Homebridge Wholesale
A division of Homebridge Financial Services, Inc.

Fannie Mae Program
Conforming and High Balance Loan Amounts

Fixed & ARM

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

Refer to pg. 2 for the Manufactured Housing LTV matrix

Footnotes:

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
2. Minimum loan amount $60,000.
3. Second home/investment transactions are subject to additional requirements when the borrower has multiple financed properties. Refer to Financed Properties topic for details.
4. New or newly converted condominium projects located in Florida require PERS approval. Established condominium projects in Florida with PERS approval or Full Review no LTV restrictions; projects with a **Limited Review** are subject to:

- Primary residence: Maximum 75%/90% LTV/CLTV
- Second home and investment: Maximum 70%/75% LTV/CLTV

5. Up to 105% CLTV allowed when using a Community Second. Program must be currently approved with Homebridge. A list of Homebridge approved DPA programs can be found under Working with Us on the Homebridge Wholesale website.
6. Purchase transactions: Must be first time home buyer. Refinance transactions: Current loan must be owned by Fannie Mae. Refer to the 95.01%-97% LTV topic for detailed requirements.
7. 95.01% to 97% LTV is **ineligible** (maximum 95% LTV) as follows:

- High balance loan amounts, and
- Transactions with non-occupant co-borrowers regardless of loan amount, and
- ARM transactions

NOTE: ARMs are temporarily unavailable

Manufactured Housing
Fixed Rate Only [4]

Owner-Occupied Primary Residence					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2]	***Credit Score***
Purchase & Limited Cash-out Refinance	1	95% [1]	95%	Refer to the Loan Limits topic	Per DU
Cash-Out [3]	1	65%	65%	Refer to the Loan Limits topic	Per DU
Second Home					
Purchase & Limited Cash-out Refinance	1	90% [1]	90%	Refer to the Loan Limits topic	Per DU

Footnotes:

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
2. Minimum loan amount $60,000
3. Cash-out transactions limited to a loan term of ≤ 20 years (15 or 20 year term; loan terms > 20 years ineligible)
4. Manufactured homes limited to fixed rate only

2023 Maximum Loan Limits

2023 Conforming Loan Limits		
Units	**Contiguous States**	**Alaska, Hawaii**
One	$726,200	$1,089,300
Two	$929,850	$1,394,775
Three	$1,123,900	$1,685,850
Four	$1,396,800	$2,095,200
2023 High-Cost Area Loan Limits		
Units	**Contiguous States**	**Alaska, Hawaii**
One	$1,089,300	N/A
Two	$1,394,775	N/A
Three	$1,685,850	N/A
Four	$2,095,200	N/A

*Actual loan limits for certain high-cost counties may be **lower** than the maximum amount listed above
Alaska/Hawaii do **not have high-cost areas in 2023; the applicable conforming limit applies

To view the 2023 loan limits by county click here: FHFA 2023 Loan Limits

<table>
<tr><th>Topic</th><th>Guideline</th></tr>
<tr><td>COVID-19 Temporary Flexibility Policies</td><td>The temporary documentation flexibilities allowed by Fannie Mae and Homebridge policy changes due to COVID-19 are being added to the guidelines to incorporate all temporary policy in one place for reference.
It is important to remember there is no change to Fannie Mae's standard underwriting policies to determine borrower qualification and any policy not addressed under COVID-19 temporary policies topic is subject to standard guidance
Refer to the individual COVID-19 topics below for effective dates</td></tr>
<tr><td>COVID-19 Temporary Borrowers in Forbearance Policy</td><td>Refer to the Forbearance Plan Policy section in the Mortgage/Rental History topic for requirements that apply when the borrower is in a forbearance plan</td></tr>
<tr><td>COVID-19 Temporary Income Verification Policy</td><td> <u>The temporary policies below are effective until further notice</u> The underwriter will perform a reasonability test of the borrower's income to consider the likelihood of continuance since certain industries are far more affected than others (e.g. service industries that rely heavily on tips – restaurant, casing, hair/nail salons, etc. vs. industries deemed "essential" or where telecommuting is a viable option) <u>Furloughed Borrowers</u> Fannie Mae's temporary leave income policy does not apply to furloughed borrowers
Furloughed borrowers receiving income for a specified period of time (e.g. one month) do not meet the stable, predictable and likely to continue requirement, therefore the income is ineligible for qualifying
If the furlough was temporary, there is no waiting period once the borrower is back at work and receiving full and stable pay
A minimum of one (1) paystub is required
A decline in YTD income is acceptable provided an LOE is provided and the LOE indicates the decline was COVID-19 related <u>Unemployment Income</u> Unemployment income may only be used as qualifying income if it associated with seasonal employment (i.e. agricultural worker, resort worker such as a ski instructor, etc.) <u>Reduced Hours and/or Pay</u> The borrower must be qualified on the reduced pay. If paystubs/bank statements reflect reduces declining variable income, the income may only be used for qualifying if it has stabilized and there is no reason to believe the borrower will not continue to be employed at the current level. Income cannot be averaged over the period of decline <u>Deferred Debt Payments</u> Any debt payments (e.g. student loan, auto loan, etc.) that may be temporarily deferred due to COVID-19 must be included in the borrower's DTI </td></tr>
</table>

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

4506-C	• Signed 4506-C required prior to loan closing for both personal and business tax returns (if applicable) • Tax transcripts are **not** required NOTE: At underwriter discretion transcripts may be required in certain circumstances (e.g. handwritten paystubs, borrower employed by family member, etc.) • Homebridge will order transcripts at random for quality control purposes **Wage Earners** • W-2 transcripts for the previous one or two years, as applicable, required **Self-Employed** • Transcripts for both personal and business tax returns (if applicable) required
95.01%-97% LTV	Purchase and rate/term refinance eligible as follows: • Property is a 1-unit primary residence • Fixed rate only with a 15, 20, or 30 year loan term; ARMs ineligible • DU "Approve/Eligible" is received • **Conforming loan amounts only** • Maximum 97% LTV/CLTV/HCLTV. CLTV may only exceed 97% if the second lien is a Community Second (maximum 105% CLTV) • 35% mortgage insurance coverage • Standard minimum borrower contribution requirements apply (purchase transactions) • **Purchase transactions** at least one borrower is a first time home buyer and will occupy the subject property (first time homebuyer defined as a borrower who has not had an ownership interest, sole or joint, in a residential property in the previous 3 years) NOTE: Homeownership education is required when **ALL** borrowers are first-time homebuyers. At least one borrower on the transaction must complete a course. See below for details • **Refinance transactions** require documentation that the loan is currently owned by Fannie Mae (e.g. screen shot from Fannie Mae's KnowYourOptions website, documentation from loan servicer, etc.) • Loan meets all other Homebridge guidelines **Homeownership Counseling** If **all** borrowers on the transaction are first-time homebuyers at least one borrower must complete Fannie Mae's Framework Homeownership, LLC (Framework®) online education course. The program is available in both English and Spanish. There is no cost to the borrower. The course must be completed prior to loan closing and a copy of the Certificate of Course Completion must be included in the loan file

Age of Documents	• All credit, income and asset documentation must be the lesser of the expiration date noted on DU Findings or ≤ 4 months from the Note date except as follows: • Appraisal documents (original traditional appraisal, 1004D, appraisal waiver) must be ≤ 4 months from the Note date. Refer to the Appraisal Updates topic for complete age of appraisal, 1004D details - If the effective date of the original **desktop appraisal** is ≤ four months from the date of the Note, a new appraisal is required • Properties located in a FEMA declared disaster area have specific requirements. Refer to the Homebridge FEMA Disaster Declarations Reference Guide for a list of eligible counties by state

Appraisal	- Fannie Mae requires properties be appraised within the 12 months prior to the Note date
	- DU determines the level of appraisal on owner-occupied properties. If a reduced appraisal recommendation is received from DU **it must be on the final DU Finding**. Refer to the Appraisal- Waiver topic or Appraisal – Desktop topic (as applicable) for eligibility and requirements.
	- Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR). A Fannie Mae Submission Summary Report (SSR) is required on all appraisals.
	- If an applicable law, regulation or Homebridge policy requires more than one (1) appraisal be obtained, the single most accurate appraisal must be used for underwriting and submission to the Uniform Collateral Data Portal (UCDP)
	- A full appraisal must provide legible interior and exterior photos.
	  - The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.
	  - The interior photos, at minimum, must include:
	    - Kitchen, (free-standing stove/range or refrigerator not required)
	    - Main living area,
	    - All bathrooms,
	    - Examples of physical deterioration, if present,
	    - Examples of any recent updates, if present (i.e. remodel, renovation, restoration)
	• 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 and/or in Maine, New Hampshire, and Vermont where MLS is not common
	  - Net or gross adjustments made to the comparable sales by the appraiser must be market based (i.e. the appraiser must analyze the market for competitive properties and provide appropriate market based adjustments without regard to "rule-of-thumb"/arbitrary limits on the size of the adjustment. Properties used as a comparable sale must be similar enough to the subject property to be considered a competitive property.
	  - Comparable sales adjustments deemed excessive by the underwriter must be addressed.

Appraisal (cont.)	- **New Construction Comparables**: 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 to comparables for new construction:
	    - One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, or Comps Inc. or public source (public source Maine/New Hampshire/Vermont only).
	    - Two of the comparable sales must be from sources other than the subject property builder.
	    - In the event there are no closed sales inside the new subject project/subdivision due to the subject property being one of the first to sell, the appraiser may use 2 pending sales in the subject property project/subdivision, in lieu of one closed sale. If the appraiser uses 2 pending sales in lieu of a closed sale, **the appraiser must also use at least 3 closed comparable sales from projects/subdivisions outside of the subject property's project/subdivision.**
	  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.
	• **Modular/Prefabricated homes**: The appraiser must address the marketability of the property
	• **Manufactured homes**: The appraisal must be completed on Fannie Mae Form 1004C and the appraiser must address the marketability of the property. Refer to the Appraisals - Manufactured Housing topic for additional appraisal requirements for manufactured housing
	• Homebridge requires properties to be, at minimum, in average condition. Additionally, the following applies:
	  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing
	  - Any broken glass that is a health hazard must be removed and the opening closed.
	• Properties that do not meet the "average condition" requirement may be eligible for an Escrow holdback. Holdback/repair escrows are subject to Homebridge approval. If approved, the appraiser must confirm the work completed will bring the property up to average condition. Refer to the Escrow Holdbacks topic for more details
	• Appraisal transfers are considered on a case-by-case basis.
	• Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review

Appraisal Updates

General Requirements

- The original appraisal effective date must be ≤ 4 months from the Note date
- If the effective date of the appraisal is **more than** four months but **less than** 12 months from the Note date an appraisal update is required (Fannie Mae Form 1004D)
  - The appraisal update (1004D) must be completed within the four months **prior to** the Note date
  - If the effective date of the original appraisal is more than 12 months old from the Note date **OR** the 1004D is not completed within the 4 months prior to the Note date, **a new appraisal is required**

NOTE: The above requirements apply to both proposed and existing construction

IF:	THEN:
• The effective date of the original appraisal is > 4 months but < 12 months from the Note date	• An appraisal update (FNMA Form 1004D) is required • The 1004D must be completed within the 4 months **prior to** the Note date
• The 1004D indicates the property value **has** declined	• A new appraisal is required
• The 1004D indicates the property value **has not** declined	• The original appraisal is acceptable, and no additional appraisal documentation required
• The 1004D was not completed within the 4 months prior to the Note date	• A new appraisal is required
• The effective date of the original appraisal is > 12 months from the Note date, **with or without** a 1004D	• A new appraisal is required

1004D Requirements

- Fannie Mae prefers the original appraiser completes the 1004D. If the original appraiser is unavailable, a substitute appraiser may complete the 1004D subject to the following:
  - The substitute appraiser must review the original appraisal report and provide an opinion about whether the original appraiser's opinion of market value was reasonable on the date of the original appraisal report, **and**
  - The loan file must include a note as to why the original appraiser was not used

Appraisal - Desktop

DU may offer the option for a desktop appraisal when the transaction has the following criteria
NOTE: The Desktop option is **not** guaranteed even if the below criteria is met

Desktop Appraisal Eligibility

- Purchase transactions only,
- 1-unit primary residence (SFR **only**)
- LTV ≤ 90% (see Note below)
- An "Approve/Eligible" recommendation must be received from DU, and
- The casefile must include the complete subject property address

  NOTE: If a desktop appraisal is offered and obtained, the loan remains eligible as long as the loan amount does not increase and all other requirements continue to be met, even if the LTV exceeds 90% due to the value returned by the desktop appraisal

Ineligible for a Desktop Appraisal

Transactions with any of the following characteristics are ineligible for a desktop appraisal:

- Limited cash-out (rate/term) or cash-out refinance transactions
- Second home and investment properties
- 2-4 unit properties
- Construction-to-perm
- HomeReady or HomeStyle
- Condo and manufactured homes
- Community seconds with a subsidized sales price, a community land trust, or other properties with resale price restrictions

  NOTE: Resale restrictions related to borrower age or income are eligible

Desktop Appraisal Requirements

- The desktop appraisal is based on information obtained from:
  - The buyer/seller's agent, the homeowner, builder, appraiser files. The appraiser must verify the information from a disinterested source, and
  - A third-party data source (MLS listing, tax assessment records, virtual street views, satellite images, etc.)
- The appraiser cannot make any guarantees, express or implied, regarding the accuracy of the data
- The appraiser is required to provide a floor plan, that includes interior walls, for the subject property

Appraisal - Manufactured Housing	• The appraiser must have experience appraising manufactured homes and be knowledgeable of the local manufactured home market, the manufactured home construction process, and have access to the appropriate data sources to render an opinion of value. Refer to the Sources of Manufactured Housing Data topic below for further details • Purchase transactions: The appraiser must be provided the following: - A copy of the executed sales contract for the both the manufactured home **and** the land - A copy of the manufacturer's invoice if the manufactured home is new • The value must be based solely on the real property consisting of the manufactured home, site improvements, and land on which the home is situated. Value **canno**t be given to items such as insurance, warranties, furniture, etc. • The appraiser must provide **a minimum of (2) two comparable sales of similar manufactured homes** (e.g. multi-width with multi-width). The following also applies to comparables: - Site-built housing or a different type of factory-built housing may be used for the third comparable if needed however an explanation of why it was used must be provided along with the appropriate adjustments - The appraiser cannot create comparable sales by combining vacant land sales with the contract purchase price of the manufactured home. • Fannie Mae requires **both the cost approach <u>and</u> well-developed sales comparison approach** to determine the value on manufactured homes • The appraisal must indicate whether or not the site is compatible with the neighborhood, and must comment on the conformity of the manufactured home to other manufactured homes in the neighborhood • The property site must be conforming and acceptable in the neighborhood and must have competitive utilities, street improvements, adequate vehicular access, etc. The appraiser must address any items that either enhance or detract from the marketability of the property and comment if the site has any adverse conditions or is not typical for the area. • The home must be permanently connected to a septic tank or sewage system • The home must be permanently connected to other utilities in accordance with local and state requirements **Newly Constructed Manufactured Housing Appraisal Requirements** • The appraisal for new manufactured homes that have not been affixed to the land or not yet constructed is based on either the plans and specifications or an existing model home. • If information such as the dealer invoice, HUD Data plate and Certification Label numbers are not yet available, the appraiser may appraise the property subject to receipt of all required information. • A certification of completion, preferably completed by the original appraiser, must be obtained prior to loan closing. Additionally the certification of completion must: - Verify and state that the improvements were completed and all other requirements and conditions of the appraisal have been satisfied, - Include previously unavailable information, including as summary of the appraiser's analysis of any previously unavailable dealer invoice, and - Include photographs of the completed improvements attached to the permanent foundation **Sources of Manufactured Housing Data** Sources such as an MLS and public records are acceptable for some data however Fannie Mae requires the use of additional data sources to develop a well-supported and well-documented appraisal. Additional acceptable data sources are: • Manufactured home dealers, • Construction companies/builders experienced in the installation of manufactured homes, • The NADA Manufactured Housing Appraisal Guide, • The Marshall & Swifts Residential Cost Handbook

Appraisal Waiver	If DU issues an appraisal waiver (previously known as a PIW) the following applies: • The initial DU Findings indicate an appraisal waiver is eligible. If at any time prior to loan funding the appraisal waiver eligibility is removed from any subsequent DU Findings report an appraisal will be required. NOTE: The appraisal waiver option must be offered on the **final DU Findings report** and that Findings report must be retained in the loan file • If an appraisal is obtained, the appraisal waiver is **no longer eligible** **Eligible for the Appraisal Waiver Option** The following are eligible for the appraisal waiver option: • 1-unit properties, including PUDs and condominiums • All occupancies (owner-occupied, second home, and investment (appraisal waivers are ineligible for investment purchase transactions) • Purchase and rate/term or cash-out refinance transactions • Maximum LTV as follows: - **Purchase Transactions**: - Primary residence and second home: Maximum 80% LTV/CLTV - **Limited Cash-out (rate/term) Refinance Transactions**: - Primary residence and second home rate/term refi: Maximum 90% LTV/CLTV - Investment property: Maximum 75% LTV/CLTV - **Cash-out Refinance Transactions** - Primary residence cash-out refi: Maximum 70% LTV/CLTV - Second home and investment cash-out refi: Maximum 60% LTV/CLTV • An "Approve/Eligible" recommendation **must** be received from DU • An appraisal waiver received in a select "rural high-needs area" are subject to specific Fannie Mae requirements and will require Homebridge management review and approval **Ineligible for the Appraisal Waiver Option** The following are **ineligible** for an appraisal waiver **regardless** of DU Findings: • 2-4 unit properties, • Leaseholds, • Loans where the value of the subject property provided to DU is ≥ $1,000,000 • HomeStyle Renovation loans • Properties with resale **price** restrictions; properties where the resale restriction is related to borrower **age or income are eligible** • Transactions where, by law, an appraisal is required, • A transaction where an appraisal for the subject property has already been uploaded to the Fannie Mae portal, • Texas Section 50(a)(6) transactions • Purchase transactions involving an investment property • Purchase transactions using a gift of equity • Transactions where rental income from the subject property is used to qualify • Manufactured home • Construction-to-perm • Transactions where an appraisal is required by the mortgage insurance provider
Appraisal Management Companies (AMC)	Appraisals must be ordered from the AMC assigned by Homebridge by region/territory as follows: • Colorado, New Mexico, Oklahoma, and Texas: Nationwide Property & Appraisal Services • Northeast: Fastapp Appraisal Management • Midwest: Nationwide Property & Appraisal Services • New England: Nadlan Valuation • Northwest/Southwest/Central: Axis Management Solutions • Southeast: Nationwide Appraisal Network • West: Golden State AMC Brokers assigned to the Homebridge Inside Sales team are required to order appraisals as follows: • Inside Sales Team – East: Nationwide Property & Appraisal Services • Inside Sales Team – West: Golden State AMC To view a map of the territories, broken down by state, click here Homebridge Wholesale

Assets	Asset documentation per DU • All funds used to close the transaction must be disclosed on the 1003 and input into DU. • **Earnest Money Deposit (EMD):** - EMD funds do **not** require sourcing if the borrower is **not** required to meet Fannie Mae's minimum contribution requirement (MCR) and the underwriter does not need to consider the funds in the asset evaluation. Evidence the settlement agent received the EMD **is required** as detailed below. Transactions that **do not** require a borrower MCR: - 1-unit primary residence regardless of LTV - 2-4 unit primary and the LTV is ≤ 80% - 1-unit second home and the LTV is ≤ 80% - ***Documenting Settlement Agent Received EMD Funds***: Acceptable evidence the settlement agent received the EMD funds are as follows: - Borrower's cancelled check, or - Evidence the funds were wired to the settlement agent's account, or - Written verification from the settlement agent - EMD funds **are** required to be sourced when the transaction requires the borrower to meet the MCR. Transactions that **require** a borrower MCR: - 2-4 unit primary and the LTV is > 80%, - 1-unit second home and the LTV is > 80% - 1-4 unit investment transactions regardless of LTV **NOTE**S: Transactions that require a borrower MCR, a copy of the canceled deposit check is acceptable to document the source of the EMD funds. Two months bank statements, all pages, covering the period up to and including the date the earnest money check cleared the bank are required. Virtual currency **is not** eligible to be used for the earnest money deposit • The borrower must provide evidence of sufficient assets to cover the down payment, closing costs, prepaids and reserve requirements. Acceptable evidence: - **Purchase Transactions**: Two months bank or financial statements, all pages (covering most recent 60 days of activity). If the account information is reported on a quarterly basis, the most recent quarterly statement required. Truncated account numbers (statements that only display the last 4 digits of the borrower's account number) are acceptable - **Refinance Transactions**: One month bank or financial statements, all pages (covering most recent 30 days activity). If the account information is reported on a quarterly basis, the most recent quarterly statement required. Truncated account numbers (statements that only display the last 4 digits of the borrower's account number) are acceptable **NOTE**: **Refinance Transactions Only**: Documentation of assets is **not** required if funds to close are $500 or less

Assets (cont.)	• Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following: - The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation: - Letter from the bank confirming borrower is an authorized signer, or - Online documentation that confirms borrower is an authorized signer NOTE: Use of business funds when the borrower does not own a significant percentage of the business will be at underwriter discretion (e.g. borrower has a 10% ownership interest and is using a significant amount of the business funds for down payment/closing costs) - A cash flow analysis, based on 3 months business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash flow analysis: - Must indicate that the average running balance in the account for the previous 3 months stayed the same or was better, and The amount of funds used for the transaction must not deplete the account i.e. the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal • Stocks, Bonds and Mutual Funds - Stocks, bonds and mutual funds (including retirement accounts) may be used at 100% of the asset value for the calculation of reserves. - If used for down payment and/or closing costs, proof of liquidation is not required when the combined asset value is at least **20% more** than the funds needed for closing. • Cash on hand, unsecured borrowed funds, unverified funds are ineligible sources for assets. • Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement, issued by the insurance company, is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated. • Real estate commissions earned by a borrower who is a licensed real estate agent are eligible for down payment/closing costs when purchasing a property. The CD must reflect the commission earned and the credit toward the transaction • Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the asset(s) is **not** a party to the transaction (seller, realtor, broker/lender, etc.) Document the following: - The borrower's ownership of the asset for all asset types that are titled assets (e.g. automobile title) - The value of the asset if the proceeds represent more than 50% of the total monthly qualifying income. The value must be determined by an independent reputable source. - The **lesser of** the estimated value (as determined by the independent source) **OR** the actual sales price is used when determining the amount of funds for the transaction ***Example:*** If a vehicle is determined to have a value of $10,000 by the independent source and the sales price of the vehicle is $12,000, $10,000 can be added to the borrower's available funds **even if the sale has already occurred**) - The transfer of ownership of the asset as documented by either a bill of sale or a statement from the purchaser - The borrower's receipt of the sale proceeds. Acceptable documentation includes deposit slips, bank statements, copies of the purchaser's canceled check or an equivalent payment source

Assets (cont.)	• Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. The final CD is **not required** to be fully executed. NOTE: When the borrower's employer assumes responsibility for paying off the existing mortgage as part of a relocation plan, a copy of the executed buy-out agreement is required to document the source of funds. A copy of the sales contract or listing agreement is **not** considered an acceptable source of verification of proceeds from the sale • Credit card reward points are eligible for down payment, closing costs, and to meet reserve requirements - The rewards points must be converted to cash prior to loan closing - If the cash from converting the reward points is deposited into the borrower's account and is considered a large deposit (detailed below) the borrower must provide documentation to show the source of the large deposit was from the conversion of credit card reward points • Large deposits are defined by Fannie Mae as a single deposit where any **unsourced** portion of the deposit exceeds 50% of the 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. • Large unsourced deposits must be explained and verified including virtual currency - 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 - A large deposit may be from virtual currency that was exchanged into U.S. dollars. Documentation verifying the funds originated from the borrower's virtual currency account is required *Examples:* 1. The borrower has a monthly income of $4,000 and a bank account with a balance of $20,000. A deposit of $3,000 was made but $2,500 of the deposit is documented as the borrower's tax refund (sourced). In this example only the $500 is considered "unsourced" ($3000 total deposit minus $2500 tax refund) and is included in the large deposit calculation. The unsourced $500.00 is only 12.5% of the borrower's monthly income therefore it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire $20,000 balance in the borrower's bank account may be used for underwriting purposes. 2. The same borrower has a deposit of $3,000 but only $500 is documented as the borrower's tax refund (sourced) leaving $2,500 has unsourced. In this example the unsourced $2,500 is 63% of the borrower's $4,000 monthly income which does meet the definition of a large deposit. The unsourced $2,500 must be deducted from the borrower's $20,000 bank account balance leaving $17,500 that may be used for underwriting purposes. 3. The same borrower has 3 separate unsourced deposits of $1800 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than $2,000 (50% of $4,000) however at underwriter discretion sourcing/documentation may be required.

Assets (cont.)	• Verification of assets from foreign sources: - Funds that a borrower (either a U.S. or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided all of the following requirements are met: - Documentation of the transfer of funds from the borrower's country of origin is provided, and - It can be established that the funds belonged to the borrower before the date of transfer, and - The source of all funds used for closing can be verified following the same requirements for U.S. citizens. • Virtual currency aka digital/cryptocurrency (e.g. Bitcoin, Ethereum, etc.) is eligible for down payment, closing costs, and reserves subject to the following: - Documentation is provided of the exchange into U.S. dollars and the funds have been deposited into a U.S. or state regulated financial institution, and - The funds are verified in U.S. dollars prior to loan closing **NOTE**: Assets used to establish continuance for certain income types cannot be in the form of virtual currency
Assumptions	Not allowed
AUS	DU "Approve/Eligible" Finding required. Manual underwriting is **ineligible**
Available Markets	• All 50 states • Guam, Puerto Rico and the Virgin Islands are ineligible.
Borrowers - Eligible	• A natural person, • U.S. citizens • Revocable inter vivos trust that meets Fannie Mae guidelines • **Non-U.S. Citizens**: Borrowers who are lawful permanent or lawful non-permanent resident aliens are eligible subject to the following: - Fannie Mae does not specify the documentation required to determine if the borrower is legally present in the United States. Homebridge will make the determination of the non-U.S. citizens status on a case-by-case basis using documentation Homebridge deems appropriate - If a borrower is a non-permanent resident alien, Homebridge will determine visa eligibility. Refer to the Visa Eligibility for Non-Citizens (Non-Permanent Resident Aliens) document on the Homebridge website for visa eligibility and documentation requirements - All loans delivered to Fannie Mae require Homebridge to rep and warrant the borrower is legally present in the U.S. - **Deferred Action for Childhood Arrivals (DACA**) status borrowers, are eligible: - Borrower must have a valid social security number **or** individual taxpayer identification number (ITIN), **AND** - Have a current (unexpired) EAD **or** other documentation showing immigration status is current/unexpired (e.g. Green Card, work visa, etc.), **AND** - The borrower meets all other standard employment and income requirements required by DU • All borrowers are required to have a valid social security (excluding DACA status borrowers who may have a valid SSN **or** ITIN) and meet legal residency documentation requirements
Borrowers – Ineligible	- Foreign Nationals - Borrowers with diplomatic immunity - Borrowers without a social security number or a number that cannot be validated with the SSA - Borrowers previously convicted a mortgage fraud

<table>
<tr><td>Borrower Types</td><td>

Co-Borrower:

An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt,
Signs all loan documents,
Income, assets and liabilities are used for loan qualification.

Non-Occupant Co-Borrower:

An individual, who applies with the applicant, is liable for the debt, may or may not take title to the property, and does not live in the property.
Signs all loan documents
The income, assets and liabilities of the non-occupant co-borrower on a primary residence transaction are considered in the DTI calculation.
Transactions with a non-occupant co-borrower are limited to a maximum 95% LTV/CLTV or the applicable maximum LTV for ARM transactions.

Co-Signer:

An individual who has no ownership interest in the property but is liable for the debt.
The co-signer signs all loan documents except co-signer does not sign the Mortgage/Deed of Trust.
Income, assets, and liabilities are used for qualification.
Cannot have an interest in the transaction (seller, builder, real estate broker, etc.)

NOTE: If the co-signer will not be occupying the subject property maximum 95% LTV/CLTV or the applicable maximum LTV for ARM transactions
Non-Borrowing/Non-Purchasing Spouse

Generally has no ownership interest in the property and is not liable for the debt.
In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law

NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin
Life Estate

Properties held in a life estate are eligible subject to Homebridge management review and approval. The following applies:

When title to a property is held as a life estate, it is a form of joint ownership where two parties have an interest in the property

The holder of the life estate (life tenant or life estate owner) has the right to current possession of the property, and
The remainder holder (remainderman) has the right of future possession of the property upon the death of the holder of the life estate (aka life estate owner)

Both parties, the life estate owner and the remainderman, must sign the security instrument
At least one of the life estate parties must be a borrower on the loan

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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 <u>not eligible</u> through Homebridge.** • The second closing (aka "end" loan) is to obtain the permanent financing upon completion of the improvements **and is eligible** through Homebridge. • A modification may not be used to update the original Note; a new Note must be completed and signed by the borrowers. • The borrower is underwritten based on the terms of the permanent mortgage. • Transactions are subject to the limited cash-out and cash-out refinance maximum LTV/CLTV/HCLTV ratios, as applicable. • Cash-out refinance transactions require the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage. • All other standard cash-out refinance eligibility and underwriting requirements apply.

Contingent Liabilities	• **Business Debt**
	- Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business.
	- Business debt does **not** need to be considered as part of the borrower's individual recurring monthly debt when:
	  - The account does not have a history of delinquency, **and**
	  - Documentation is provided that the debt was paid from the borrower's business funds (e.g. 12 months cancelled business checks), **and**
	  - The cash-flow analysis of the business took payment of the obligation into consideration.
	- Business debt **must be** considered as part of the borrower's individual recurring debt obligation if:
	  - Documentation of payment from the business funds **cannot** be provided, **or**
	  - If documentation is provided that the payments are coming from the business, but the cash flow analysis of the business does **not** reflect the payments (e.g. an interest expense, including taxes and insurance if applicable, equal to or greater than the amount of interest that would be reasonably expected given the amount of financing shown on the credit report and the age of loan) If evidence is **not** found in the cash flow analysis, it is reasonable to assume that the expense has not been accounted for, **or**
	  - There is history of delinquency on the account the debt must be considered as part of the borrower's individual recurring debt obligation
	• **Co-Signed Debt - Mortgage**
	- Co-signed mortgage debt is **not required** to be included in the borrower's DTI calculation 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), **and**
	  - The borrower is not using rental income from the property to qualify
	NOTE: Even if the mortgage debt qualifies for the exclusion, the property must be included in the number of financed properties count if applicable (second home/investment transaction; refer to the Financed Properties topic for details)
	- Co-signed mortgage debt must **be included** in the borrower's DTI calculation 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, **or**
	  - The borrower is using rental income from the property to qualify
	Refer to the Credit – Installment/Revolving topic for non-mortgage debt paid by others

Conversion of Principal Residence or Pending Sale	• **Pending Sale**:
	- If the borrower is purchasing a new primary residence, and the current primary residence is pending sale but will not close prior to the new transaction, the borrower's PITIA payment on their current residence may be omitted when qualifying the borrower if **all** of the following are provided:
	  - A copy of the fully executed sales contract is provided, **and**
	  - Written verification provided by the closing attorney or escrow confirming all financing contingencies have been cleared.
	• **Conversion to Second Home**:
	- The borrower is qualified using the PITIA payments for both properties
	- Reserves required in accordance to the Reserves - Multiple Financed Properties topic of this guide
	• **Conversion to Investment Property:**
	- Must follow standard Income-Rental and Reserves – Multiple Financed Properties topic of this guide

Credit History	• Tradeline requirements per DU Findings. • Authorized user tradelines require underwriter review to ensure the tradelines are an accurate reflection of the borrower's credit history

Credit - Installment/Revolving	All debts will be run through DU to ensure accurate DU Findings.
	• **Installment Debt**
	- Installment debt is considered as a recurring monthly debt obligation and included in the borrower's long-term debt when there are more than 10 months payments remaining.
	- Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.
	NOTE: Lease payments for automobiles must be considered a recurring monthly debt obligation and included in the DTI calculation regardless of the number of months remaining on the lease.
	• **Revolving Debt**
	- Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following:
	  - If the monthly payment is not included on the credit report, the underwriter will use the greater of $10 or 5% of the outstanding balance to determine the monthly payment
	  - If the revolving account is to be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio.
	    - If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified.
	    - If the revolving account is to be paid off at closing, the payoff must be shown on the CD.
	• **30 Day Charge Accounts**
	- Open 30-day charge accounts require sufficient assets to pay off the debt in order to be excluded from the debt ratio
	• **Debt Paid by Others – Non-Mortgage**
	- When the borrower is obligated on non-mortgage debt (e.g. installment loans, revolving, lease payments, student loans, etc.) but is **not** making the payment the debt may be excluded from the DTI calculation subject to the following:
	  - The other party must be paying the **entire monthly payment** for a minimum of 12 months. The debt may **not** be excluded if the borrower is paying any portion of the monthly payment **or** the other party has not been making the entire payment for at least 12 months.
	  - 12 months cancelled checks or bank statements from the party making the payments are required to document 12 months 0x30 pay history. If any delinquencies the payment **may not** be excluded.
	NOTE: The above **does not apply** if the party paying the debt is an interested party to the subject transaction

Credit - Installment/Revolving (cont.)	• **Student Loans in Repayment, Deferred, or Forbearance** All student loan payments, whether deferred, in forbearance, or in repayment must be included in the DTI calculation **Payment Included on Credit Report**: - If the payment is included on the credit report, the payment on the credit report will be used for qualifying (including income-driven payments) **NOTE**: If documentation is provided that indicates a different payment amount than what is on the credit report (i.e. the most recent student loan statement) the correct monthly payment amount may be used. The documentation supporting the correctly monthly payment must be retained in the loan file. A credit supplement may be obtained to reflect the correct monthly payment but is **not** required. **Payment Not Included on Credit Report**: - If the payment is not included on the credit report, or the credit report indicates $0, **one of the following two options must be used** to calculate the qualifying monthly payment: 1. 1% of the outstanding loan balance (even if the amount is lower than the actual fully amortizing payment), **OR** 2. A fully amortizing payment using the documented loan repayment terms • **Student Loans – Income Based Repayment (IBR)** A $0 payment may be used when: - It is listed as $0 on the credit report (a credit supplement that documents the $0 payment is acceptable), **OR** - A letter from student loan servicer is obtained stating the payment is $0 • **Child Support/Separate Maintenance Payments** Child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or other legal document must be included in the borrower's monthly debt obligations if they will continue for > 10 months. Voluntary payments are **not required** to be considered in the DTI calculation. A copy of the divorce decree, separation agreement, court order, etc. must be obtained and retained in the loan file • **Alimony Payments** Alimony payments that are required to be paid due to a divorce decree, separation agreement or other legal document may be treated using one of the two following options: - The monthly payment may be deducted from the borrower's monthly qualifying income and the adjusted income figure is entered as the income amount in DU, **or** - The monthly payment may be included in the borrower's DTI calculation NOTE: If reducing the borrower's monthly income by the alimony payment, the amount of the alimony obligation is entered in DU as a negative amount under "Income Type" In the event the borrower also receives alimony income, this amount is combined with the amount of the alimony payment and entered as a net amount - A copy of the divorce decree, separation agreement, court order, etc. must be obtained and retained in the loan file • **IRS Tax Payment Plans** Borrowers in a valid payment plan are eligible subject to the following: - A Notice of Federal Tax Lien has **not** been filed in the county where the subject property is located, and - Copies of the approved IRS installment agreement that includes the repayment terms, including the monthly payment amount and the total amount due, **and** - The borrower has made a minimum of 1 months' scheduled payment and documentation of the payment(s) is required prior to disbursement of the new loan, **and** - A satisfactory payment history is required for all payments that have been made under the repayment plan and the borrower must be current (i.e. if 5 months payments have made as part of the repayment plan then all 5 months payments must be paid as agreed). Acceptable evidence of the payment history includes the most recent payment reminder from the IRS, reflecting the last payment amount and the date of the next payment amount owed and the due date, **and** - The payment must be included in the DTI calculation **NOTE**: If a tax lien **has been filed** the lien must be paid off prior to close

<table>
<tr><td>Credit Report/Scores</td><td>

Credit score is per DU Findings
NOTE: Fannie Mae has a minimum credit score requirement of 620
All borrowers are required to have a credit score and must meet the minimum credit score requirement provided by DU unless the borrowers meet all the requirements under the Non-Traditional Credit topics of these guidelines
Homebridge will accept a credit report, in the broker’s name, from any Fannie Mae acceptable credit vendor. The credit report must contain trended credit data.
A tri-merged credit report is required for all borrowers.
If a borrower does not have sufficient credit to establish a credit score a non-traditional credit profile must be established. A tri-merged credit report is required to confirm the borrower does not have a credit score. If a credit score cannot be provided the credit report must accurately reflect the borrower(s) personal information (social security number, current address, etc.)
The representative credit score is determined as follows:

If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used.
If there are two (2) valid scores, the lower of the two is used
If there is one (1) valid score, that score is used

The representative score for the loan is the lowest representative score for all borrowers.
The borrower(s) must address all credit inquiries indicated on the credit report within the previous 90 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not)
The credit report cannot be older than 4 months at time of funding or the expiration date received from DU, whichever is less.
Borrowers with a credit score, but the only tradeline(s) are medical tradelines, the loan will receive an “out of scope” finding which will require a manual underwrite. These transactions will be ineligible with Homebridge as Homebridge does not offer manual underwrites on Fannie Mae transactions

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<tr><td>Credit Report/Scores Non-Traditional Credit: Credit Requirements
Applies when:
- No Borrowers have a credit score, or
- Borrower with credit score is contributing ≤ 50% of qualifying income</td><td>
The following applies to non-traditional credit sources and there are no exceptions to these requirements:

0x30 in the previous 12- months on the housing payment, and
Only one (1) account (excluding the housing payment) can have a 30 day delinquency in the past 12 months, and
No collections (other than medical collections) or judgments have been filed in the past 24 months, and
Judgments and outstanding liens must be paid off prior to or at closing, and
Collections and charge-offs of non-mortgage accounts subject to DU Findings

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<tr><td>Credit Report/Scores Non-Traditional Credit: Eligible Home Ownership Education/ Counseling
Applies when:
No Borrowers have a Credit Score</td><td>
Homeownership education is only required when all borrowers on the loan are relying solely on non-traditional credit to qualify. Eligible education course, counseling agencies and requirements are as follows:

Framework Homeownership LLC. An online homeownership education course available in both English and Spanish. A Framework certificate of course completion is required. Cost of the online course is $75. The education course must be completed prior to the Note date.
HUD Approved Housing Counseling Agencies. A Certificate of Completion of a Housing Counseling (Fannie Mae Form 1017), signed by both the borrower who completed the training and the HUD counselor, is required. If this option is selected the housing counseling must be completed prior to the execution of the sales contract
If the loan involves a Community Second or DPA and the program requires counseling from a HUD approved counseling agency the borrower must provide a Certificate of Completion issued by the HUD-approved agency that provided the training course

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Credit Report/Scores Non-Traditional Credit: Eligible Non-Traditional Credit Sources

Applies when:

- No Borrowers have a credit score, **or**
- Borrower with credit score is contributing ≤ 50% of qualifying income

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The chart below identifies the minimum number of non-traditional credit sources:

<table>
<tr><th>No Borrower has a Credit Score</th><th>One Borrower has a Credit Score</th></tr>
<tr>
<td>Each borrower must have a minimum of two (2) non-traditional credit sources documented for the most recent 12 months

NOTE: One of the non-traditional credit sources must be housing or the loan is ineligible.

Borrowers living “rent-free” are ineligible</td>
<td>If the borrower with the credit score contributes:
• > 50% of the income used for qualifying then no non-traditional credit sources are required for the borrower(s) without a credit score
• ≤ 50% of the income used for qualifying then the borrower(s) without a credit score must have a minimum of two (2) non-traditional credit sources

NOTE: Housing may be provided by either the borrower with the credit score or without. The housing requirement must be met or the loan is ineligible

Borrowers living “rent-free” are ineligible</td>
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The following sources are eligible:

- Rental housing payments (paid to landlord or management company or detailed on credit report; refer to the Standards for Documenting topic for documentation requirements),
- Privately-held mortgage payments (not reported to credit bureau),
- Utility bills (gas, water, telephone, television/cable, internet serves, etc.) Ineligible if included in the borrower’s rental payment,
- Cell phone payments,
- Medical insurance coverage (excluding payroll deductions),
- Car insurance payments,
- Life insurance policy payments (excluding payroll deductions),
- Payment of renter’s insurance,
- Payments on medical bills,
- Payments for childcare,
- Payment of school tuition,
- Rental payments for durable goods (e.g. car rental, etc.),
- Payments to local stores (e.g. department, furniture, appliance stores),
- A private loan obtained from an individual provided the repayment terms can be documented in a written agreement,
- Checking/savings account or voluntary payments made to a payroll savings plan or contributions to a stock purchase plan provided there was an increasing balance as a result of the deposits made over the most recent 12 months (contributions must have been made no less than quarterly),
- Wire remittance statements demonstrating a consistent amount of funds sent over the most recent 12-months.

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</tr>
</table>

Credit Report/Scores Non-Traditional Credit: No Borrower has a Credit Score	Transactions involving borrowers without established traditional credit (no credit score for any borrower) are eligible subject to the following: • Primary residence 1-4 unit properties (1-unit manufactured home eligible) and all borrowers will occupy the property • Purchase and rate/term transactions • Fixed rate only • Conforming loan amounts only; no high balance • Maximum 95% LTV/CLTV/HCLTV • Maximum DTI 50% • An "Approve/Eligible" is received from DU • Borrowers must have a minimum of two (2) non-traditional credit sources, one of which must be a housing history**.** Borrowers without a 12-month documented housing history, including borrowers living "rent free", are **ineligible.** The payment history for the non-traditional credit must be for the most recent 12-months. Refer to the Eligible Non-Traditional Credit Sources topic for acceptable sources. • Housing history requirements - The borrower's housing payment history must be documented for the most recent 12 months. Refer to the Non-Traditional Credit: Standards for Documenting topic for acceptable documentation and exceptions. • If all borrowers on the loan are using non-traditional credit to qualify, at least **one** of the borrowers must complete a pre-purchase homeownership education course prior to loan closing and provide documentation of completion. Refer to the Eligible Home Ownership Education Counseling topic for requirements. • Refer to the Mortgage Insurance topic for MI eligibility

Credit Report/Scores Non-Traditional Credit: One Borrower has a Credit Score	Transactions involving a borrower(s) with traditional credit (has a credit score) and borrower(s) with non-traditional credit (no credit score) are eligible subject to the following:
	• Primary residence 1-unit properties only and all borrowers will occupy the property, **and**
	• Purchase and rate/term transactions, **and**
	• Fixed rate only, **and**
	• Conforming loan amounts only; no high balance, **and**
	• An "Approve/Eligible" is received from DU, **and**
	• If the borrower **with traditional credit** is contributing **> 50%** of the qualifying income, non-traditional credit sources are **not required** for the other borrower(s) on the loan. Follow DU Findings for housing history requirements. Transaction must meet all other requirements detailed above, OR
	• If the borrower **with traditional credit** (has a credit score) is contributing **50% or less** of the qualifying income the following **also** applies in addition to the above:
	  - A 12-month documented housing history is required (no exceptions), **and**
	  - A minimum 12-month payment history for, at minimum, one additional non-traditional credit source. Refer to the Eligible Non-Traditional Credit Sources topic and to the Non-Traditional Credit Requirements topic for additional information

Credit Report/Scores Non-Traditional Credit: Standards for Documenting and Number of Sources –

No Borrowers have a Credit Score

Documenting Housing History

- The borrower's housing history must be documented as follows:
  - A credit report (must contain 12 months history and payment history), **or**
  - Cancelled checks, bank statements, copies of money orders, etc. and must clearly indicate the payee and the amount being paid, **or**
  - Direct verification of the payment of rent from the landlord (individual or professional management company) including payments made on a privately held mortgage.
- The 12 month housing history requirements and number of additional non-traditional credit sources, based on how housing history requirement is met, are detailed below:

Requirements		
One borrower on the loan **must have** a documented 12-month housing history (borrowers without a housing history, including borrowers living rent free, are **ineligible**)		
Borrowers NOT Jointly Obligated on Lease or Unrated Mortgage		
IF:	**THEN:**	
	Housing	**Number of Other Non-Traditional Credit Sources**
One borrower has a 12 month documented housing history:	• The housing history requirement for the loan **has been met** • The other borrower Is **not** required to document housing history	• **One (1) additional** non-traditional credit source is required for the borrower **with the housing history** • The **other** borrower must have **(2) non-traditional credit sources**
OR		
Borrowers ARE Jointly Obligated on Lease or Unrated Mortgage		
IF:	**THEN:**	
	Housing	**Number of Other Non-Traditional Credit Sources**
The borrowers live together with **no** joint non-traditional credit source:	The housing history has been satisfied for **both borrowers**	**One (1) additional** non-traditional credit source is required for **each** borrower
The borrowers are living together **and** have a **joint** non-traditional credit source:	The housing history has been satisfied for **both borrowers**	The joint account satisfies the (1) additional non-traditional credit source for **both borrowers**

The borrower's additional non-traditional credit sources may document the payment history utilizing several options as follows:

1. Directly from the creditor (Option 1 on following page), **or**
2. Directly from the borrower (Option 2 on following page), **or**
3. By obtaining a nontraditional credit report from a consumer reporting agency that includes the housing history and the additional credit source(s).

(topic continued on next page)

Credit Report/Scores Non-Traditional Credit: Standards for Documenting and Number of Sources – **No Borrowers have a Credit Score** (cont.)	**Option 1: Documenting Individual Credit References Obtained from the Creditor** Individual credit references (excludes housing payment history – see the Documenting Housing History topic above for housing requirements) obtained directly from the creditor must include all of the following: • The creditor's name, • The name of the individual providing the information • The date the account was opened, • The amount of highest credit, • The current status of the account, • The required payment amount, • The unpaid balance, and • The payment history (for a minimum of the previous 12 months) The payment history must be stated in "number of times past due" format (0x30, 0x60, etc.) Fannie Mae will **not** accept statements such as "current", "satisfactory" or "pays as agreed" **Option 2: Documenting Payment History Obtained from the Borrower** Documentation obtained directly from the borrower is subject to the following: • The terms of the debt repayment or contract must clearly be stated, and • 12-months cancelled checks or copies of the bills marked "paid" for the most recent consecutive 12 months. **Option 3: Non-Traditional Credit Report** The non-traditional credit report must: • Include the information detailed on page 12 for borrowers with insufficient credit, **and** • The borrower's housing history for a minimum of 12 months, **and** A minimum of one additional non-traditional eligible credit source. Refer to the Eligible Non-Traditional Credit Sources topic for details.

Credit Report/Scores Non-Traditional Credit: Standards for Documenting and Number of Sources –

Borrower with Credit Score is Contributing ≤ 50% of Qualifying Income

Documenting Housing History

- The borrower's housing history must be documented as follows:
  - A credit report (must contain 12 months history and payment history), **or**
  - Cancelled checks, bank statements, copies of money orders, etc. and must clearly indicate the payee and the amount being paid, **or**
  - Direct verification of the payment of rent from the landlord (individual or professional management company) including payments made on a privately held mortgage.
- The 12 month housing history requirements and number of additional non-traditional credit sources, based on how housing history requirement is met, are detailed below:

<table>
<tr><th colspan="3">Requirements</th></tr>
<tr><td colspan="3">One borrower on the loan must have a documented 12-month housing history
(borrowers without a housing history, including borrowers living rent free, are ineligible)</td></tr>
<tr><th colspan="3">Borrowers NOT Jointly Obligated on Lease or Unrated Mortgage</th></tr>
<tr><th>IF:</th><th colspan="2">THEN:</th></tr>
<tr><td rowspan="2">The borrower with the credit score has the documented housing history:</td><th>Housing</th><th>Number of Other Non-Traditional Credit Sources</th></tr>
<tr><td>• The housing history requirement for the loan has been met
• The borrower without the credit score is not required to document housing history</td><td>The borrower without the credit score must have (2) non-traditional credit sources</td></tr>
<tr><td>The borrower without a credit score (the non-traditional credit borrower) has the documented housing history:</td><td>The housing history requirement for the loan has been met</td><td>One (1) additional non-traditional credit source is required for the borrower without the credit score</td></tr>
<tr><th colspan="3">OR</th></tr>
<tr><th colspan="3">Borrowers ARE Jointly Obligated on Lease or Unrated Mortgage</th></tr>
<tr><th>IF:</th><th colspan="2">THEN:</th></tr>
<tr><td rowspan="2">The borrowers live together with no joint non-traditional credit source:</td><th>Housing</th><th>Number of Other Non-Traditional Credit Sources</th></tr>
<tr><td>The housing history has been satisfied for both borrowers</td><td>One (1) additional non-traditional credit source is required for the borrower without the credit score</td></tr>
<tr><td>The borrowers are living together and have a joint non-traditional credit source:</td><td>The housing history has been satisfied for both borrowers</td><td>The joint account satisfies the (1) additional non-traditional credit source for the borrower without a credit score</td></tr>
</table>

The borrower's additional non-traditional credit sources may document the payment history utilizing several options as follows:

1. Directly from the creditor (Option 1 below), **or**
2. Directly from the borrower (Option 2 below), **or**
3. By obtaining a nontraditional credit report from a consumer reporting agency that includes the housing history and the additional credit source(s).

(topic continued on next page)

Credit Report/Scores Non-Traditional Credit: Standards for Documenting and Number of Sources – **Borrower with Credit Score is Contributing ≤ 50% of Qualifying Income (cont.)**	**Option 1: Documenting Individual Credit References Obtained from the Creditor** Individual credit references (excludes housing payment history – see the Documenting Housing History topic above for housing requirements) obtained directly from the creditor must include all of the following: • The creditor's name, • The name of the individual providing the information • The date the account was opened, • The amount of highest credit, • The current status of the account, • The required payment amount, • The unpaid balance, and • The payment history (for a minimum of the previous 12 months) The payment history must be stated in "number of times past due" format (0x30, 0x60, etc.) Fannie Mae will **not** accept statements such as "current", "satisfactory" or "pays as agreed" **Option 2: Documenting Payment History Obtained from the Borrower** Documentation obtained directly from the borrower is subject to the following: • The terms of the debt repayment or contract must clearly be stated, and • 12-months cancelled checks or copies of the bills marked "paid" for the most recent consecutive 12 months. **Option 3: Non-Traditional Credit Report** The non-traditional credit report must: • Include the information detailed on page 12 for borrowers with insufficient credit, **and** • The borrower's housing history for a minimum of 12 months, **and** A minimum of one additional non-traditional eligible credit source. Refer to the Eligible Non-Traditional Credit Sources topic for details.
Deed / Resale Restrictions	Properties with age related restrictions (55+ communities) are eligible subject to Fannie Mae requirements. All other properties subject to deed/resale restrictions are ineligible.

Derogatory Credit	

Bankruptcy

Derogatory Event	Waiting Period	Extenuating Circumstances
Chapter 7 or 11 BK	• 4 years from discharge to the disbursement date of the new loan	• 2 years from discharge date The maximum LTV is the lesser of 90% LTV or the maximum LTV allowed for the program
Chapter 13 BK	• 2 years from discharge date to the disbursement date of the new loan, **or** • 4 years from dismissal date to the disbursement date of the new loan	• 2 years from dismissal The maximum LTV is the lesser of 90% LTV or the maximum LTV allowed for the program
Multiple BK Filings*	• 5 years if more than one filing in the previous 7 years	• 3 years from discharge/dismissal

* NOTE: Two or more borrowers with individual bankruptcies are not cumulative and are not considered multiple bankruptcies (e.g. the borrower has a bankruptcy and the co-borrower has a bankruptcy, FNMA does not consider this multiple BKs)

- Extenuating circumstances are considered isolated events that are beyond the borrower's control that result in a sudden, significant and prolonged reduction in income or a large increase in the borrower's financial obligations (e.g. death of a borrower, layoff, serious illness, divorce, etc.)
  - Acceptable documentation to support extenuating circumstances and that illustrate factors that contributed to the borrower's inability to resolve the problem is required (e.g. copy of divorce decree, layoff notice, death certificate, medical bills, tax returns, property listing agreements, etc.).
  - Additionally a letter of explanation from the borrower explaining the relevance of the documentation is required.

  NOTE: An "Approve/Eligible" Finding is still required even when considering extenuating circumstances; manual underwriting is not allowed on Agency loans.
- If mortgage debt was fully discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was fully discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied.

Consumer Credit Counseling

Follow DU Findings

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.

Garnishments

All garnishments with more than ten (10) months remaining must be included in the borrower's DTI calculation as recurring debt. Garnishments are not required to be paid off.

Judgments

Open judgments and all outstanding liens appearing on the Public Records section of the credit report must be paid off prior to or at closing. Documentation of sufficient funds to satisfy these obligations must be obtained.

Mortgage Charge-offs

If the charge-off account was a mortgage a 4 year waiting period (2 years with extenuating circumstances) applies. Refer to the Deed-In-Lieu/Pre-Foreclosure topic for requirements

Tax Liens

Must be paid prior to closing

Derogatory Credit (cont.)	**Collections/Charge-offs/Judgments** The following applies to collection and charge-off accounts: • Past-due accounts (that have not gone to collection) must be brought current. • **One Unit Owner-Occupied Primary Residence**: - The borrower is not required to pay off outstanding collections or charge-offs regardless of the amount. • **Two-to-Four Unit Owner-Occupied Primary Residence and Second Home** - If the combined total of collections and charge-offs accounts is greater than $5,000, the accounts must be paid in full prior to or at closing • **Investment Property** - Individual accounts greater than or equal to $250.00 or, if the combined balance of all accounts is greater than $1000.00, the accounts must be paid in full prior to or at closing. NOTE: At underwriter discretion payoff of collection/charge-off accounts may be required. **Foreclosure** A previous foreclosure is subject to the following: • A 7 year waiting period, measured from completion date to the disbursement date of the new loan, is required • A 3 year waiting period with documented extenuating circumstances*. The following also applies: - Maximum LTV/CLTV is the lesser of 90% or the program maximum - Borrower must be purchasing a primary residence, or - A limited cash-out refinance is permitted on all property types subject to eligibility requirements. • If mortgage debt was discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied. **Deed-in-Lieu/Pre-Foreclosure (Short Sale/Short Pay-off)** A previous deed-in-lieu (short sale/short pay-off) is subject to the following: • A 4 year waiting period, measured from event end date to new loan disbursement date is required. • A 2 year waiting period is eligible with documented acceptable extenuating circumstances*. NOTE: Disbursement date is defined as the date the loan funds are disbursed for the subject mortgage. The disbursement date may occur on or after the Note date. *****Extenuating Circumstances An extenuating circumstance is defined by Fannie Mae as a non-recurring event that was beyond the borrower's control that resulted in a sudden, significant and prolonged significant reduction in income (e.g. job loss, divorce, serious illness, etc.) or a catastrophic increase in financial obligations (e.g. large medical bills). An extenuating circumstance must be fully documented. Copies of any paperwork substantiating the event such as divorce decree, job layoff notice, severance papers, medical bills, etc. must be provided. Additionally copies of any documents substantiating the borrower's inability to resolve the problems resulting from the event such as insurance claims, unemployment paperwork, listing agreements, tax returns (covering the period of the event; before, during and immediately after) etc., are required. A letter of explanation from the borrower, explaining the event and documentation provided is also required.

Derogatory Credit (cont.)	**Disputed Accounts** Disputed accounts are subject to DU Findings. • When an "Approve/Eligible" is received **and** the DU message indicates **no further action** required no documentation is required • When an "Approve/Eligible" is received **and** the DU message indicates the disputed account must be researched to determine if the account belongs to the borrower the underwriter must research and document their findings. - If upon research the underwriter determines the account **does not** belong to the borrower **no further action required.** An updated credit report is **not required** - If the underwriter determines the account **does** belong to the borrower the loan is **ineligible** as Fannie Mae requires a manual underwrite and Homebridge does not offer manual underwriting on conventional loans NOTE: If any finding other than an "Approve/Eligible" is received the loan is also ineligible as Fannie Mae requires a manual underwrite **Re-Established Credit Requirements** After a foreclosure, bankruptcy, deed-in-lieu, or pre-foreclosure borrowers are required to have re-established good traditional credit. Re-established credit is met if **all** of the following are met: • The above detailed waiting periods and related additional requirements are met • The loan receives an "Approve/Eligible" Finding from DU • The borrower has established new traditional credit (non-traditional credit is **not** acceptable)

Down Payment Assistance (Community Seconds)	**General Requirements**
	• If using a Community Second, **the program must currently be approved by Homebridge**; refer to the Approved DPA/Community Seconds Program list located under Working With Us on the Homebridge website at www.homebridgewholesale.com for eligible programs.
	• Fannie Mae minimum borrower contribution requirements apply; refer to the Gift Funds topic for borrower contribution requirements
	• The interest rate for the community second must be fixed and may not be more than 2% higher than the initial Note rate of the first mortgage
	• Any topics not addressed, Fannie Mae community seconds requirements must be met
	Repayment of the Community Second
	• The repayment terms of the second must be structured in a way acceptable to Fannie Mae which includes:
	- Requiring fully amortizing, equal monthly payments, **or**
	- Deferring payments for a period of time before changing to fully amortizing, equal monthly payments
	  - If deferred 5 or more years, the payment is **not** included in the DTI,
	  - If deferred < 5 years include the payment in the DTI, **or**
	- Deferring payments over the entire term, unless the loan is paid off or the property is sold before the maturity date of the mortgage, **or**
	- Forgiving the debt over time
	• If the second is provided by the borrower's employer, the employer may include terms that require full repayment if the borrower's employment terminates (voluntarily or involuntarily) before the maturity date of the mortgage
	• The second cannot provide for negative amortization, however if negative amortization occurs due to a deferred payment the negative amortization is acceptable provided:
	- The amount of the scheduled monthly deferred interest for any calendar month within the initial 5 years may never exceed the scheduled monthly principal payment of the **first mortgage** for the same month, **and**
	- Interest is accrued on a simple-interest basis at a fixed rate, **and**
	- The accrued interest is fully deferred until:
	  - The sale or transfer of the property,
	  - The loan is refinanced, or the first mortgage is paid in full, or
	  - Declaration of an event of default under the second Note or the security instrument
	(see Example on next page)

Down Payment Assistance (Community Seconds) cont.

Example:
In this example, the loan is eligible as the amount of deferred accrued interest for July on the second is less than the scheduled principal payment for the first for the same month:

Note Date: May **First Payment Date**: July	**First Mortgage**	**Community Second**
UPB	$150,000	$30,000
Interest Rate	5%	7%
Maximum Accrued, Deferred Interest – July	N/A	$175 ($30K @ 7% / 12)
Scheduled Principal Payment - July	$180.23	N/A

DTI

DTI is per DU

NOTE: Cash-out transactions with a DTI > 45%, DU will require 6 months reserves

Refer to the Mortgage Insurance topic for information if DTI > 45%

Included in the DTI Calculation

The borrower's total monthly obligation includes the following:

- The housing payment (**mortgage or rent**) for each borrower's **primary** residence:
  - If subject loan is the borrower's primary residence, use the PITIA and qualifying payment amount
  - If there is a non-occupant co-borrower use the PITIA mortgage payment **or rental** payment. See **Rental Payment Documentation** below for acceptable documentation of rental payment
  - If the subject loan is a second home or investment property, use the PITIA mortgage payment **or rental payment**. See **Rental Payment Documentation** below for acceptable documentation of rental payment
- The qualifying payment if the subject loan is for a second home or investment property
- The monthly payment on installment debt and other mortgage debt with > 10 months payments remaining **OR,** if ≤ 10 months payments remaining, **AND** the debt significantly impacts the borrower's ability to meet credit obligations
- Monthly payments on installment debt secured by virtual currency,
- Any debt secured by virtual currency,
- Lease payments regardless of length remaining
- Monthly alimony, child support or maintenance payments > 10 months
- Monthly payments for other recurring monthly obligations, and
- Any net loss from a rental property

Refer to the Credit: Installment/Revolving topic for additional details

Rental Payment Documentation

The following examples are acceptable documentation to verify rental payment:

- Six (6) months canceled checks (or equivalent payment source), or
- Six (6) months bank statements clearly showing the rental payment consistently made to an organization or individual, or
- Direct verification of rent from a management company or landlord, or
- A copy of the current, fully executed lease agreement and two (2) months canceled checks (or equivalent) supporting the rental payment amount. Rental payment on the lease must be reflected in U.S. dollars (**cannot** be listed as virtual currency)

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; however the payment history for the debt prior to its assignment must be reviewed.

Employment	• A two year employment history is generally required for both wage earner and self-employed borrowers.
	• Wage earner borrowers with less than 24 months employment history may be considered if the Homebridge underwriter can document positive employment factors that reasonably offset the shorter income history
	• Self-employed borrowers with 12-24 months history of self-employment may be eligible subject to Homebridge management review and the following:
	  - The most recent signed tax returns reflect the receipt of income at the same or greater level in a field that provides the same products or services as the current business or an occupation with similar responsibilities as the current business
	  - The borrower's level of experience and the amount of business debt will be considered
	• A verbal verification of employment (VVOE) is required within10 calendar days of the Note date for salaried borrowers and within 120 calendar days of the Note date for self-employed borrowers.
	• A military Leave and Earnings Statement, dated within the 30 days prior to the Note date, is acceptable for active duty military in lieu of a VVOE
	• A current paystub with YTD income and most recent W-2s are required for wage earners.
	• Self-employed borrowers require verification of the business by a third party source (e.g. CPA, **or** Federal Tax ID Certificate, **or** Business License, etc.). Self- employed borrowers are individuals who have 25% or greater ownership interest in a business.
	• Employment and income commencing after the Note date; the income from new employment may be considered when qualifying the borrower subject to:
	  - A copy of the signed employment offer/contract is provided which clearly identifies the employer, the borrower as the employee, the terms of employment, position, type and rate of pay and start date
	  - Homebridge management review and approval

Escrow Holdbacks	Homebridge offers the Home Fixer-Repair Escrow Option Program which allows escrow holdbacks subject to the following: • Repairs cannot affect the safety or habitability of the property • Repair work is limited to a maximum of $5,000 • An estimate from a licensed contractor or qualified professional is required, detailing all repairs • Homebridge will hold 1.5 times of the repair estimate. Borrower's using their own funds to establish the escrow holdback account must have sufficient documented assets to cover the down payment, closing costs and escrow holdback funds. • All repairs must be completed within 14 calendar days of closing and the final inspection must be completed within 72 hours of completion. NOTE: Properties that do not meet the "average condition" appraisal requirement may be eligible for an Escrow holdback. If an escrow holdback is approved, the appraiser must confirm the work completed will bring the property up to average condition.
Escrow/Impound Account	• > 80% LTV required unless prohibited by state law; CA loans ≥ 90% LTV • ≤ 80% LTV not required; refer to rate sheet for pricing adjustment **Reminder**: If flood insurance is required, escrow/impounds are required **regardless of LTV;** escrows **cannot** be waived

Financed Properties	

	• **Owner-occupied properties**: Unlimited
	• **Second home and investment (conforming and high balance loan amounts)**: Maximum of 10 residential properties may be financed including the borrower's principal residence (see Calculating the Reserve Requirement for Multiple Financed Properties topic. The following applies when the borrower has multiple financed properties:
	- Purchase, rate/term and cash-out transactions eligible.
	- Minimum credit score 720 when the borrower has **7-10** additional financed properties
	- Additional reserve requirements apply:
	  - **1-4 additional financed properties**: 2% of the aggregate unpaid principal balance
	  - **5-6 additional financed properties**: 4% of the aggregate unpaid principal balance
	  - **7-10 additional financed properties**: 6% of the aggregate unpaid principal balance
	The applicable percentage is applied to the aggregate outstanding UPB for all mortgages and HELOCS on the other financed properties
	Determining the Number of Financed Properties
	The number of financed properties is cumulative for all borrowers (jointly owned are only counted **once**) and the count includes the actual number of properties that are financed not the number of mortgages on the property or the number of mortgages sold to Fannie Mae.
	• 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 (even if the monthly housing expense is excluded from the DTI due to the debt being paid by another party; see the Contingent Liabilities Co-Signed Debt – Mortgage for details), **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
	Calculating the Reserve Requirement for Multiple Financed Properties
	The borrower's primary residence and the subject property are **not** included in the additional reserve calculations. The reserve requirement is determined using the aggregate UPB of the remaining financed properties.
	Not Included when Calculating Reserves
	The following are **not** included when calculating the additional reserves required:
	• The borrower's primary residence,
	• The subject property,
	• Property that are sold or pending sale, or
	• Accounts that will be paid by closing
	Included when Calculating Reserves
	• Any financed property owned by the borrower (excluding those listed under Not Included When Calculating Reserves topic) that the borrower is personally obligated on the mortgage
	• Homebridge limits its exposure to a maximum of 4 loans per borrower.

Gift Funds

- Gift funds, from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements, for both conforming and high balance loan amounts, as long as the borrower meets the minimum contribution requirements detailed below.

LTV/CLTV	Property Type	Minimum Contribution from Borrower Own Funds
≥ 80.01% MI company guidelines apply	1-unit primary residence	A minimum contribution from borrower's own funds not required. All funds may be a gift.
	2-4 units, second home	5% borrower contribution required*. Gifts may be used after the borrower own funds contribution is met.
≤ 80%	1-4 unit primary, second home	Not required. All funds may come from a gift.

* If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the previous 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the borrower contribution requirement as loan as both parties will occupy the subject property as their primary residence. A certification, signed by the donor, confirming they have lived with the borrower for the prior 12 months **and** will occupy the subject property is **required**. Additionally, documentation that confirms the history of shared residency (e.g. driver's license, bill, etc.) must be provided (donor/borrower address must match)

- Gift funds are not allowed on investment transactions.
- Gift funds may be provided by any of the following:
  - A relative, defined as the borrower's spouse, child, or other dependent, or by another individual related to the borrower by blood marriage, adoption or legal guardianship, or
  - A fiancé or fiancée, or domestic partner, **or**
  - An unrelated friend of the borrower, defined as:
    - A former relative of the borrower, **or**
    - A relative of the borrower's domestic partner, **or**
    - A godparent of the borrower

  NOTE: Gifts from a trust or estate are **not** an eligible source for gift funds
- Funds provided by a donor who is on the purchase agreement and on title, but is not obligated on the loan, (title-only individuals) are acceptable **and** <u>are not</u> **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 (including borrower's parent who is the seller/buyer's agent and giving commission earned or other cash gift to the borrower for down payment)
- The gift must be evidenced by a gift letter, signed by the donor and it must:
  - Specify the dollar amount,
  - Be signed by the donor and the borrower,
  - Specify the date the funds were transferred,
  - Indicate the donor(s) name, address, phone number, and relationship to the borrower, and
  - Include a statement by the donor that no repayment of the gift funds is expected.
- When the gift from an acceptable donor is being pooled with the borrower's funds to make up the required minimum cash down payment, the following is also required:
  - A certification
- 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, or
  - Evidence of the electronic transfer of funds from the donor's account to the borrower's account or to the closing agent
- 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.

<table>
<tr><td>Gift of Equity</td><td>

Allowed from an immediate family member only.
Eligible on primary residence and second home purchase transactions.
A gift letter must be provided (refer to gift funds above for gift letter requirements).
The CD must indicate “gift of equity”.

NOTE: If the above requirements are met, the gift of equity is not subject to the IPC requirements.
</td></tr>
<tr><td>Income</td><td>
Income documentation is determined by DU however, at underwriter discretion, additional documentation may be required.

Wage Earner Borrowers:
At minimum, a current paystub with YTD earnings, dated no more than 30 days prior to the loan application date, and the most recent W-2 is required
Self-Employed Borrowers - Tax Return Requirements:
Copy of the most recent 2-years signed federal individual and business tax returns with all schedules. If DU requires business returns business tax transcripts will be required.
The requirement for business tax returns may be waived if:

The borrower is using personal funds for down payment and closing costs and to satisfy applicable reserve requirements
The borrower has been self-employed in the same business for a minimum of 5 years
The borrower’s individual tax returns show an increase in self-employment income over the past 2-years.

Copies of the most recent 1 year of personal and business tax returns are eligible only when DU Findings allow. The following is required:
Signed individual and business federal tax returns for the most recent year that reflect a minimum of 12 months self-employment income
Example: If 2019 tax returns used for qualification, documentation must be provided the borrower’s business was in existence on or before 12/31/18 to meet the full 12 months self-employment requirement.

Self-Employed Co-Borrowers:

When income from a self-employed co-borrower is not used for qualifying purposes, the self-employed co-borrower’s income (or loss) is not required to be documented
If the borrower is personally obligated on any business debt that debt must be included in the borrower’s DTI calculation.

Self-Employed - Profit and Loss Statements
A year-to-date Profit & Loss (P&L) statement and balance sheet may be required, at underwriter discretion, if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower (borrower prepared is acceptable).
Self-Employed Income or Loss from a Sole Proprietorship Reported on Schedule C
Schedule C will be reviewed to determine whether the income reported is recurring or non-recurring

Non-recurring income must be deducted in the cash-flow analysis, including any exclusion for meals and entertainment expenses reported on Schedule C
Recurring items claimed by the borrower on Schedule C must be added back to the cash-flow analysis. The following recurring items must be added back:
Depreciation,
Depletion,
Business use of home,
Amortization, and
Casualty losses

Length of Self Employment
Refer to the <u>Employment</u> topic for length of self-employment requirements

<u>The Additional Requirements DO NOT APPLY if the Self-employed Borrower is Qualified Using 2020 OR 2021 Tax Returns</u>
<u>Self-Employed Borrowers – Applications Dated On/After December 14, 2020</u>
Additional documentation is required for self-employed borrowers with an application dated on or after December 14, 2020. Refer to the <u>Income – Additional Documentation Requirements for Self-Employed Borrowers: Applications Dated on/after December 14, 2020</u> topic for details
</td></tr>
</table>

Income (cont.)	• Military borrowers may receive pay in addition to their base pay which may include flight or hazard pay, rations, clothing allowance, quarters allowance, proficiency pay, etc. This additional income is acceptable as a stable source of income if it can be documented the source of the additional income will continue to be received. Income received by reservists is also eligible as secondary employment income when documentation is provided it is stable and is likely to continue. • **Borrowers Employed by Family Members** - Two (2) years' tax returns required to support the income - Borrower's current income documentation (based on DU "Approve/Eligible" Findings) can be used to qualify the loan as long as the two (2) years tax returns evidence the following: - Borrowers do **not** have any ownership interest in the business, **and** - Any significant increase or decrease noted in the borrower's tax returns is satisfactorily explained • **Employment and Income Commencing After the Note Date** Income from new employment may be considered when qualifying the borrower subject to: - A copy of the signed employment offer/contract is provided which clearly identifies the employer, the borrower as the employee, the terms of employment, position, type and rate of pay and start date - Homebridge management review and approval **Other Sources of Income**: DU determines the documentation, verification and continuation requirements. • **Alimony/Child Support:** Alimony or child support must continue for a minimum of 3 years after the application date and payment must be documented with divorce decree or separation agreement. Receipt of the alimony income must be documented for the most recent six (6) months. Document with bank statements, deposit slips, etc. **NOTE**: Fannie Mae **does not allow** voluntary or proposed alimony/child support to be included in the income calculations • **Automobile Allowance**: The full amount of an automobile allowance is included as income when there is a minimum two (2) year history of receipt. Refer to the Credit -Installment - Revolving topic for requirements regarding DTI calculation • **Contract for Future Employment** - Income from a job that the borrower is scheduled to start is eligible subject to all of the following: - Transaction must be a 1-unit, owner-occupied purchase - The borrower must be scheduled to begin employment within 90 days from Note date - The borrower cannot be employed by a family member or any interested party to the transaction - The borrower will be qualified upon fixed based income - A copy of the offer/contract for employment, signed by the employer/union* and the borrower, is required and must include the following - The employer's name, - The borrower's name, - The terms of employment, including position, type and rate of pay, and the borrower's start date which must be within 90 days of the Note date, - The employment cannot have any contingencies. If any conditions to the employment exist they must be cleared prior to loan closing, **and** - Financial reserves in addition to those required by DU sufficient to cover PITIA payments for the subject property for 6 months **or** current income sufficient to cover the monthly liabilities included in the DTI ratio, including the PITIA for the subject property for the number of months between the Note date and the employment start date, **plus** one month. *NOTE: The union may provide the executed employment offer or contract for future employment if the borrower is a union member who works short-term job assignments (skilled construction worker, longshoreman, etc.) • **Public Assistance Income:** Public assistance income is eligible and must be documented as follows: - Obtain documentation from the public agency providing the assistance that includes the amount, frequency, and duration of the benefit payments - **The income must continue for a minimum of 3 years from the application date**

Income (cont.)

- **Rental Income**: Refer to the Income - Rental topic for requirements when using rental income for qualifying
- **Retirement/Pension and Government Annuity Income**: Eligible subject to the following:
  - Document current receipt of the income with one of the following:
    - A statement from the organization(s) providing the income, or
    - Copy of the retirement award letter or benefit statement, or
    - Copy of signed tax returns, or
    - Copy of financial/bank statements, or
    - W-2 or 1099
  - If retirement income is paid in the form of a distribution from a 401(k), IRA/Keogh retirement account, determine whether the income will continue for a minimum of three (3) years after the application date.
    - Eligible retirement account balances may be combined for the purpose of determining if the 3-year continuance requirement is met, and
    - Confirm the borrower has **unrestricted access, without penalty,** to the accounts
  - If the income from a government annuity or a pension account will begin on or before the first payment date of the new loan, document the income with a benefit statement from the organization providing the income. The statement must specify the income type, amount, and frequency of the payment and include confirmation of the initial start date
- **Seasonal Income:** Seasonal income may be used for qualifying income if the borrower has a minimum 2-year history of receipt. Verification of continuance is **not required.** Seasonal unemployment compensation is only eligible if it can be documented, is clearly associated with seasonal layoffs, is expected to recur, and is reported on the borrower's tax returns.
- **Secondary Employment Income**: Secondary employment income is income from a second job or multiple jobs (different employers acceptable) a borrower may have. Secondary employment income is eligible for qualifying income as long as the income was received consistently. Additionally:
  - The income must be received for a minimum of 12 months, and
  - There can be no gaps in employment > 30 days in the most recent 12 month period unless the secondary income is considered seasonal income. Refer to the Seasonal Income topic above for seasonal income requirements
- **Section 8 Income:** Section 8 income is eligible as follows:
  - Document the public agency providing the monthly voucher and determine if the income is taxable
  - If the Section 8 income is **non-taxable**, the Homebridge underwriter will develop an adjusted gross income for the borrower
  - Fannie Mae **does not require** the income to have been received for a specific amount of time **or** for the income to continue for any specific period of time after the application date
- **Social Security Income:** SS income (retirement, disability supplemental security income) is an eligible source of income subject to the following:
  - Documentation requirements are determined on the type of benefit and whether the benefits received are from the borrower's own account or from another person's account (e.g. borrower eligible for benefits from a spouse, ex-spouse, dependent parents, etc.)

<table>
<tr><th>Type of Benefit</th><th>Benefit from Borrower's Own Account</th><th>Benefit from Another Person's Account</th></tr>
<tr><td>Retirement</td><td rowspan="2">• SSA Award Letter,
• SSA 1099 Form,
• Signed tax returns/transcripts, or
• Proof of current receipt
No continuance documentation required</td><td rowspan="3">• SSA Award Letter, and
• Proof of current receipt, and
• Minimum 3 year continuance required</td></tr>
<tr><td>Disability</td></tr>
<tr><td>Survivor</td><td>N/A</td></tr>
<tr><td>Supplemental Security Income (SSI)</td><td>• SSA Award Letter, and
• Proof of current receipt</td><td>N/A</td></tr>
</table>

Income (cont.)	• **Temporary Leave Income**: Temporary leave from a job is generally initiated by the borrower (e.g. maternity/parental leave, short-term medical disability, etc.). Borrowers on temporary leave may or may not be paid during their leave from work.
	NOTE: Mandatory leave initiated by an employer, such as a furlough or layoff is **not** considered a temporary leave regardless of an expected return to work date and temporary leave guidance **does not** apply.
	Income from a borrower on temporary leave is eligible subject to specific requirements that include:
	- The borrower's employment and income history must meet FNMA requirements
	- The borrower must provide written confirmation of their intent to return to work
	- Documentation must be provided from the borrower or employer of the borrower's agreed upon date of return to work (e.g. email between borrower/employer, computer printout from the employer's system of record)
	- There can be no evidence or information from the borrower's employer indicating that the borrower does not have the right to return to work after the leave period
	- Documentation must be provided (by the borrower, borrower's employer, third-party employment verification vendor) that verifies the following:
	    - The amount and duration of the borrower's temporary leave income
	    - The amount of the regular employment income the borrower received **prior to** the temporary leave (i.e. base pay, commissions, bonus, etc.)
	Calculation of income is as follows:
	- If the borrower **will** return to work as of the first loan payment date, the borrower's regular employment income may be used for qualifying
	- If the borrower **will not** return to work as of the first loan payment date, the **lesser of** the borrower's temporary leave income (if any) **or** the regular employment income is used for qualifying.
	    - If the borrower's temporary leave income is less than the regular employment income, the temporary leave income may be supplemented with available liquid financial reserves when calculated per FNMA requirements
	        ○ **Supplemental income amount** = Available liquid reserves divided by the number of months of supplemental income
	            ➢ Available liquid reserves: Subtract any funds needed to complete the transaction (down payment, closing costs, any required debt payoff, escrows, and reserves) from the total verified liquid asset amount
	            ➢ Number of months of supplemental income: The number of months from the first loan payment date to the date the borrower will begin receiving their regular employment income, rounded up to the next whole number
	        ○ **Total qualifying income** = Supplemental income (as determined above) **plus** the temporary leave income
	        NOTE: The total qualifying income of the supplemental income plus temporary leave income cannot exceed the borrower's regular employment income
	• **Voluntary Deductions:** Voluntary deductions and union dues identified on the borrower's paystub **do not** need to be deducted from the borrower's income
	• **Virtual Currency:** Income paid in the form of virtual currency is **not eligible** for qualifying

Income - Rental	The following guidance applies to 1-4 unit investment properties or 2-4 unit primary residence properties. The amount of rental income from the **subject property** that may be used for qualifying is determined as outlined in the chart below. **NOTE:** Rental payment provided on the lease **must be in U.S. dollars**; rental payment listed in virtual currency is not acceptable

If the Borrower:	Then for Qualifying Purposes:
• Currently owns a principal residence, **or** • Has a current housing expense, **AND** • Has at least a 1-year history of receiving rental income, **or** • Has a documented property management experience (e.g. borrower has a property owned by a business or LLC). **Homebridge management review and approval required**	There is **no** restriction on the amount of rental income that can be used for qualifying
• Currently owns a principal residence, **or** • Has a current housing expense, **AND** • Has less than a 1-year history of receiving rental income **or** • Documented property management experience (e.g. borrower has a property owned by a business or LLC). **Homebridge management review and approval required**	• **Subject is Primary**: Rental income in an amount not exceeding the PITIA of the subject property can be added to the borrower's gross income, OR • **Subject is Investment**: Rental income can only be used to offset the PITIA of the subject property
• Does **not** own a principal residence, **AND** • Does **not** have a current housing expense	Rental income from the subject property **cannot** be used

NOTE: Homebridge FTHB policy continues to apply to borrowers who are currently renting and have a documented history of property management experience; refer to the FTHB Purchasing Investment Property Rental Income Eligibility topic for details

Documentation Required to Establish Property Management Experience

One of the following must be provided to establish the borrower has the required amount of experience of property management:

1. The borrower's most recent signed federal income tax return, including Schedules 1 and E. Schedule E should reflect rental income received for any property and Fair Rental Days of 365, or
2. If the property has been owned for at least one year, but there are less than 365 Fair Rental Days on Schedule E, a current signed lease agreement may be used to supplement the federal income tax return, or
3. A current signed lease may be used to supplement a federal income tax return if the property was out of service for any time period in the prior year. Schedule E must support this by reflecting a reduced number of days in use and related repair costs. Form 1007 or 1025 must support the income reflected on the lease

Homebridge must document the borrower has at least a 1-year history of receiving rental income as outlined in the Rental Income from Property Other Investment Property (not the subject) topic

Income – Rental (cont.)

Documenting Rental Income

Rental Income on 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.
- The gross monthly rent must be documented even if the borrower is not using any rental income from the subject property to qualify.

Rental Income from Subject Property

- Rental income generated from the **subject** property requires the appraiser to provide:
  - Single-Family Comparable Rent Schedule (FNMA Form 1007) used for 1-unit property, **or**
  - Small Residential Income Property Appraisal Report (FNMA Form 1025) for 2-4 unit properties.

NOTES: Form 1007 is only required when rental income is being used for qualification.

Documenting Rental Income from Subject Property

Borrower has History of Receiving Rental Income from the Subject Property	Transaction Type	Documentation Required
Yes	Refinance	Form 1007 **or** Form 1025, as applicable, **and** • Borrower's most recent year signed federal income tax returns, including Schedule E, **or** • Copies of current lease agreement(s) if borrower can document qualifying exception Refer to the Partial Rental History or No Rental History topic for qualifying exceptions.
No	Purchase	Form 1007 or Form 1025 as applicable and copies of the current lease agreement(s) If the property is not currently rented, lease agreement(s) not applicable and the market rent determined on form 1007 or Form 1025. If there is a lease/leases that are being transferred to the borrower the underwriter must review to ensure there are no provisions that could affect Homebridge's first lien position
No	Refinance	Form 1007 or Form 1025 as applicable and copies of the current lease agreement(s)

<table>
<tr>
<td>Income – Rental</td>
<td>
Rental Income from Other Investment Property (not the subject)

Rental income generated from other investment property currently owned by the borrower (e.g. SFR, units or commercial property) the borrower must provide personal tax returns and all related schedules. The underwriter must document the monthly gross (and net) rental income from Schedule E.
If the borrower acquired the property subsequent to filing a tax return a copy of the signed, lease agreement and a copy of the receipt and deposit of the security deposit from the tenant into the borrower' s bank account is required if the underwriter can document a qualifying exception. Refer to the Partial Rental History or No Rental History topic on the following page for qualifying exceptions.

Partial Rental History or No Rental History

Borrowers with partial rental history or no rental history (e.g. purchase transaction, refinance when property acquired subsequent to filing the most recent tax return, major renovation to the property so rental income was interrupted, previous primary residence converted into investment property) including the subject and other rental property are subject to the following.

If it can be documented, per the requirements outlined in the table below, that the rental property was not in service the previous tax year, or was in service only a portion of the previous tax year, the qualifying rental income may be determined by:

Using Schedule E income and expenses, and annualizing the income (or loss) calculation, or
Using the fully executed lease agreement(s) to determine the gross rental income to be used in the net rental income (or loss) calculation.

<table>
<tr><th>If:</th><th>Then:</th></tr>
<tr><td>The property was acquired during or subsequent to the most recent tax filing year</td><td>The underwriter must confirm the purchase date using the CD and:
If acquired during the year, the Fair Rental Days fields on the Schedule E must confirm a partial year rental income and expenses (as applicable).
NOTE: If acquired after the last tax filing year, Schedule E will not reflect rental income/expenses for the property.</td></tr>
<tr><td>The rental property was out of service for an extended period</td><td>Schedule E will reflect the costs for renovation/ rehab expenses. Additional documentation may be required to support the reno expenses and support the amount of time the property was out of service.
The Fair Rental Days fields on Schedule E will confirm the number of days that the rental unit was in service, which must support the unit being out of service for all or a portion of the year.</td></tr>
<tr><td>The property is the borrower's current residence being converted to an investment property</td><td>A fully executed lease agreement must be provided along with a copy of the security deposit from the tenant and borrower's bank statement showing deposited security funds.</td></tr>
</table>
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</tr>
</table>

Income – Rental (cont.)	

Income – Rental (cont.)

Calculating Monthly Qualifying Rental Income or Loss

Schedule E

- When using Schedule E to calculate qualifying rental income the following is added back to the borrower's cash flow:
  - Listed depreciation,
  - Interest, HOA dues,
  - Taxes,
  - Insurance expenses, and
  - Non-recurring property expenses (if documentation provided)
- Properties in service for the entire year, average the rental income over 12 months
- Properties in service less than a full year, average the rental income over the number of months the property was rented (as indicated on Schedule E).

Lease Agreements

- When using current lease agreements, calculate the rental income by multiplying the gross rent(s) by 75%.

Treatment of the Rental Income or Loss

The treatment of rental income/loss varies depending on the occupancy as detailed below:

Property that is the Borrower's Principal Residence

- The monthly qualifying rental income is added to the borrower's total monthly income. The income is not netted against the PITIA of the property.
- The full amount of the PITIA payment is included in the borrower's total monthly obligations when calculating DTI.

Property that is not the Borrower's Principal Residence

- If the monthly qualifying rental income minus the full PITIA is positive, it is added to the borrower's total monthly income
- If the monthly qualifying rental income minus the full PITIA is negative, the net rental loss must be added to the borrower's total monthly obligations.
- The full PITIA for the rental property is factored into the amount of the net rental income/loss so it **should not** be included in the borrower's monthly obligation
- The full monthly payment for the borrower's primary residence (full PITIA or the monthly rent) should be included in the borrower's monthly obligation.

Rental Property Reported through a Partnership or S Corp

If the borrower is personally obligated on a mortgage debt (as reported on the credit report) and gross rents and related expenses are reported through a partnership or S corp., the business tax returns may be used to offset the PITIA payment subject to the following:

- Obtain the borrower's business tax returns, including form 8825 for the most recent year
- Evaluate the properties listed as follows:
  - From the total gross rents, subtract total expenses. Add back insurance, mortgage interest, taxes and HOA dues (if applicable), depreciation, and non-recurring property expenses (if documented),
  - Divide by the number of months the property was in service,
  - Subtract the entire PITIA (proposed for subject property or actual for real estate owned) to determine the property cash flow.
- If the resulting net cash-flow is **positive**, the PITIA may be excluded from the borrower's monthly obligation when calculating DTI,
- If the resulting cash flow is **negative** (the rental income does not fully offset the PITIA payment on the property) the negative amount must be included in the borrower's monthly obligations when calculating DTI.

NOTE: When including positive net rental income received through a partnership/S corp. in the borrower's monthly qualifying income, the requirements for using partnership/S. corp. income to qualify the borrower must be met.

DU applies the term "subject net cash flow" to net rental income from the subject property and the term "net rental income" to rental income from properties other than the subject property.

<table>
<tr>
<td>FTHB Purchasing Investment Property Rental Income Eligibility</td>
<td>
<u>First Time Homebuyer Purchasing Investment Property</u>

First time homebuyers purchasing an investment property and the property is NOT located in one of the areas listed below there is no restriction to the use of rental income for qualifying; Fannie Mae DU Findings apply
First time homebuyers purchasing an investment property AND the property is located in one of the areas listed below are subject to restrictions on the use of rental income for qualifying as detailed under First Time Homebuyer Purchasing Investment Property Rental Income Eligibility section (see below)

New York: The property is located in one of the 5 boroughs of New York City:
- Bronx,
- Brooklyn (Kings county),
- Manhattan,
- Queens, or
- Staten Island (Richmond county), OR
California: The property is located in one of the following California counties:
- Alameda,
- Contra Costa,
- Fresno,
- Los Angeles,
- Riverside,
- San Diego, or
- Santa Clara

NOTE: Properties located in New York or California that are not in one of the boroughs or counties listed above, the use of rental income for qualifying is not restricted; Fannie Mae DU Findings apply

<u>First Time Homebuyer Purchasing Investment Property Rental Income Eligibility</u>

If the property is NOT listed in one of the areas listed above, there are no restrictions; Fannie Mae DU Findings apply
If the property IS located in one of the areas listed above AND the borrower is a first time homebuyer AND is purchasing an investment property, the following applies to the use of rental income for qualifying:
- 1-unit: No rental income may be used for qualifying
- 2-units: Income from 1- unit may be used
- 3-units: Income from 2-units may be used
- 4-units: Income from 3-units may be used
NOTE: First time homebuyer defined as at least one borrower responds “No” to question m under Section VIII DECLARATIONS on the 1003: “Have you had an ownership interest in a property in the last 3 years?”

</td>
</tr>
</table>

Income – Additional Documentation Requirements for Self-Employed Borrowers: Applications Dated on/after December 14, 2020	**Below ONLY Required if the Self-Employed Borrower is NOT Qualified Using 2020 or 2021 Tax Returns**
	Additional Requirements for Self-Employed Borrowers with Applications Dated On or After December 14, 2020
	In **addition** to the standard self-employed requirements the following applies:
	Additional Documentation Requirements
	Borrower to provide **one** of the following:
	• **Audited YTD P&L**:
	- Must be prepared and signed by a licensed accounting firm; borrower prepared is **not** allowed even if borrower is an accountant or works for accounting firm
	- The borrower must sign and date the P&L
	- P&L must cover the most recent month preceding the loan application date, and
	- The P&L must be dated ≤ 60 calendar days prior to the Note date, **OR**
	• **Unaudited YTD P&L:**
	- The P&L may be prepared by the borrower or a financial professional and be signed and dated by the borrower
	- P&L must cover the most recent month preceding the loan application date,
	- The P&L must be dated ≤ 60 calendar days prior to the Note date, **AND**
	- Three (3) months **business** bank statements:
	  - Bank statements cannot be older than the last three (3) months represented on the YTD P&L (e.g. P&L dated through October 31st, bank statements provided must be from August, September, and October)
	  - Personal bank statements are **only** acceptable when the borrower **does not** have a business bank account subject to:
	    - All deposits must be specifically identified, to determine which were personal and which were business related
	    - A reasonability test applies. Personal bank statements are **only** acceptable for smaller businesses; larger businesses with significant income on business tax returns are not eligible to use personal bank statements
	  - Businesses claiming to operate on a cash basis where business or personal bank statements reflect minimal deposits will be subject to additional review and/or documentation and Homebridge management approval
	  - The Note date must be ≤ 60 calendar days from the end of the most recent bank statement

Income – Additional Documentation Requirements for Self-Employed Borrowers: Applications Dated on/after December 14, 2020 (cont.)	**Below ONLY Required if the Self-Employed Borrower is NOT Qualified Using 2020 or 2021 Tax Returns**
	Additional Requirements for Self-Employed Borrowers with Applications Dated On or After December 14, 2020
	Income Analysis Requirements
	The income analysis requirement is determined by the type of P&L provided
	• **Audited P&L provided**: If an audited YTD P&L, prepared and signed by a licensed accounting firm, was provided no further validation of the is required
	• **Unaudited P&L provided**: If a YTD unaudited P&L was provided, the P&L must be validated by comparing it to the bank statements:
	- The gross revenue/gross income on the P&L must be reasonably consistent with the deposits on the bank statements. Homebridge will consider a 10% variance reasonable
	NOTE: Expenses are not required to be analyzed against the bank statements
	- If the information on the bank statements and the P&L **are consistent, the P&L is considered validated**
	- If the information is not consistent, additional documentation will be required to validate the unaudited P&L (e.g. month-to-month or quarterly trending reports with additional bank statements)
	- If the additional documentation cannot be provided, or it does not resolve the discrepancy, **the self-employed income cannot be used**
	- If the information is not consistent due to the cyclical or seasonal nature of the business, the income still may be eligible if the cyclical/seasonal nature of the business is established and the income is likely to continue without being negatively impacted by COVID-19 closures, stay-at-home orders, etc. For example, additional business bank statements from the same months of the prior year may be provided to establish typical revenue/expenses during the pre-pandemic time frame
	Establishing Income Stability
	The following applies once the P&L has been validated:
	• The net income on the validated P&L is compared to the qualifying income (qualifying income is determined by standard self-employment income guidelines) to determine the stability of the business and income. Requirements vary based on the results of the comparison
	• **Income level has NOT declined:** The qualifying income is calculated using standard Fannie Mae self-employed income requirements. The P&L (audited or unaudited) is **not** considered
	• **Income level HAS declined:** Additional documentation is required when the income level has declined to determine if it is now stable. The following is required:
	- A letter of explanation (LOE) provided by the borrower and/or their accountant/CPA is required. The LOE must specifically address:
	  - The decline in income, and
	  - Why they believe the decline has stabilized, and
	  - That the net income is not expected to further decline
	- If the LOE validates the income is now stable, **no more than the current level of monthly income from the P&L can be used for qualifying**
	- If the LOE **does not** validate the income is now stable, **the income cannot be used for qualifying**

Inspections

- Septic inspections are only required when the appraiser indicates there is evidence the septic system be failing.
- Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.
- Well inspections are only required when state or local regulations require, or if there is indication the well may be contaminated

Interested Party Contributions

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

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

IPC's can be either financing concessions or sales concessions and include:

- Funds paid directly from the interested party to the borrower
- Funds that flow from an interested party through a third-party organization, including nonprofit entities, to the borrower,
- Funds that flow to the transactions on the borrower's behalf from an interested party, (includes third party organization and nonprofit agency),
- Funds donated to a third party who provides the funds to pay some or all of the closing costs for the transaction

  NOTE: A legitimate pro-rated real estate tax credit in areas where real estate taxes are paid in arrears is **not** considered a financing concession and is not subject to IPC limits

Interested party contributions are limited as follows:

Occupancy Type	LTV/CLTV	Maximum Allowable Contribution
Primary Residence or Second Home	> 90%	3%
	75.01% - 90%	6%
	75% or less	9%
Investment Property	All	2%

- Seller funded temporary buydowns are subject to interested party contribution limits
- IPCs cannot be used to make the borrower's down payment, reserve requirements or to meet the minimum borrower contribution requirement.
- Sales concessions items such as furniture, automobiles, decorator allowances, cash, etc. and financing concessions that exceed the limits above **must be** deducted from the sales price when calculating the LTV/CLTV ratios.
- Financing concessions are subject to the IPC limits noted above. Financing concessions include:
  - Financial contributions from an interested party that benefits the borrower in the financing transaction,
  - Payments or credits related to acquiring the property, and
  - Payments or credits for financing term, including prepaids.

  Financing concessions generally include origination fee, discount points, commitment fee, appraisal cost, transfer taxes, attorney's fees, title insurance premiums, etc. They may also include prepaid items such as interest charges (no more than 30 days), real estate taxes covering any period after the settlement date, hazard insurance premiums (≤ 14 months), HOA dues (≤ 12 months), mortgage insurance premiums and escrow accruals for borrower paid MI.

  NOTE: Fees and/or closing costs paid by the seller that are considered common and customary are not subject to IPC limits e.g. owner's title and transfer tax.
- Undisclosed IPCs are ineligible (i.e. borrower paid closing costs moved to the seller side of the HUD)

Investment and 2-4 Unit Property Requirements	• Investment property transactions and 2-4 unit properties (all occupancy types) regardless of whether or not income is used to qualify, must contain **one** of the following documents at closing:
	- If the property is vacant, verification from the appraiser that all units are currently vacant (can be noted on the appraisal report), **or**
	- If the property has any tenants, verification from the title company that they will not have a "Tenants in Possession" exception in the title policy. Specific verification from the title company is required; the title company must provide in writing documentation that they will not have a "tenants in possession" exception, **or**
	- Rights of lawful parties in possession, as long as such rights do not include the right of first refusal to purchase the property. No rights of parties in possession, including the term of a tenant's lease, may have a duration of more than two (2) years.
	- A copy of the lease documentation that specifically indicates one of the following:
	  - The lease is subordinate to any mortgage, or
	  - Any tenant's right to purchase the property or any rights that could affect Homebridge's interest have been formally waived by all tenants of the property.

LDP/GSA and Mortgage Fraud	• **LDP / GSA** All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System. • Borrower(s) and Borrower(s) AKA name (if applicable) • Seller(s), • Real Estate Listing and Selling Agent(s), • Appraiser, • Appraisal Company (**not** the AMC) • Broker • Loan Officer, Loan Officer Assistant • Loan Processor, • Underwriter, • Closing/Settlement Agent, • Title/Settlement Company, and • 203(k) Consultant • Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.
Manufactured Housing: Overview	• Fannie Mae defines a manufactured home as any dwelling unit built on a permanent chassis and attached to a permanent foundation system. • The manufactured home and the land on which it is situated must be titled as real property **and** the borrower must own the land • Homebridge follows Fannie Mae guidelines for manufactured housing unless otherwise noted in these guidelines. To view Fannie Mae's complete manufactured housing requirements refer to the Manufactured Housing topics in the Fannie Mae Selling Guide

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

Manufactured Housing: Eligibility	Manufactured homes are subject to all of the following:
	• The home must be built in compliance with the Federal Manufactured Home Construction and Safety Standards that were established June 15, 1976, as amended and in force at the time the home is manufactured **and** any additional requirements that are found in HUD regulations at 24 C.F.R. Part 3280. Compliance may be evidenced as follows:
	  - T**he presence of both a HUD Data Plate and the HUD Certification Label (aka the HUD "seal" or "tag")**
	  - An alternative to the HUD Certification Label is a verification letter that provides the same information which may be available from one of the following:
	    - The Institute for Building Technology and Safety (IBTS), **or**
	    - The In-Plant Primary Inspection Agency (IPIA), **or**
	    - The manufacturer of the manufactured home
	NOTE: If the original or alternative documentation cannot be obtained the loan is ineligible
	• The unit must **not** have been previously installed or occupied at any other site or location, except from the manufacturer or the dealer's lot as a new unit
	• The home must be a 1-unit multi-wide dwelling that is legally classified as real property
	• Primary residence or second home eligible
	• The Manufactured home must be a minimum of 20 feet wide
	• The towing hitch, wheels, and axles must be removed and the unit must have assumed the characteristics of site-built housing
	• The borrower must own the land the home sits on in fee simple; homes on leasehold estates are **ineligible**.
	• The home may be located either on an individual lot or in a project development
	• Site preparation must be completed prior to the delivery of the home
	• The home must be attached to a permanent foundation as required by the manufacturer and the foundation must be appropriate for the soil conditions and meet local and state codes
	• The home must be permanently connected to a sewage system or septic tank and to other utilities in accordance with state and local requirements
	• The home must be located on one of the following:
	  - Publicly dedicated and maintained street, or
	  - A community owned and maintained street, or
	  - A privately owned and maintained street
	NOTE: If a privately owned street there must be adequate access for vehicles and adequate and legally enforceable vehicle access and maintenance agreement
	• If an existing home has incomplete items, defects or needed repairs that affect safety, soundness, or the structural integrity the repairs must be completed prior to loan closing
	• Manufactured homes with an addition or structural modification are eligible if:
	  - Evidence is provided that an inspection by a state agency to approve the modifications has been completed (in states which require such inspections), **OR**
	  - The property must be inspected by a licensed professional engineer certifying the addition or structural changes were completed in accordance with the HUD Manufactured Construction Safety Standards.
	NOTE: In either instance, a copy of the inspection report must be included in the loan file

Manufactured Housing: Eligibility (cont.)

- The purchase, conveyance, and financing (or refinancing) of the land and manufactured home must be evidenced and secured by a single valid and enforceable Note and first lien mortgage/deed of trust/security deed that is recorded in the land records if allowed by applicable state law. If applicable state law does not allow for a single lien for the land and the home documentation of the loan **for the land** on the mortgage/deed of trust/security deed and a real property lien **on the home** evidenced on the certificate of title other document is acceptable.

Ineligible

The following are **ineligible** with Homebridge:

- An investment property secured by a manufactured home
- A home moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site.
- A manufactured home located on a leasehold estate
- A single wide manufactured home
- A manufactured home located in a condominium project
- A manufactured home located in a senior community
- Transactions involving trade equity or traded manufactured homes
- Transactions involving payoff of land contract
- Construction to perm if the foundation not complete and home not fully installed prior to loan documents

Manufactured Housing: Loan Amount Purchase Transactions

- The sales price of the manufactured home may include bona fide and documented transportation, site preparation, and dwelling installation at the site. Any personal property items purchased in conjunction with the home must be deducted from the sales price; personal property items cannot be financed in the mortgage.
- In addition to the cost of the home and the land, the loan amount may also include:
  - The financing of borrower paid mortgage insurance premiums, and
  - The cost of bona fide and documented transportation, site preparation, and dwelling installation at the site

Manufactured Housing: Loan Amount Limited Refinance Transactions

The loan amount may include the financing of closing costs (including prepaid expenses)

Manufactured Housing: Down Payment Requirements

Down payment requirements, using borrower's own funds, are as follows:

LTV/CLTV	Property Type	Minimum Contribution from Borrower Own Funds
≥ 80.01% MI company guidelines apply	1-unit primary residence	A minimum contribution from borrower's own funds **not required**. All funds may be a gift.
	Second home	5% borrower contribution required*. Gifts may be used after the borrower own funds contribution is met.
≤ 80%	1-unit primary, second home	**Not required**. All funds may come from a gift.

* If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the previous 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the borrower contribution requirement as loan as both parties will occupy the subject property as their primary residence.

- Gift funds, from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements, for both conforming and high balance loan amounts, as long as the borrower meets the minimum contribution requirements detailed above. Refer to the Gift Funds topic for complete gift funds requirements.

Manufactured Housing: **Purchase Transactions LTV/CLTV Ratios**	A purchase transaction may be used to finance the purchase of the manufactured home or the manufactured home and the land. The land may be previously owned by the borrower, either owned free and clear or subject to a mortgage that will be paid off with the proceeds of the new purchase money loan. The borrower does **not** receive any cash back on a purchase transaction **New Manufactured Home** The LTV/CLTV for a newly built manufactured home is based on the **lower of**: • The sales price of the manufactured home **plus**: - The lowest sales price at which the land was sold during that 12 month period if the land was purchased in the 12 months prior to the loan application date, **or** - The current appraised value of the land if the land was purchase more than 12 months prior to the loan application date **OR** • The "as completed" appraised value of the manufactured home and land **Existing Manufactured Home** The LTV/CLTV for a manufactured home that already exists on its foundation will be based on the **lower of**: • The sales price of the home and the land, **or** • The current appraised value of the home and the land, **or** • If the home was built in the 12 months prior to the loan application date, the lowest price at which the home was previously sold during that 12 month period **plus** the **lower of**: - The current appraised value of the land, **or** - The lowest price at which the land was sold during that 12 month period (if applicable)
Manufactured Housing: **Limited Cash-out Refinance Transactions LTV/CLTV Ratios**	A limited cash-out (rate/term) refinance involves the payoff of an existing mortgage secured by the manufactured home and the land (or existing liens if the home and land were encumbered by separate liens). Proceeds of the new loan may be used to: • Pay off the outstanding principal balance of the first lien secured by the home and land or liens if home and land encumbered by separate liens • Pay off of the outstanding principal balance of an existing subordinate lien if the lien was used to purchase the home and/or the land • Finance closing costs (including prepaid expenses), **and** • Provide cash back to the borrower not to exceed the **lesser of** 2% of the balance of the new loan or $2,000 The maximum LTV/CLTV is based on the **lower of**: • The current appraised value of the home and land, **or** • If the home was owned by the borrower for < 12 months from the loan application date **and**: - **Separate Liens**: If the home and land are secured by **separate liens**, the lowest price at which the home was previously sold during that 12-month period **plus** the **lower of** the current appraised value of the land, OR the lowest sales price at which the land was sold during the previous 12-months (if applicable) - **Single Lien:** If the home and land are secured by a **single lien,** the lowest price the home and land were previously sold during that 12-month period
Manufactured Housing: **Cash-out Transactions LTV/CLTV Ratios**	• A cash-out transaction involves the payoff of an existing first lien or liens if home and land encumbered by separate liens **or** allows the borrower to obtain a mortgage on a property without an existing lien and take equity out of the property that may be used for any purpose. • **To be eligible for a cash-out transaction the borrower must have owned both the home and the land for a minimum of 12 months prior to the date of the loan application.** • The maximum LTV/CLTV is based on the current appraised value of the home **and** land

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

Manufactured Housing: Legal/Closing Provisions	The loan must be secured by both the manufactured home and the land on which it sits and must be legally classified as real property under applicable state law. The owner of the home must own both the home and the land. The following also applies:
	ALTA Endorsement
	An American Land Title Association (ALTA) Endorsement 7, 7.1 or 7.2 or other endorsement allowing the home to be treated as real property is required and must be included in the loan file.
	Closing Instructions
	The following applies to closing instructions:
	• Closing instructions must be provided to the closing agent that instruct the agent to obtain the required documentation evidencing the home is affixed to a permanent foundation on the land; the certification of completion completed by the appraiser may also be evidence
	• If the home is located in a state that exempts the home from certificate of title requirements,
	• In states that allow for the elimination of the certificate of title, the closing instructions must instruct the closing agent to perform all necessary procedures to:
	    • Assure the certificate of title to the manufactured home is properly retired, and
	    • Provide the lender with documentation for the loan file
	Closing Protection Letter (CPL)
	An insured CPL is required for each mortgage securing the manufactured home. If an insured CPL is not available it must be documented in the loan file
	Certificate of Title
	Evidence of the surrender of the certificate of title, or evidence that no certificate was issued is required.
	NOTE: If applicable state law does not allow the surrender of the certificate of title, the lien must be indicated on the certificate
	Uniform Commercial Code (UCC)
	If state law requires a UCC filing in order to perfect a security interest in the home, the filing is required.
	Affidavit of Affixture
	The Affidavit of Affixture is the document that changes the manufactured home for personal to real property. An Affidavit of Affixture must be signed by the borrower and Homebridge indicating their intent the manufactured home be a permanent part of the real property securing the mortgage. The Affidavit must be notarized and recorded and a copy **must be** included in the loan file. Loans without the Affidavit are **ineligible**
	Limited Power of Attorney
	A Manufactured Housing Limited Power of Attorney signed by the borrower is required for any post-close items pertaining to the conversion of the home from personal to real property. Any post-closing documents must be included in the loan file.
	Security Instrument and Manufactured Home Rider
	The security instrument must:
	• Indicate that the manufactured home is an improvement to the land and an immovable fixture or similar language that the manufactured home will be treated as real property under applicable state law, **and**
	• Include a comprehensive description of the home and the land in the property section or on a separate, attached addendum. The description must include:
	• The serial number or VIN (required for each unit),
	• Make,
	• Model,
	• Size, and
	• Any other information required by applicable law to definitely identify the home.
	Chattel Lien
	Transactions with a chattel lien on the home and a mortgage lien on the property are **ineligible.** Must ensure chattel lien(s) have been removed (if applicable)

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

Loans with > 80% LTV, mortgage insurance is required and are subject to MI guidelines. The more restrictive of Homebridge or MI company guidelines apply. Links to review individual MI Company guidelines are provided below.
DTI > 45%: Specific overlays apply and vary by MI company. Overlays are detailed on the Homebridge MI Comparison chart located on the Homebridge website under “Reference Guides – General” on the Working with Us page.
Eligible MI products:
- Borrower paid mortgage insurance (BPMI). Monthly or single premiums are eligible.
- Lender paid mortgage insurance (LPMI). Single premium only.
Eligible MI options:
- Financed MI eligible for BPMI single premium
- Non-refundable
- Refundable (eligible with BPMI single premium only)
- Renewal type: Level/constant
Homebridge approved MI companies are:
- Arch
- Essent
- Enact (formerly Genworth)
- Radian
Non-traditional credit with DU “Approve/Eligible”
- Mortgage insurance must be obtained from one of the following MI providers:
  - Essent,
  - Genworth, or
  - Radian
Manufactured housing: MI must be obtained from Radian
Mortgage insurance coverage is determined by LTV and loan term as detailed below.

<table>
<tr><th colspan="5">Required MI Coverage</th></tr>
<tr><th rowspan="2">Loan Term</th><th colspan="4">LTV</th></tr>
<tr><th>80.01-85%</th><th>85.01 - 90%</th><th>90.01-95%*</th><th>95.01%-97%**</th></tr>
<tr><td>25/30 year</td><td>12%</td><td>25%</td><td>30%</td><td>35%</td></tr>
<tr><td>10***/15/20 year</td><td>6%</td><td>12%</td><td>25%</td><td>35%</td></tr>
</table>
*ARMs – maximum 90% LTV
** > 95% - see 95.01%-97% LTV topic for restrictions
***10 year term ineligible with 95.01%-97% LTV
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<tr><td>Mortgage Insurance – New York</td><td>
New York state statute supersedes Fannie Mae standard requirements for calculating the LTV used for determining the need for mortgage insurance. The following applies to loans secured by properties in New York:
Calculating the LTV to Determine if MI Required
The appraised value is always used to calculate the LTV ratio to determine whether or not mortgage insurance is required. If MI required determine coverage as outlined below.
Determining the Required Amount of MI Coverage
If mortgage insurance is required the lesser of the appraised value or the sales price is used to calculate the LTV ratio that determines the amount/percentage of mortgage insurance coverage required (see Required MI Coverage chart above for required coverage amounts by LTV/Loan Term)
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Mortgage/Rental History	• Per DU Findings however the mortgage /rental rating cannot have any ≥ 60 day lates in the previous 12 months NOTE: If DU allows any delinquencies a satisfactory explanation of the delinquency is required and is subject to underwriter review and acceptance Timeshares are **not** considered mortgage debt by Fannie Mae and are not subject to mortgage history requirements. Fannie Mae considers timeshares to be installment debt. • The credit report must reflect the most recent 12 months activity • Mortgage must be current for the month closing • Copies of rent checks are required to document rental payment history subject to DU Findings. In lieu of rent checks, at the underwriter's discretion the following may be acceptable: - A direct verification of rent (VOR) provided by a professional management company, or - Copies of money orders **Forbearance Plan Policy** The policy below applies to the subject property and to any other real estate mortgage loan where the borrower is in a forbearance plan, **<u>Subject Property Lien (Loan being Refinanced) and is Current</u>** • If the borrower is current **and** has not missed a payment, the loan is **eligible** **<u>Other REO OR Subordinating Second Lien and is Current</u>** • The loan is eligible if the borrower is current **and** has never missed a payment, **and** • Written evidence, **provided directly from the servicer**, confirming the forbearance plan has been withdrawn, closed or cancelled prior to the closing of the new subject loan required. NOTE: Documentation must be obtained for loans in a forbearance plan **and** for loans where borrower inquired about forbearance and the servicer flags the inquiry **<u>Subject Property, Subordinating Second Lien, AND Other REO NOT Current/Missed Payment AND Loan is Brought Current (Reinstatement)</u>** • If the borrower has brought the loan current (aka reinstatement), **using their own funds**, the loan is eligible subject to: - The funds used to bring the loan current must be the borrower's **own funds <u>and</u>** must be **sourced and seasoned, and** - The borrower **cannot** have entered into a forbearance repayment plan or loan modification agreement, **and** - Proceeds from a refinance cannot be used to bring the loan current or, if cash-out, to reinstate the mortgage on other REO, **and** - The payoff cannot include any deferred or missed payments - **Other REO or Subordinating Second ONLY**: Written evidence must be provided **directly from the servicer** confirming that the forbearance plan has been with withdrawn or otherwise close out/canceled prior to closing of our new Homebridge loan **<u>Subject Property AND Other REO NOT Current/Missed Payment AND Borrower in Forbearance Repayment Plan, Loan Modification, Payment Deferral, or Other Loss Mitigation Solution</u>** • The following applies to loans in a repayment plan, had a loan modification, payment deferral or any other loss mitigation solution. - The loan is eligible if the borrower has made three (3) on-time payments per the applicable agreement - When the above requirement is met for the existing mortgage being refinanced, the new loan amount may include the full amount required to satisfy the existing mortgage NOTE: The borrower is only required to have made the three (3) consecutive payments; completion of the applicable plan is not required

Non-Arm's Length or Identity of Interest Transactions	• A non-arm's length transaction is a purchase transaction where the is a relationship or business affiliation between the buyer and seller of the property • Non-arm's length transactions are eligible for re-sale properties on all occupancy types. • When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-arm's length transactions on new construction properties are ineligible if the property is a second home or investment. • An identity of interest transaction involves parties who are not related and do not have close personal ties, however they have a strong interest in the transaction. Identity of interest transactions are eligible on owner-occupied transactions, however additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.
Occupancy	• 1-4 unit owner-occupied primary residence - A borrower who is a service member and is unable to occupy the property, as required by the security instrument, because they are currently on active duty, are eligible subject to the following: - A copy of the borrower's military orders must be obtained, and - The military orders must indicate the borrower will be absent from the subject primary residence property as of the date the owner-occupancy must be established as required by the security instrument (generally 60 days from loan closing) • 1 -unit second home. Property must be occupied by the borrower for some portion of the year and be suitable for year-round occupancy. Additionally, the property cannot be subject to any agreements that give a management firm control over the property, be a timeshare or a rental property. NOTE: Second home properties where rental income is received are eligible as long as the rental income is **not used** for qualifying **and** all other second home property requirements are met • 1-4 unit investment (non-owner occupied). Investment ineligible when secured by manufactured home
Power of Attorney	A durable Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions **only** subject to all of the following: • Must be specific to the transaction • Must include the borrower name, property address and loan amount • The POA must be fully executed and notarized • The borrower must sign the application and disclosures • Homebridge to review and approve prior to loan closing • The POA must be recorded along with the mortgage. NOTE: **A POA is ineligible on a cash-out transaction, no exceptions**
Prepayment Penalty	Not permitted
Products	• **Fixed Rate**: 10, 15, 20, 25, and 30 yr (10 year conforming loan amounts only and ≤ 95% LTV) - A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 temporary buydown feature eligible on fixed rate purchase transactions; refer to the Temporary Buydown topic for complete eligibility requirements • **ARMs** (temporarily unavailable) 5/6, 7/6, and 10/6; Index: SOFR 30-Day Average - Margin: 3.00 - 5/6 ARM; Caps 2/1/5; qualified at the greater of the fully indexed rate **or** the Note rate plus 2% - 7/6 and 10/6 ARM; Caps: 5/1/5; qualified at the greater of the fully indexed rate or Note rate. **Reminders:** • **97% LTV eligible for fixed rate only with 15, 20, or 30 year loan term** • **Manufactured home transactions:** - **Fixed rate only** - **Cash-out 15 or 20 year term only; > 20 year loan term ineligible**

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<td>Properties – Eligible</td>
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Single family residence
2-4 units
PUDs (attached/detached)
Condominium (attached/detached), Fannie Mae warrantable
Leaseholds meeting all Fannie Mae requirements including Fannie Mae’s first-lien enforceability. The lease must extend a minimum of 5 years beyond the mortgage maturity.
Community Land Trusts meeting all Fannie Mae requirements. 1-2 unit primary residence only; manufactured ineligible. The ground lease must extend a minimum of five (5) years beyond the mortgage maturity
Modular/prefabricated properties 1-unit only. Factory built but not built on a permanent chassis; built on site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems.
Multi-wide (double/triple) manufactured home that is a minimum of 20 feet wide. Owner-occupied primary residence and second home only (excluding manufactured homes on leasehold estates; manufactured homes on leasehold estates are ineligible). Manufactured homes also ineligible on transactions where none of the borrowers have a credit score
Group Home: A group home is a residential structure utilized for occupancy by persons with disabilities, irrespective of familial relationship; they are not considered a boarding house. Fannie Mae allows group homes to be submitted under all occupancy types, depending on the occupancy status of the borrower(s)

If a group home transaction is structured as a second home, the transaction is eligible as long as any income received is not used for qualifying AND all other Fannie Mae requirements for second homes, including occupancy, are met
A group home transaction that is structured as an investment property is eligible including when it is currently leased or will be leased to a business entity. All borrowers must be individuals.

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Properties – Eligible Condominiums	• Project review must be completed within 180 days prior to the Note date.
	• Projects with Fannie Mae PERS approval or projects with a project acceptance certification through CPM are eligible if documentation of the PERS or CPM acceptance is provided.
	• Fannie Mae Limited Reviews are eligible for established projects subject to Fannie Mae guidelines. When a Limited Review is performed, the following LTV restrictions (**all states except Florida**) apply:
	  - Owner occupied maximum LTV 90%
	  - Second home and investment maximum LTV 75%
	• A project review may be waived on rate/term refinance transactions **when the loan being refinanced is owned by Fannie Mae and all** of the following requirements are met:
	  - The LTV is ≤ 80% (the CLTV may be higher), **and**
	  - The project has the required project-related property and flood insurance (if applicable) coverage, **and**
	  - The project is not an ineligible project per Fannie Mae guidelines. Refer to the Ineligible Condominium and Attached PUD Project Characteristic Reference Guide for a list of ineligible project types
	• A project review may also be waived on a site condo the meets Fannie Mae requirements. Fannie Mae defines a site condo as a detached condo in a condo project that meets all of the following:
	  - The project:
	    - Consists of all single- family detached units and the owners own the land and improvements, **and**
	    - Has minimal common elements (e.g. signage, undeveloped green space), **and**
	    - Does not own any common amenities including, but not limited to, swimming pool, fitness or recreational facility, playground, laundry facility, or clubhouse, **and**
	    - Does not own or is not responsible for maintaining its own roads, street signage, electricity, water, sewage, and snow or garbage removal, **and**
	    - Has minimal or no involvement with an HOA, including little or no dues, no special assessments, and no road, amenity or common element maintenance, **and**
	    - Requires unit owners to carry their own individual hazard insurance, liability, flood, and/or any other applicable insurance required.
	• Established projects with an FHA approval are eligible
	• Two-to-four unit condo projects do not require a review however the project must be an eligible project as defined by Fannie Mae and Fannie Mae insurance requirements must be met.

Properties – Eligible Condominiums (cont.)	• Projects where the HOA (or developer if not turned over to the HOA) is a party to litigation, arbitration, mediation or other dispute are only eligible in the following circumstances:
	  - The litigation amount is known, the insurance company has committed to providing defense, and the litigation amount is covered by the insurance policy, or
	  - The litigation/arbitration involves non-monetary neighbor disputes regarding the rights of enjoyment, or
	  - The HOA is the plaintiff in the litigation but it can be determined that the matter is minor in nature with insignificant impact to the financial status of the condo project.
	• **Florida Specific**
	  - New condo projects require PERS approval
	  - Established Project Review is eligible for established projects
	  - Limited Review for established condo project eligible as follows:
	    - Maximum 75%/90% LTV/CLTV for owner-occupied
	    - Maximum 70%/75% LTV/CLTV for second home and investment
	Significant Deferred Maintenance/Unsafe Conditions: Projects with 5+ Units
	The following applies to projects **with five (5) or more attached units**, regardless of the type of project review or review waiver
	Fannie Mae will **no longer** purchase loans secured by a condo in project with:
	• Significant deferred maintenance, **or**
	• A directive from a regulatory authority or inspection agency for the project to make repairs due to unsafe conditions, **or**
	• A project that has failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or recertifications
	Significant deferred maintenance includes deficiencies that meet one or more of the following:
	• Full or partial evacuation of the building to complete repairs is required for more than 7 days or for an unknown timeframe, **or**
	• The project has deficiencies, defects, substantial damage, or deferred maintenance that:
	  - Is severe enough to affect the safety, soundness, structural integrity, or habitability of the project, **and/or**
	  - The project needs substantial repairs and rehabilitation, including many major components, **and/or**
	  - Impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements (e.g. foundation, roof, load bearing structures, electrical system, HVAC, or plumbing)
	Projects will **remain ineligible** until the required repairs have been made and the repairs documented. Acceptable documentation, showing repairs have been completed in a manner that resolves the building's safety, soundness, structural integrity, or habitability concerns, includes:
	• An engineering or inspection report, **or**
	• Certificate of occupancy, **or**
	• Other substantially similar documentation
	Special Assessments: Projects with 5+ Attached Units
	If the project has any current or planned special assessment, **even if paid in full for the subject unit**, the Homebridge underwriter must review the assessment for acceptability. The following documentation is required and must be retained in the loan file:
	• The reason for the special assessment, **and**
	• The total amount assessed and the repayment terms, **and**
	• Documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project, **and**
	• Borrower qualification with any outstanding special assessment payment
	Additionally, the following applies:
	• The financial documents, confirming the association has the ability to fund any repairs, must be obtained
	• If the special assessment is related to safety, soundness, structural integrity, or habitability, all related repairs must be fully completed, or the project is **ineligible**
	• If the appraiser is unable to determine that there is no adverse impact, the project is **ineligible**

<table>
<tr><td>Properties - Ineligible</td><td>

Non-warrantable condominiums
Condo projects with significant deferred maintenance/unsafe conditions
New or newly converted condominium projects in Florida without a PERS approval
Condominiums < 450 square feet
Cooperative projects
Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions)
Unique properties
Bed and breakfast properties
Boarding houses
Properties in Hawaii located in lava zones 1 or 2.
Agricultural-type properties, farms, orchards, ranches
Properties zoned for agricultural use
Rural property > 10 acres
Commercial property
An investment property secured by a manufactured home
Single wide manufactured/mobile homes
Manufactured home:

- Located on a leasehold estate

- Located in a condo project

- Located in senior projects

- Involving trade equity or traded manufactured home

- Moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site

- With a temporary buydown
</td></tr>
<tr><td>Property Acquired at Auction</td><td>If the subject property is purchased at auction, the combination of the buyer’s premium and the winning bid may be used to calculate the final sales price. The lesser of the final sales price or appraised value is used to determine the LTV/CLTV

NOTE: The amount of the buyer’s premium should be common and customary for a typical auction transaction.</td></tr>
<tr><td>Property Flips</td><td>Eligible subject to underwriter review.
Property flips are subject to:

- Appraisal must support any value increases. Additional documentation may be required and a desk review or second appraisal may be required at underwriter discretion.

- Borrower must have excellent credit history, employment history, savings pattern, etc.</td></tr>
<tr><td>Property with an Accessory Dwelling Unit (ADU)</td><td>Accessory Dwelling Units (ADU)
Overview
An ADU is defined as an additional living area independent of the primary dwelling that has been added to, created within or detached from a primary 1-unit dwelling. The ADU must provide for living, sleeping, cooking, and bathroom facilities and be located on the same parcel as the primary 1-unit dwelling. The ADU may be site built or factory built (i.e. manufactured).
ADUs include, but are not limited to:
A living area over a garage or in a basement, a small addition to the primary dwelling, a manufactured home that is real property, etc.
NOTE: If the ADU is a manufactured home it must meet the manufactured home requirements stated in this guideline and the primary dwelling must be site-built
(cont. on next page)</td></tr>
</table>

<table>
<tr><td>Property with an Accessory Dwelling Unit (ADU) (cont.)</td><td>
Accessory Dwelling Unit (ADU) cont.
The following applies to ADUs:

The primary unit must be a 1-unit SFR; ineligible with a 2-4 unit property. The appraiser determines the eligibility based on the appraiser’s analysis of the characteristics of the property.
The ADU must be smaller in size than the primary dwelling
The ADU must have all of the following separate features:

Means of ingress/egress. The ADU may include access to the primary dwelling, however it is not considered an ADU if it can only be accessed through the primary dwelling or the ADU area is open to the primary dwelling with no expectation of privacy
A kitchen, that contains at minimum, cabinets, countertops, sink with running water, and a stove or stove hookup (hotplates, microwaves, etc. not acceptable) An independent second kitchen alone does not constitute an ADU and the removal of a stove does not change the ADU classification
A sleeping area,
Bathroom facilities and bathing area

Legal ADU Appraisal Requirements

The appraisal must indicate the improvements are typical for the market, and
The appraiser must describe the unit and analyze any effect the accessory unit has on the value or marketability of the subject property, and
An aged, closed sale is acceptable as a comparable and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability, and
The borrower must qualify for the mortgage without considering any rental income for the legal accessory unit, and
There is only one (1) accessory unit; multiple accessory units are ineligible

Illegal ADU Appraisal Requirements
If the ADU is not allowed under zoning (not allowed in any circumstance) the property is eligible subject to the following additional conditions:

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 two (2) comparable properties that have the same illegal use, OR
If recent sales are not available, a minimum of three (3) closed sales with the same illegal use are acceptable, 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, and
There is only one (1) accessory unit; multiple accessory units are ineligible.

</td></tr>
<tr><td>Property with an Addition without Permits</td><td>
If the appraiser identifies an addition that does not have the required permits the following is required:

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.

</td></tr>
<tr><td>Property with an Illegal Conversion</td><td>
Properties with an illegal conversion (e.g. garage converted to office/bedroom, screened in porch converted to laundry room, etc.) are eligible 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).
NOTE: In cases where the illegal conversion would be considered an accessory unit (living space, bathroom and kitchen) the conversion is subject to the guidelines under the “Illegal Accessory Unit” topic above.
</td></tr>
</table>

Property with Solar Panels	**Ownership** Solar power ownership or financing structures include: • Borrower-owned panels, • Leasing Agreements, • Separately financed solar panels (the panels serve as collateral for debt distinct from any existing mortgage) or • Power Purchase Agreements (PPA) **Requirements** • Title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to Homebridge • 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. financed and collateralized or 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 must meet all of Fannie Mae requirements • Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be repossessed in the event of default on the associated financing • Fannie Mae requirements vary by the type of financing and collateralization or if subject to a PPA: - Solar panels that are financed and collateralized and the panels are collateral for separate debt used to purchase the panels **but are a fixture to the property** due to a Uniform Commercial Code (UCC) fixture filing the following applies: ▪ Homebridge will review the credit and title report, appraisal and or UCC fixture filing, promissory note and security agreement that reflect the terms of the secured loan ▪ The debt is included in the DTI, ▪ The solar panels are considered in the value of the property **as long as** the solar panels cannot be repossessed for default, ▪ The solar panels are included in other debt secured by the real estate in the CLTV calculation (because of the UCC filing). If the UCC filing is in the land records as a priority senior lien to the mortgage, **it must be subordinated**, **OR** - Solar panels are financed and collateralized and the panels are collateral **for separate non-mortgage debt** used to purchase the panels but **do not** appear on the title report, ▪ Documentation to confirm the terms of the secured loan (credit report, title, UCC financing statement, promissory note or related security agreement) must be provided ▪ The debt is included in the DTI, ▪ The solar panels cannot have any contributory value to the property ▪ The panels are not included in the LTV calculation, ▪ The debt is not included in the CLTV calculation (the panels are considered personal property not affixed to the home) **OR** - Solar panels that are leased or owned under a PPA are subject to: ▪ A copy of the lease or PPA must be provided ▪ The solar panels cannot be included in the appraised value, ▪ The value of the solar panels is not included in the LTV, even if a precautionary UCC filing is recorded, because the documented lease or PPA status takes priority ▪ The value of the solar panels is not included in other debt secured by real estate in the CLTV calculation because the documented lease or PPA status takes priority ▪ The property must maintain access to an alternate source of electric power that meets community standards.

Property with Solar Panels (cont.)	▪ **The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation, 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 <u>be excluded</u> 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 **or** verification that the owner of the solar panels **is not named loss payee** (or named insured) on the property owner's property insurance policy; **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 **Uniform Commercial Code (UCC)** • A UCC financing statement that covers personal property and is not intended as a "fixture filing" must be filed in the office identified in the applicable state's adopted version of the UCC • A "fixture filing" is a UCC-1 financing statement authorized and made in accordance with the UCC adopted in the state where the property is located. A fixture filing: - Covers property that is, or will be, affixed to improvements such as real property - If contains both a description of the collateral that is/will be affixed to the property and a description of the property - Is filed in the same office that mortgages are recorded - Filed in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture - If properly filed, the security interest in the described fixture, **has priority over the lien of a subsequently recorded mortgage** **PACE/HERO Financing** If the solar panels are financed with a PACE/HERO loan the transaction is ineligible unless the PACE/HERO financing is paid in full prior to or at closing

Refinance Transactions	• **Rate/Term Refinance**: Properties listed for sale must be taken off the market on or before the disbursement date of the new loan **and** borrower must provide written confirmation of their intent to occupy the property (primary residences only require intent to occupy property confirmation) - A rate/term refinance transaction will have a seasoning requirement if a cash-out refinance was completed on the subject property within the previous 30 days - A 30 day seasoning requirement applies measured from the Note date of the cash-out transaction to the application date of the rate/term refinance - **Construction-to-Perm Two-Closing Transactions:** The payoff of a construction loan, **plus documented** construction cost overruns, may be included in the new loan amount on a rate/term refinance. **The construction cost overruns must be paid directly to the builder at loan closing** • **Cash-Out Refinance:** Properties listed for sale in the 6 months prior to the disbursement date must be taken off the market on or before the disbursement date of the new loan. • Cash-out transactions require a minimum 6 months title seasoning (6 months from close date or previous transaction to disbursement date of the new loan) except as follows: - Delayed financing guidelines are met (refer to the Delayed Financing topic), or - The borrower inherited or was legally awarded the property (divorce, separation or dissolution of domestic partnership). **NOTE:** 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. The property **must be taken out of the LLC prior to disbursement of the new loan funds** • **Delayed Financing** - Borrowers who purchased the subject property within the past six months (purchase date to disbursement date of the new loan) are eligible for a cash-out refinance when no financing was obtained for the purchase transaction and **all** of the following requirements are met: - The borrower must have initially purchased the property as one of the following: - A natural person, - An eligible inter vivos revocable trust, where the borrower established that trust and is the beneficiary of the trust, - An eligible land trust where the borrower is the beneficiary of the land trust, or - An LLC or partnership in which the borrower(s) have 100% ownership (individual or joint); **and** - The new loan amount cannot exceed the actual documented amount of the borrower's initial investment to purchase the property plus the financing of closing costs, prepaid fees, and points (subject to the maximum LTV/CLTV ratios for a cash-out transaction based on the current appraised value); **and** - The purchase transaction was an arms-length transaction; **and** - The CD from the original transaction is required to confirm that there was no mortgage financing used to obtain the property; **and** - The source of the funds used to purchase the property can be documented (i.e. bank statements, personal loan documents, HELOC against another property) and were the borrower's own funds; **and** NOTE: If gift funds were used to purchase the property, they may not be reimbursed with the proceeds from the new loan. - The preliminary title documentation must not indicate any existing liens on the subject property. If the source of the funds to acquire the property was an unsecured loan or secured by an asset other than a subject property (e.g. HELOC), the CD for the refinance transaction must reflect that **all** cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property; **and** - An "Approve/Eligible" Finding from DU is required and the transaction must meet all other cash-out eligibility requirements.

Refinance Transactions (cont.)	**Financing Real Estate Taxes –** the following applies when real estate taxes are financed: • **Limited Cash-Out (Rate/Term) Refinance:** - **Non-delinquent (≤ 60 days past due) Property Taxes**: Non-delinquent property taxes may be included in the loan amount on a rate/term refinance transaction subject to: - The property taxes must be paid in full through the transaction, and - The property tax payment must be paid directly to the taxing authority through closing; the borrower cannot receive any funds required to pay the property tax - **Delinquent (> 60 days past due) Property Taxes**: **Ineligible** for a rate/term refinance; must be a cash-out transaction (see below for requirements) • **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.
Refinance Transactions – Cash-out to Payoff Student Loans	A cash-out refinance obtained specifically to pay off student loan debt is eligible subject to **all** of the following: • At least one student loan must be paid off in full with the proceeds from the loan, **and** • The cash-out loan proceeds must be paid directly to the student loan servicer, **and** • The borrower must be personally obligated on the student loan being paid through the transaction, **and** • Maximum cash back to the borrower is 2% or $2,000, **and** • The property cannot be listed for sale at time of disbursement, **and** • Payoff of taxes is ineligible unless an escrow account is established, **and** • Payoff of delinquent taxes is **ineligible** Standard cash-out LTV/CLTV ratios apply. The LLPA applied to cash-out transactions will be **waived** when **all** of the above stated requirements are met. **NOTE:** Proceeds from the cash-out to payoff student loans transaction may only be used to pay off student loan(s) and the first lien/subordinate lien used to purchase the property. If proceeds from the transaction are used to pay down/off any **non-mortgage debt** the transaction will be considered a standard cash-out and the LLPA will be applied
Reserves	• Reserves are per DU Findings • When the borrower has multiple financed properties, refer to the Financed Properties topic for detailed information on determining the amount of reserves required. **Acceptable Sources of Reserves**: • Checking/savings accounts, • Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts • Vested amount in retirement accounts, and • Cash value of a vested life insurance policy **Unacceptable Sources of Reserves** • Cash-out proceeds from a cash-out refinance transaction on the subject property • Interested party contributions, • Personal unsecured loans, • Stock options and non-vested restricted stock • Stock held in an unlisted corporation, • Funds that have not been vested, • Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination, or death.
Seller Contributions	Refer to the Interested Party Contributions topic for seller contribution limits

<table>
<tr><td>Subordinate Financing</td><td>

Eligible subject to the CLTV limits on the matrix located on pages 1 and 2. Max CLTV is 105% for a fixed rate owner-occupied property with a Community Second.
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 (with the exception of employer subordinate financing that has deferred payments)
Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new fist mortgage
Subordinate financing that has a prepayment penalty

If using a Community Second, program must be currently approved by Homebridge. Refer to the Approved DPA/Community Program list located under Working With Us on the Homebridge website at www.homebridgewholesale.com for eligible programs. All Fannie Mae Community Seconds requirements must be met.
PACE/HERO financing is ineligible subordinate financing

</td></tr>
<tr><td>Temporary Buydowns</td><td>
Temporary buydowns allow the borrower to lower their monthly mortgage payment for a limited time through a temporary buydown of the initial interest rate
The temporary buydown feature is subject to the following:

Fixed rate purchase transactions only
1-4 unit primary residence and 1-unit second home; investment and manufactured homes ineligible
Seller funded buydowns only
Interested party contribution limits apply
Buydowns are qualified at the Note rate
A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 buydown available
Buydown funds are deposited into an escrow account and the Servicer will disburse funds from the escrow account each month to make the full mortgage payment

Example of a 2/1 Buydown

Initial Note Rate: 5%
First Year: Interest rate is 3% (2% lower than initial)
Second Year: Interest rate is 4% (1% lower than initial)
Third Year: The initial Note rate of 5% is in place for the remainder of the loan term

Example of a 3/2/1 Buydown

Initial Note Rate: 5%
First Year: Interest rate is 2% (3% lower than initial)
Second Year: Interest rate is 3% (2% lower than initial)
Third Year: Interest rate is 4% (1% lower than initial
Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

Example of a 1/1/1 Buydown:
The Interest rate is 1% below the Note rate for the first 3-years of the loan

Initial Note Rate: 5%
First Year: Interest rate is 4% (1% lower than initial)
Second Year: Interest rate is 4% (1% lower than initial)
Third Year: Interest rate is 4% (1% lower than initial
Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

<table>
<tr><th colspan="2">Eligible Transactions Quick Reference Guide</th></tr>
<tr><th>Transaction Types</th><th>Eligible</th></tr>
<tr><td>Fixed rate</td><td>Yes</td></tr>
<tr><td>ARM</td><td>No</td></tr>
<tr><td>Primary residence (1-4 units)/Second Home</td><td>Yes</td></tr>
<tr><td>Investment</td><td>No</td></tr>
<tr><td>Purchase transactions</td><td>Yes</td></tr>
<tr><td>Refinance transactions</td><td>No</td></tr>
<tr><td>Manufactured</td><td>No</td></tr>
<tr><td>Texas Equity</td><td>No</td></tr>
</table>
</td></tr>
</table>

Texas Section 50(a)(6) (Texas Equity)	A Texas Section 50(a)(6) loan (aka Texas Home Equity) is a cash-out refinance. A current Texas equity loan may be refinanced as a rate/term refinance subject to specific requirements. See requirements specific to a Texas Equity Being Refinanced as a Rate/Term Transaction topic. The following applies: • Cash-out refinance • Owner-occupied primary residence classified as a homestead under Texas law • All borrowers must reside in the home • Non-occupant co-borrowers are not allowed • Maximum 80% LTV/CLTV • Subordinate financing not allowed (all liens must be paid in full by refinance transaction) • 1-unit single family residence, PUD or condo • "Approve/Eligible" DU Finding required • Maximum of 10 acres, no exceptions. Land that is taxed as agricultural is eligible NOTE: The borrower cannot obtain an agricultural designation **after** they have originated a Texas equity loan (state of Texas restriction) • Maximum 2% fee limitation for all closing costs, fees and charges. The following are excluded from the limitation: - Prepaid and bona fide discount points (discount points eligible if borrowers sign an "Election to Pay Discount Points" affidavit at closing), - Escrow reserves, - Insurance premiums, - Property taxes paid at closing, - Per diem interest - Homeowner's insurance, - Title insurance premium and endorsement fees, - Survey costs, and - Third party appraisal fees • Notice Concerning Extension of Credit required (aka "12 Day Disclosure"): - Borrower and non-borrowing spouse (if applicable) must sign the Notice Concerning Extension of Credit, - The loan cannot close until 12 days after the Notice was signed. • A survey is required • Loan must close at the closing agent's office; it cannot close at the borrower's home • Borrower must receive a copy of the final 1003 along with the CD for review a minimum of 24 hours prior to closing • All married parties, regardless if on the loan or not, must sign the Deed of Trust and Notice of Right to Cancel as Texas is a community property state • Borrower(s) cannot sign early (i.e. cannot sign before the date of the closing package). • Deed of Trust: Trustee must be completed on the Security Instrument (must be a Texas resident and is typically an attorney) • Property taxes are due yearly in December. Tax Certificates are generally provided. School, city, county and MUD taxes are common • Waiting periods: - The loan cannot close until the Notice Concerning Extensions of Credit (12 Day Disclosure) has been signed and received by Homebridge for 12 days. - The loan cannot close until 24 hours after the borrower(s) have signed the final CD Settlement Statement and the final 1003. - There is a 12 months seasoning requirement. The loan cannot close until a minimum of 12 months have passed after the closing of the previous loan. • There is a 3 day right of rescission period • Fixed rate only; ARMs ineligible

Texas Section 50(a)(6) (Texas Equity) cont.	**Texas Equity Being Refinanced as a Rate/Term Transaction** The following are specific requirements for a current Texas equity loan being refinanced as rate/term: • A minimum of one (1) year has passed since the home equity loan closed • Rate/term refinances are also limited to 80% CLTV • The borrower **cannot receive any cash at close** • The borrower must sign the Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan **within 3-days of loan application and a minimum of 12 calendar days prior to loan closing** (a new application will be required if Notice not signed within 3 days of application) NOTE: The state of Texas does not have a specific seasoning requirement for the refinance of a rate/term transaction; Fannie Mae requirements apply.
Transactions – Eligible	• Purchase • Limited cash-out refinance (rate/term) • Cash-out refinance
Transactions – Ineligible	• Any transaction without a DU “Approval/Eligible” Finding • Manual underwrites • High balance transactions with an LTV > 95% • Transactions with a non-occupant co-borrower with an LTV > 95% • Interest-only • Fannie Mae HomePath Renovation • Non-arm’s length transaction that involves new construction and the loan is secured by a second home or investment property • Refinance transactions where the property was listed for sale at time of loan disbursement. • Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after Feb. 8, 2011 and the fee collected does not directly benefit the property • Transaction with CA HERO program subordinate financing • Transactions that involve a property with a property tax deferral