value and should be as similar to the subject property as possible. • Comparable sales for a new subdivision or condominium project require a minimum of 1 comparable sale from inside the new subdivision/ project and 1 comparable sale from outside the subdivision/project. • Comparable sales used must have a recent sales date, preferably within 6 months of the subject property's sale date. Any comparable sales > 6 months old require comment from the appraiser on market conditions. If necessary to use older comparable sales the appraiser must supplement them with pending sales and/or current listing in the subject property neighborhood • A minimum of 3 closed comparable sales are required. 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: - MLS, or - Comps Inc., or - GeoData Plus (NY only), or - PropertyShark (NY only), or - StreetEasy (NY only) **NOTE:** Comparables from a public independent source are **only eligible** in rural areas of Maine, New Hampshire, and Vermont where MLS is **not** common • Comparable sales used for new construction properties 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 Vermont and Maine 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, billboard 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 on of the above options (public source Maine/New Hampshire/Vermont rural areas only). - Two of the comparable sales must be from sources other than the subject property builder. NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value. • The appraisal must identify and address properties located within a declining market. If an appraisal indicates a property is in a declining market, **Homebridge management review and approval is required** • Land value subject to Fannie Mae guidelines. The appraiser must comment if typical for the area and current use is highest and best use • Maximum 20 acres all options except ICF; ICF (including foreign nationals) **maximum 2 acres** • Appraisal documents cannot be more than 120 days old at funding. A recertification of value is eligible provided the original appraisal is **not more than 180 days old at funding**

Appraisals (cont.)	• Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review as follows: - **Appraisal Completed Prior to the Disaster:** - An interior and exterior inspection of the property is required - Inspection must be completed by a licensed third-party professional to certify the condition of the property and identify any impact to habitability or marketability - Inspection report must include photographs of the front, rear, and street view of the property, - Any damage must be repaired and a re-inspection completed - A copy of the inspection report and the inspectors license must be included in the loan file, - An appraisal update or final inspection from the appraiser must also be obtained. The appraiser must also comment on the adverse event and certify that there has been no decline in value. Any existing damage must meet the Deferred Maintenance guidance. - **Appraisal Completed After the Disaster:** - The appraiser must comment on the adverse event and any effect it had on the marketability or value of the property - Any existing damage must meet the Deferred Maintenance guidance.
Appraisal Management Companies (AMC)	Appraisal must be ordered from one of the following Homebridge approved AMCs: • ACT Appraisal Management: ACT Appraisal • AMC Settlement Services: AMC Settlement Services • Axis Management Solutions: Axis • Class Valuation (formerly Class Appraisal): Class Valuation • Golden State AMC: Golden State AMC • Mortgage Management Consulting (MMC): MMC • Nationwide Appraisal Network: Nationwide Appraisal Network • Nationwide Property & Appraisal Services: Nationwide Property & Appraisal Services

Assets	The borrower must have sufficient liquid assets available for down payment, closing costs, and reserves. • Acceptable assets include cash in a bank/credit union, stocks, bonds, IRAs, 401Ks, mutual funds or retirement accounts. **NOTE:** A joint access letter is **not** required to use 100% of the assets held in a joint checking, savings or credit union account with a non-borrowing account owner • Two (2) months most recent consecutive statements (all pages) or the most recent quarterly statement required to document assets required for down payment, closing costs, prepaid items and reserves. Asset statements must cover a minimum of 60 days and are valid for 120 days. Refer to the Asset Qualifier topic for requirements unique to Asset Qualifier • Any significant disparity between the current account balance and the opening balance may require additional explanation. • Funds from a non-borrowing spouse who will be or is a titleholder are eligible for funds to close (**not eligible** for reserves) on primary residence and second home transactions and are **not** considered a gift. Two months asset statements required, and all other asset requirements outlined in this topic must be met • **Large or Irregular Deposits**: Defined as a single deposit where any unsourced portion of the deposit exceeds 50% of the borrower's total monthly qualifying income for the loan. 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. 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 Fannie Mae 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 • **Marketable Securities:** Stocks, bonds, and mutual funds (net of margin) that are traded on a major market exchange (NASDAQ, NYSE, AMEX) may be used for closing costs and reserves at 80% of the verified market value minus any outstanding margin loans. Liquation requirements are as follows: - If the funds are required for closing (e.g. down payment, closing costs) the liquidation of the funds and the ending balance of the account(s) must be documented - If the funds are being used to satisfy reserve requirements, liquidation is **not** required **NOTE:** A joint access letter is **not** required to use 100% of the assets held in a joint checking, savings or credit union account with a non-borrowing account owner • **Stock options that are exercisable:** Vested stock options are eligible for down payment and closing costs if funds immediately available to the borrower. Eligible for reserves at 70% of the current market value limited to the "strike price" value. • **Vested Retirement Funds: Vested** funds are eligible as sources of funds for down payment, closing costs and reserves. The following is required: - Verification of ownership and receipt of funds from liquidation of assets when needed to complete the transaction. Funds used for reserves only **do not** require proof of liquidation - Borrowers who are not of retirement age must document that they have unrestricted access to all retirement-based funds used for down payment and closing costs and documentation of liquidation of the assets needed to close the loan is required. - Borrowers of retirement age (≥ 59 ½): 80% of the vested value may be considered to meet reserve requirements - Borrowers not of retirement age (< 59 ½): 70% of the value may be considered to meet reserve requirements - Accounts that only allow withdrawal based on the borrower's employment termination or retirement, or death are not considered vested funds and are **not** eligible to satisfy reserve requirements • **Annuities/Cash Value of Life Insurance:** Eligible as a source of funds for closing costs/reserves using 100% of the surrender value minus any loans.

Assets (cont.)	• **Foreign funds** eligible for down payment, closing costs and reserves subject to the following: - Documentation that provides proof the funds belonged to the borrower for a minimum of 60 days prior to the transfer, **and** - Funds must be transferred into a U.S. bank or deposit account, **and** - Copy of the wire transfer required NOTE: On a case-by-case basis Homebridge will consider allowing foreign funds being used to satisfy reserve requirements to remain outside of the U.S. in a foreign financial institution subject to Homebridge management review and approval • **Business funds** may be considered an acceptable source for down payment, closing costs and reserves when the borrower is self-employed subject to the following: - The borrower must have at least 51% greater interest in the business to utilize business funds and the ownership percentage must be verified. The amount of business assets that may be utilized are restricted to the percentage of ownership interest the borrower has in the business. One of the following is required: 1. A letter from the borrower stating they have access to the business funds and a cash flow analysis to document the withdrawal of funds will not negatively affect the business. The following applies to the cash flow analysis: - Determine the business' monthly operating expenses based on either the most recent years tax returns **or** average the deductions using three (3) months business bank statements, **and** - Deduct three (3) months' worth of expenses from current business balance to determine available balance and apply the borrower's ownership percentage to the result to determine eligible business assets, **OR** 2. **A CPA/EA/licensed tax preparer letter** must be provided to confirm withdrawal of funds will not have a negative impact on the business • Cash-out proceeds from a refinance from the subject property, and non-subject properties meeting secured borrowed funds requirements (see below), are eligible for closing costs. Refer to the Reserves topic for cash-out eligibility to satisfy reserve requirements • **Bitcoin** assets are eligible **subject to Homebridge management review and approval**. The following applies to bitcoin: - Bitcoin is eligible for funds to close; bitcoin **not eligible** to satisfy reserve requirements - Bitcoin must be liquidated and deposited into a U.S. bank/financial institution and be seasoned for a minimum of 60 days **NOTE**: Bitcoin is the **only eligible cryptocurrency**; **all others are ineligible** • **Borrowed Funds – Secured** are eligible when the following requirements are met: - Are secured by an asset already owned by the borrower, **and** - The terms of repayment for the loan must be verified by a copy of the Note, **and** - The value of the remaining assets must be reduced by the amount of the secured loan balance • Tax deferred 1031 exchange transactions are eligible for investment properties. Transactions involving a 1031 exchange must meet all IRS requirements, be properly documented, and meet the following criteria: - The exchanged property must be identified within 45 days from the date of sale of the relinquished property, and - All 1031 proceeds of the initial sale must be controlled by a Qualified Intermediary (QI), Accommodator or Facilitator, with supporting documentation provided. The QI, Accommodator, or Facilitator cannot be the borrower, a related party of the borrower, or agent of the borrower, and - All 1031 proceeds of the initial sale must be re-invested in the like-kind property within 180 days of the sale

Assets (cont.)	• The following sources of funds may **not** be used to meet asset requirements: - Proceeds from unsecured or personal loans - Gift funds that require full or partial repayment - Sweat equity - Cash-on-hand - Cash advances from a credit card or other revolving account - Funds from a 529 plan account - Salary/bonus advances receive against future earnings - 1031 exchange proceeds on owner-occupied or second home property - Seller funded DPA programs - Funds for closing from disaster relief loans or grants - Commission from the sale of the subject property - Assets from margin accounts - Non-vested restricted stock and/or stock options - Loan proceeds - Funds that have not been vested - Assets generated from any activity that is illegal on a local, state, and/or federal level - Cryptocurrency other than bitcoin
Assumptions	• **Fixed Rate Loan**s: Assumptions not eligible • **ARM Loans**: Assumable after the fixed rate period (subject to conditions)
AUS	• Loans are **not** required to be run through an AUS • Compliance with Ability to Repay (ATR) requirements must be documented and included in the loan file along with the loan approval. Refer to the Ability to Repay topic for ATR requirements.
Available Markets	• Available in all 50 states • **New York Transactions ONLY**: - Homebridge will run the NY subprime test and the loan must pass or the transaction is **ineligible** • Investor Cash Flow **ONLY:** MLOs who are currently **not** licensed in the subject property state may submit a loan under the ICF option provided: - They are currently licensed in at least one state at time of application, and - The property is not located in the following states: - Alaska, Arizona, California, Idaho, Michigan, Minnesota, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Vermont, and Virginia **NOTE**: Credit exceptions will **not** be granted on transactions involving an unlicensed MLO

Borrowers – Eligible	• **U.S. Citizens** NOTE: U.S. citizens currently living overseas eligible subject to certain requirements. Refer to "U.S. Citizens Currently Living Overseas" under the Credit History topic for details. • **First Time Home Buyers** (borrowers who have not owned a residential property in the past 3 years regardless of the occupancy status). FTHB guidance **only** applies when **ALL** borrowers on the transaction are first time home buyers and the following applies: - Borrower must be able to document a rental history within the previous three (3) years with a 0x30 over a 12-month history with cancelled checks, bank statements **OR** an institutional VOR completed by a management company (a private party/landlord VOR is **not** acceptable documentation). - Borrowers living rent free **or** they cannot document a 12 month housing history **are ineligible** - Rental history must be most recent - Maximum 250% payment shock. Payment shock is calculated by dividing the new PITIA payment by the borrowers current housing payment (rental payment) minus 1% - FTHBs **ineligible** on ICF - FTHBs **ineligible** for the interest-only feature ***Example Payment Shock Calculation*** - Proposed Housing PITIA Payment: $2100 - Current Housing Payment (rent payment): $1200 - $2100 divided by $1200 = 1.75% - 1.75% minus 1% = 75% increase • **Permanent Resident Aliens:** Must provide an unexpired I-551 (aka Green Card) issued by the U.S. Citizenship & Immigration Services (USCIS) or a temporary I-551 stamp on an unexpired foreign passport to verify the borrower has been awarded permanent residency in the U.S. • **Non-Permanent Resident Borrowers –** Eligible subject to the following: - Full Doc, Bank Statement, 1099 Only, P&L Only: Max 80% LTV - ICF: Max 75% LTV - Ineligible on Asset Qualifier - Purchase and rate/term refinance transactions only; **ineligible** on cash-out transactions - The borrower(s) has been living and working in the U.S. for a minimum of two (2) years - An established credit history is required, and the borrower must have filed U.S. tax returns for the previous two (2) years (applies to borrowers who are using income to qualify) - An eligible visa is required: - E1, E-2, E-3, EB-5, G-1 through G-5, H-1B, L-1, NATO, O-1, R-1, TN NAFTA - The following documentation is required to evidence that the borrower is in the U.S. legally - A copy of the borrower's valid and unexpired passport, **AND** - A copy of the borrower's valid and unexpired visa that includes a photograph, **OR** - An I-797, Notice of Action, form with valid extension dates **and** I-94 Arrival/Departure form - If the visa will expire within six (6) months of loan application, the employer sponsoring the borrower may provide a letter stating the borrower will continue to be employed with the company and that their visa renewal sponsorship will continue. **NOTE:** The employer on the loan application must be the same as the employer on the unexpired visa - A valid Employment Authorization Document (EAD) is required when the visa **is not sponsored** by the borrower's current employer

Borrowers – Eligible (cont.)	• **Non-Occupant Co-Borrower: Full Doc/Bank Statement/1099 Only/P&L Only:** Eligible. Transactions involving a non-occupant co-borrower are eligible on 1-unit SFR, condo, PUD properties subject to the following: **Method One** - 5% reduction of applicable LTV (maximum 75% LTV) **and** blended income and assets eligible **Method Two** - No LTV reduction - Purchase transactions: Occupant borrower must contribute 5% own funds - **Front-end** ratio maximum **60%, and** - Blend income to determine back-end ratio and non-occupant co-borrower may contribute remaining funds to close and funds for reserves • **Non-Occupant Co-Borrower: Asset Qualifier:** Eligible on 1-unit SFR, condo, PUD properties subject to the following: - The non-occupant co-borrower must be a relative (defined as a person who is related to the primary borrower by blood, law, or marriage) - The non-occupant co-borrower's debt service must be included in the debt service calculation when determining qualification - Eligible on purchase and rate/term transactions **only**; **ineligible on cash-out** - **The following methods are eligible:** **Method One**: - 5% LTV reduction required (maximum 75% LTV); all assets may be included, **OR** **Method Two**: - No LTV reduction. Occupant borrower must contribute 5% own funds (purchase transactions) • **Non-Occupant Co-Borrower Investor Cash Flow:** Not applicable • **Foreign Nationals;** refer to the Foreign Nationals topic for complete requirements • **Inter Vivos Trust** – Loans closing in the name of a revocable trust are eligible. Trust must meet Fannie Mae guidelines. A copy of the trust or a Trust Certificate is required when vesting in the name of the trust • **Blind Trust: Full Doc, Bank Statement, 1099 Only, P&L Only** (**ineligible** on ICF/Asset Qualifier): Blind trusts are eligible on a case-by-case basis subject to Homebridge Management approval • All borrowers are required to have social security number (excluding Foreign Nationals) **NOTE: Any inconsistency in the social security number(s) reported require a signed, written explanation from the borrower**
Borrowers – Ineligible	• Borrowers with diplomatic immunity • Land Trusts • Borrowers without a social security number (excludes Foreign Nationals) or a number that cannot be validated with the SSA. • Life Estates • Non-revocable trusts – **no exceptions** • Guardianships • Borrowers previously convicted of mortgage fraud • Borrowers holding title in the name of a partnership or corporation • Borrower is an employee of the Broker or owner except on Full Doc transactions which are subject to: - Broker/employee cannot represent themselves and an LOE is required

Borrower – Ownership Interest - Title Vesting	• Borrowers may hold title as follows: - **Fee Simple:** Vesting in the name of individual(s) - **Inter Vivos Trust**: Title in the name of an inter vivos revocable trust or a blind trust (blind trusts case-by-case) that meets Fannie Mae guidelines. - **Limited Liability Corporation (LLC)** Title held in an **LLC REQUIRES HOMEBRIDGE MANAGEMENT REVIEW AND APPROVAL.** LLC eligibility requirements are as follows: - LLC are eligible on investment properties **only** - The LLC must be legal and have been formed in the same state the property is located and created to manage rental properties only, - A maximum of two (2) members (U.S. citizens or permanent resident aliens) are allowed and members must be beneficial owners of the property **NOTE:** Foreign nationals are **not eligible** to hold title in an LLC - All members of the LLC must be borrowers on the transaction - Title may be held in the LLC, but the loan application must be in the individual borrower's name(s) - All borrowers must sign the Deed of Trust/Mortgage as individuals and as authorized signers of the LLC - Copies of **all of the** following must be provided: o Articles of Organization, **and** o Operating Agreement (must provide term of the LLC and the members authorized to encumber the LLC as guarantors). Organizational meeting minutes may be required if the Operating Agreement does not clearly identify the powers of the managing partners, **and** o Unanimous Consent & Resolution to Borrow, which must include the lender's name, loan amount, and property address, **and** o Form SS-4 with Tax ID number listed, **and** o Certificate of Good Standing from the applicable Secretary of State's office (print out from secretary of state website **not** acceptable), dated within 60 days of the Note date - The Note must be signed by the borrowers in both their individual capacity and as a member and/or manager of the LLC. All members of the LLC must sign the Note as member of the LLC, in addition to any other signature requirements. - The mortgage/deed of trust/security instrument must be signed by all members of the LLC as individuals **and** as authorized signers of the LLC ***Note and Mortgage/Deed of Trust Signature Example:*** _____ John Smith _____ John Smith, as member of ABC, LLC **REMINDER: Homebridge management review and approval REQUIRED for properties closing in the name of an LLC**

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

Conversion of Principal Residence to Second Home, Investment or Pending Sale	**Full Doc, Bank Statement, 1099 Only, and P&L Only Options** **Pending Sale** If the borrower's current primary residence is pending sale but the transaction will not close and title transferred prior to the subject property closing, both the current **and** proposed PITIA mortgage payments must be used when qualifying the borrower **Proceeds from the Pending Sale** If the borrower's primary residence is pending sale but will not close prior to the subject property close, **up to 50% of the borrower's equity in their current residence may be used towards post-closing reserves subject to the following requirements:** • The transaction must be non-arm's length, listing the seller of the property (the borrower) as the owner individually or through an entity created for their benefit, and • The transaction must have a closing date listed on the contract that is within 90 days of the subject property ("on or about" date is acceptable), and • There cannot be any outstanding financing contingencies on the property pending sale. Any financing contingencies outlined in the purchase contract must have evidence they have been cleared, and • An estimated settlement statement, completed by the closing attorney or settlement agent, must be provided that documents the estimated net proceeds to the seller of the property (borrower in subject transaction) • The borrower must provide letter attesting to the number of outstanding liens and the amount of each lien on the property pending sale **Conversion to Second Home** • If the borrower wishes to convert their current primary residence to a second home the borrower **must** have a 30% equity position in their current residence, or the current residence is **ineligible** for the conversion or the subject transaction is ineligible. Homebridge will attempt to obtain an AVM to support the value. In the event Homebridge cannot obtain an AVM that supports the value, the following is required: - A **full appraisal** that is no more than 6 months old**, or** - Compare the unpaid principal balance to the original purchase price of the property Additional documentation may be required at underwriter discretion. • The current and proposed PITIA mortgage payments must be used for qualifying the borrower **Conversion to Investment Property** • If the borrower wishes to convert their current primary residence to an investment property, the borrower **must** have a 25% equity position in their current residence or the current residence is ineligible for the conversion or the subject transaction is ineligible. Homebridge will attempt to obtain an AVM to support the value. In the event Homebridge cannot obtain an AVM that supports the value, the following is required: - A **full appraisal** that is no more than 6 months old**, or** - Compare the unpaid principal balance to the original purchase price of the property. • If the current residence is eligible for conversion to an investment property, rental income from the converted property can be used to qualify, using 75% of the current lease **minus** the full PITIA payment. The following is required: - A copy of the fully executed lease agreement that extends for a minimum of one (1) year after loan closing, and - Copy of security deposit and/or first month's rent check from the tenant, and - A copy of the borrower's bank statement indicating the security deposit funds and/or first month's rent have been deposited into the borrower's account

Credit History

Tradelines

- Each borrower must have a minimum of three (3) tradelines and a 24 month credit history (see "Insufficient Tradelines" below). Authorized user accounts are **not** eligible to satisfy the tradeline requirement

  NOTE: Authorized user accounts may be removed and not included in the DTI/debt service if documentation is provided confirming the borrower is not making the payments on the account. **A credit supplement, showing the account has been removed, is required**
- One (1) tradeline must have been open and active within the previous 6 months
- One (1) tradeline must be seasoned for a minimum 24 months. The same tradeline may be used to satisfy the 24 month and active requirement
- Tradelines may be installment or revolving

  NOTE: If the only co-borrower is the borrower's spouse, only one borrower is required to meet the tradeline requirement. Unmarried joint borrowers who meet two the three requirements below will be considered "spouses" when determining compliance with tradeline requirements:
  1. They have resided together for a minimum of two (2) years,
  2. Hold at least one (1) joint tradeline
  3. Have at least one (1) joint asset account

Insufficient Tradelines

A borrower with 3 tradelines on their credit report but those tradelines do not meet one or more of the tradeline requirements listed in the Tradelines topic above, may provide alternative acceptable credit (as defined by Fannie Mae) as noted below:

- One additional tradeline showing 0x30 in 12 months. One of the tradelines on the credit report or alternative must be a housing tradeline that is 0x30 in 12 months, **OR**
- Two additional tradelines that are 0x30 in 12 months

U.S. Citizens Currently Living Overseas

U.S. citizens living abroad are eligible. Borrowers living overseas that do not meet the tradeline requirements noted above may use one of the options below instead **as long as one borrower has at least one credit score reporting.**

Method One – Financial Institution Letter

- A reference letter from an acceptable financial institution with whom the borrower has a deposit relationship with for a minimum of two (2) years prior to the Note date. The letter must include the following:
  - Institution contact information
  - Borrower's name and account number(s)
  - Type and length of the relationship with the borrower
  - Whether or not the borrower is in good standing

  Refer to Exhibit A to see the list of acceptable financial institutions

Method Two – Foreign Credit Reference Letters

- Three (3) reference letters from creditors in the country in which the borrower is residing. The reference letters must collectively satisfy the tradeline requirements detailed above. The reference letters must be on company letterhead and include:
  - The company phone number, address, and website.

Credit Report/Scores	• Minimum credit score is 660; refer to the applicable matrix for exceptions and requirements. **NOTE**: Refer to the Foreign Nationals topic for credit score/report requirements • **Individual Borrower's Credit Score** - Borrowers are **required** to have three (3) valid scores. An individual borrower's representative credit score is determined as follows: - Three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. • **Representative Score for Loan:** - **Full Doc, Bank Statement, 1099 Only, and P&L Only Options**: The representative score is **the middle score of the primary wage earner**. A borrower's documented income **cannot** be excluded when determining the primary wage earner on a loan - **Investor Cash Flow Option**: The representative credit score is the **lowest middle score** of all borrowers. - **Asset Qualifier**: The representative credit score is the **lowest middle score** unless: - A borrower is providing 75% or more of the assets for the transaction, including funds to close and reserves, in accounts that are solely in their name or held jointly with persons who are not borrowers on the loan, then that borrower's middle credit score may be used • Homebridge will accept a credit report, in the broker's name, from any Fannie Mae acceptable credit vendor. • A tri-merged credit report or Residential Mortgage Credit Report (RMCR) is required for all borrowers. - A report with only two (2) bureaus reporting will be considered if it contains all information available for the borrower(s). - Borrowers with only one (1) bureau reporting are not eligible • If the borrower has a credit freeze, the credit freeze must be removed, and the credit information obtained • The credit report should include verification of all credit references provided on the loan application • **Any inconsistency in the social security number(s) reported require a signed, written explanation from the borrower.** • The credit report must certify the results of public record searches for each city the borrower has resided in during the last 2 years. • **Credit Inquiries: Full Doc, Bank Statement, Asset Qualifier, 1099 Only, and P&L Only:** - The borrower(s) must address, in writing, **all** credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). If new credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment. NOTE: This requirement does not apply to Investor Cash Flow however if a mortgage inquiry appears on the credit report and the borrower has limited reserves, at underwriter discretion, an LOE from the borrower may be required ***Examples:*** - ***Acceptable Response****:* Chase, Wells & Bank of America credit pulled while searching for a mortgage on property located at 123 Main Street; no credit was obtained. - ***Unacceptable Response****:* "We did not accept any credit for the inquiries listed on our credit report: or "We did not accept any credit from Chase, Wells & Bank of America" (neither response specifically addresses both the inquiry and disposition). • If additional debt was obtained or discovered or the borrower's income is reduced after the underwriting decision was made the following applies: - The additional debt(s) and reduced income must be applied and determined if the loan still qualifies, - If there is new subordinate debt on the subject property, the loan must be re-underwritten, and - The final loan application signed by the borrower(s) must include all income and debt verified, disclosed or identified • The credit report cannot be more than 90 days old as of the Note date

Credit Report/Scores (cont.)	**Credit Re-Score** • Once a credit report is obtained, and it is still within its validity period, a credit re-score will only be permitted when the re-score is due to: - The removal of a disputed account, **or** - There was pay down or payoff of existing debt(s), **or** - New information is obtained to address and correct any item(s) that are erroneous **NOTE:** Transactions involving a re-score are subject to Homebridge management review and approval • A re-score is **not allowed** when it is due to the following: - Addition of new debt (when used for purposes of potentially increasing the borrower's credit score), **or** - Disputing a derogatory account or any account that was not already in dispute at the time of the original credit report • The Homebridge Underwriter is responsible to review the credit report for any new accounts opened within 60 days of the credit report, to determine if a re-score may have occurred - The credit report is not valid if there is an open derogatory dispute. All derogatory disputes must be resolved, and an updated credit report obtained - If the original credit score expires and a new report is required, the new report **is not** considered a re-scored report **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 calculations if the following is provided: - Copy of the court order, **and** - Mortgage debt requires a copy of the document transferring ownership of property, **and** - If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be considered when reviewing the borrower's credit profile. **Fraud Alerts** All fraud alerts must be resolved prior to loan closing **Letter of Explanation**: Required as follows: • For all address, employment and/or name variation and/or inconsistencies. • Whenever the credit report indicates the borrower may not manage credit effectively (e.g. recently opened revolving accounts at or near account limit, and/or a delinquent payment history indicates the borrower may overly rely on credit) • For all credit inquiries within previous 120 days with an acceptable response (see above "Examples")
Debt-to-Income (DTI) Ratios – Full Doc/ Bank Statement/1099 Only Options and Debt Service – Asset Qualifier	**Investor Cash Flow Option**: DTI requirements do **not** apply; DTI **not** calculated. Refer to the Investor Cash Flow Debt Service Coverage Ratio (DSCR) topic for ICF requirements. **Asset Qualifier Option:** DTI requirements do **not** apply; DTI **not** calculated. Liabilities are considered in the borrower's monthly debt service when qualifying the borrower. **Full Doc, Bank Statement, 1099 Only, and P&L Only Options:** • DTI is calculated by dividing the borrower's total monthly obligations by the borrower's total monthly qualifying income. **DTI cannot be rounded down to qualify** • Maximum 50% DTI, **no exceptions**

Debt-to-Income (DTI) Ratios – Full Doc/Bank Statement/1099 Only/P&L Only Options and Debt Service – Asset Qualifier (cont.)	**The following applies to Full Doc, Bank Statement, Asset Qualifier, 1099 Only, and P&L Only** **Alimony – Full Doc/Bank Statement/1099 Only/P&L Only** Monthly alimony may be deducted from the income rather than included in the DTI calculation when the alimony payments are tax deductible **Alimony – Asset Qualifier** Monthly alimony is included when determining borrower's monthly debt **Child Support and Separate Maintenance** Must be included in the borrower's DTI/debt service calculation. The terms of the payment must be documented with divorce decree, separation agreement, court order, etc. **Business Debt** Business debt that is reflected on the borrower's personal credit report may be excluded if: • There is no history of delinquency, • Documentation is provided the debt was paid from the business (e.g. most recent 6 months cancelled checks drawn on the business account/tax returns reflect the business expense deduction etc.), • The cash flow analysis of the business indicates the payment. NOTE: Any business debt that is seasoned < 6 months, the payment **must be included** in the DTI/debt service calculation. **Co-Signed Debt** • Co-signed debt is **not required** to be included in the borrower's DTI calculation/debt service if all of the following applies: - Documentation is provided that the borrower is not primarily responsible for payment of the debt, and - The credit report indicates no late payments on the account, 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). • Co-signed debt must **be included** in the borrower's DTI calculation/debt service if: - It cannot be properly documented that the primary party obligated on the loan is making the payments, **or** - A 12 month pay history, by the primary party, cannot be established, **or** - The credit report indicates there have been late payments on the debt, **or** - Another party is making the payments but the borrower is the only party responsible for the debt **HELOCs** • The payment on the amount of the line currently being used must be included in the DTI calculation/debt service • If there is a balance, but no payment indicated on the credit report a statement indicating the payment amount is required or 1% of the total line amount will be used • HELOCs with a zero balance, no payment calculation is required. • The applicable CLTV/HCLTV cannot be exceeded.

Debt-to-Income (DTI) Ratios - Full Doc/ Bank Statement/1099 Only/P&L Only Options and Debt Service – Asset Qualifier (cont.)	**The following applies to Full Doc, Bank Statement, Asset Qualifier, 1099 Only, and P&L Only** (cont.) **Installment Debt** • Installment debt must be included in the borrower's DTI calculation/debt service when there are 10 months or more payments remaining. NOTE: Lease payments must be included in the DTI/debt service **regardless of number of payments remaining** • Installment debt with < 10 months of payments remaining may be excluded, if the borrower has sufficient assets to make the remaining payments. • Installment debt may be paid off with proceeds from a cash-out refinance transactions • Installment debt may be paid down to < 10 months to exclude however the source of funds must be documented and sourced • If the payment is not listed on the credit report, documentation must be provided with the current payment. • If a payment will be changing in the very near future (i.e. an ARM or interest-only loan) the new payment must be used for the DTI calculation/debt service • Installment debt that will be paid in full prior to closing may be excluded from the DTI calculation/debt service. Documentation (credit supplement or direct verification from the creditor) must be obtained to evidence the debt has been paid in full is required and the source of funds must be documented and sourced • **Texas Equity Loans**: If the payoff of installment debt is required to qualify, the payoff must be included on the CD **and the funds must be disbursed directly to the creditor by the closing agent** **Revolving** Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit. Revolving debt is subject to the following: • The minimum required payment stated on the credit report or current account statement should be used in DTI calculations/debt service. • If no payment stated on the credit report or current statement is unavailable use 5% of the current balance to determine the monthly payment; HELOCs use 1% to determine monthly payment • If the revolving account is to be paid off prior to or at closing, a monthly payment is not required to be included in the debt ratio/debt service. 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 • Texas Equity Loans: If the payoff of revolving debt is required to qualify, the payoff must be included on the CD **and the funds must be disbursed directly to the creditor by the closing agent** **Student Loans (Deferred/Forbearance or in Repayment)** Student loan payments, regardless of payment status, must be included in the DTI calculation/debt service. • If the payment is included on the credit report, use the payment indicated on the credit report • If the payment is in deferment or not listed on the credit report, use the lesser of: - 1% of the outstanding loan balance, **or** - Document the fully amortized payment **NOTE**: Accounts in forbearance are subject to review by Homebridge management **Undisclosed Debt** Undisclosed debt will require an LOE from the borrower. At underwriter discretion, documentation supporting the explanation may be required **Timeshare** Timeshare payments are considered installment loans and installment guidelines should be followed
Deed / Resale Restrictions	Considered on a case-by-case basis only with Homebridge management approval

Derogatory Credit	**Significant Derogatory Credit Events** **A 4-year waiting period is required** from the completion date of a significant derogatory credit event to the application date of the loan. Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale • Short payoff, • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Pre-foreclosure including Notice of Default or Lis Pendens where the borrower is **currently** delinquent (NOD is **not** considered a significant derogatory credit event if payments are current) • Modification **Collections/Charge-offs** Open adverse must generally be paid off prior to or at closing (excluding medical collections) unless: • There is an individual account with a balance of < $250, **and** • The aggregate balance of all outstanding accounts is < $1,000 **Exception:** If a collection/charge account exceeds the above, the account may remain open if **the account does not/will not affect title** **NOTE: Medical collections, regardless of amount, may remain open** **Consumer Credit Counseling** Borrowers who have participated in credit counseling are eligible. **Judgment/Tax Lien** Any outstanding judgments or tax liens may remain open subject to the following: • The borrower must be in a repayment agreement • Six (6) months documented on-time payments required; if less than 6 months payments, made, the open judgment/lien is not allowed • Must be included in the DTI or debt service (as applicable) **or** for ICF in the DSCR (if attached to subject property), and • If the judgment or tax lien is recorded against the property, it must be subordinated • If the above requirements are not met, the account must be paid off prior to or at closing; cash-out proceeds may be used for pay-off

Derogatory Credit (cont.)	**Disputed Accounts** Disputed accounts identified on the credit report are subject to the following: • Disputed account in collection and balance is ≤ 250: No action required • Account with zero balance and no derogatory information in the two years preceding the credit report date: No action required • Account with zero balance and derogatory information in the two years preceding the credit report date (including active collections and charge-offs not excluded above under Collections/Charge-offs): Remove and **obtain a new credit report: a credit supplement is not allowed** • Account with a balance and no derogatory information in the two years preceding the credit report date: No action required • Account with a balance and derogatory information in the two years preceding the credit report date (including active collections and charge-offs not excluded above under Collections/Charge-offs): Remove and obtain a **new** credit report: **a credit supplement is not allowed** **Mortgage Modification** Borrowers with a prior mortgage modification are eligible. The modification must have been completed prior to application. Borrowers with a mortgage modification requires 0x30 in the previous 12 months on all mortgage/housing **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. **Forbearance: Mortgage(s)** Borrowers with any mortgage tradeline in a forbearance plan (i.e. one or more mortgages) must meet **one** of the following requirements: • **No Missed Payments**: - If **all** mortgage payments were made on time, with **no missed payments** during the forbearance period the loan is eligible with no waiting period, **and** - Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled **prior to the loan application date** • **Missed Payments**: - If the borrower missed any payments while in a forbearance plan, the following applies: - Borrower is eligible, **and** - Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled, **and** - A minimum of three (3) monthly payments have been made on time after completion of the forbearance **and prior to the loan application date.** **NOTE:** The missed payments may be added to the loan's unpaid principal balance as long as the requirements stated above are met **Forbearance: Non-Mortgage Accounts** Transactions with a non-mortgage account(s) forbearance may remain in forbearance however the payment must be included in the DTI calculation (N/A ICF and Asset Qualifier options)
Down Payment/ Earnest Money Deposit	• 5% borrower own funds required on purchase transactions except for transactions utilizing a gift of equity. Refer to Gift of Equity topic for details • Down payment/earnest money deposits must be documented and sourced, if applicable. • Gift funds eligible after borrower own funds requirement met

Employment/Income	**Full Doc, Bank Statement, 1099 Only, and 1099 Only Options** Income and employment must be considered stable. Income must also be considered likely to continue for a **minimum of 3 years** and be sufficient enough for the borrower to repay the debt. • A 2-year work history is required in the same job or same line of work. If less than 2-years employment documented training and/or education in the same field is allowed to satisfy the 2-year history requirement. • Self-employed borrowers must have been in business for at least 2 consecutive years **Gaps in Employment/Income Decline** • **Wage Earners**: Gaps in employment greater than 60 days require the borrower provide a signed letter of explanation. Gaps in employment that are > 6 months require additional documentation and a minimum 2-year history in the same line of work prior to the gap • **Self-Employed:** Gaps in employment greater than 30 days require the borrower provide a signed letter of explanation. Gaps in employment that are > 6 months require additional documentation and a minimum 2-year history in the same line of work prior to the gap • Borrowers must currently be employed • Declining income sources should be closely reviewed to determine if the income can be used for qualifying. A letter of explanation detailing the reason(s) for the decline is required. If sufficient information to support the use of the income is provided, the most recent lower income must be used for qualification. • Borrowers who are experiencing a temporary salary reduction must be able to qualify on the income documented on the most recent 30 day paystubs **Investor Cash Flow and Asset Qualifier Options** Employment and income is **not** verified
Escrow Holdbacks	Not allowed
Escrow/Impound Account	Not required unless HPML or foreign national borrower • HPML transactions require a minimum escrow period of 5 years • Foreign national borrowers require an escrow/impound account, **no exceptions** **Reminder:** Escrow account is always required if flood insurance required
Financed/Free and Clear Other Real Estate Owned	• No limit to the number properties owned/financed on owner-occupied primary residence transactions • Borrower(s) with > 15 properties are ineligible for a second home or investment transaction. The 15 limit is cumulative for all borrowers • Two (2) months PITIA reserves for each financed property is required in addition to subject property reserve requirements (N/A ICF option). Refer to the Reserves topic for complete reserve requirements. • Homebridge limits its exposure to maximum of 8 loans per borrower and/or a maximum of $10,000,000. Greater than 4 loans require Homebridge management and approval. - Additionally, Homebridge will provide financing for a maximum of 5% of the total units in a condo project **Calculating the Number of Financed Properties** The number of properties is cumulative for all borrowers (jointly owned are only counted **once**) and the count includes the actual number of properties that are financed. • When determining the number of financed properties, the following is **included**: - All 1-4 unit residential properties where the borrower is **personally obligated** on the loan, **and** - The borrower's principal residence if it is financed • Properties owned in the name of an LLC are **not included** in the calculation **unless the borrower is personally obligated on the loan.** • The following property types are **not included** in the calculation **even when the borrower is personally obligated on the mortgage:** - Commercial real estate, - Multifamily property consisting of 5 or more units, - Ownership in a timeshare, - Ownership of a vacant lot (residential or commercial), or - Ownership of a manufactured home on a leasehold estate not titled as real property

Foreign Nationals

A Foreign National borrower is a person who does **not** work or reside in the United States; the borrower works and resides in a foreign country. In addition to the Investor Cash Flow specific guidance, the following applies to Foreign National borrowers. Any other topic not addressed below or in the ICF topic, follow standard Simple Access guides

General Requirements

- Eligible on the Investor Cash Flow option **only**
- 1-4 unit investment transactions
- Purchase, rate/term and cash-out refinance transactions eligible
- FTHBs **ineligible**
- Interest-only **ineligible**
- Borrowers with diplomatic immunity are **ineligible**
- Minimum 12 months reserves required
- Gift funds **ineligible**
- Business funds are eligible subject to standard requirements as stated in the Assets topic
- An escrow/impound account is required
- Minimum credit score requirements on the Foreign National matrix apply when the borrower(s) has U.S. credit.
- Any documentation provided from the borrower's home country, listing that country's currency, must be provided in its original language. A certified translation is required and is subject to Homebridge management review and approval
- Borrower must agree to execute an Automated Clearing House (ACH) Agreement, tied to a U.S. bank account, to facilitate the electronic transfer of funds. See Additional Requirements Specific to Foreign Nationals topic for details

Borrower Eligibility

- The borrower must have a current, valid foreign passport **AND** a visa that includes a photograph and signature except as noted under the **Visa Exception** topic below
- The visa must evidence the borrower is legally present in the U.S.; a defined length of stay is **not** required. Eligible visas for foreign national borrowers are as follows:
  - B1, B2, H2, H3, I, J1, J2, O2, P1, P2
- **Visa Exception:** A visa is **not** required for:
  - Canadian citizens
  - Borrowers who are citizens of a country listed on the U.S. State Department's Visa Waiver program page. Borrowers eligible under the Visa Waiver program must provide the following:
    - A valid passport, **and**
    - The applicable paperwork related to the Visa Waiver program
- Citizens of Mexico. Borrower(s) may provide **one** of the following to meet visa requirement
  - A laser visa card (a border crossing card and a B1/B2 visa), **OR**
  - A NAFTA treaty visa (TN, TC, E1, or E2)
- All borrowers must file an IRS Certificate of Foreign Status, (IRS form W-8BEN for individuals and W-8BEN-E for entities). A copy of the Certificate must be maintained in the loan file

Credit Requirements

- Foreign National borrowers are **not** required to have a social security number; if they **do not** have a social security number a credit report and credit score **are not required**.

  NOTE: Borrowers without a U.S. credit score will be underwritten based on a 680 credit score but an LTV restriction will not be applied
- If the Foreign National borrower does have a social security number, the following applies:
  - A U.S. credit report must be obtained, and the borrower's credit reviewed (see below if U.S. credit report not available)
  - If the borrower has established credit in the U.S., the credit history cannot be disregarded even if it does not meet standard tradeline requirements
  - The borrower's credit history (i.e. combination of U.S. credit report and supplemental credit references, if applicable) including payment history and any derogatory credit, must meet the applicable requirements
  -

Foreign Nationals (cont.)

Credit Requirements (cont.)

- Borrowers with U.S. mortgages/rental verifications require 0x30 in previous 12 months and 0x60 in previous 24 months**. Foreign mortgage and rental history are not required to be verified**
- **Significant Derogatory Credit Events**: The following applies to **U.S. credit events ONLY**:
  - Borrowers with a BK, foreclosure, modification, short sale, short pay, deed-in-lieu, pre-foreclosure including notice of default/lis pendens, and 120+ day mortgage late within the most recent 4 year period, measured from the event completion date or discharge/dismissal date to application date, are **ineligible**
  - **Borrowers with any history of forbearance, regardless of seasoning, are ineligible (applicable to borrowers with U.S. credit ONLY)**
- **Judgment/Tax Liens:**
  - Must be paid off prior to or at closing, **OR**
  - The borrower must be in a repayment agreement with six (6) months documented on-time payments required
    - The payment must be included in the in the DSCR (if attached to subject property), and
    - If the judgment or tax lien is recorded against the property, it must be subordinated
- **Collections/Charge-Offs:**
  - May be excluded if:
    - Individually < $250, or
    - Aggregate is < $1,000
  - If greater than the above, must be paid off prior to or at closing

  NOTE: Medical collections are excluded from the above regardless of the amount

Income

- Income is not verified on ICF; follow ICF requirements for Foreign National borrowers except as noted below:
  - A minimum DSCR of 1.000 is required, **and**
  - The interest-only payment cannot be used to calculate the DSCR on a loan with the interest-only feature, **and**
  - A 12 month history of owning and managing rental property is required, **and**
  - 12 months reserves required

Liabilities

- Borrower must provide a schedule of real estate owned listing, as applicable, property type, property value, rental income, mortgage amount, mortgage payment, and taxes, insurance, and common charges. **All U.S. liabilities must be considered.**

  NOTE: Foreign liabilities, including carrying costs on foreign properties are not required to be documented or included in the underwriting analysis.

Additional Requirements Specific to Foreign Nationals

- A **World Compliance** search is required for all borrowers. The World Compliance search will be performed by Homebridge management. Any alerts must be addressed and cleared. If a borrower cannot get a clear World Compliance search the loan is **ineligible**
  - Borrower cannot be on the U.S. Department of Treasury Sanctions list and must have a clear OFAC search
- A signed **Automated Clearing House** (ACH) **Agreement** is required on all Foreign National transactions. The ACH Agreement will be provided by Homebridge with the closing docs for borrower signature. The ACH agreement facilitates the transfer of electronic funds and must be tied to a U.S. bank account. The account must:
  - Be in the borrower's name (proof required)
  - The borrower must document that the account has, at minimum, funds to cover the first month's loan payment
- **Translation Requirements:** All foreign documentation provided must be in its original form. The documentation must be translated to English by a certified translator. The translator's certification documentation is required and **is subject to Homebridge management review and approval**

Gift Funds	**Full Doc, Bank Statement, Investor Cash Flow, and 1099 Only:** Gift funds eligible for down payment and closing costs (gift funds **not** eligible to satisfy reserve requirements) subject to the restrictions detailed below. • Gift funds **ineligible** on the following: - Investment property transactions, and - Foreign National borrowers **Asset Qualifier**: Gift funds eligible for down payment and closing costs **for purchase transactions** subject to restrictions detailed below. Gift funds for closing costs on refinance transactions considered on an exception basis. Gift funds **cannot** be used as an eligible asset to meet Asset Qualifier requirements or to meet reserve requirements **Gift Fund Eligibility** Gift funds from an immediate family member are allowed subject to the following: • **A minimum 5% borrower own funds required on purchase transactions except** as noted below; borrower own funds may be **waived** on the following transactions: - The transaction is a **primary residence purchase transaction with an 80% LTV or less** - Transactions involving a gift of equity. Refer to the Gift of Equity topic for details • Immediate family member is defined as: - Borrower's spouse, or - Child or other dependent, or - A fiancé, fiancée, or domestic partner, or - Any other individual who is related to the borrower by blood (including cousins), marriage, adoption, or legal guardianship. NOTE: Funds from a non-borrowing spouse, who is a titleholder, will not be considered a gift • 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, 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. 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. • 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 or other official check
Gift of Equity	Eligible on all occupancy types subject to the following: • The seller is a relative of the borrower, **and** • A gift letter, meeting the guidelines under the Gift Funds topic above, is required, **and** • Owner-occupied and second home transactions are eligible and **do not require 5% borrower own funds** when there is a gift of equity • **Investment property transactions are ineligible for gift of equity** • The maximum LTV when using a gift of equity is **the lesser of**: - 75%, **or** - The applicable product maximum Refer to the Non-Arm's Length/Identity of Interest topic for additional requirements

Higher Priced Mortgage Loan (HPML)	Standard HPML requirements apply • HPML rules apply to Full Doc, Bank Statement, Asset Qualifier, 1099 Only, and P&L Only options • Primary residence transactions **only** (N/A to second home and investment properties) • Escrows are mandatory for a minimum of 5 years • Compliance with ability to repay (ATR) must be documented • **A second appraisal is required when the transaction is an HPML and involves a property flip when there is:** - A > 10% increase in sales price if the seller acquired the property in the previous 90 days, **OR** - A > 20% increase in the sales price if the seller acquired the property in the previous 91-180 days • Complete HPML requirements, including HPML APR requirements, are detailed in Policy and Procedure 21-30
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.
Interest –Only	• Interest-only eligible on all documentation options subject to: - IO feature with a 30 year loan term and payment amortized over 20 years, or - IO feature with a 40 year loan term and payment amortized over 30 years - Maximum 85% LTV/CLTV or maximum allowed by documentation option, if less - Minimum 700 credit score **or** minimum required for loan amount (whichever is **higher**) **NOTE**: 40 year loan term requires interest-only feature; there is no stand-alone 40 year loan term **Refer to the Product topic, in the applicable documentation option (Bank Statement, ICF, etc.), for complete qualifying and amortization requirements** • Interest-only **ineligible** on: - First time home buyer transactions, and - Foreign National transactions, and - Texas Section 50(a)(6)

Interested Party Contributions

Interested Party Contributions

- Interested party contributions (IPC) include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.
- IPC's must be:
  - Disclosed on the sales contract
  - Documented in the loan file
  - Clearly identified on the Closing Settlement Statement, and
  - Paid to the appropriate vendor the Title/Escrow Company or Closing Attorney
- Interested party contributions are limited as follows:

Documentation Option	Occupancy Type	Maximum Allowable Contribution
Full Doc	Primary Residence Second Home	• ≤ 75% LTV: 9% • 75.01% to 90%* LTV: 6% *2nd home max 85% LTV; P&L Only max 75% LTV
	Investment	All LTVs: 3%
Bank Statement **1099 Only** **P&L Only**	Primary Residence Second Home	• ≤ 75% LTV: 9% • 75.01% to 90%* LTV: 6% *2nd home max 80% LTV; P&L Only max 75% LTV
	Investment	All LTVs: 3%
Asset Qualifier	Primary Residence	≤ 75% LTV: 9%
Investor Cash Flow	Investment	All LTVs: 3%

Seller Credit/Financing Contributions

Funds from an interested third party and paid to the vendor are acceptable when they are used to:

- Permanently reduce the interest rate on the mortgage, or
- Pay related mortgage financing costs, closing costs, pre-paids and escrow costs.

The total of financing contributions may not exceed the lesser of:

- The total of the closing costs and pre-paids, or
- The LTV described in the chart above

Personal Property

Any personal property transferred with the sale must indicate zero transfer value on the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV

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.
Mortgage Insurance	Not required
Mortgage/Rental History	• 0x30 in the previous 12 months in the aggregate for all mortgages and/or rental verifications, **OR** • 1x30 in the previous 12 months • Housing lates in the previous 12 months that resulted in a significant derogatory credit event are acceptable subject to the significant derogatory credit event requirements for the applicable documentation option. **NOTE:** Refer to the Foreign Nationals topic for Foreign National housing history requirements • Mortgage/housing requirements apply to **all** borrowers on the loan • Mortgage must be current for the month closing • If the mortgage/rental history is not listed on the credit report the following documentation is required: - **Rental History:** - **Professional Management Company**: A fully completed and signed verification of rent (VOR) - **Private Party**: The most recent consective12 months' cancelled checks (front and back) **and** a copy of the lease - **Mortgage History:** - **Institutional Lender**: A fully completed and signed verification of mortgage (VOM) - **Private Party:** The most recent consecutive 12 months' cancelled checks (front and back) **and** a copy of the Note **First Time Home Buyer (FTHB)** (see "Borrowers – Eligible" topic for definition). The below applies when **ALL** borrowers on the transaction are FTHB: • Borrower must be able to document a rental history within the previous three (3) years with 0x30 over a 12-month history (rental history must be most recent) • **Borrowers living rent-free are subject to the following:** - Maximum 80% LTV (Max 75% on Asset Qualifier) - Primary residence and second home **only** - Gift funds allowed after 10% borrower own funds contribution • **ICF Option**: - First time home buyer **ineligible** - Borrowers living rent-free are **ineligible**
New York Transactions	• NY transactions must pass the NY Subprime test, as applicable • NY CEMA eligible for refinance transactions; Fannie Mae requirements apply. CEMA **not eligible** for purchase transactions - The most recent version of New York Consolidation, Extension, and Modification Agreement Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) is required

Non-Arm's Length/ Identity of Interest Transactions	Eligible but additional requirements, including an additional appraisal may be required. • Maximum 80% LTV on purchase and rate/term refinance • The borrower cannot have multiple roles in the transaction (e.g. cannot be the builder and the borrower, etc.) • The borrower must state their relationship with the seller • If the seller is a relative, the seller must document the most recent 12 month's pay history on the property's existing mortgage (if applicable) with 12 months' cancelled checks or 12 months' bank statements The following are **not** considered a non-arm's length transaction: • Spousal buyout due to divorce, • Interest buyout of an inherited property
Occupancy	• 1-4 unit owner-occupied primary residence (N/A ICF option) • 1-unit second home (N/A ICF and Asset Qualifier options) The following applies: - Must be suitable for year round use, - Must be occupied by the borrower for some portion of the year, - Must be in an area typical for second home use, - The property cannot be leased/rented other than on an occasional basis, - Cannot be subject to any timeshare arrangements, rental pools, or other agreements that gives a management company control over the occupancy; the borrower must have exclusive control over the property, • 1-4 unit investment/non-owner occupied properties (N/A Asset Qualifier)
Points and Fees	• Points and fees must comply with all federal and state requirements. • The maximum points and fees, paid to the broker or Homebridge, is 5%. Maximum points and fees are calculated based **on the amount financed** • If the prepayment option is exercised on the Investor Cash Flow option, the prepayment penalty is excluded from the points and fees test
Power of Attorney	A power of attorney (POA) is eligible subject to the following: • A POA is eligible: - For closing documents **only; ineligible** for application and disclosures - On purchase and rate/term refinance transactions; **ineligible** on cash-out transactions • POA **ineligible** when title will be held in the name of a trust or LLC • The following persons, when connected to the transaction, are **ineligible** to act as the agent/attorney-in-fact under a power of attorney, unless allowed by applicable state law, **OR** they are the borrower's relative (as defined by Fannie Mae) or the borrower's fiancé, fiancée, or domestic partner: - The lender or broker, - Any affiliate of the lender or broker, - Any employee of the lender or broker - The loan originator, - The employer or any employee of the employer of the loan originator, - The title insurance company providing the title insurance policy or any affiliate of the title insurance company including, but not limited to, the title agency closing the loan, - Any employee of either the title insurance company or any affiliate of the title insurance company - Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent • In the event there is only one borrower on the loan, the person signing as the attorney-in-fact/agent using the POA must be either a relative or the borrower's attorney • Homebridge must review and approve the POA prior to loan closing • As a reminder, items not specifically addressed above, Fannie Mae policy will apply

Prepayment Penalty	A prepayment penalty is available for transactions secured by **investment properties only on all documentation options.** Available, **not required**, in the following states **only**: • Alabama, • Arizona, • Arkansas, • California, • Colorado, • Connecticut, • Delaware, • Florida, • Georgia, • Hawaii, • Idaho, • Illinois, • Indiana, • Iowa, • Kansas, • Kentucky, • Louisiana, • Maine, • Maryland, • Massachusetts, • Missouri, • Montana, • New Hampshire, • North Carolina, • North Dakota, • Nebraska, • Nevada, • New York, • Oklahoma, • Oregon, • Pennsylvania, • South Carolina, • South Dakota, • Tennessee, • Texas, • Utah, • Vermont, • Virginia, • Wisconsin, • Washington, • Washington D.C., • Wyoming If selected, the following prepayment period options available: • 1-year, • 2-years, or • 3-years **NOTE:** States not listed above, prepayment **not available** • **DSCR < 1.000 AND LTV is > 70%: A minimum 1 year prepayment penalty is REQUIRED; if the state is not listed above a DSCR < 1.000 is NOT eligible and a minimum 1.000 DSCR required** • The prepayment penalty applies when: - There is a full prepayment, **or** - Any payment within the preceding 12 months exceeds 20% of the original principal loan amount • The prepayment charge will equal 2.5% of the amount of the prepayment that exceeds 20% of the original principal loan amount
Products	Refer to the individual program options for eligible products and qualifying requirements • Product - Full Doc • Product - Bank Statement • Product - Investor Cash Flow • Product - Asset Qualifier • Product – 1099 Only • Product - P&L Only

Properties – Eligible	• 1-4 unit properties (attached/detached)
	• 1-unit second home
	• 1-4 unit investment property
	• PUDs (attached/detached)
	• Condominiums **Fannie Mae/Freddie Mac Warrantable** (attached/detached). **Full Review required.** Underwriter to complete Condo/PUD Warranty form (see next page for Non-Warrantable Condo information/eligibility)
	  - Homebridge will provide financing to a maximum of 5% of the units in a condo project (applies to warrantable and non-warrantable condo projects)
	• Site condos limited to projects with a **maximum of 2 units only**. If any common area (e.g. walkway, porches, decks, etc.) unit owners must have an arbitration agreement. Additionally, units must be encumbered by a condominium declaration/covenant
	• Properties with leased solar panels are eligible subject to Fannie Mae guidelines
	• Properties with an accessory dwelling unit (ADU) that meet Fannie Mae/Freddie Mac requirements; refer to the Property With Accessory Dwelling Unit topic for details
	• Rural properties eligible subject to the following:
	  - Primary residence and second home transactions only; **ineligible** on investment transactions
	  - Maximum 75% LTV
	  - Property must be primarily for residential use only
	  - The lot size and acreage must be typical for the area and similar to the surrounding properties
	  - The appraisal must indicate the present use is the highest and best use of the property
	  - Agricultural property, property that provides income to the borrower, and hobby/horse farms are ineligible
	• Acreage
	  - Maximum 20 acres (Full Doc, Bank Statement, 1099 Only, P&L Only, Asset Qualifier)
	  - Maximum 2 acres (Investor Cash Flow including foreign national borrowers)

Properties – Eligible Non-Warrantable Condos	• **Non-Warrantable Condominiums** (attached/detached). **Full Review required. Maximum 75% LTV/CLTV for a non-warrantable condo.** • A condo project is considered non-warrantable when project features do not meet specific Fannie Mae requirements. Condo projects that are non-warrantable are eligible when the reason for the project being non-warrantable is for one of the reasons listed below. **The project can only have one feature that makes it non-warrantable; multiple features are not acceptable**: - **PERS Approval:** A condo project that would normally require a PERS review may be approved using a Full Review - **Investment not meeting Fannie Mae owner-occupancy**: An investment condo unit where the project meets the presale requirements but does not meet Fannie Mae's owner-occupancy requirement - **Investment – first closing**: An investment condo that will be the first closing of an investment condo unit. Fannie Mae's 70% presale requirement of owner-occupied and second homes in the project must be met. - **A single entity owns more units than allowed by Fannie Mae.** A single entity may own up to 25% of the units in the project (cap does not apply to the sponsor/builder in the initial marketing phase) - **The commercial space exceeds what is allowed by Fannie Mae**. A project comprised of 40% commercial space is acceptable provided it is common and customary for the area - **Project not meeting Fannie Mae pre-sale:** Projects with a 40% presale are eligible if the appraiser addresses that the average marketing time does not exceed the average marketing time for similar condo projects - **The project budget does not meet Fannie Mae requirements**. A project that has less than 10% of budgeted reserves may be eligible when: - The project has a minimum of 20% of the annual HOA dues in reserves, **AND** - No capital improvement projects are pending that would individually or collectively amount to > 10% of the annual HOA dues, **AND** - The HOA must provide the most recent two (2) years financials (audited if available) and must address how they will fund future capital improvements - **Short-term rentals:** If the existence of short-term rental units within the project (e.g. Airbnb, VRBO) is the **only reason** the project is non-warrantable, the project is acceptable - **Rent stabilized units:** Projects that do not meet Fannie Mae presale or owner-occupancy requirements due to a high number of rent stabilized units within the project are acceptable. The rent stabilized units may be excluded when completing the pre-sale or owner-occupancy calculations. The number of **unsold** units is limited to a maximum of 20% ***Example:*** • Project has 100 total units and 50 are rent stabilized • Deduct the 50 rent stabilized from the 100 units • If 40 of the 50 non-rent stabilized units are sold, the percentage of units sold is 80% so unsold units are 20% which meets the requirement
Properties – Ineligible	• Acreage > 20 acres (Full, Bank Statement, 1099 Only, P&L Only, Asset Qualifier) • Acreage > 2 acres (ICF including Foreign National) • Rural property secured by an investment property • Condo hotels or condos with hotel-like features • Mixed use properties • Agriculturally zoned properties • Hobby/horse farms • Non-residential income producing properties • Properties with deed restrictions • Log Homes • Manufactured and modular homes • Properties subject to oil and/or gas leases • Unique properties • Working farms, ranches, or orchards that are currently used to produce income • Co-ops • Properties with a condition rating of C5 or C6

Property Flip	A property flip is a property is being resold within 180 days of acquisition (measured from date seller became the legal owner to the day the purchase contract was signed by both parties of the new transaction). **If the transaction involves a property flip AND is a higher priced mortgage loan (HPM the following applies**: **A second appraisal is required when**: • A > 10% increase in sales price if the seller acquired the property in the previous 90 days, **OR** • A > 20% increase in the sales price if the seller acquired the property in the previous 91-180 days Refer to the HPML topic for complete HPML requirements
Property with an Accessory Unit	**Legal Accessory Unit** Eligible on 1- unit single family properties only provided the following requirements are met: • The appraisal must indicate the improvements are typical for the market. • A minimum of one (1) comparable sale with the same use is required. • Refer to the **Rental Income - Accessory Unit** topic in the applicable documentation option (Full Doc, Bank Statement, ICF, 1099 Only, and P&L Only) for requirements **Illegal Accessory Unit** Eligible on a case-by case-basis only with Homebridge management review and approval. Properties with an accessory unit does not comply with zoning may be considered subject to the following applies: • The use conforms to the subject neighborhood and market, **and** • The property is appraised based upon its current use, **and** • The appraisal must indicate that the improvements represent a use that does not comply with zoning, **and** • The appraisal must indicate that the improvements are typical for the market through an analysis of at least three (3) comparable properties that have the same illegal use, **and** • The accessory unit cannot jeopardize any future hazard insurance claim that could be filed against the property, **and** • The borrower must qualify for the mortgage without considering any rental income from the illegal accessory unit.
Property with an Addition without Permits	Eligible on a case-by-case basis only with Homebridge management review and approval. When the appraiser identifies an addition that does not have the required permits Homebridge will consider the property subject to the following requirements: • The appraiser must comment on the quality and appearance of the work, **and** • The impact the addition might have, if any, on the market value of the subject property.
Property with an Illegal Conversion	Properties with an illegal conversion (e.g. garage converted to office/bedroom, screened in porch converted to laundry room, etc.) are eligible on a case-by-case basis only subject to the "Property with an Addition Without Permits" topic requirements **unless** the illegal conversion includes the amenities to make it a self-contained living space (e.g. a garage converted to a living space that includes a bathroom **and** kitchen). In cases where the illegal conversion would be considered an accessory unit (living space, bathroom **and** kitchen) the conversion is subject to Homebridge management approval and to the guidelines under the "Illegal Accessory Unit" topic above.

Properties with Solar Panels	• Properties with solar panels that are owned by the borrower are eligible without additional requirements. • Properties with solar panels that are not owned by the borrower (i.e. leased from or owned by a third party under a power purchase agreement or other similar arrangement, whether applicable to the original agreement or as subsequently amended) are subject to Homebridge management prior approval and all of the following: - The solar panels cannot be included in the appraised value, - The property must maintain access to an alternate source of electric power that meets community standards. - **The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation/debt service, unless the lease is structured to:** - Provide delivery of a specific amount of energy at a fixed payment during a given period, and - Has a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period. - **Payments under power purchase agreements where the payment is calculated solely based on the energy produced and used may be excluded from the DTI ratio.** - The lease or a power purchase agreement must indicate that: - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home); and - The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure the panels are attached to; and - In the event of foreclosure, Homebridge as the lender has the discretion to either: - Terminate the lease/agreement and require the third-party owner to remove the equipment; - Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third-party; or - Enter into a new lease/agreement with the third-party, under terms no less favorable than the prior owner. - Title exceptions due to the solar panels (e.g. easement) are acceptable provided the interest is not superior to Homebridge. • Additionally, title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to Homebridge

Refinance Transactions	**All Refinance Transactions** The information below applies to both rate/term and cash-out refinance transactions • Properties currently listed for sale are ineligible. • Properties previously listed for sale in the 6 months prior to application, require the property to have been taken off the market and the listing cancelled **a minimum of 1 day prior to the loan application date**. The following is required: - Obtain a copy of the cancelled listing agreement, - Document that a search of the MLS was performed to ensure the property is not listed with a different realtor, - Documentation that confirms the borrower is currently occupying the subject property (owner-occupied only), and - A letter from the borrower that addresses all of the following: - The borrower intends to occupy the subject property (owner-occupied only), and - The reason the home was listed for sale, and - An explanation for the refinance of the property • All refinance transactions must provide a bona fide benefit to the borrower. **Rate/Term Refinance** A transaction that meets one of the below criteria will qualify as a rate/term refinance transaction. • Rate/term refinance transactions do not have a seasoning requirement • Payoff of the existing first lien, including closing costs, prepaids and points • Payoff of a subordinate mortgage lien(s) or HELOC used in their entirety to acquire the subject property (**regardless of seasoning**), • Payoff of any subordinate lien or HELOC seasoned more than 6 months that have not had any draws > $5,000 in the previous 6 months • Properties owned less than 12 months as of the application date the current appraised value may be used to determine the LTV/CLTV provided the value is supported by the appraisal and the CDA (CDA variance must be ≤ 10%). - If the value is **not** supported, the LTV/CLTV is based on **lesser of** the purchase price plus the documented cost of improvements **or** the appraised value • Properties owned 12 months or more, the LTV/CLTV is based on the appraised value • **Delayed Financing:** Recoupment of funds used to purchase a property with cash in the previous 6 months. The following applies: - The Closing Disclosure of the cash transaction must be provided. - Cash used for purchase must have been borrower's own funds and must be document. Recoupment of gift funds is considered cash-out. - Maximum proceeds cannot exceed the documented cash investment plus documented cost of improvements - The LTV will be calculated using the **lower of:** - The purchase price, or - The appraised value unless appraiser can justify the increase - Recoupment of funds used for property improvements. The improvements must be documented (e.g. invoices, proof of payment with cancelled checks) and completed in the previous 6 months. Funds used for improvements must have been borrower's own funds. - Cash-out cannot exceed the amount of the documented cash improvements or else the transaction will be considered cash-out. A current appraisal is required. - Properties purchased in the previous 12 months value is based on the **lesser of** - The purchase price at time of acquisition plus the documented cost of improvements, or - The current appraised value may be used • Cash-back to the borrower on a rate/term refinance limited to the **lesser of**: - 2% of the principal balance of the new loan, **or** - $5,000.

Refinance Transactions (cont.)

Cash-Out Transactions

A cash-out refinance is a refinance that does not meet the rate/term definition and would include a refinance where the borrower receives cash in an amount greater than the lesser of $5,000 or 2% or when an open ended subordinate lien that does not meet the rate/term seasoning requirement

- A 6 month seasoning requirement applies, measured from the date the borrower took title to the application date of the new loan

  NOTES: Property ownership held in an **LLC is eligible** to meet the 6 month seasoning requirement if the borrower was 100% owner or a majority owner of the LLC.

  Property ownership held in a **corporation or limited partnership**, regardless of the percentage of ownership, **is NOT eligible to meet the 6 month seasoning requirement**

- Cash-out limitations include the following:
  - Net cash-in-hand to the borrower at closing (per the CD), **PLUS**
  - Funds used to pay off non-mortgage debt, including installment and revolving debt and mortgage debts associated with other properties owned by the borrower, **PLUS**
  - Funds used to pay off unseasoned subordinate liens on the subject property

  Example:

  - Cash-out limit is $500,000
  - Borrower is paying off $100,000 in non-mortgage debt
  - Payoff of unseasoned mortgage lien of $100,000
  - Maximum cash-in-hand to borrower is $300,000
- **Full Doc, Bank Statement, 1099 Only, P&L Only**: Cash-out subject to the following:
  - LTV ≤ 50%: Unlimited cash-out
    - Cash-out > $300,000: Minimum 700 credit score required
  - LTV > 50%: Maximum cash-out $1,000,000
    - Cash-out > $300,000: Minimum 700 credit score required, **and**
    - Cash-out > $500,000: Maximum 60% LTV
- **Investor Cash Flow (includes Foreign National):** Cash-out subject to:
  - LTV ≤ 50%: Unlimited cash-out
    - Cash-out > $300,000: Minimum 700 credit score required
  - LTVs > 50%: $500,000
    - Cash-out > $300,000: Minimum 700 credit score required
- **Cash-out transactions ineligible on Asset Qualifier and Full Doc loans using Asset Utilization**
- A cash-out transaction may include the following:
  - Payoff of the existing first mortgage,
  - Closing costs and prepaid items (interest, taxes, insurance),
  - The amount of any subordinate mortgage lien being paid off,
  - Any cash-in-hand to the borrower as indicated on the Closing Disclosure.

  Refer to the Reserves topic for cash-out eligibility to satisfy reserve requirements
- Properties owned > 6 months to < 12 months as of the application date the current appraised value may be used to determine the LTV/CLTV provided the value is supported by the appraisal and the CDA (CDA variance must be ≤ 10%).
  - If the value is **not** supported, the LTV/CLTV is based on **lesser of** the purchase price plus the documented cost of improvements **or** the appraised value
- Properties owned 12 months or more, the LTV/CLTV is based on the appraised value
- Properties owned free and clear are always considered a cash-out refinance.

Delayed Financing

Delayed financing transactions are eligible as a rate/term refinance subject to certain requirements; refer to the Rate/Term Refinance topic for rate/term eligibility

Refinance Transactions (cont.)	**Inherited Properties** • **Inherited properties are eligible for rate/term and cash-out refinance transactions.** • **Properties inherited < 12 months from the date of the loan application are subject to the following:** - **Transaction is considered a cash-out refinance, and** - **Equity owners must be paid through settlement. A written agreement s, signed by all parties, that states the terms of the buy-out and property transfer, is required, and** - **Subject property must be out of probate and the property is vested in the borrower's name, and** **Current appraised value is used to determine LTV** **Buying Out a Co-Owners Interest** A refinance transaction resulting from a divorce settlement and/or dissolution of a domestic partnership, and the borrower is required to buy-out the interest of the other co-owner will be considered a rate/term refinance when the following applies: • Documentation is obtained that confirms the subject property was jointly owned by the parties for a minimum of 12 months prior to the funding of the new loan, **and** • A copy of the fully executed written agreement or court approved divorce decree that details the terms of the property settlement and the proposed disbursement of the refinance proceeds, **and** • The borrower who will be acquiring sole ownership of the subject property does not receive any funds from the transaction. **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 unless requiring an escrow account is not permitted under applicable state law or regulation - 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** unless requiring an escrow account is not permitted under applicable state law or regulation

Reserves

Reserve requirements apply to **Full Doc, Bank Statement, ICF, 1099 Only, and P&L Only** documentation options as applicable and to **Foreign Nationals (ICF). Asset Qualifier does not have separate reserve requirements**

Reserve Requirements	
Loan Amount	**Required Reserves**
≤ $1,500,000	6 months PITIA
> $1,500,000 to ≤ $2,000,000	12 months PITIA
> $2,000,000 to $3,000,000	15 months PITIA
Bank Statement Option with Self-Employment of 1-year to < 2 years	**Additional** 6 months PITIA
Other Financed Properties (Does **not** apply to ICF option)	2 months PITIA (for each additional property)
DSCR < 1.00 (ICF Option Only)	**Additional** 3 months PITIA
Foreign National (ICF Option Only)	12 months PITIA

Cash-Out Proceeds for Reserves

- **Full Doc, Bank Statement, ICF, 1099 Only, and P&L Only Options:**
  - Cash-out proceeds are **eligible** for closing costs or for the payoff/pay down of debt
  - **Cash-out proceeds are subject to the following to meet reserve requirements:**
    - **LTV ≤ 75%: Eligible** (cash-out proceeds **may** be used to meet reserve requirements)
    - **LTV > 75%: Ineligible** (cash-out proceeds **may not** be used to meet reserve requirements)

Residual Income Requirements

- **Investor Cash Flow Option: Residual income requirements do not apply**
- **Full Doc, Bank Statement, 1099 Only, and P&L Only Options Primary Residence transactions ONLY**:
  - **Full Doc:** Minimum $2,000 residual income required
  - **Bank Statement, 1099 Only, P&L Only**: Minimum $2,500 residual income required

  NOTE: Residual income is the total gross income **minus** total monthly debt **equals** residual income
- **Asset Qualifier**:
  - A minimum of $1300 per month **r**esidual income required.
  - The required residual income is calculated based on the total qualifying assets divided by 60 months **minus** total monthly debt **equals** residual income

Seller Contributions

Refer to the Interested Party Contributions topic for seller contribution limits.

Subordinate Financing	Eligible as follows: • New or existing subordinate financing is eligible up to the maximum CLTV/HCLTV allowed. • If existing subordinate financing is a HELOC, the full amount of the available credit must be used to determine the HCLTV. • Unacceptable subordinate financing terms include: - Mortgages with negative amortization - 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 - Notes that do not contain a rate of interest (i.e. a seller held second). If no interest rate a current market rate of interest must be assigned and an interest-only payment calculated - Subordinate financing that has a prepayment penalty
Temporary Buydowns	Not allowed
Texas Section 50(a)(6) aka Texas Equity	Texas Section 50(a)(6) loans (Texas Equity) is a cash-out refinance transaction. A current Texas Equity loan may be refinanced as a rate/term refinance subject to specific requirements. Refer to the Texas Equity Being Refinanced as a Rate/Term Transaction topic for details. **Program Option and Product Eligibility** • Texas Equity loans are eligible on Full Doc, Bank Statement, Asset Qualifier, 1099 Only, and P&L Only options; **not applicable to the Investor Cash Flow option** (ICF is investment properties only and TX Equity only applies to primary residence) • Fixed and ARM products eligible**; interest-only is not eligible** **General Requirements** • Maximum 80% LTV/CLTV • The property is the borrower's primary residence and is classified as the borrower's homestead under Texas law. • The property is a 1-unit single family residence, PUD, condo • All borrowers must occupy the property; non-occupant co-borrowers are not allowed • All borrowers must be on title • Existing subordinate financing may be resubordinated excluding a HELOC or a reverse mortgage, **which must be paid off** • Interest-only is **ineligible** • Power of attorney is **ineligible** • Loan must close in the closing agent's office (title company/attorney's office); mobile notaries are not allowed • The borrower(s) must receive a copy of the final 1003 along with the CD for review a minimum of 24 hours prior to closing • Deed of Trust: Trustee must be completed on the Security Instrument (must be a Texas resident and is typically an attorney)

Texas Section 50(a)(6) aka Texas Equity (cont.)	• All married parties, regardless if on the loan or not, must sign the Deed of Trust and Notice of Right to Cancel (Texas is a community property state) • Fees are limited to a maximum of 2%. The following are **excluded** from the limitation: - Prepaid and bona fide discount points (requires Election to Pay Discount Points affidavit) - 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 (appraisal management fee is not excluded) • A survey is required and must document the following: - Lot size, **and** - The homestead property and any adjacent land are separate parcels, **and** - The homestead property is separately platted and subdivided lot with full ingress/egress, **and** - The homestead is a separate parcel meeting acreage requirements (see Property Requirements below), **and** - The property is served by municipal utilities, fire, and police protection (if urban) • A Texas Land Title Association (standard or short form) title policy including a T42 and T42.1 endorsement required. • Self-employed borrowers operating a business from the subject property require a T42.1 endorsement **without exception or deletion**. • The title policy cannot include language that: - Excludes coverage for a title defect that arises because financed origination expenses are held not to be "reasonable costs necessary to refinance" or - Defines the "reasonable costs necessary to refinance" requirement as a "consumer credit protection" law since the standard title policy excludes coverage when lien validity is question due to a failure to comply with consumer credit protection laws **Property Requirements** • Property is the borrower's homestead • Property must be residential in nature; properties used for agricultural purposes are **not** allowed • Properties with an agricultural designation are eligible **with a 5% reduction to the LTV** • All separate structures must be included in the homestead exemption • Only the parcel designated as the homestead parcel may secure the loan and the market value for the LTV calculation can only be assessed on that parcel. • The homestead parcel, as identified on the county appraisal district records, must include ingress/egress to a properly identified public road. • **Urban Properties**: An urban property is defined follows: - Property **is** located within municipal boundaries, a municipalities extraterritorial jurisdiction, or a platted subdivision, **and** - Property is served by police and fire (fire may be paid or volunteer), **and** - Property has a minimum of **three (3)** of the following services provided by the municipality or under contract to a municipality: - Electric, - Natural gas - Sewer, - Storm Sewer, - Water - **Maximum 10 acres**

Texas Section 50(a)(6) aka Texas Equity (cont.)

- **Rural Properties**: A rural property is defined as follows:
  - Property is **not** located within municipal boundaries or a municipalities extraterritorial jurisdiction, **OR**
  - The property **is** located within one of those areas, but it is **not** served by police or fire protection provided by the municipality/under contract with a municipality, **and**
  - Property has less than three (3) of the following services are provided by a municipality (directly or indirectly):
    - Electric,
    - Natural gas
    - Sewer,
    - Storm Sewer,
    - Water
  - **Maximum 10 acres.** Properties that exceed 10 acres, up to the maximum of 20, must be common/customary for the area and be the highest and best use of the property

Non-Borrowing Spouse Requirements

A non-borrowing spouse will be required to sign all of the following documents (as applicable):

- Notice Concerning Extension of Credit
- Security Instrument (including any Riders)
- Federal Truth-in-Lending Disclosure Statement
- Right of Rescission Notice
- Discount Point Disclosure
- Acknowledgment of Fair Market Value
- Premium Pricing Disclosure
- Notice of Presentation of CD One Day Before Closing
- Texas Home Equity Affidavit and Agreement
- Owner's Affidavit of Compliance
- Receipt of Copies of Documents
- Certificate of Non-Cancellation of Loan

Waiting Periods

- The loan cannot close until the Notice Concerning Extensions of Credit (aka 12 Day Disclosure) has been signed and received by Homebridge for 12 calendar days. **All** property owners and spouses of property owners must sign
- The loan cannot close until 24 hours after the borrower(s) have signed the final CD and the final 1003
- There is a 3-day right of rescission period
- There is a 12 month seasoning requirement. The loan cannot close until a minimum of 12 months have passed after the closing of the previous loan

Texas Equity Being Refinanced as a Rate/Term Refinance

- A minimum of one (1) year has passed since the home equity loan closed
- Maximum 80% LTV/CLTV
- The borrower cannot receive any cash at loan closing
- The borrower must sign the Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan within three (3) business days (business days includes Saturday) of loan application and a minimum of 12 calendar days prior to loan closing. A new application will be required if the Notice not signed within three (3) business days of application

Transactions – Eligible	• Purchase - A copy of the fully executed purchase contract and all attachments/addendums are required - The lesser of the purchase price or appraised value of the subject property is used to calculate the LTV. - The borrower may not be on title prior to the loan closing. - The seller that is on title (vested owner of record) must be the individual who executes the sales contract and be on title prior to when the settlement statement and closing docs are executed. NOTE: Homebridge will allow the borrower to have a purchase contract assigned to them. The original purchase price of the subject property, per the purchase contract, will be utilized. The borrower is responsible for the payment of any assignment fees • Limited cash-out refinance (rate/term) • Cash-out refinance • Interest-only: - Interest-only ineligible on Texas Equity transactions - Foreign national borrowers **ineligible for IO feature**
Transactions – Ineligible	• High cost mortgage loan • Negative amortization • Convertible ARMs • Temporary Buydowns • Balloon payments • Graduated payments • A refinance transaction where the property is currently listed for sale • 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. • Transactions with PACE/HERO program subordinate financing

Exhibit A
Acceptable Foreign Financial Institutions

Acceptable foreign financial institutions are as follows:

- Agricultural Bank of China*
- Banco Bradesco
- Banco do Brasil
- Bank of America*
- Bank of China*
- Bank of Montreal
- Bank of New York Mellon*
- Barclays*
- BBVA*
- BNP Paribas*
- BTG Pactual
- Caixa Econõmica Federal (CEF)
- Citigroup*
- Credit Suisse*
- Deutsche Bank*
- Goldman Sachs*
- Groupe BPCE
- Group Crédit Agricole
- HSBC*
- Industrial and Commercial Bank of China Limited
- ING Bank*
- Itau Unibanco
- JP Morgan Chase*
- Mitsubishi UFJ FG
- Mizuho FG
- Morgan Stanley*
- Nordea
- Royal Bank of Scotland
- Royal Bank of Canada (RBC Bank)
- Santander*
- Société Générale
- Standard Chartered*
- State Street*
- Sumitomo Mitsui FG
- TD Bank
- UBS*
- Unicredit Group
- XP Investimentos
- Wells Fargo*

*Denotes branch located in the U.S.