Non-QM Elite Access Program

One The Elite Access program has three documentation options. An overview and option specific requirements are detailed on pages 2-22. General program guides begin on page 23

Full Doc, Bank Statement (12/24 months) and Asset Depletion [7]				
1-4 Unit Primary Residence [2]				
Transaction Type	**Credit Score**	**LTV/HCLTV [4,7]**	**Maximum Loan Amount [1]**	**DTI [6]**
Purchase and Rate/Term Refinance	740	90% [4,7]	$2,000,000	50%
	720	90% [4,7]	$1,000,000	50%
	720	85% [4,7]	$2,000,000	50%
	700	85% [4,7]	$1,000,000	50%
	680	80% [4,7]	$2,000,000	50%
	660	80% [4,7]	$1,000,000	50%
	660	60% [4,7]	$2,000,000	50%
Cash-Out [3,5]	660	80% [4,7]	$1,000,000	50%
	660	60%[4,7]	$2,000,000	50%
1-Unit Second Home				
Purchase and Rate/Term Refinance	680	80% [4,7]	$2,000,000	50%
	660	60% [4,7]	$2,000,000	50%
Cash-Out [3,5]	660	65% [4,7]	$1,000,000	50%
	660	60% [4,7]	$2,000,000	50%

Footnotes:

1. Minimum loan amount $100,000
2. First time home buyer 1-unit primary residence only and 0x30 in previous 12 months rental history required
   Refer to the First Time Home Buyers topic in the Borrowers – Eligible section for complete FTHB requirements
3. Maximum cash-out $1,000,000
4. An 5% reduction of the LTV is required when the property is located in a declining market when identified by the appraiser on the appraisal
5. Cash-out **ineligible on the following:**
   - Property is located in a declining market as determined by the appraiser
   - Asset Depletion option
6. Borrowers with significant derogatory credit, **maximum 43% DTI**. Refer to the Derogatory Credit topic for details
7. **Asset Depletion option: An LTV reduction of 10% applies to all LTVs**

Full Documentation Eligibility and Summary	
Full Documentation	
Overview	• The Full Doc program is available for both salaried and self-employed borrowers. • Fannie Mae guidelines apply to topics not addressed in the Full Doc Eligibility and Summary section or the Elite Access general Guidelines
Borrower's Income Type Eligibility	• Wage earner/salaried borrowers • Self-employed borrowers, defined as an individual who has a 25% or greater ownership interest in a business. The following must be considered when analyzing self-employed borrowers: - The stability of the income - The location and nature of the business - The demand for the product or service offered by the business - The financial strength of the business, and - The ability of the business to continue generating and distributing sufficient income that will allow the borrower to meet ATR requirements
4506-C	• A signed 4506-C and applicable tax transcripts (W-2, 1099, 1040) covering the number of years provided • 4506-C results must be validated against the income documentation • Broker provided processed 4506-C results are **not** eligible
Assets	Refer to the Assets topic in the general guidelines section for detailed requirements
Borrowers - Eligible	Refer to the Borrowers - Eligible topic for complete list of eligible borrowers and requirements
Debt-to-Income	• Maximum 50% DTI, **no exceptions**. Refer to the Debt to Income topic in the General Underwriting section for complete requirements • DTI cannot be rounded down to qualify
Derogatory Credit– Significant Events	• Refer to the Derogatory Credit topic in the General Underwriting section for details

Full Documentation Eligibility and Summary	
Full Documentation	
Documentation of Income	**Topics not addressed below, follow Fannie Mae requirements** **Wage Earner Requirements** • Paystub(s) covering 30 calendar days with YTD earnings dated no earlier than 30 calendar days prior to the initial loan application date **and** • The most recent 2-years W-2s, **and** • Two (2) years W-2 transcripts. 2-years W-2 transcripts may be provided in lieu of W-2s if W-2s not available. A written explanation must be provided explaining the W-2 was unavailable **NOTE**: Tax returns not required unless necessary to document additional factors (e.g. unreimbursed business expenses) • Written VOE is only acceptable to supplement/explain W-2/paystub income breakdown. A stand-alone WVOE is not allowed **Part-Time Income** Income from part-time employment is eligible for qualifying when documentation is provided the borrower has worked part-time uninterrupted for the prior 2-years and is expected to continue **NOTE**: **Part-time employment is defined as employment that supplements the borrower's regular employment income and is worked less than 40 hours per week. Part-time employment is not a primary job** • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 120 calendar days of the Note date), **and** • The most recent 2 years W-2s, **and** • W-2 transcripts for previous 2 years**, and** • Part-time income used for qualifying will be based on a 2-year average of the W-2s - Part-time income received < 2-years but no less than 18 months may be included in the qualifying income when documentation provided the income is likely to continue **Bonus and Overtime Income** Income received from bonus and/or OT income may only be used for qualifying income if it has been received for the prior 2-years • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 120 calendar days of the Note date), **and** • The most recent 2 years W-2s, **and** • W-2 transcripts for previous 2 years • Bonus income will be averaged based on 2-years receipt from the current employer; it cannot be combined with bonus income received from a previous employer • Overtime income will be averaged based on a minimum of 2-years previous receipt plus YTD from the **current** employer; it cannot be combined with OT received from a previous employer - Bonus and/or OT income received < 2-years but no less than 18 months may be included in the qualifying income when documentation provided the income is likely to continue **subject to HB management review and approval** - If the earnings trend is stable or increasing the income will be averaged. - If the earnings trend is declining, additional documentation may be required and is considered on a case-by-case basis. If used for qualifying, the current lower earnings will be used.

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income (cont.)

Commission Income

- Paystub(s) covering 30 calendar days with YTD earnings dated no earlier than 30 calendar days prior to the initial loan application date **and**
- The most recent 2-years W-2s, **and**
- Two (2) years tax returns required; **transcripts are not acceptable in lieu of tax returns**, **and**
- Commission income is averaged over the previous 2-years plus YTD period, **and**
- The portion of commission income must be clearly documented

Current Income	Required History of Receipt	Calculation
≥ 18 months with current employer	Minimum 18 months of earned commission from current employer. No prior history of commission income required	Average of full 18 months may be considered when no declining income
12 to 18 months with current employer	Minimum 24 consecutive months of earned commission income in the same line of work	**Earnings trend stable/increasing**: Income must be averaged over 24 months (12 months current/12 months previous) **Earnings trend declining:** If trend was declining but has since stabilized, only the current lower earnings may be used to qualify. The underwriter must provide strong reasons for using declining income
< 12 months with current employer	Ineligible	Ineligible

Self-Employed Borrower Requirements

- Two (2) years most recent tax returns, both personal and business, including all schedules
  NOTE: All K-1s must be obtained regardless of the percentage of ownership. Losses will be considered when calculating qualifying income
- Two (2) years most recent personal tax return transcripts for each borrower
  NOTE: Transcripts for business tax returns are not required
- YTD profit and loss (not required to be signed). Income from the P&L is not considered in the qualifying income calculation. The YTD P&L not required if the borrower has a small business loss equal to ≤ 5% of the total qualifying income
- YTD balance sheet (not required to be signed). Balance sheet not required if the borrower has a small business loss equal to ≤ 5% of the total qualifying income

Self-Employed Borrower Income Trend

- An earnings trend based on the previous 2-years tax returns based on the borrower's tax return required. The annual earnings must be stable or increasing. If the earnings show a significant decline the loan is ineligible.
- The income shown on the P&L from the most recent quarter may be included in the analysis, provided the income from the P&L is consistent with the previous years' earnings. Income from the P&L is not considered in the income calculation

(cont. on next page)

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income (cont.)

Self-Employed Borrower Income Trend (cont.)

- If quarterly tax returns are provided, the income analysis will include income through the period covered by the tax returns
- All business losses will be considered in the qualifying income calculation
- If the P&L for the current year indicates an income stream considerably greater than what is supported by the previous year's tax returns, the income analysis will be based solely on the income verified through the tax returns. Income from a YTD P&L is not considered in the income calculation
- If the income trend is declining and the most recent tax return or P&L is less than the prior year's tax return, the borrower's most recent year's tax return or P&L must be used to calculate the borrower's income

Sole Proprietorship (Schedule C Borrowers)	
Documentation Requirements	• Two (2) most recent years federal tax returns including all schedules signed and dated prior to date of loan closing • Two (2) years tax transcripts covering the tax returns provided by the borrower • If the borrower filed a tax extension, documentation of the extension and a copy of the tax transcript showing "no record found" must be provided and the prior two (2) years tax transcripts obtained**. A P&L and balance sheet for the tax year on extension that includes YTD is required** • A P&L and balance sheet is not required when a 2-year average of the Schedule C earnings from the most recent 2-years tax returns is being considered for qualifying with no downward income trend reflected from one year to the next • Self-employment must be verified by a third-party no later than 10 business days from loan closing. Acceptable verifications may come from: - A CPA, - Regulatory Agency, - Licensing bureau, or - Website

Analyzing Sole Proprietorship (Schedule C Borrowers)	
Adjustment Item	**Description of Adjustment**
Depreciation/ Depletion/ Amortization	Recurring depreciation/depletion/amortization may be added back to the qualifying income
Travel/Meals/ Entertainment Expenses	Non-deductible travel/meal/entertainment expenses are deducted from the adjusted gross qualifying income
Other Income/Loss	Non-recurring other income or loss is considered when calculating the qualifying income
Business Use of Home	Recurring business use of home expense may be added back to the qualifying income

<table>
<tr><td rowspan="16">Documentation of Income (cont.)</td><td colspan="2">Full Documentation Eligibility and Summary</td></tr>
<tr><td colspan="2">Full Documentation</td></tr>
<tr><td colspan="2">Corporation
(IRS Form 1120)</td></tr>
<tr><td>Documentation Requirements</td><td>

Two (2) years most recent federal personal tax returns with all applicable schedules, signed and dated prior to date of loan closing
Two (2) years tax transcripts covering the personal tax returns provided by the borrower
If the borrower filed a tax extension, documentation of the extension and a copy of the tax transcript showing “no record found” must be provided and the prior two (2) years tax transcripts obtained. A P&L and balance sheet for the tax year on extension that includes YTD is required
Two (2) years signed and dated federal business tax returns with all applicable tax schedules
Two (2) years most recent W-2s
YTD P&L and balance sheets are required for all businesses when the income is being used for qualifying
Exception: YTD P&L and balance sheets are not required if/when the borrower has a small business loss equal to 5% or less of the total qualifying income
Self-employment must be verified by a third-party no later than 10 business days from loan closing. Acceptable verifications may come from:
- A CPA,
- Regulatory Agency,
- Licensing bureau, or
- Website
</td></tr>
<tr><td>Percentage of Ownership</td><td>When the percentage of ownership is not clearly evident on the tax returns, documentation must be obtained from the corporation’s accountant that provides the percentage of ownership and includes if the borrower has the right to any compensation</td></tr>
<tr><td colspan="2">Analyzing Corporate Tax Returns
(IRS Form 1120)</td></tr>
<tr><td>Adjustment Item</td><td>Description of Adjustment</td></tr>
<tr><td>Percentage of Business Income</td><td>The borrower’s income from the corporation, the adjusted business income is multiplied by the percentage of ownership in the business</td></tr>
<tr><td>Depreciation/ Depletion/ Amortization</td><td>Depreciation/depletion/amortization is added back to the after-tax income</td></tr>
<tr><td>Travel/Meals/ Entertainment Expenses</td><td>Non-deductible travel/meal/entertainment expenses are deducted from the qualifying income in proportion to the borrower’s percentage of ownership</td></tr>
<tr><td>Other Income/Loss</td><td>Non-recurring other income or loss is considered, in proportion to the borrower’s percentage of ownership, when calculating qualifying income</td></tr>
<tr><td>Taxable Income</td><td>Taxable income is the corporation’s net income before federal taxes. The taxable income is reduced by the tax liability</td></tr>
<tr><td>Fiscal vs. Calendar Year</td><td>If the corporation operates on a fiscal year that is different from the calendar year, an adjustment will be made to relate corporate income to the individual tax return</td></tr>
<tr><td>Cash Withdrawals</td><td>Any cash withdrawals from the corporation will be considered in the income analysis</td></tr>
<tr><td>Mortgages/Notes/ Bonds Due and Payable Within the Tax Year</td><td>Any mortgages, notes, and bonds due within the tax year will be deducted from the borrower’s business income, unless documentation is provided to show the account(s) have been paid in full and closed</td></tr>
</table>

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income (cont.)

S Corporation (IRS Form 1120S)	
Documentation Requirements	• 2-years most recent personal federal tax returns, with all applicable schedules signed and dated prior to loan closing • 2-years tax transcripts covering the tax returns provided • If the borrower filed a tax extension, documentation of the extension and a copy of the tax transcript showing “no record found” must be provided and the prior two (2) years tax transcripts obtained**. A P&L and balance sheet for the tax year on extension that includes YTD is required** • 2-years most recent signed federal business tax returns with all applicable schedules • Most recent 2-years W-2s (if applicable) • Most recent 2-years K-1s • YTD P&L and balance sheets are required for all businesses when the income is being used for qualifying **Exception**: YTD P&L and balance sheets are not required if/when the borrower has a small business loss equal to 5% or less of the total qualifying income • Self-employment must be verified by a third-party no later than 10 business days from loan closing. Acceptable verifications may come from: - A CPA, - Regulatory Agency, - Licensing bureau, or - Website

Analyzing S Corporation Tax Returns (IRS Form 1120S)

Adjustment Item	Description of Adjustment
Depreciation/ Depletion/ Amortization	Depreciation/depletion/amortization is added back to the after-tax income
Travel/Meals/ Entertainment Expenses	Non-deductible travel/meal/entertainment expenses are deducted from the qualifying income in proportion to the borrower’s percentage of ownership
Other Income/Loss	Non-recurring other income or loss is considered, in proportion to the borrower’s percentage of ownership, when calculating qualifying income
Cash Withdrawals	Any cash withdrawals from the corporation will be considered in the income analysis
Mortgages/Notes/ Bonds Due and Payable Within the Tax Year	Any mortgages, notes, and bonds due within the tax year will be deducted from the borrower’s business income, unless documentation is provided to show the account(s) have been paid in full and closed
Evaluating Schedule K-1	• If the K-1 reflects a documented, stable history of receiving income via cash distributions from the business that are consistent with the level of business income being used to qualify, no further documentation required • If the K-1 does not document a stable history of receiving income via cash distributions from the business, the following is required when income is used for qualifying: - The borrower can document their access to the income (e.g. partnership agreement/corporate resolution), **and** - The business has adequate liquidity to support the withdrawal of earnings

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income (cont.)

Partnership (IRS Form 1065)	
Documentation Requirements	• 2-years most recent personal federal tax returns, with all applicable schedules signed and dated prior to loan closing • 2-years tax transcripts covering the tax returns provided • If the borrower filed a tax extension, documentation of the extension and a copy of the tax transcript showing “no record found” must be provided and the prior two (2) years tax transcripts obtained**. A P&L and balance sheet for the tax year on extension that includes YTD is required** • 2-years most recent signed federal business tax returns with all applicable schedules • Most recent 2-years W-2s (if applicable) • Most recent 2-years K-1s • YTD P&L and balance sheets are required for all businesses when the income is being used for qualifying **Exception**: YTD P&L and balance sheets are not required if/when the borrower has a small business loss equal to 5% or less of the total qualifying income • Self-employment must be verified by a third-party no later than 10 business days from loan closing. Acceptable verifications may come from: - A CPA, - Regulatory Agency, - Licensing bureau, or - Website

Analyzing Partnership Tax Returns (IRS Form 1065)

Adjustment Item	Description of Adjustment
Depreciation/ Depletion/ Amortization	Depreciation/depletion/amortization is added back to after-tax income
Travel/Meals/ Entertainment Expenses	Non-deductible travel/meal/entertainment expenses are deducted from the qualifying income in proportion to the borrower’s percentage of ownership
Other Income/Loss	Non-recurring other income or loss is considered, in proportion to the borrower’s percentage of ownership, when calculating qualifying income
Cash Withdrawals	Any cash withdrawals from the corporation will be considered in the income analysis
Mortgages/Notes/ Bonds Due and Payable Within the Tax Year	Any mortgages, notes, and bonds due within the tax year will be deducted from the borrower’s business income, unless documentation is provided to show the account(s) have been paid in full and closed
Evaluating Schedule K-1	• If the K-1 reflects a documented, stable history of receiving income via cash distributions from the business that are consistent with the level of business income being used to qualify, no further documentation required • If the K-1 does not document a stable history of receiving income via cash distributions from the business, the following is required when income is used for qualifying: - The borrower can document their access to the income (e.g. partnership agreement/corporate resolution), **and** - The business has adequate liquidity to support the withdrawal of earnings • For guaranteed payments to partners, a 2-year history required

Full Documentation Eligibility and Summary	
Full Documentation	
Documentation for Other Real Estate	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.

Employment	**Wage Earner/Salaried Borrowers**
	• Wage earner/salaried borrowers, two (2) full years employment required
	  - If the borrower was in school or the military for the most recent two (2) full years are acceptable if transcripts or military discharge papers are provided
	• Borrowers with an absence or gap in employment greater than 120 days must provide evidence they have returned to work for a minimum of 30 days
	  - Borrower's new employment must be documented with a paystub(s covering the 30 day period
	  - The borrower must document a 2-year work history prior to the absence or gap from employment
	• Borrowers with an offer letter/employment contract that is fully executed by borrower and employer are eligible. The offer letter cannot contain any contingencies. The borrower is qualified using the projected income documented on the offer letter/contract. The following applies:
	  - The contract (including employment agreements/offer letters) must contain the employment start date, length of employment, and salary) The contract terms should be reasonable to the position
	  - The borrower will start employment or begin receipt of the income **within 60 days** of loan closing
	  - A paystub from the borrower supporting the income used for qualifying must be provided once the borrower begins employment, and
	  - The borrower must have sufficient income or cash reserves to support the mortgage payment and any other obligations between loan closing and the start of employment
	Self-Employed Borrowers
	• Self-employed borrowers (defined as an individual who has a 25% or greater ownership interest in a business) or receives 1099s to document income. Self-employed borrower generally require a minimum of 2 years self-employment.
	NOTE: 1-2 years self-employment may be considered on a case-by-case basis, **subject to Homebridge management review and approval,** with 2 years previous employment in the same line of work or related occupation OR a combination of one year employment and formal education or training in the line of work the individual is self-employed in or a related occupation. Less than 1-year self-employment is **not eligible**

Gift Funds	Eligible; refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Not allowed
Income – General	Fannie Mae manual underwriting policy applies to the following income sources: • Automobile Allowance • Disability Income (long-term) • Employer Differential Payments • Foster Care Income • Government Annuity/Pension Income • Housing or Parsonage Allowances • Military Income • Mortgage Credit Certificates • Non-taxable Income • Notes Receivable Income • Public Assistance • Royalty Payment Income • Social Security Income • Temporary Leave/ • Short Term Disability • Tip and Gratuity Income • Trust Income

Full Documentation Eligibility and Summary	
Full Documentation	
Income – Alimony, Child Support, and Maintenance Payments	Income received from alimony, child support, and/or maintenance payments is eligible subject to the following: • A copy of the final divorce decree, legal separation agreement, court order, or voluntary payment agreement must be provided. • The income must continue for a minimum of 3 years from the closing date of the loan • Child support income may be "grossed up" subject to Fannie Mae non-taxable income policy • One of the following must be provided to document receipt for the previous 12 months: - Cancelled checks, - Deposit slips, - Tax returns, or - Court records **NOTE:** Receipt of income for less than 12 months, but no less than 10 months is acceptable, subject to Homebridge management review and approval, if documentation of on-time pay history is provided. There can be no evidence of late/missed payments
Income – Capital Gains and Losses	Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. • Tax returns for the previous 3 years must be reviewed to determine the earnings trend • If the trend results in a gain, it may be added as effective income • **If the trend consistently shows a loss, it must be deducted from the total income** • Borrowers must have a documented asset base to use capital gains on an on-going basis. **NOTE:** A one-time capital gain or loss will **not** be considered as a gain or loss in determining income available to the borrower.
Income – Distribution from Retirement Accounts	Income from regular distributions from retirement accounts are eligible for qualifying subject to: • The borrower(s) must have unrestricted access, without penalty, to the funds, **and** • If the assets are coming from stocks, bonds, or mutual funds, 70% of the vested value (remaining after any applicable deductions for the subject transaction, to determine the qualifying balance, **and** • Documentation required the distribution will continue for a minimum of 3 years is required or the income is not eligible. Multiple accounts can be combined to meet the required 3-year minimum continuance requirement, **and** • Documentation must be provided to confirm distributions began prior to loan closing. Acceptable documentation includes one of the following: - Two (2) months bank statements that reflect the distribution amount being used for qualifying. If distributions are being received quarterly or annually, a letter from the Account Custodian must be provided to document the amount received, **OR** - If the retirement income distribution recently began, a letter from the Account Custodian, that includes the amount, frequency, start date of the distribution and confirms the first month's distribution, **OR** - Two (2) years tax returns and a letter from the Account Custodian indicating the current amount and frequency of the distribution or two (2) years tax returns and the most recent account statement. • Deferred compensation plans are **not eligible**
Income – Family Owned Business	Borrowers employed by a family member in a family owned business are subject to the following: • Two (2) years signed tax returns required (applies to all income types, salary, OT, commission etc.) Tax transcripts are **not allowed** in lieu of tax returns • A signed copy of the business tax return, showing ownership percentage (if any) is required • Borrower is qualified using a 2-year average of W-2 earnings amortized of 24 months. If there is a decline in earning from one year to the next the lower income is used for qualifying

Full Documentation Eligibility and Summary

Full Documentation

Income – Interest and Dividend	Interest and dividend income is eligible subject to the following: • Verified through 2 years tax returns as a stable source of income, **and** • **A three (3) year continuance from loan closing is required, and** • The income is averaged over two (2) years, and Any funds derived from these sources and required for the transaction are subtracted prior to calculating the projected interest or dividend income
Income – Rental	Rental income from investment properties owned by the borrower is eligible for qualifying income. • A separate schedule of real estate is not required as long as all rental properties are documented on the URLA • Rental income calculations must be provided for each individual rental property. Rental income calculations are based on the most conservative income approach and must meet Fannie Mae requirements • Positive rental income is considered gross income for qualifying purposes; negative income must be treated as a recurring liability • Rental history must be provided for the previous 24 months without unexplained gaps greater than 3 months (examples of explained gaps are student, seasonal, military renters or property undergoing rehabilitation. **Any gaps greater than 3 months without documentation are ineligible**. **NOTE:** If the borrower has filed an extension for the previous year tax filing, additional month's receipt of rental income may be required • A current lease agreement must support the income on the tax returns. If the income does not align between the two, the lesser of the income is used to qualify • **Purchase Transactions: Income from the subject owner-occupied (1-4 units) may not be used to qualify the borrower** • **Refinance Transactions**: Rental income from a primary residence SFR may not be used to qualify the borrower • The monthly PITIA payment may not be reduced based on the percentage of ownership when ownership is split with non-borrowing individuals. Rental income will be based on the borrower's Schedule E income **Rental Income – Accessory Unit** Not allowed **Rental Income – Boarder** Not allowed

Disposition of Property	Tax Return Requirements	Lease Requirements	Additional Required Documentation	Income Calculation
Other REO – Reporting on Schedule E	• 2-years federal tax returns with Schedule E • 1-year federal tax returns considered when rental history is < 2 yrs	• A fully executed 12 month current lease (arm's length only) • A yearly lease converted to month-to-month allowed if the original lease clearly contains a specific month-to-month clause, and no additional information in the loan file indicates the tenant named in the original lease has severed or violated the contract	If an annual lease has converted to a month-to-month lease, evidence of receipt of rent for the most recent 2 months required	• An average of 24 months of rental income required; 1-year average considered when the rental history is < 24 months • < 12 months of verified rental income is ineligible

Full Documentation Eligibility and Summary

Full Documentation

Income – Rental (cont.)

Disposition of Property	Tax Return Requirements	Lease Requirements	Additional Required Documentation	Income Calculation
Short Term/ Variable Rentals	• 2-years federal tax returns with Schedule E documenting a 2-year history of receipt of rental income	N/A	Evidence of the most recent 12 months receipt of income with an acceptable payment receipt history from a management company	• An average of the most recent 24 months of rental income (Schedule E required; • Income not required to be received for consecutive 12 months • Stability of rental income must be evident year-to-year and YTD
Subject 2-4 Unit Owner-Occupied Refinance (Reporting on Schedule E)	• 2-years federal tax returns with Schedule E • 1-year federal tax returns considered when rental history is < 2 yrs	• A fully executed 12 month current lease (arm's length only) • A yearly lease converted to month-to-month allowed if the original lease clearly contains a specific month-to-month clause, and no additional information in the loan file indicates the tenant named in the original lease has severed or violated the contract	If an annual lease has converted to a month-to-month lease, evidence of receipt of rent for the most recent 2 months required	• An average of 24 months of rental income required; 1-year average considered when the rental history is < 24 months • < 12 months of verified rental income is ineligible • Rental cannot be a direct offset to the mortgage payment

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Full Documentation Eligibility and Summary

Full Documentation

Income – Rental (cont.)

Disposition of Property	Tax Return Requirements	Lease Requirements	Additional Required Documentation	Income Calculation
Subject 2-4 Unit Owner-Occupied Refinance Recently Acquired Subsequent to Last Tax Filing – Not Reported on Schedule E	N/A	• A fully executed 12 month current lease (arm's length only) **OR** a copy of the lease in place at time of purchase when the investment property is located in a state where the existing lease cannot be legally terminated upon the sale of the property • A yearly lease converted to month-to-month allowed if the original lease clearly contains a specific month-to-month clause, and no additional information in the loan file indicates the tenant named in the original lease has severed or violated the contract	• If an annual lease has converted to a month-to-month lease, evidence of receipt of rent for the most recent 2 months required • CD/Settlement Statement to evidence the purchase of the subject property	• Reduce the gross rental amount by 25% for vacancies and maintenance • The rental income cannot be a direct offset to the mortgage payment
Relocation/ Conversion of Departing/ Vacating Property	N/A	• The current 12 month lease must be arm's length and be effective as of the first payment due date of the subject loan	• If borrower is retaining their current departing residence and converting to second home or investment **2 months PITIA reserves** for departing residence required • Documentation must be provided show	• Reduce the gross rental amount by 25% for vacancies and maintenance, **and** • Subtract the PITIA, **and** • Apply the resulting amount to income (if positive) or recurring debts (if negative)

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Full Documentation	
Income – Rental (cont.)	<table><tr><th>Disposition of Property</th><th>Tax Return Requirements</th><th>Lease Requirements</th><th>Additional Required Documentation</th><th>Income Calculation</th></tr><tr><td>**Relocation/ Conversion of Departing/ Vacating Property**</td><td>N/A</td><td>• The current 12 month lease must be arm's length and be effective as of the first payment due date of the subject loan</td><td>• If borrower is retaining their current departing residence and converting to second home or investment **2 months PITIA reserves for departing residence required** • Documentation must be provided show the security deposit and/or first month's rent has been received and documented • Full appraisal or an exterior-only appraisal that is no more than 6 months old is required to document 25% equity in departing property (comparing the unpaid principal balance to the original sales price is **not allowed**) • If the borrower has sold, but not closed the departing residence, the debt must be included in the DTI ratios</td><td>• Reduce the gross rental amount by 25% for vacancies and maintenance, **and** • Subtract the PITIA, **and** • Apply the resulting amount to income (if positive) or recurring debts (if negative)</td></tr></table>
Income – Seasonal	Seasonal employment income is eligible. The following applies: - A minimum 2-year history of receipt required, and - The income must be from the same job for the past 2 years, and - The borrower's employer confirms there is a reasonable expectation that the borrower will be rehired for the next season

Full Doc Eligibility and Summary	
Full Doc	
Income – Unacceptable Sources	Income from unacceptable sources include, but are not limited to the following: • Boarder or roommate income • Cryptocurrency, • Deferred compensation plans • Farm income from the subject property • Foreign income • Future income • Income derived from gambling • Home ownership subsidies from any source other than the Public Housing Agency • Income derived from the sale or distribution of marijuana • Income derived from the subject property with land being leased to another party • Temporary or income received on a one-time basis • Lump sum payment of lottery earnings that are not ongoing • Lump sum payments (e.g. inheritances or lawsuit settlements) • Non-incidental income received from farming or agricultural use of a property • Rental income from an ADU associated with the subject property • Rental income received from the borrower's single family property primary residence on a refinance transaction • Income from the subject 1-4 unit owner-occupied property on a **purchase** transaction • Non-vested RSUs • Retained earnings in a company • Non-vested stock options • Taxable forms of income not declared on personal tax returns • Trailing co-borrower income • Unverifiable income • VA education benefits
Income – Unemployment	Not eligible except for seasonal unemployment subject to the below. **Seasonal Unemployment** • 2-years receipt must be documented, • 2-years 1040 tax returns, and • Confirmation the seasonal employment is likely to recur
Income - Unreimbursed Business Expenses	If unreimbursed employee expenses do not appear on the borrower's most recent years tax returns, the unreimbursed business expenses do not need to be considered
Reserves	Required. Refer to the Reserves topic for requirements
Residual Income	Not required

Bank Statement Eligibility and Summary	
Bank Statement	

Overview	• The Bank Statement option is available for self-employed borrowers. Self-employment is defined as an ownership interest of ≥ 50%. At least one borrower on the transaction must derive their primary income source from self-employment.
	• Bank statement loans are limited to a maximum of four (4) businesses per loan
	• 12 or 24 months personal or business bank statements are used to qualify borrowers.
	  - The borrower(s) are required to be account holders of the bank accounts throughout the 12 or 24 months (as applicable) being used to qualify
	  - The name of the business noted on the initial 1003 must match the business name on the business bank statements
	• Transactions are subject to ATR requirements
	• Undisclosed debt discovered on the bank statements must be addressed and considered when qualifying

4506-C/Tax Returns	**Not required.** Tax returns must **not** be submitted when using the Bank Statement option or the loan is ineligible for bank statement option **except** as follows: • A co-borrower using full documentation, applicable transcripts, based on documentation used to qualify, is required so a signed 4506-T must be obtained
Assets	Refer to the Assets topic in the general guidelines section for requirements
Borrower Eligibility	**Self-Employed** • Self-employed borrowers (defined as an individual who files Schedule C or corporate tax returns) with a minimum of 50% ownership in business (individual or combined with co-borrower) - If the borrower(s) have < 100% ownership, combined or individually, an access letter from all additional business owners is required • Borrowers who have changed their business filing (e.g. sole proprietorship to corporation) are eligible provided the business name and ownership percentage has stayed the same and the business has been in existence for the most recent, consecutive two (2) full years • Borrower must have a minimum of two (2) years self-employment in the same business. • **Co-Borrower**: Income from a co-borrower, who is not self-employed, is acceptable using the full documentation option. **NOTE:** Tax returns **cannot** be provided; if provided the transaction must be underwritten under the Full Doc option **1099 Borrowers** • Borrowers receiving 1099 income (files Schedule C or Schedule E) are eligible provided that 1099 income is in the same line of work and has been received for the most recent consecutive 2-years.
Debt-to-Income	• Maximum 50% DTI, **no exceptions**. Refer to the Debt to Income topic in the General Underwriting section for complete requirements • DTI cannot be rounded down to qualify
Derogatory Credit	• Refer to the Derogatory Credit topic for requirements

<table>
<tr><th colspan="2">Bank Statement Eligibility and Summary</th></tr>
<tr><th colspan="2">Bank Statement</th></tr>
<tr><td>Documenting Business</td><td>

A CPA/tax preparer letter documenting the following is required:
- Name of business,
- Borrower’s percentage of ownership,
- Length of self-employment,
- An assertion the business is active and in good standing
Homebridge will verify the existence of the business within 120 calendar days prior to the Note date for the initial verification and will re-verify within 10 business days of the Note date
</td></tr>
<tr><td>Documentation of Income</td><td>

The self-employment income must be reasonable for the profession, verified stable, and likely to continue
The newest bank statements in the file must be dated within 45 days of the initial application and within 90 days of the Note date, based on the end date of the statement

NOTE: The 12/24 months bank statements provided must be all personal or all business (i.e. cannot provide 8 months personal statements and 4 months business statements)

Borrower qualifying with income from multiple businesses must be qualified using personal bank statements; use of business bank statements is not allowed. The following applies:
- Supporting three (3) months most recent business bank statements for each business is required. If the borrower does not have business bank accounts, the loan is ineligible
- Borrower must be a minimum 50% owner for each qualifying business
Bank statements provided must include:
- All pages of the statement and the period covered by the statement,
- The account holder name and address,
- Beginning, ending, and average balance,
- The name of the financial institution
- The account number (truncated account number acceptable), and
- Full transaction history
Unverifiable deposits will be deducted from income. Borrowed, gift and/or cash deposits are ineligible

<u>Personal Bank Statements</u>

Personal accounts using a DBA are considered a business account and must be qualified using business bank statement requirements
Joint accounts shared with non-borrower individuals or co-borrowers are eligible when the other individual’s deposits are excluded, and a full access letter is provided (access letter not required from co-borrower)
12 or 24 months most recent consecutive personal bank statements. Statements from multiple accounts are acceptable
Deposits are evaluated to verify they are part of the borrower’s income and should indicate a stable or increasing income trend. Refer to the <u>Income Trend</u> topic for requirements if a declining trend is indicated

NOTE: Any deposits that appear abnormal/atypical (> 50% of eligible income deposits) must be sourced and documented to be considered as part of the borrower’s income

Three (3) months most recent business bank statements are required to verify the income is coming from the borrower’s business
- If the borrower does not utilize a separate business account, the borrower’s qualifying income will be calculated using the Uniform Expense Ratio method
Qualifying income is the total eligible deposits divided by 12 or 24, as applicable, to determine monthly income
- Transfers between personal accounts are not considered income, and
- Transfers between personal account to business account
</td></tr>
</table>

Bank Statement Documentation Eligibility and Summary	
Bank Statement	
Documentation of Income (cont.)	**<u>Business Bank Statements</u>** • 12 or 24 months most recent business bank statements. Statements from multiple accounts are acceptable however the same calculation method must be applied (see options below) • **Borrowers using income from multiple businesses are ineligible for the business bank statement option** • Transfers between business accounts **OR** from personal to business accounts are not considered deposits and therefore are **not considered income** • Any deposits that appear abnormal/atypical (> 50% of eligible income deposits) must be sourced and documented to be considered as part of the borrower's income • Personal liabilities paid by the borrower's business require 12 months most recent business bank statements to exclude the debt from the DTI • Installment debt/auto lease with a history of being paid by the business, that have since been paid in full and then replaced with similar/new debt may only be excluded from the DTI if the new liability payment is ≤ to the previous/original payment • Business accounts with non-borrowing partners or other non-borrowing parties requires an access letter **Documenting Bank Statement Income** There are 4 options for documenting business bank statement income **1. Uniform Expense Ratio** • The underwriter multiplies the eligible deposits received by 50% expense ratio • The above result is multiplied by the borrower's ownership percentage and divided by 12, or 24 as applicable • If the expense ratio is reasonable for the borrower's line of work, no further information is required **2. CPA Letter for Expense Ratio** • A letter provided by a CPA, EA or licensed tax preparer stating the business' expense ratio based on the most recent year's tax return is required. **The letter may not include any disclaimers as to the accuracy of the information** • The minimum expense ratio is 25% regardless of the CPA determination • Multiply the expense ratio by the business' total deposits over the 12, or 24 month period shown on the bank statements. Deduct that figure from the total deposits. Multiply net deposits by the applicant's pro-rata ownership percentage and divide by 12, or 24 as applicable. The resulting income should be reasonable for the borrower's line of work **3. Profit and Loss Statement** • Requires a P&L provided by a CPA, EA or licensed tax preparer for the most recent 12, or 24 months as applicable. The P&L must cover the same 12 or 24 month period as the bank statements provided • If the deposits on the business statements support a minimum of 75% of the gross receipts listed on the P&L the P&L may be used for qualifying based on the borrower's pro-rata share of ownership. The resulting income should be reasonable for the borrower's line of work. **4. Deposits Less Withdrawals** • Income is determined by deducting withdrawals from the deposits. Transfers to the borrower's personal account are not considered a deduction for calculation purposes • Sum the net income over the 12 or 24 month period as applicable and multiply by the borrower's pro-rata ownership percentage and divided 12 or 24

Documentation of Income (cont.)

Personal and Business Accounts

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

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

Non-Sufficient Funds (NSFs)

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

- **12 Months Bank Statements**:
  - Maximum of four (4) **instances*** of NSFs within the past 12 months
  - Five (5) or more **instances*** of NSFs within the past 12 months**, the loan is ineligible**
- **24 Months Bank Statements**:
  - Maximum of four (4) **instances*** within the most recent 12 months, **and**
  - If > four (4) **instances*** of NSFs in months 13 to 24 a detailed explanation from the borrower is required

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

Income Trend

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

- **12 Months Bank Statements:**
  - Month-to-month variances are common however a consistent pattern of declining deposits on a monthly basis or evidence of an overall decline in income will require a detailed explanation from the borrower. Additional documentation may be required at Homebridge underwriter discretion
- **24 months Bank Statements**
  - If eligible deposits are declining, refer to the chart below for requirements
  - If the decline is > 10% year over year, the account **cannot** be used for income calculation

24 Month Bank Statements: **Declining Deposit Trend Requirements**	
Scenario	**Requirement**
If the eligible deposits declined year over year by < 5%	Utilize 24 month average
• If the eligible deposits decline by > 5% up to 10% year over year. • Borrower must provide an LOE explaining the reason for the decline and if the decline is expected to continue	Utilize a 12 month average of the most recent years eligible deposits **NOTE**: Borrowers using P&L option to qualify, a revised P&L covering only the most recent 12-month period is required
If the eligible deposits decline year over year by > 10%	The income is **ineligible**

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

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

Bank Statement Documentation Eligibility and Summary

Bank Statement

Documentation for Other Real Estate Owned	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Gift Funds	Eligible; refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Ineligible
Reserves	Required. Refer to the Reserves topic for requirements
Residual Income	Not required

Supplemental Income Sources

- Secondary or supplemental income/earnings earned by the self-employed borrower is eligible provided the secondary/supplemental income does not exceed 50% of the total qualifying income for the borrower.
  - Any losses from secondary self-employment will be considered in qualifying income
- Supplemental income from a co-borrower is not self-employed is eligible for qualifying subject to full income documentation requirements.
  - W-2/1099 transcripts and 4506-Cs required
  - The income from the non-self-employed co-borrower cannot exceed 50% of the total qualifying income (does not apply if joint business owners make up the 50% or greater ownership requirement with the borrower)
  - Wage earner income not permitted from the same business as the borrower's self-employment income
  - Tax returns filed jointly with the borrower are ineligible
  - Deposits from the co-borrower's supplemental income will be deducted from the bank statement analysis
- If the co-borrower owns an unrelated business and the income does not meet the requirements of the Bank Statement option may be used for qualifying subject to Full Doc option requirements
  - The primary borrower cannot have any ownership in the co-borrower's income, **and**
  - The co-borrower must file **separate individual** personal and business tax returns

Rental Income – Personal Bank Statements ONLY

Supplemental rental income is eligible for qualifying when using personal bank statements. Rental income is not included in the self-employment income and will be considered a separate income source

NOTE: If the borrower's business is property management the income is eligible since the rental income is included in the business bank statements

- Deposits will be reviewed for consistency and must be equal to the amount of rent reflected on the applicable lease agreement
- Rental income deposits from alternative payment processing applications (e.g. Venmo, Square, etc.) are eligible

Long Term Rentals		
Acceptable Leases	**Additional Required Documentation/Notes**	**Income Calculation**
• A fully executed 12 month current lease (arm's length only) • A yearly lease converted to month-to-month allowed if the original lease clearly contains a specific month-to-month clause, and no additional information in the loan file indicates the tenant named in the original lease has severed or violated the contract	• Evidence of most recent 12 months receipt of rental income • Deposits must be clearly identifiable as rental income deposits. Deposits that cannot be validated	The PITIA is subtracted from 75% of the rental amount and the resulting amount is applied to the borrower's income (if positive) OR to the borrower's recurring debt (if negative)

Asset Depletion Documentation Eligibility and Summary	
Asset Depletion	
Overview	• Qualified assets include bank accounts, stocks, bonds, mutual funds, and vested amount of retirement accounts - Any portion of the qualified assets being used for down payment, closing costs, or reserves, must be excluded when determining qualifying income • **Transactions using Asset Depletion option require the LTV to be reduced by 10%** • **Cash-out ineligible**
4506-C/Tax Return	N/A
Assets – Calculation of Income	Net qualified assets divided by 120 months = monthly income **NOTE:** Any portion of assets used for down payment, closing costs, or reserves must be excluded from any balance prior to determining available qualifying income

Assets – Eligible	**Six (6) months seasoning of all assets is required.** Bank/asset statements for the most recent consecutive six (6) months required.
	Eligible Assets
	The following asset types may be used to calculate income:
	• Cash and cash equivalents at **100%** of face value
	• Marketable securities (stocks, bonds, mutual funds **excluding unvested** RSUs and Stock options) eligible at **70%** of value (minus any outstanding margin loans, if applicable).
	• Retirement accounts are eligible subject to the following:
	  - Eligible at 70% of the balance(s)
	  - Borrower must have unrestricted access to the funds (regardless of penalties and/or tax withholding)
	  - Any loan balances must be subtracted from the balance
	• Joint accounts shared with a non-borrowing spouse or domestic partner are eligible with an access letter provided by the non-borrowing party
	Liquidation
	Liquation requirements are as follows:
	• If the funds are required for closing (e.g. down payment, closing costs) the liquidation of the funds and the ending balance of the account(s) must be documented
	• If the funds are being used to satisfy reserve requirements, liquidation is **not** required
	Ineligible Assets:
	• Business assets
	• Unseasoned foreign assets
	• Proceeds from the sale of real estate not seasoned for a minimum of 6 months
	• Privately traded RSUs, non-vested stocks
	• Assets that produce income already included in the income calculation

Assets – Documenting	• The most recent six (6) months of bank/asset statements for each account that will be utilized for asset qualification must be provided • Large deposits, defined as > 50% of the borrower's monthly average deposit balance, on the most recent bank statements must be sourced and documented. - Any deposits that cannot be sourced will be deducted from the value of the account • Asset balances must be verified within 90 calendar days of the Note date
Borrower Eligibility	Refer to the Borrowers - Eligible topic for requirements
Debt-to-Income	Refer to the Debt to Income topic for requirements

Asset Depletion Documentation Eligibility and Summary	
Asset Depletion	
Derogatory Credit-Significant Events	Refer to the Derogatory Credit topic in the General Underwriting section for requirements
Gift Funds	• Eligible for down payment and closing costs • Gift funds **cannot** be used to meet reserve requirements Refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Not allowed
Reserves	Refer to the Reserves topic for reserve requirements
Residual Income	Not required
Supplemental Income	Asset Depletion income may be used to supplement full income documentation when the total qualified assts are at least 50% of the loan amount. Loans will be underwritten using Asset Depletion guidelines.

Non-QM Underwriting Guidelines	
General	Topics not addressed within these guidelines; Fannie Mae policy applies
Elite Access Specific Forms	Homebridge will complete these forms, as applicable, and send with loan closing documents: • **Borrower Affidavit – Full Documentation.** Signed by borrower(s) • **Borrower Affidavit – Bank Statement**. Signed by borrower(s) • **Borrower Affidavit – Asset Depletion.** Signed by borrower(s)
Ability to Repay	• The Elite Access program is designed for loans that are **not** eligible under Fannie Mae/Freddie Mac guidelines • All loans must meet Ability to Repay (ATR) requirements. The following criteria must be considered when determining if the borrower has sufficient income and assets to repay the loan. - Current or reasonable expected income or assets, - Current employment status, - Monthly payment on the covered transaction, - Monthly payment on any simultaneous loan, - Monthly payment for mortgage-related obligations, - Current debt obligations, alimony and child support, - Credit history, and - Debt-to-income ratio • The loan file must include documentation of the borrower's ability to repay • HPML requirements apply. Refer to the HPML topic for details.
Age of Documents	• All income and asset documentation must be dated no more than 90 days prior to the Note date • The **credit report** cannot be more than 90 days old as of the Note date • Appraisal documents; refer to the Age of Appraisal topic in the Appraisal section for requirements • Title commitment cannot be more than 60 days old at funding
Appraisals	• All transactions require a full appraisal **and** a secondary valuation as detailed below • **Appraisal transfers or assignment of appraisal are not eligible** **Secondary Valuation Options** • **Fannie Mae Collateral Underwriter (CU) or Freddie Mac Loan Collateral Advisor (LCA)** certification with a score of 2.5 or lower, **OR** • **A Desk Review:** Obtained from Clear Capital Collateral Desktop Analysis (CDA), **OR** • **A Field Review:** The field review cannot be prepared by the same appraisal company as the initial appraisal, but may be ordered through the same appraisal management company (AMC) **Reviewing the Secondary Valuation** If the secondary valuation product (Desk Review or Field Review) is: • **Greater than** the appraised value: The LTV is based on the initial appraisal • **Lower than** the appraised value but **within a 10% tolerance**: The LTV is based on the initial appraisal • **Lower than** the appraised value by **> 10%:** A third valuation report is required (see Additional Valuation topic below for details) **Additional Valuation (if required)** If the secondary valuation is lower than the appraised value by > 10% one of the following is required: • **A Field Review:** If a **Desk Review** was the secondary valuation, a Field Review is required and must be within a 10% tolerance. The LTV/HCLTV is based on the original appraisal • **A Second Full Appraisal:** - When a second full appraisal is obtained the value must be **within the 10%** tolerance of the original appraisal. The lower of the two appraisals is used to determine the LTV/HCLTV - When a second full appraisal is obtained and the value is **more than 10% below** the initial appraised value, the second full appraisal will be used to determine the LTV/HCLTV **and** a new secondary valuation product must be obtained **Important NOTE**: **A maximum of two (2) supporting valuations is allowed for any appraisal**

Appraisals	**Purchase Transactions**: The value is the **lesser** of:
	- The purchase price (minus concessions or excess contributions), **or**
	- The appraised value
	• **Refinance Transactions**:
	- **If property owned ≤ 9 months,** measured from acquisition date to the application date of the new loan, the following applies:
	  - The value is determined by the **lesser** of:
	    o The purchase price, **or**
	    o The current appraised value
	- **If property owned > 9 months:** The value is the current appraised value
	NOTE: Property ownership is measured by the acquisition date to loan application date. Refer to the Refinance Transactions topic for complete requirements
	• The subject property must conform to the neighborhood in terms of age, design and materials used for construction. The appraiser must comment on and describe any items that might impact the marketability and make applicable adjustments based on those comments
	• Homebridge requires properties to be, at minimum, in average condition
	• Properties with a condition rating of C1, C2, C3, or C4 are acceptable in an “as is” condition
	- Properties with a C5 or C6 condition rating may be considered subject to the following:
	  o The original appraisal is completed subject to completion of repairs, and
	  o Evidence the repairs that caused the C5/C6 rating have been completed, and
	  o An updated appraisal provides a condition rating of, at minimum, C4
	• Properties with a quality rating of Q1, Q2, Q3, Q4, or Q5 are acceptable. **Properties with a quality rating of Q6 are ineligible**
	• All factors that negatively impact the property’s condition must be considered including:
	- **Deferred Maintenance**: Considered on a case-by-case basis. “Subject to” items must be described in detail and any required work must be completed prior to closing
	- **Debris, Graffiti, or Trash**: Property with excessive amount of debris, graffiti or trash may require clean-up. When clean-up required, a Satisfactory Completion Certificate (Fannie Mae Form 1004D/Freddie Mac Form 442) and photos will be required
	- **Infestation**: Any indication of termites or other infestation, must be investigated, treated, and remedied.
	- **Roof Damage**: Any evidence of roof leaks and/or interior water damage (ceiling stains) must be addressed by the underwriter even if not identified on the appraisal. If any of these conditions exist, a roof certification must be obtained, indicating a remaining useful and physical life of at least 3 years
	• Properties with security bars must address any safety issues prior to close. Security bars must comply with local fire codes and meet one of the following conditions:
	- There is a “quick release” on at least one window in each bedroom. The appraiser must comment on whether or not the bars meet local codes and whether or not there is a “quick release”, **OR**
	- The appraiser must indicate that all bedrooms must have adequate egress to the exterior of the home

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

Appraisals (cont.)	**Comparable Sales**
	• Comparable sales should be located within 1 mile of the subject property in urban/suburban areas. If 2 of the 3 comparable sales used by the appraiser are > 5 miles from the subject property the property will be considered rural. The appraiser must provide an explanation for using any comparable outside the subject property neighborhood.
	• The comparable sales must represent the best market data available to support the property's estimated value and should be as similar to the subject property as possible.
	• Comparable sales for a new subdivision or condominium project require a minimum of 1 comparable sale from inside the new subdivision/ project and 1 comparable sale from outside the subdivision/project.
	• Comparable sales used must have a recent sales date, preferably within 6 months of the subject property's sale date. Any comparable sales > 6 months old require comment from the appraiser on market conditions. If necessary to use older comparable sales the appraiser must supplement them with pending sales and/or current listing in the subject property neighborhood
	• A minimum of 3 closed comparable sales are required. The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required:
	- MLS, or
	- Comps Inc., or
	- GeoData Plus (NY only), or
	- PropertyShark (NY only), or
	- StreetEasy (NY only)
	NOTE: Comparables from a public independent source are **only eligible** in rural areas of Maine, New Hampshire, and Vermont where MLS is **not** common
	• Comparable sales used for new construction properties are subject to the following:
	- If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.
	- If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, billboard signs, website, etc.).
	- Additionally, the following applies:
	  - One of the comparable sales must be outside the project the subject property is located in and be from on of the above options (public source Maine/New Hampshire/Vermont rural areas only).
	  - Two of the comparable sales must be from sources other than the subject property builder.
	NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.
	• **Declining Markets**: The following applies:
	- The appraisal must identify and address properties located within a declining market. If an appraisal indicates a property is in a declining market, **Homebridge management review and approval is required.**
	- **A 5% LTV reduction is required**
	• Land value subject to Fannie Mae guidelines. The appraiser must comment if typical for the area and current use is highest and best use
	• Maximum 15 acres

Appraisals (cont.)	• **Age of Appraisal**: The following applies: - If the appraisal will be more than be more than 120 calendar days, but less than 365 days from the Note date, the original appraiser must provide an update to the appraisal (FNMA Form 1004D) based on the appraiser's knowledge of current market conditions. **NOTE**: In the event the original appraiser is not available, a substitute appraiser is acceptable. The appraiser must review and comment that the original appraiser's opinion of value was reasonable on the date on the original appraisal. The loan file must contain an explanation as to why they original appraiser was not used. - The appraisal must acknowledge that the value of the subject property has not declined since that date of the original appraisal. - The updated must be dated within 120 calendar days of the Note date - A new appraisal is required when the appraiser indicates on the Appraisal Update the property value has declined - Secondary valuations must be dated within 120 calendar days of the Note date • If the appraisal is > 12 months old from the date of the Note, a new appraisal is required • Properties located in a FEMA Disaster Declaration area are subject to Homebridge standard Disaster Declaration policy
Appraisal Management Companies (AMC)	Appraisal must be ordered from one of the following Homebridge approved AMCs: • ACT Appraisal Management • AMC Settlement Services • Axis Management Solutions • Class Valuation • Fastapp Appraisal Management • Golden State AMC • Mortgage Management Consulting (MMC) • Nadlan Valuation • Nationwide Appraisal Network • Nationwide Property & Appraisal Services

Assets

The borrower must have sufficient liquid assets available for down payment, closing costs, and reserves. The table below lists acceptable asset types and asset eligibility

Asset Type	Minimum Contribution	Down Payment	Closing Costs	Reserves	Not Eligible
Anticipated Savings					X
Bank Accounts/Funds on Deposit in Financial Institutions	X	X	X	X	
Borrowed Funds (secured by borrower's own financial assets)	X	X	X	X	
Borrower Earned Real Estate Commission (from subject transaction)	X	X	X	X	
Bridge Loan (financial institution only and qualified with bridge loan payment)	X	X	X	X	
Business Assets (see Business Funds topic for eligibility details)	X	X	X	X	
Cash-on-Hand/Cash Deposits					X
Cash-out (subject transaction)			X	X	
Cash Value of Life Insurance	X	X	X	X	
College Savings Plans (529 Accounts) – borrower not the intended recipient ***May only be used for reserves when account has been liquidated**	X	X	X	X	
Community Savings Plans and Lending Clubs					X
Cryptocurrencies/Any Type of Virtual Currency (including currency liquidated within 90 days of application)					X
Custodial Accounts Still Under Custodians Control					X
Disaster Relief Grant (*see NOTE below)	X	X			
Down Payment Assistance Program					X
Earnest Money Deposit (EMD)	X	X	X		
Employer Assistance Program (primary residence only – cannot result in a lien against subject property)			X		
Funds Drawn Prior to Loan Closing from Existing HELOC	X	X	X	X	
Gift Funds (all funds may come from gift funds with ≤ 70% excluding reserves; gifts ineligible for reserves)	X	X	X		
Gift of Equity					X
Individual Development Account (cannot require a subordinate lien)	X	X	X	X	
Individual Development Account Matching Funds					X
Interested Party Contributions			X		

***NOTE**: Eligible provided the funds are not considered loan funds and there is no subordinate lien to be recorded against the property. Donations/ grants other than disaster relief grants are **ineligible**

Assets (cont.)

Asset Type	Minimum Contribution	Down Payment	Closing Costs	Reserves	Not Eligible
Lot Value (when purchased/ inherited by borrower)	X	X			
Lot Value (when received as gift)					X
Margin Accounts	X	X	X		
Non-Vested RSUs/Stock Options					X
Pension Funds					X
Private Funds (secured or unsecured loan)					X
Proceeds from Sale of Borrower's Own Real Estate or Assets	X	X	X	X	
Relocation: Down Payment					X
Rent Credit w/ Option to Purchase	X	X			
Retirement Accounts (401K/IRA)	X	X	X	X	
Sales Concessions					X
Sale of Personal Property (property for which ownership history cannot be documented (e.g. gold/jewelry)					X
Stocks/Bonds/Mutual Funds (70% of current market value)	X	X	X	X	
Sweat/Trade Equity					X
Trust Accounts (if borrower is owner and has immediate access to funds)	X	X	X	X	
Unsecured Line of Credit Financing					X
U.S. Savings Bonds	X	X	X	X	
Vested Stock Options/RSUs (must evidence liquidation of funds)	X	X	X	X	

Assets (cont.)	• Two (2) months most recent consecutive statements (all pages) or the most recent quarterly statement required to document assets required for down payment, closing costs, prepaid items and reserves. Asset statements must cover a minimum of 60 days and are valid for 90 days. **NOTE**: A stand-alone VOD is **not eligible** • Any significant disparity between the current account balance and the opening balance may require additional explanation. • All funds from accounts opened for 90 calendar days or less, must be sourced if used for down payment, closing costs, or reserves • **Co-mingled Funds - Non-borrowing Spouse:** Eligible when the non-borrowing spouse is or will be a titleholder subject to: - Two months asset statements are required to support the borrower's history as an account holder and to support the borrower's past and continued contributions to the account. - Funds that were deposited from a source solely association with the non-borrowing spouse are not eligible - All other asset requirements outlined in this topic must be met • **Co-mingled Funds**: Any funds used for the transaction require the borrower to provide documentation to support the funds are the result of their earnings savings. - **A joint access letter from the non-borrowing account holder(s) is required** - Funds that were deposited from a source solely associated with a non-borrowing account holder are not eligible • **Large or Irregular Deposits**: Defined as a single deposit where any unsourced portion of the deposit exceeds 50% of the borrower's total monthly qualifying income for the loan. If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement do not require documentation. Requirements for documenting large deposits are as follows: • **Stocks, bonds, and mutual funds** (net of margin) that are traded on a major market exchange (NASDAQ, NYSE, AMEX) may be used for closing costs and reserves at 70% of the verified market value minus any outstanding margin loans. Liquation requirements are as follows: - If the funds are required for closing (e.g. down payment, closing costs) the liquidation of the funds and the ending balance of the account(s) must be documented - If the funds are being used to satisfy reserve requirements, liquidation is **not** required • **Vested Stock Options/RSUs:** Eligible for down payment, closing costs, and reserves. Evidence of liquidation is required. **NOTE:** Non-vested stock options/RSUs are **not eligible** • **Vested Retirement Funds: E**ligible subject to the following: - Verification of ownership and receipt of funds from liquidation of assets required when needed to complete the transaction. Any applicable withdrawal penalties must be deducted from the funds and documented. - Funds used for reserves **do not** require proof of liquidation however the terms of withdrawal from the employer's account must be documented - Any existing loans secured by a retirement asset must be deducted from the discounted value of the vested balance - 70% of the value may be considered to meet reserve requirements **NOTE**: Any portion of self-directed IRA accounts invested in real estate or other non-liquid assets are ineligible to satisfy reserve requirements - Accounts that only allow withdrawal based on the borrower's employment termination or retirement, or death are not considered vested funds and are **not** eligible to satisfy reserve requirements

Assets (cont.)	• **Foreign assets** are eligible for down payment, closing costs and reserves subject to the following: - Funds must be transferred to a U.S. bank account and seasoned for a minimum of 90 days, **and** - The source of funds for the down payment and/or closing costs must comply with OFAC Program requirements if funds originate from an OFAC sanctioned country. • **Business funds** are an acceptable source for down payment, closing costs and reserves when the borrower is self-employed and has 50% or more ownership in the business subject to the following: - The amount of business assets that may be utilized are restricted to the percentage of ownership interest the borrower has in the business. Large deposits must be sourced and documented. - Documentation confirming the borrower has full access to their percentage of the funds, **and** - One of the following is required: 1. **A CPA/EA/licensed tax preparer letter** must be provided to confirm withdrawal of funds will not have a negative impact on the business, **OR** 2. A **cash flow analysis** based on the following: - Determine the business' monthly operating expenses based on either the most recent years tax returns **or** average the deductions using three (3) months business bank statements, **and** - Deduct three (3) months' worth of expenses from current business balance to determine available balance and apply the borrower's ownership percentage to the result to determine eligible business assets **NOTE:** Business assets are **not** eligible on the Asset Depletion option
Assumptions	Not allowed
AUS	• Manual underwrite • Compliance with Ability to Repay (ATR) requirements must be documented and included in the loan file along with the loan approval. Refer to the Ability to Repay topic for ATR requirements.
Available Markets	• Available in all 50 states; **not eligible** in U.S. territories including Guam, Puerto Rico, and the Virgin Islands • The MLO must be licensed in the subject property state • **New York Transactions ONLY**: - Homebridge will run the NY subprime test and the loan must pass or the transaction is **ineligible**
Borrowers – Eligible	• **U.S. Citizens** • **First Time Home Buyers** (borrowers who have not owned a residential property in the past 3 years regardless of the occupancy status - see "NOTE" below). FTHB guidance **only** applies when **ALL** borrowers on the transaction are first time home buyers, and the following applies: - 1-unit primary residence only - A 12 month documented rental history with 0x30 required - A **7-year seasoning requirement applies if the borrower has any significant derogatory credit** **NOTE**: At Homebridge underwriter discretion documentation may be requested to document the prior/current property ownership. Acceptable evidence the borrower: ○ Was responsible for the PITIA (if non-borrowing parties are/were on title to the property with the borrower ○ Was the purchaser on the original HUD/CD for the purchase of the previous/current residential property, or ○ Has been on title to the property for the previous 12 months - Borrower's living rent free are eligible subject to specific requirements. Refer to the Rent Free topic for details

Borrowers – Eligible	• **Non-U.S. Citizens**
	- **Permanent Resident Aliens:** Must provide an unexpired I-551 Permanent Resident Card (aka Green Card) issued by the U.S. Citizenship & Immigration Services (USCIS) **or** a temporary I-551 stamp on an unexpired foreign passport to verify the borrower has been awarded permanent residency in the U.S.
	- **Non-Permanent Resident Borrowers –** Eligible subject to the following:
	  - The borrower must hold an H-1B or L-1 visa (these are the **only** eligible visa types)
	  - A valid social security number (ITIN **ineligible**), **and**
	  - Two (2) full uninterrupted years of residence **and** employment in the U.S. for all borrowers whose income will be used for qualifying
	• **Inter Vivos Trust** – Loans closing in the name of a revocable trust are eligible subject to the following:
	- Eligible on 1-2 unit primary residence only
	- Trust must meet Fannie Mae guidelines. A copy of the trust or a Trust Certificate is required when vesting in the name of the trust
	• **Illinois Land Trust:** Eligible subject to the following:
	- Subject property is located in Illinois
	- The beneficiary of the trust must be an individual
	- At least one of the borrowers must be one of the beneficiaries of the trust
	- The land trustee must be a financial institution customarily engaged in the business of acting as trustee under Illinois state law
	- The land trust beneficiary must execute the Note and guarantee the payment of the loan
	- The trustee must execute the Note solely in their capacity as trustee of the land trust. The trustee must not be personally liable on the Note
	• All borrowers are required to have social security number; **ITINs are not eligible**
	NOTE: Any inconsistency in the social security number(s) reported require a signed, written explanation from the borrower

Borrowers – Ineligible	• Non-occupant co-borrower • Guarantor • Co-signer • Borrowers with diplomatic immunity • Foreign nationals • Temporary protected status • Blind trust • Investment trust • Real estate syndications • Land Trusts (excluding Illinois Land Trust) • Borrowers without a social security number or a number that cannot be validated with the SSA. • Life Estates • Non-revocable trusts – **no exceptions** • Guardianships • Borrowers previously convicted of mortgage fraud • Borrowers holding title in the name of a general/limited partnership or corporation

Borrower – Ownership Interest - Title Vesting	Borrowers may hold title as follows: • **Fee Simple:** Vesting in the name of individual(s) **NOTE:** Title held as tenants in common requires the ownership percentage be equal • **Non-borrowing Spouse:** All applicable state laws regarding waiving any property rights must be followed when the transaction involves a non-borrowing spouse with an interest in the property • All individuals signing the loan application are considered borrowers and all borrowers must sign the Note • Additional individuals on the CD/settlement statement are not required to sign the Note (applicable state laws apply) • **All Transactions**: **Title must be in the borrower's name at time of closing** **Refinance Transactions**: • Title to the subject property must be in the borrower's name at time of application with the exception of an inter vivos revocable trust or LLC - **Inter Vivos Revocable Trust:** Title may be held in the name of an inter vivos revocable trust when the borrower is the primary beneficiary and Trustor (or Settler) of the trust - **LLC:** - **Title held by an LLC, that is majority owned by the borrower, must meet continuity of obligation requirements, and** - **Title held by an LLC is only eligible when a deed is executed at closing to change vesting from the LLC to the borrower's name**
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. A written statement is required from the title company certifying no future mechanic's liens or material liens are possible. 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** • 1-unit SFR/PUD primary residence rate/term refinance **only** • Lots owned ≥ 12 months from the application date the LTV/HCLTV is based on the current appraised value • Lots owned < 12 months from the application date the LTV/HCLTV is based on the **lesser of** the appraised value **OR** the acquisition cost (documented cost of construction and purchase price of the lot). The lot must have been purchased by the borrower documented with the CD or Settlement Statements • If the lot was gifted to the borrower < 12 months are not eligible • Maximum cash back to the borrower cannot exceed 1% of the final loan amount • A copy of the construction contract, construction Note, CD and draw history required. Additionally the construction loan payment history for the previous 12 months required or if < 12 months, the full payment history • All construction contracts must include a general contractor; **self-builds are not allowed** • All borrower(s) from the construction loan must be on the final financing; borrowers may be added • All other Fannie Mae requirements must be met

Credit History	**Tradelines** Each borrower must have a minimum of three (3) traditional tradelines with a 12 month credit history. The three (3) tradelines must reflect an acceptable payment history. Borrowers not meeting the tradeline requirements are **not eligible**. • Tradelines for closed accounts are eligible to satisfy tradeline requirement as long as the payment history is acceptable • A tradeline for an account where a payment has never been made (e.g. deferred student loan) are not eligible to meet tradeline requirements • Authorized user accounts must be included in the DTI and are **only** eligible to satisfy the tradeline requirement if the borrower can provide written documentation they have been making the monthly payment on the account for the 12 months prior to the date of application. Acceptable documentation includes cancelled checks, payment receipts, etc. - The authorized user account is not required to be included in the borrower's DTI calculation, unless the debt was listed on the initial loan application, **or** if the borrower is responsible for making the payment • Self-reported tradelines (e.g. utilities) are not eligible • Any non-mortgage late payments that occurred in the 12 months prior to application requires a letter of explanation from the borrower • Foreign credit references are not allowed. If the borrower does not have sufficient trade lines in the U.S. the loan is **ineligible** • Tradelines may be installment or revolving • Tradelines requirements apply to all borrowers on the transaction

Credit Report/Scores	• Minimum credit score requirements vary by LTV/loan amount; refer to the LTV/Loan Amount matrix for requirements
	• **The credit report must include the borrower's full social security number; partial SSNs are not acceptable**
	• If the borrower has a credit freeze, the credit freeze must be removed, and the credit information obtained. Frozen credit is only acceptable when one credit score is impacted. Each borrower must have a minimum of two current active credit score**.**
	• Foreign credit reports are not eligible
	• **Individual Borrower's Credit Score**
	  - Each borrower is **required** to have a minimum of two (2) valid scores. If each borrowers does not have two (2) valid credit scores the loan is **ineligible**. An individual borrower's representative credit score is determined as follows:
	    - Three (3) valid scores, the middle score is used
	    - If two scores, the lower of the two is used
	• **Representative Score for Loan**
	  - The lowest middle score of all borrowers is the qualifying credit score
	• Homebridge will accept a credit report, in the broker's name, from any Fannie Mae acceptable credit vendor.
	• A tri-merged credit report or Residential Mortgage Credit Report (RMCR) is required for all borrowers**.**
	• The credit report should include verification of all credit references provided on the loan application
	• **Any inconsistency in the social security number(s) reported require a signed, written explanation from the borrower.**
	• The credit report must certify the results of public record searches for each city the borrower has resided in during the last 2 years.
	• **Credit Inquiries**
	  - The borrower(s) must address, in writing, **all** credit inquiries indicated on the credit report within the previous 120 days. The LOE must reference the creditor name (e.g. Wells Fargo, Bank of America, etc.) and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). If new credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment.
	Examples:
	  - ***Acceptable Response****:* Chase, Wells & Bank of America credit pulled while searching for a mortgage; no credit was obtained.
	  - ***Unacceptable Response****:* "We did not accept any credit for the inquiries listed on our credit report: or "We did not accept any credit from Chase, Wells & Bank of America" (neither response specifically addresses both the inquiry and disposition).
	• If additional debt was obtained or discovered or the borrower's income is reduced after the underwriting decision was made the following applies:
	  - The additional debt(s) and reduced income must be applied and determined if the loan still qualifies,
	  - If there is new subordinate debt on the subject property, the loan must be re-underwritten, and
	  - The final loan application signed by the borrower(s) must include all income and debt verified, disclosed or identified
	• The credit report cannot be more than 90 days old as of the Note date

Credit Report/Scores (cont.)	**Credit Re-Score** • Once a credit report is obtained, and it is still within its validity period, a credit re-score will only be permitted when the re-score is due to: - The removal of a disputed account, **or** - There was pay down or payoff of existing debt(s), **or** - New information is obtained to address and correct any item(s) that are erroneous **NOTE:** Transactions involving a re-score are subject to Homebridge management review and approval • A re-score is **not allowed** when it is due to the following: - Addition of new debt (when used for purposes of potentially increasing the borrower's credit score), **or** - Disputing a derogatory account or any account that was not already in dispute at the time of the original credit report • The Homebridge Underwriter is responsible to review the credit report for any new accounts opened within 60 days of the credit report, to determine if a re-score may have occurred - The credit report is not valid if there is an open derogatory dispute. All derogatory disputes must be resolved, and an updated credit report obtained - If the original credit score expires and a new report is required, the new report **is not** considered a re-scored report **Court Ordered Assignment of Debt** • Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations if the following is provided: - Copy of the court order, **and** - Mortgage debt requires a copy of the document transferring ownership of property, **and** - If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be considered when reviewing the borrower's credit profile. **Fraud Alerts** All fraud alerts must be addressed and resolved prior to loan closing **Letter of Explanation**: Required as follows: • For all address, employment and/or name variation and/or inconsistencies. • Whenever the credit report indicates the borrower may not manage credit effectively (e.g. recently opened revolving accounts at or near account limit, and/or a delinquent payment history indicates the borrower may overly rely on credit) • For all credit inquiries within previous 120 days with an acceptable response (see above "Examples")
Debt-to-Income (DTI) Ratios	• Maximum DTI 50% • Borrowers with significant derogatory credit events: Maximum DTI 43%. Refer to the Derogatory Credit topic for details • Debt-to-income must include the following: - Monthly housing expense, - Payments on installment accounts, - Revolving accounts (when there is an outstanding balance; must be included even if the account appears to be paid off within the next 10 months), - Child support, alimony, and/or separate maintenance payments, - Other real estate owned debt **Alimony, Child Support, and Separate Maintenance** • Monthly alimony, child support, and separate maintenance payments must be included in the DTI calculation. **Monthly alimony, child support, and separate maintenance payments cannot be deducted from total qualifying income** - Any delinquent payments must be brought current prior to loan closing, **or** - If the borrower is in a payment plan, the borrower must provide evidence the payments as part of the plan are paid as agreed for the prior 12 months (0x30x12). Acceptable evidence includes cancelled checks, bank statements, printouts from account, etc.

Debt-to-Income (DTI) Ratios (cont.)	**Debts Paid by Business (Self-Employed Borrowers)** • Debt(s) paid by the borrower's business may be excluded from the DTI calculation subject to the following: - Documentation provided the business has paid the debt for the previous 12 months. Acceptable documentation includes cancelled checks, bank statements, tax returns or cash-flow analysis etc.) **NOTE**: **If the debt is mortgage debt and the borrower is personally obligated on the mortgage debt it cannot be excluded** - There can be no history of delinquency - Contingent liabilities and co-signed debt must be included in the DTI calculation unless 12 months cancelled checks are provided to support the debt being paid by another party. If the payment history indicates any delinquent payments, the payment must be included in the DTI - Installment debt or auto leases with a history of being paid by the business, that has since been paid in full and replaced with similar/new debt, may only be excluded from the DTI if the new liability payment is ≤ to the previous/original payment **Installment Debt** • Installment debt must be included in the borrower's DTI calculation/debt service when there are 10 months or more payments remaining. **NOTE**: Lease payments must be included in the DTI/debt service **regardless of number of payments remaining.** Lease payments cannot be paid down or paid off • Installment debt with < 10 months of payments remaining may be excluded from the DTI unless the payments significantly affect the borrower's ability to meet credit obligations • Installment debt may be paid down to < 10 months to exclude however the source of funds must be documented and sourced • If the payment is not listed on the credit report, documentation must be provided with the current payment. • If a payment will be changing in the very near future (i.e. an ARM or interest-only loan) the new payment must be used for the DTI calculation/debt service • Installment debt that will be paid in full prior to closing may be excluded from the DTI calculation/debt service. Documentation (credit supplement or direct verification from the creditor) must be obtained to evidence the debt has been paid in full is required and the source of funds must be documented and sourced • If the installment account is to be paid off at closing, the payoff must be shown on the Closing Disclosure. **If the debt is paid off with any portion of the allowable 1% cash-back on a rate/term transaction, the loan will be considered a cash-out transaction** **Revolving** Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit. Revolving debt is subject to the following: • The minimum required payment stated on the credit report or current account statement should be used in DTI calculation • If no payment stated on the credit report or current statement is unavailable the **greater of** 5% of the current balance **OR** $10 will be used to determine the monthly payment • If the revolving account is to be paid off prior to or at closing, a monthly payment is not required to be included in the debt ratio/debt service. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio. • If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified • If the revolving account is to be paid off at closing, the payoff must be shown on the Closing Disclosure. **If the debt is paid off with any portion of the allowable 1% cash-back on a rate/term transaction, the loan will be considered a cash-out transaction** **30 Day Accounts** • The payment indicated on the credit report, or • A payment equal to 5% of the current outstanding balance if the credit report reflects zero payment or a payment equal to the current balance on the credit report • If the account will be paid off prior to closing, documentation that the debt was paid in full and the source of funds must be provided and verified

Debt-to-Income (DTI) Ratios (cont.)	**HELOC**
	• The payment used in the DTI calculation is based on the current balance owed on the existing HELOC as stated on the credit report or the current account statement
	• If funds will be drawn from an existing HELOC for use as an asset for the transaction, the qualifying payment must be based on the new outstanding balance of the HELOC
	• The fully amortizing payment must be used for qualifying when an interest-only HELOC or second lien will be converting to a fully amortized payment within 12 months of the Note date
	Interest-Only Mortgage
	If a borrower has an interest-only first mortgage or an Option ARM mortgage (negatively amortizing) and the borrower will be retaining the property associated with this type of mortgage, **the borrower will be qualified using the fully amortizing payment, not the IO payment**
	Contingent/Co-Signed Liabilities
	Contingent liabilities must be included in the DTI calculation unless documentation is provided that there is no possibility the debt holder will pursue debt collection against the borrower in the event the other party defaults.
	• **Contingent Liability on Mortgage Assumptions (no exceptions)**: Must be included when the borrower remains obligated on an outstanding FHA, VA or conventional mortgage secured by the property that:
	  - Has been sold or traded within the last 12 months without a release of liability, or
	  - Is to be sold on assumption without a release of liability being obtained
	• **Contingent Liability on Co-Signed Obligations:** Must be included in the DTI calculation unless the borrower provides documentation that the primary obligor has been making the payments with 0x30 in the previous 12 months. Acceptable documentation includes cancelled checks, bank statements, etc.
	Student Loans (Deferred/Forbearance or in Repayment)
	Student loan payments, regardless of payment status, must be included in the DTI calculation/debt service. The following options are eligible for documenting the payment:
	• The credit report, **or**
	• 1% of the outstanding loan balance, **or**
	• Student loan creditor documentation

Deed / Resale Restrictions	Age-related and developer land-use or building code requirements only; all other types of deed restrictions ineligible

Derogatory Credit	**Significant Derogatory Credit Events** • **Borrowers with multiple significant unrelated derogatory credit events are ineligible** • **Borrowers with a significant derogatory credit event are eligible subject to meeting the requirements in this topic. Maximum 43% DTI.** Refer to the Debt-to-Income topic for details • **First time home buyers with any significant derogatory credit require a 7-year waiting period measure from the completion of the event date to Note date** **Foreclosure/DIL/NOD/Short Sale/Real Property Settled Debts** • A 4-year waiting period**,** measured from the completion date or notification date (applicable to NOD) to the Note date, and the borrower must have documented satisfactory re-established credit **NOTE:** Borrowers receiving a died-in-lieu of foreclosure and the borrower is allowed to lease the property, the completion date of the deed-in-lieu of foreclosure is used to measure waiting period **Bankruptcy** • A 4-year waiting period from date of discharge or dismissal date - Mortgages discharged through bankruptcy, a 4-year waiting period from the date of discharge to the Note date and the borrower must have documented satisfactory re-established credit **Collections/Charge-offs/Liens/Judgments/Settled Debts** • Tax liens, judgments, and charge-offs must be satisfied or brought current prior to or at loan closing • Liens impacting title must be satisfied prior to closing • All collections and charge-offs must be paid if an individual collection or charge-off is ≥ $1,000 or if the cumulative total of collections and charge-offs per loan is ≥ $2,500 • Any settled debt reported in the previous 24 months must be fully explained and will be considered when underwriting the loan **Consumer Credit Counseling** Borrowers who have participated in credit counseling in the previous 2-years are ineligible **Disputed Accounts** Disputed accounts identified on the credit report require review by the Homebridge underwriter. • If there are multiple disputed tradelines **OR** a dispute on a mortgage tradeline, the borrower must provide a written explanation detailing the reason for the dispute • Upon review, additional documentation may be required **Forbearance: Mortgage(s)/Rental Agreement** • Borrowers with any mortgage tradeline currently in a forbearance plan (i.e. one or more mortgages including co-signed mortgage loans and rental agreements) are not eligible • Borrowers no longer in a mortgage or rental agreement forbearance plan are eligible subject to: - Documentation confirming the forbearance plan has been withdrawn, closed or cancelled is required - The mortgage/rent payment is not in a repayment plan or loss mitigation program The borrower must be current on the mortgage/rent payment (borrower has made all payments due in the month prior to the Note date of the new loan, according to the terms of the original Note by no later than the last business day of that month) **IRS Installment Plans** Borrowers in an established IRS repayment plan are eligible subject to the following: • Documentation of the approved payment plan with the IRS, • The account must be current and have a satisfactory payment history • If the account is past-due or the debt has become a lien, **the account must be paid in full prior to or at loan closing** **Past-Due Accounts** Past-due accounts must be brought current prior to loan closing

Derogatory Credit (cont.)	**Restructured Mortgage/Mortgage Modification** • A borrower with a restructured/modified loan requires **4 years seasoning, measured from the date of the** restructure/modification date to the new loan closing date, and • The borrower must have satisfactory verified re-established credit. • The 4 year seasoning applies when the original transaction has been changed, resulting in absolute forgiveness of debt or a restructure of debt through either a modification of the original loan or the origination of a new loan results in any of the following: - Forgiveness of a portion of principal and/or interest on either the first or second mortgage, - Application of a principal curtailment by or on behalf of the investor to simulate principal forgiveness, - Conversion of any portion of the original mortgage debt to a "soft" subordinate mortgage, or - Conversion of any portion of the original mortgage debt from secured to unsecured - Short refinance mortgage loan - A new loan that includes any of the above is ineligible **Re-Established Credit Requirements** • Borrowers with a significant derogatory credit event are required to have re-established credit • A minimum of three (3) traditional credit references with activity are required, **and** • The credit report cannot reflect any late payments in the previous 24 months, **and** • All other derogatory credit requirements and minimum credit score requirements met
Down Payment/ Earnest Money Deposit	• Gift funds eligible after 5% borrower own funds requirement is met (if applicable). Refer to the Gift Funds topic for details • Down payment/earnest money deposits must be documented and sourced, if applicable
Escrow Holdbacks	Not eligible
Escrow/Impound Account	• **LTV > 80%:** Escrow/impound account required **NOTE:** N/A to CA properties due to CA law (escrow/impound account cannot be required unless ≥ 90% LTV) • **LTV < 80%:** Escrow/impound account recommended but **not required** • Escrow/impound account is always **required** on the following, **no exceptions:** - HPML transactions with a minimum escrow period of 5 years - Transaction requires flood insurance
Financed/Free and Clear Other Real Estate Owned	• Borrowers are limited to a maximum of four (4) financed properties, including the subject property, regardless of occupancy type • Two (2) months PITIA reserves for each financed property is required in addition to subject property reserve. Refer to the Reserves topic for complete reserve requirements. • Two (2) months taxes, insurance and HOA dues in reserves for properties owned free and clear • Homebridge limits its exposure to maximum of 4 loans per borrower and/or a maximum of $8,000,000 **Calculating the Number of Financed Properties** • **Included** in the count: - 1-4 unit residential properties, - Financed commercial properties in the borrower's name and the borrower is obligated on the mortgage or the property appears on the borrower's personal tax returns - Co-signed mortgage Notes • **Excluded** in the count: - Residential or commercial properties in the name of the borrower's business and are not reported on the borrower's credit report or personal tax return, and - Vacant land - Borrower is on title to the property but not obligated on the mortgage

Gift Funds	Gift funds eligible for down payment and closing costs (**gift funds not eligible to satisfy reserve requirements).** **Gift Fund Eligibility** Gift funds eligible subject to the following: • 1-unit properties **only** • **A minimum 5% borrower own funds required except as noted below:** - Purchase transactions with an LTV ≤ 70% borrower 5% contribution not required and all required funds may be from a gift • 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 • The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction. • The gift must be evidenced by a gift letter, signed by the donor and it must: - Specify the dollar amount, - Be signed by the donor and the borrower, - Specify the date the funds were transferred, - Indicate the donor(s) name, address, phone number, relationship to the borrower, and - Include a statement by the donor that no repayment of the gift funds is expected. • The transfer of the gift funds must be documented. Acceptable documentation includes: - Copy of the donor's cancelled check and the borrower's deposit slip - Copy of the donor's withdrawal slip and the borrower's deposit slip - Copy of the donor's check to the closing agent, or - The settlement statement showing receipt of the donor's check. • If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a wire transfer, certified/cashier's check or other official check required
Gift of Equity	Gift of equity is **ineligible**
Higher Priced Mortgage Loan (HPML)	Standard HPML requirements apply • Primary residence transactions **only** (N/A to second home and investment properties) • Escrows are mandatory for a minimum of 5 years • Compliance with ability to repay (ATR) must be documented • Complete HPML requirements, including HPML APR requirements, are detailed in Policy and Procedure 21-30 **Ineligible HPML Transactions** • Property being sold by a spouse who acquired the property through a divorce settlement • Property acquired by an employer through a relocation program • Property being sold by an administrator or executor of an estate • Property being sold by a lender, mortgage investor, or mortgage insurance company acquired through foreclosure or deed-in-lieu of foreclosure
Inspections	Inspections only required when the purchase contract requires one, or the appraiser identifies a need for an inspection on the appraisal

Interested Party Contributions	**Interested Party Contributions** • Interested party contributions (IPC) include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. • IPCs must be: - Disclosed on the sales contract - Documented in the loan file - Clearly identified on the Closing Settlement Statement, and - Paid to the appropriate vendor the Title/Escrow Company or Closing Attorney • Interested party contributions are limited as follows: **LTV** / **Maximum Allowable Contribution** ≤ 75% / 9% 75.01% to 90% / 6% **Financing Concessions** Common and customary financing concessions may include, but are not limited to: • Origination fees, discount points, commitment fees, • Appraisal costs, • Transfer taxes, tax stamps, tax service fees, • Title insurance premiums, attorney's fees • Survey fees, • Pre-paid interest (30 calendar days maximum), • Real estate taxes covering any period after settlement, unless no escrow account established, • Property insurance premiums (14 months) • HOA assessments (limited to 12 months) Funds from an interested third party and paid to the vendor are acceptable when they are used to: • Pay related mortgage financing costs, closing costs, pre-paids and escrow costs, or • Permanently reduce the interest rate on the mortgage **Sales Concessions** Non-realty items with real value that are provided to the borrower either within or outside a sales contract, are considered sales concessions and must be deducted from the sales price of the subject property in accordance with Fannie Mae guidelines
LDP/GSA	LDP / GSA All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System. • Borrower(s) and Borrower(s) AKA name (if applicable) • Seller(s), • Real Estate Listing and Selling Agent(s), • Appraiser, • Appraisal Company (**not** the AMC) • Broker • Loan Officer, Loan Officer Assistant • Loan Processor, • Underwriter, • Closing/Settlement Agent, • Title/Settlement Company, and • 203(k) Consultant Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.
Mortgage Insurance	Not required

Mortgage/Rental History	• 0x30 in the previous 12 months in the aggregate for all mortgages and/or rental verifications
	  - Any late mortgage or rent payment indicated on the credit report must be fully explained
	• Mortgage/housing requirements apply to **all** borrowers on the loan
	• Mortgage must be current for the month closing
	• If the mortgage/rental history is not listed on the credit report the following documentation is required:
	  - **Rental History:**
	    - **Professional Management Company**: A fully completed and signed verification of rent (VOR)
	    - **Private Party**: The most recent consective12 or 24 months (as applicable) cancelled checks (front and back) and/or bank statements
	    - **Peer-to-Peer** payment methods (Venmo, PayPal, Square, etc.) are acceptable
	  - **Mortgage History:**
	    - **Institutional Lender**: A fully completed and signed verification of mortgage (VOM)
	    - **Private Party:** The most recent consecutive 12 months' cancelled checks (front and back) **and** a copy of the Note
	• Borrowers with a free and clear property must provide documentation that TIA payments on the property are current
	First Time Home Buyer (FTHB)
	The below applies when **ALL** borrowers on the transaction are FTHB:
	• Borrower must be able to document a rental history within the previous three (3) years with 0x30 over a 12-month history (rental history must be most recent)
	Rent Free Borrowers
	Rent free borrowers are eligible subject to the following:
	• The rent-free period must be the months directly preceding or during the loan application process
	• The rent-free period must have been consecutive and not exceed 12 months
	• A 12 month rental history for the time period immediately prior to the rent-free period
	• The borrower must provide a written explanation for living rent-free
	• There is no specific payment shock requirement, however payment shock is considered when considering the overall risk of the loan

New York Transactions	• NY transactions must pass the NY Subprime test, as applicable • NY CEMA eligible for refinance transactions; Fannie Mae requirements apply. CEMA **not eligible** for purchase transactions - The most recent version of New York Consolidation, Extension, and Modification Agreement Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) is required
Non-Arm's Length/ Identity of Interest Transactions	**Not allowed** with the exception of transactions involving unrelated tenant/landlord relationships

Occupancy	• 1-4 unit owner-occupied primary residence - Borrowers are required to occupy the subject property within 60 calendar days of closing - A leaseback to the seller is allowed, as long as the lease period does not exceed 60 calendar days. **A builder leaseback for the continued use of the property as a model home is not eligible** • 1-unit second home (borrowers may own more than one second home). The following applies: - All borrowers must take title to the property, - Must be suitable for year round use, - Must be occupied by the borrower for some portion of the year, - Must be in an area typical for second home use, - The property cannot be leased/rented other than on an occasional basis, - Cannot be subject to any timeshare arrangements, rental pools, or other agreements that gives a management company control over the occupancy; the borrower must have exclusive control over the property
Payment Shock	There are no specific payment shock requirements, however payment shock will be considered when underwriting the loan
Points and Fees	• Points and fees must comply with all federal and state requirements. • The maximum points and fees, paid to the broker or Homebridge, is 5%. Maximum points and fees are calculated based **on the amount financed**
Power of Attorney	A power of attorney (POA) is eligible subject to the following: • A **specific** POA is eligible: - For closing documents **only; ineligible** for application and disclosures - On purchase and rate/term refinance transactions; **ineligible on cash-out transactions** • POA **ineligible** when title will be held in the name of a trust • The following persons, when connected to the transaction, are **ineligible** to act as the agent/attorney-in-fact under a power of attorney, unless allowed by applicable state law, **OR** they are the borrower's relative (as defined by Fannie Mae) or the borrower's fiancé, fiancée, or domestic partner: - The lender or broker, - Any affiliate of the lender or broker, - Any employee of the lender or broker - The loan originator, - The employer or any employee of the employer of the loan originator, - The title insurance company providing the title insurance policy or any affiliate of the title insurance company including, but not limited to, the title agency closing the loan, - Any employee of either the title insurance company or any affiliate of the title insurance company - Property seller, or any person related to the property seller, including a relative or affiliate, - Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent • In the event there is only one borrower on the loan, the person signing as the attorney-in-fact/agent using the POA must be either a relative or the borrower's attorney • Homebridge must review and approve the POA prior to loan closing • As a reminder, items not specifically addressed above, Fannie Mae policy will apply

Prepayment Penalty	Not allowed
Products	Fixed rate, **fully amortizing only** with 20 to 30 year loan terms
Properties – Eligible	• 1-unit SFR, PUD, condos primary residence (attached/detached and site condos) • 2-4 unit primary residence • 1-unit second home • Condominiums **Fannie Mae Warrantable** (attached/detached). The following review types are eligible: - Fannie Mae Full Review. The Homebridge Condo Department will complete the Condo/PUD Warranty Form, or - Fannie Mae Project Eligibility Review Service (PERS) approval. Reminder, Homebridge **does not** obtain PERS approvals; project must currently have a PERS approval that is valid through the Note date **NOTE:** The loan file must include the HOA/management company contact information, the amount and frequency of the HOA dues and evidence of current status of HOA dues • Properties with leased solar panels are eligible subject to Fannie Mae guideline • 1-unit property with an accessory dwelling unit (ADU) that meets Fannie Mae requirements; refer to the Property With Accessory Dwelling Unit topic for details • Rural properties eligible. - Comparable sales should be similar rural locations and similar property styles. The appraiser must adequately explain the use of any comparable sales not meeting these requirements - Multiple parcels eligible subject to meeting Fannie Mae policy • Acreage: Maximum 15 acres • Properties located on a private road or access to the property requires the use of a private road or shared driveway, the file must contain, at minimum, one of the following documents: - Title policy with the private road maintenance agreement language contained within, or - Private road maintenance agreements, or - Evidence the property is located in a state or county with statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private road; in this instance a separate agreement or covenant is not required

Properties – Ineligible	• Acreage > 15 acres • Investment properties • 2-4 units with an ADU • Non-warrantable condominiums/projects with any Fannie Mae ineligible characteristic • Condo hotels or condos with hotel-like features • Condo projects with any manufactured housing • Condo projects with 5-20 units with more than 2-units owned by one entity or projects with 21 or more units with 20% or more of units owned by one entity • Condo conversion project not fully converted • Condo projects without a master insurance policy • Condo projects with significant deferred maintenance and/or unsafe condtions • Bed and Breakfast, boarding houses, group homes • Mixed use properties • Leasehold estate • Life estate • Properties with deed restrictions (excluding age-related deed restrictions and deed restrictions specific to developer land-use or building code requirements for a subject development) • Log Homes • Properties located in Lava Zone 1 and 2 • Manufactured and modular homes • Manufactured accessory dwelling units • Properties not available for year round occupancy • Properties not readily accessible by roads that meet local standards • Timeshares, houseboats • Properties requiring hauled water and those lacking satisfactory utilities • Unique properties (e.g. dome homes, berm homes, geodesic, etc.) • Agricultural properties (working farms, ranches, etc) • Vacant land • Co-ops and live work projects • Properties with a condition rating of C5 or C6 • Any property type ineligible with Fannie Mae
Property Flip	If the property seller has owned less than 180 calendar days from date of the purchase contract and the new sales price is higher than the price paid by the seller to acquire the property, **the transaction is ineligible** The following types of re-sale transactions are **not** considered property flips • Property being sold by a spouse who acquired the property through a divorce settlement • Property acquired by an employer though a relocation program • Property being sold by an administrator or executor of an estate • Property being sold by a lender, mortgage investor, or MI company that was acquired through foreclosure or deed-in-lieu of foreclosure **NOTE**: If the transaction is one of the above, **the transaction cannot be an HPML**
Property with an Accessory Unit	**Legal Accessory Unit** Eligible on 1- unit single family properties only provided the ADU meets Fannie Mae and the following requirements: • The appraisal must indicate the improvements are typical for the market • A minimum of one (1) comparable sale with the same use is required • The borrower must qualify for the mortgage without considering any rental income from the unit
Property with an Addition without Permits	Unpermitted additions cannot be included in the overall square footage of the property **unless permits are obtained** and documentation provided that the addition is covered by acceptable property insurance

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

Refinance Transactions	**All Refinance Transactions** The information below applies to both rate/term **and** cash-out refinance transactions • Properties currently listed for sale are **ineligible** • If the property was purchased on the previous 9 months, the CD or Settlement Statement must be provided. The LTV is based on the lesser of the purchase price or the current appraised value • All refinance transactions must provide a bona fide benefit to the borrower. • Refinance transactions LTV determined as follows: - **If the subject property was purchased ≤ 9 months**, measured from acquisition date to application date, LTV determined using the **lesser of**: o The purchase price, **OR** o The current appraised value - **If the subject property was purchased > 9 months**, measured from date of acquisition to application date, the LTV is based on the current appraised value • **Continuity of Obligation** - At least on borrower on the new loan must also be obligated on the loan being refinanced, **OR** - The borrower has been on title and occupied the subject property for the previous 12 months and can provide documentation they have made the payments for the previous 12 months - An exception to continuity of obligations policy is allowed when the borrower: o Acquired the subject property through an inheritance, **or** o Was legally awarded the property through a court ordered agreement. **NOTE:** A waiting period **does not** apply when one of the above exceptions exists **Rate/Term Refinance** • Rate/term refinance transactions do not have a seasoning requirement • Properties previously listed for sale in the 6 months prior to application, require the property to have been taken off the market and the listing cancelled **a minimum of 1 day prior to the loan application date**. The following is required: - Obtain a copy of the cancelled listing agreement, - Document that a search of the MLS was performed to ensure the property is not listed with a different realtor, - Documentation that confirms the borrower is currently occupying the subject property (owner-occupied only), and - A letter from the borrower that addresses all of the following: o The borrower intends to occupy the subject property (owner-occupied only), and o The reason the home was listed for sale, and o An explanation for the refinance of the property • A rate/term transaction is eligible for the following: - Payoff of the existing first lien, including closing costs, prepaids and points. The borrower may receive cash-back up to 1% of the loan amount at closing - Payoff a first lien and purchase money subordinate lien. Documentation must be provided that the entire subordinate first lien was used to purchase the property - Payoff a seasoned **non-purchase** money subordinate lien (lien that has been in place for more than 12 months from the Note date to application date) **OR** a first lien HELOC (no draws > $2,000 in the previous 12 months) - Payoff a first lien HELOC used in its entirety to purchase the subject property - Payoff a seasoned private mortgage lien. Cancelled checks and/or bank statements supporting the acceptable payment history required. **If cancelled checks/bank statements cannot be provided to document the pay history the loan will be considered cash-out** - Buying out the equity position of a co-owner as a result of a court order - Property was legally inherited - Payoff if a construction loan in a two close construction-to-perm loan - Payoff of an unseasoned second lien (loan seasoned < 12 months) will be considered cash-out - Payoff of a PACE/HERO loan seasoned ≥ 12 months; seasoned < 12 months considered cash-out (cont. on next page)

Refinance Transactions (cont.)	**Rate/Term Refinance** (cont.)
	• **Cash-back to the borrower on a rate/term refinance is limited to 1% of the loan amount**
	    - The payoff of any debt at loan closing that exceeds the 1% allowable cash-back for a rate/term transactions will be considered cash-out
	• Principal curtailments must be the lesser of $10,000 or 1% of loan amount
	• A rate/term refinance may not be used to payoff a reverse mortgage
	Cash-Out Transactions
	A cash-out refinance is a refinance that does not meet the rate/term definition and would include a refinance where the borrower receives cash in an amount > 1% of the new loan amount or does not meet the rate/term refinance requirements stated in these guidelines.
	• A 6 month seasoning requirement applies, measured from the date the borrower took title to the application date of the new loan
	• Properties currently listed for sale or listed for sale in the previous six (6) months (measured from application date) are **not eligible**
	• Maximum cash-out is $1,000,000, including the payoff of an unseasoned second lien
	• A cash-out transaction may include the following:
	    - Payoff of the existing first mortgage,
	    - Closing costs and prepaid items (interest, taxes, insurance),
	    - Payoff of a non-seasoned (financed for < 12 months) non-purchase money subordinate lien
	    - Payoff a purchase-money HELOC which had subsequent non-purchase money draws > $2,000 cumulatively in the previous 12 months
	    - Pay off of a first lien HELOC which had subsequent non-purchase money draws > $2,000 cumulatively in the previous 12 months
	    - The payoff of a private mortgage lien which:
	        o The Note requires no payment so no payment history
	        o The lien is not seasoned 12 months,
	        o The subordinate lien payoff is included in the maximum cash0out determination
	    - Payoff a PAC/HERO loan seasoned < 12 months.
	    - Any cash-in-hand to the borrower as indicated on the Closing Disclosure.
	• Properties owned free and clear are always considered a cash-out refinance.
	• **Cash-out ineligible on:**
	    - Asset Depletion
	    - Property located in a declining market as determined by the appraiser
	• **Delayed Financing not eligible**
	Inherited Properties
	• Inherited properties are eligible for a rate/term transaction. Documentation of the inheritance required if the property was inherited in the previous 6 months

Refinance Transactions (cont.)

Buying Out a Co-Owners Interest

A refinance transaction resulting from a divorce settlement and/or dissolution of a domestic partnership, and the borrower is required to buy-out the interest of the other co-owner will be considered a rate/term refinance when the following applies:

- Documentation is obtained that confirms the subject property was jointly owned by the parties for a minimum of 12 months prior to the funding of the new loan, **and**
- A copy of the fully executed written agreement or court approved divorce decree that details the terms of the property settlement and the proposed disbursement of the refinance proceeds, **and**
- The borrower who will be acquiring sole ownership of the subject property does not receive any funds from the transaction.

Financing Real Estate Taxes – the following applies when real estate taxes are financed:

- **Limited Cash-out Refinance:** A loan is **ineligible** as a limited cash-out refinance and must be considered a cash-out transaction when:
  - The borrower finances the payment of real estate taxes for the subject property in the loan amount but does not establish an escrow account unless requiring an escrow account is not permitted under applicable state law or regulation
  - The borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount.
- **Cash-out Refinance**:
  - A loan with financed real estate taxes that are more than 60 days delinquent is eligible as long as an escrow account is established. If an escrow account is **not** established the loan is **ineligible** unless requiring an escrow account is not permitted under applicable state law or regulation

Reserves

Reserve requirements for the subject property are determined by loan amount

Reserve Requirements	
Loan Amount	**Required Reserves**
$100,000 - $500,000	3 months PITIA
$500,001 - $2,000,000	6 months PITIA

- Cash-out proceeds are **eligible** to satisfy reserve requirements
- Gift funds **may not** be used to satisfy reserve requirements
- Borrowers with additional properties are required to have an **additional** 2 months PITIA in reserves for each additional financed property owned. Additional properties owned free and clear require **additional** two (2) months TIA (taxes, insurance, HOA, if applicable) in reserves

Residual Income Requirements

Not required

Seller Contributions

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

Subordinate Financing	Eligible as follows: • New or existing subordinate financing is eligible up to the maximum CLTV/HCLTV allowed. **New Subordinate Financing** • The new subordinated financing must have a maturity date > 3 years **OR** must fully amortize under a level monthly payment plan when the maturity or balloon payment date is < 3 years from the Note date of the new first mortgage • The new subordinate lien must be recorded and clearly subordinate to the first lien • A copy of the Note must be provided • The monthly payment must be included in the DTI calculation **Existing Subordinate Financing** • Existing subordinate financing is eligible as long as it is re-subordinated to the first lien. • If the subordinate financing transaction was within the previous 6 months a copy of the CD/Settlement Statement must be provided • The subordinate lien must have a maturity date > 3 years **OR** must fully amortize under a level monthly payment plan when the maturity or balloon payment date is < 3 years from the Note date of the new first mortgage **unless** the borrower has additional reserves sufficient to pay the current subordinate lien balance in full • The monthly payment must be included in the DTI calculation • HELOC line limits may be paid down to meet HCLTV caps. Lines reduces or balances paid down must be fully documented • An existing PACE/HERO subordinate lien may remain in place provided it does not have lien priority over the first lien. It must subordinate to the first lien **Ineligible Subordinate Financing** • Employer assistance secured by a subordinate lien against the subject property • Liens with negative amortization • New subordinate liens may not have a Note which will mature within three years of the new first lien Note date unless the Note fully amortizes under a level monthly payment plan • Re-subordinated liens that do not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 3 years after the Note date of the new first Mortgage; unless the borrower has additional reserves documented in the loan file sufficient to pay the current subordinate lien balance in full • Liens that do not require interest at a market rate • Variable interest rate repayment terms that do not provide for a constant monthly payment for each 12 month period over the term of the subordinate lien. (HELOCs: the monthly payment does not have to remain constant) • Individual Development Accounts (IDAs) used for down payment and/or closing costs that require a subordinate lien against the subject property • Disaster Relief Grants or loans that require a subordinate lien against the subject property. • Any other subordinate financing ineligible for sale to Fannie Mae • Subordination of an existing PACE loan obtained prior to 7/6/10 • The terms of the subordinate financing may not provide for lien priority over first Mortgage liens

Temporary Buydowns	Not allowed
Texas Section 50(a)(6) aka Texas Equity	Texas Section 50(a)(6), Section 50(a)(3), and Section 50(f)(2) not allowed
Transactions – Eligible	• Purchase - A copy of the fully executed purchase contract and all attachments/addendums are required. **Transactions with an assigned purchase contract are not eligible** - The lesser of the purchase price or appraised value of the subject property is used to calculate the LTV - The borrower may not be on title prior to the loan closing. - The seller that is on title (vested owner of record) must be the individual who executes the sales contract and be on title prior to when the settlement statement and closing docs are executed - Transactions involving the purchase of a property in an unexpired redemption period are not eligible • Limited cash-out refinance (rate/term) - If the subject property was purchased in the **previous 9-months**, the **lesser of**: o The purchase price, **OR** o The current appraised value - Ownership measured from date of acquisition (closing date on CD/Settlement Statement) to the application date of the refinance transaction - If a principal curtailment is required, the amount must be the **lesser of:** o $10,000 or 1% of the loan amount • Cash-out refinance - If the subject property was purchased in the **previous 9-months**, the **lesser of**: o The purchase price, **OR** o The current appraised value • Ownership is measured from date of acquisition (closing date on CD/settlement statement) to the application date of the refinance transaction
Transactions – Ineligible	• Loans with more than four (4) borrowers • Transactions with "thin-file" credit or no credit history • Investment property transactions • ARM transactions • Interest-only transactions • Transactions involving non-traditional credit • Delayed financing • Transaction paying of an installment land contract • Community land trust • Cash-out on a property listed for sale or purchased in the previous 6 months • Cash-out on a property located in a declining market as determined by the appraiser • Energy Efficient Mortgages (EEM) • HUD 184 mortgage • Blind trust • Transactions with a non-occupant co-borrowers, guarantors, and co-signers • New York CEMA purchase transactions • Single-close financing for new construction • Title held as Tenants in Common with **unequal** ownership • Loans that have completed a principal curtailment and recast of principal and interest payment

Transactions – Ineligible (cont.)	• Transaction where a principal curtailment exceeds the **lesser of** $10,000 or 1% of the loan amount • Temporary Buydowns • Balloon payments • Property flips (not meeting policy in these guidelines) • A refinance transaction where the property is currently listed for sale • Texas Section 50(a)(6), Section 50(a)(3), and Section 50(f)(2) • Purchase transaction where the property being purchased is in an unexpired redemption period • Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after Feb. 8, 2011 and the fee collected does not directly benefit the property • Transactions with PACE/HERO program originated prior to July 6, 2010 • Transactions where a PACE/HERO loan provides for lien priority over the first lien • High cost mortgage loan • Subordinate liens with negative amortization • Refinance of an unseasoned restricted loan or short refinance loan • Renovation or rehabilitation loans • Transaction consisting of an assignment of the sales contract • Transaction that include the use of privately funded loans for the purpose of securing assets for the transaction • Graduated payments