HomeStyle Renovation Program

Conforming & High Balance Loan Amounts

Fixed Rate Only

Owner-Occupied Primary Residence					
Transaction Type	***Units***	***LTV*** [1,4]	***CLTV*** [3]	***Loan Amount*** [2]	***Credit Score***
Purchase and Rate/Term Refinance	1	90%	90%	Refer to Loan Limits Topic	700

Refer to page 2 for the Manufactured Housing LTV Matrix

Footnotes:

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
2. Minimum loan amount $60,000
3. Up to 105% CLTV allowed when using a Community Second/DPA
4. 90.01% to 95% LTV considered on an exception basis subject to Homebridge management review and approval; refer to the 90.01% to 95% LTV topic for details.

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EQUAL HOUSING OPPORTUNITY

All standard manufactured housing requirements apply to manufactured home transactions under HomeStyle and the more restrictive of the applicable requirements apply. Complete manufactured home policies are detailed in the Homebridge Fannie Mae Conforming & High Balance guidelines located on the Homebridge website under Conventional Loan Products on the Products and Guidelines page.

Manufactured Housing

Owner-Occupied Primary Residence					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2]	***Credit Score***
Purchase and Rate/Term Refinance	1	90% [1,3]	90%	Refer to the Loan Limits topic	620

Footnotes:

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
2. Minimum loan amount $60,000
3. 90.01% to 95% LTV considered on an exception basis subject to Homebridge management review and approval; refer to the 90.01% to 95% LTV topic for details.

2023 Maximum Loan Limits

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

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

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

HomeStyle Renovation Program Overview

- Allows the borrower to obtain a single loan to purchase or refinance a property and complete construction/repairs/improvements after loan closing using the "After-Improved" value of the property
- No minimum dollar amount for repairs.
- **Purchase Transactions**: The maximum renovation/repair costs are limited to the **lesser of**:
  - $75,000, **or**
  - 50% of the sales price

  NOTE: $75,001 to $100,000 may be allowed on an exception basis if the increase in the borrower's new housing payment is < 30% over their current payment
- **Refinance Transactions:** The maximum renovation/repair costs are limited to the **lesser of**:
  - $75,000, **or**
  - 25% of the "after-improved" value

  NOTE: $75,001 to $100,000 may be allowed on an exception basis if the increase in the borrower's new housing payment is < 30% over their current payment

  NOTE: Refinance transactions require all permits and building approvals prior to funding/closing
- The maximum renovation/repair cost may
- Manufactured home: Must meet all Fannie Mae eligibility criteria for manufactured homes. Renovation/repair costs cannot exceed the lesser of:
  - $50,000, or
  - 50% of the "after-improved" value
- All improvements must be permanently affixed to the property excluding kitchen appliances; free-standing kitchen appliances eligible
- Luxury items are eligible (e.g. swimming pools, spas, tennis courts, etc.)
- All renovation work must begin within 30 days of loan closing. The work cannot stop for more than 30 days during the reno process and must be completed within 3 months of loan closing
- An escrow account is established and funds are generally released as work is completed. A maximum of 5 draws are allowed
- A payment of up to 50% of the total up-front material costs identified in the project estimate may be provided to the borrower and contractor, in the form of a check, at loan close to order project materials. A portion of the 50% may be used to pay associated expenses such as design, architect fees, and permits
- All work must be completed by a licensed contractor selected by the borrower. The contractor must be licensed and insured in the jurisdiction where the work will be completed. Homebridge reviews contractor for acceptance. "Self-help" (borrower completes the work) is **ineligible**.
- Hazard insurance must meet Standard Coverage Requirements; refer to the Insurance Quick Reference Guide for details. If the direct renovation costs are ≥ $75,000 (if eligible) evidence must be provided the insurance company insuring the property has reviewed the bid and appraisal and confirms a hazard insurance policy will be issued

HomeStyle Renovation Program Overview (cont.)

- One (1) general contractor permitted. One (1) specialty contractor allowed with Homebridge approval (foundation, pool, well/septic etc.) Projects with direct hard costs ≥ $75,000 (if eligible) have additional contractor requirements. Refer to the Maximum Repair Costs topic for requirements
- A Streamline option is available for renovations with ≤ $35,000 in repairs. The transaction must include a minimum of one (1) energy efficient improvement. Refer to the Streamline Option topic for details
- The borrower **cannot** receive **any** cash-back
- HomeStyle loans may be combined with HomeReady; the more restrictive of the guidelines apply with the exception of MI which allows the lower MI coverage amounts of HomeReady to be used

<table>
<tr><th>Topic</th><th>Guideline</th></tr>
<tr><td>Forms, Documents and Contractor Requirements</td><td>

Renovation Disbursement Acknowledgment, signed by contractor and borrower, (one per contractor), OR
Renovation Disbursement Acknowledgment - Streamline Option, signed by contractor and borrower
HomeStyle Renovation Consumer Tips (Fannie Mae Form 1204), signed by borrower and loan officer.
Homeowner Contractor Agreement (previously named Renovation Homeowner Contract), signed by contractor and borrower
Contractor bid(s). Bid(s) should be marked “Final”, not “Estimate”, and cannot contain any expiration dates for pricing. Bids must provide detailed description of the work to be completed and detailed description of the materials, including make and model as applicable. Costs for materials and labor must be broken out.
HomeStyle Renovation Maximum Mortgage Worksheet Calculator
Feasibility Study aka Feasibility Site Report (if applicable – required when rehabilitation exceeds $15,000 or at Homebridge request). Signed by borrower, consultant, and contractor
Feasibility Study must be marked “Final”, not “Estimate” and cannot contain any expiration dates for pricing
Permit/Certification Acknowledgement, signed by contractor and borrower
Homebridge Initial Renovation Loan Acknowledgement Form, signed by the borrower and contractor
Draw Disbursement Check Waiver and Consent Form, signed by the borrower
Completed Federal W-9 (Rev. August 2013)
Contractor Questionnaire – Full Form (Projects > $35,000), signed by contractor
Contractor Questionnaire – Limited Form (Projects ≤ $35,000), signed by contractor
Evidence of current liability insurance which meets local/state insurance requirements
Evidence of current Workman’s Comp insurance (if applicable)
Copy of current license as required by local/state jurisdiction
Additional Contractor Requirements Determined by Project Cost:

Project Costs $15,000 to $35,000: If the direct hard costs of the project are $15,000 to $35,000 the contractor must provide evidence they have been licensed and insured for the previous 12 months (measured from application date)
Project Costs $35,001 to $75,000: If the direct hard costs of the project are $35,001 to $75,000 the contractor must provide evidence they have been licensed and insured for the previous 24 months (measured from application date) AND provide evidence of a two (2) year history of completing similar projects, AND have a minimum of 25% of the direct project cost in an available line of credit and/or cash
Project Costs $75,001 to $100,000 (allowed on an exception basis only; borrower’s housing payment increase must be < 30%): If the direct hard costs of the project are > $75,000 the contractor must provide evidence they have been licensed and insured over the previous 36 months (measured from application date) AND provide evidence of a 3 year history of completing similar projects, AND have a minimum of 25% of the direct project cost in an available line of credit and/or cash

NOTE: Additional documentation may be required upon Homebridge review.
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4506-C	• Signed 4506-C required prior to loan closing for both personal and business tax returns (if applicable) • Tax transcripts are **not** required NOTE: At underwriter discretion transcripts may be required in certain circumstances (e.g. handwritten paystubs, borrower employed by family member, etc.) • Homebridge will order transcripts at random for quality control purposes
90.01% to 95% LTV Exception	• A fully completed **Contractor Bid** or **Consultant Feasibility Study** is required when requesting an exception, and • **Purchase Transactions**: Written documentation from the local permitting office that indicates which items on the Bid/Feasibility Study will require permits and an estimated timeframe for the issuance of those permits
Age of Documents	• All credit, income and asset documentation must be the lesser of the expiration date noted on DU or ≤ 4 months from the Note date. • Appraisal documents must be ≤ 4 months from the Note date **Properties Impacted by Hurricane Harvey (Texas) and Hurricane Irma (Florida and Georgia)** The following applies to transactions where the loan is secured by a property located in one of the counties identified eligible for Individual Assistance in the applicable FEMA Disaster Declaration with **an application date on or before August 25, 2017 and a Note date that is after August 25, 2017.** • Credit, income and asset documentation must be no more than 180 days prior to the Note date • The appraisal must be dated no more than 180 days prior to the Note date (re-inspection requirements apply) Refer to the Homebridge FEMA Disaster Declarations Reference Guide for a list of eligible counties by state

Appraisals	• The appraisal must be ordered from an approved Homebridge AMC. Refer to the Appraisal Management Companies topic for Homebridge approved AMCs. • When ordering the appraisal a copy of the purchase contract, Contractor Bid(s) and/or Feasibility Study (Feasibility Study needed rehab. costs > $15,000 or at Homebridge request) must be provided as applicable. • The appraisal is completed "subject to". The Reconciliation section of the appraisal report is completed with the scope of work detailed or must reference the Contractor Bid or Feasibility Study for renovation project work details. • The cost of repairs on the Contractor Bid/Feasibility Study must match the appraisal. • Fannie Mae requires **one** value: the "After-Improved" value (aka "As-Completed" value) • Repair Costs ≥ $75,000 (allowed on exception basis **only**): The appraiser must include in the appraisal addendum any repairs that must be made to meet fire, health and safety, and any other repairs required so the property meets Fannie Mae minimum property standards • The original appraiser must complete the re-inspection. If the original appraiser cannot complete the re-inspection Homebridge approval is required and additional requirements may apply. • An Appraisal Updated and/or Completion Report (Fannie Mae Form 1004D) is required to document the completion of the project • The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required: - A Multiple Listing Service (MLS) or - MRIS (www.mris.com) - Midwest Real Estate Dated (MRED) (www.mredllc.com) - North Texas Real Estate Information Systems, Inc. (NTREIS) at (www.ntreis.net) - San Antonio Board of Realtors (www.sabor.com) - GeoData (www.geodataplus.com) - Comps Inc. (www.compsny.com) NOTE: Comparables from a public independent source are only eligible in the states of Maine, New Hampshire, and Vermont. • The appraisal must identify and address properties located within a declining market and/or identify any health, fire, and safety issues, as applicable or note that there are none≥≥ • Homebridge requires properties to be, at minimum, in average condition once the renovation is complete. Additionally, the following applies: - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing. - Any broken glass that is a health hazard must be removed and the opening closed. • Appraisal transfers are **ineligible** • A new appraisal will be required when the appraisal is dated more than 120 days from the Note date. • Properties located in a FEMA Disaster Declaration area are subject to additional appraisal review. Refer to the Fannie Mae Conforming and High Balance guidelines located on the Products and Guidelines page of the Homebridge website when a Value Acceptance Plus Property Data offer is received
Appraisal Management Companies (AMC)	Appraisals must be ordered from the AMC assigned by Homebridge by region/territory as follows: • Colorado, New Mexico, Oklahoma, and Texas: Nationwide Property & Appraisal Services • Northeast: Fastapp Appraisal Management • Midwest: Nationwide Property & Appraisal Services • New England: Nadlan Valuation • Northwest/Southwest/Central: Axis Management Solutions • Southeast: Nationwide Appraisal Network • West: Golden State AMC Brokers assigned to the Homebridge Inside Sales team, order appraisals as follows: • Inside Sales Team – East: Nationwide Property & Appraisal Services • Inside Sales Team – West: Golden State AMC To view a map of the territories, broken down by state, click here Homebridge Wholesale

Assets	• Asset documentation per DU • All funds used to close the transaction must be disclosed on the 1003 and input into DU. • The borrower must provide evidence that the earnest money deposit came from an acceptable source and that they have sufficient assets to cover the down payment, closing costs, prepaids and reserve requirements. Evidence required: - Two months most recent bank or financial statements, all pages. NOTE: If a copy of the canceled deposit check is used to document the source of funds, the bank statements must cover the period up and including the date the earnest money check cleared the bank. • Business funds of a self-employed borrower may be used for down payment, closing costs and reserve requirements subject to the following: - The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation: - Letter from the bank confirming borrower is an authorized signer, or - Online documentation that confirms borrower is an authorized signer NOTE: Use of business funds when the borrower does not own a significant percentage of the business will be at underwriter discretion (e.g. borrower has a 10% ownership interest and is using a significant amount of the business funds for down payment/closing costs). - A cash flow analysis, based on 3 months business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash flow analysis: - Must indicate that the average running balance in the account for the previous 3 months stayed the same or was better, and - The amount of funds used for the transaction must not deplete the account i.e. the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal • Stocks, Bonds and Mutual Funds - Stocks, bonds and mutual funds (including retirement accounts) may be used at 100% of the asset value for the calculation of reserves. - If used for down payment and/or closing costs, proof of liquidation is not required when the combined asset value is at least **20% more** than the funds needed for closing. • Cash on hand, unsecured borrowed funds, and unverified funds are ineligible sources for assets. • Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated. • Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. The final CD is **not required** to be fully executed. NOTE: When the borrower's employer assumes responsibility for paying off the existing mortgage as part of a relocation plan, a copy of the executed buy-out agreement is required to document the source of funds. A copy of the sales contract or listing agreement is **not** considered an acceptable source of verification of proceeds from the sale.

Assets (cont.)	• Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement do not require documentation. • Large unsourced deposits must be explained and verified. • Requirements for documenting large deposits are as follows: - If the funds from a large deposit are needed for the down payment, closing costs or reserves on the transaction documentation must be provided that the funds are from an acceptable source. Any undocumented large deposit will be deducted from the amount of verified funds and the reduced asset amount will be used for qualification *Examples:* 1. The borrower has a monthly income of $4,000 and a bank account with a balance of $20,000. A deposit of $3,000 was made but $2,500 of the deposit is documented as the borrower's tax refund (sourced). In this example only the $500 is considered "unsourced" ($3000 total deposit minus $2500 tax refund) and is included in the large deposit calculation. The unsourced $500.00 is only 12.5% of the borrower's monthly income therefore it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire $20,000 balance in the borrower's bank account may be used for underwriting purposes. 2. The same borrower has a deposit of $3,000 but only $500 is documented as the borrower's tax refund (sourced) leaving $2,500 has unsourced. In this example the unsourced $2,500 is 63% of the borrower's $4,000 monthly income which does meet the definition of a large deposit. The unsourced $2,500 must be deducted from the borrower's $20,000 bank account balance leaving $17,500 that may be used for underwriting purposes. 3. The same borrower has 3 separate unsourced deposits of $1800 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than $2,000 (50% of $4,000) however at underwriter discretion sourcing/documentation may be required. • Verification of assets from foreign sources: - Funds that a borrower (either a U.S. or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided all of the following requirements are met: - Documentation of the transfer of funds from the borrower's country of origin is provided, **and** - It can be established that the funds belonged to the borrower before the date of transfer, **and** - The source of all funds used for closing can be verified following the same requirements for U.S. citizens.
Assumptions	Not allowed
AUS	DU "Approve/Eligible" Finding required. Manual underwriting is ineligible.
Available Markets	• All 50 states • Guam, Puerto Rico and the Virgin Islands are ineligible.

Borrowers - Eligible	• Natural persons • U.S. citizens • Revocable inter vivos trust that meets FNMA guidelines • **Non-U.S. Citizens**: **All loans delivered to Fannie Mae require Homebridge to rep and warrant the borrower is legally present in the U.S.** with the exception of **Deferred Action for Childhood Arrivals (DACA**) status borrowers, who are **eligible** subject to meeting the requirements in this topic. **L**awful permanent or lawful non-permanent resident aliens are eligible subject to the following: - Borrower must have a valid social security number **or** individual taxpayer identification number (ITIN), **AND** - Have a current, unexpired, EAD **or** other documentation showing immigration status is current/unexpired (e.g. Green Card, work visa, etc.), **AND** - The borrower meets all other standard employment and income requirements required by DU - If additional information is required to determine legal status, the Homebridge Underwriter will determine on a case-by-case basis the additional documentation requirements - If a borrower is a non-permanent resident alien, Homebridge will determine visa eligibility. Refer to the Visa Eligibility for Non-Citizens (Non-Permanent Resident Aliens) document on the Homebridge website for visa eligibility and documentation requirements • All borrowers are required to have a valid social security or Individual Taxpayer Identification Number (ITIN) and meet legal residency documentation requirements
Borrowers – Ineligible	• Foreign Nationals • Borrowers with diplomatic immunity • Borrowers without a social security number, ITIN, or a number that cannot be validated with the SSA • Borrowers with non-traditional credit • Borrowers previously convicted of mortgage fraud

Borrower Types	• **Co-Borrower:** - An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt, - Signs all loan documents, - Income, assets and liabilities are used for loan qualification. • **Non-Occupant Co-Borrower**: - An individual, who applies with the applicant, takes title to the property and is liable for the debt but does not live in the property. - Signs all loan documents - The income, assets and liabilities of the non-occupant co-borrower on a primary residence transaction are considered in the DTI calculation. - Transactions with a non-occupant co-borrower are limited to a maximum 95% LTV/CLTV or the applicable maximum LTV for ARM transactions. • **Co-Signer:** - An individual who has no ownership interest in the property but is liable for the debt. - The co-signer signs all loan documents except co-signer does **not** sign the Mortgage/Deed of Trust. - Income, assets, and liabilities are used for qualification. - Cannot have an interest in the transaction (seller, builder, real estate broker, etc.) **NOTE**: If the co-signer will not be occupying the subject property maximum 95% LTV/CLTV or the applicable maximum LTV for ARM transactions • **Non-Borrowing/Non-Purchasing Spouse** - Generally has no ownership interest in the property and is not liable for the debt. - In community property/marital rights states the non-borrowing spouse **does have** an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law **NOTE**: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin
Construction to Perm	Ineligible
Consultant	• A consultant is required when the total rehabilitation costs exceed $15,000 or when Homebridge considers a consultant necessary. • A consultant is **not** required if the renovation costs are ≤ $35,000 when approved by Homebridge. Refer to the Streamline Option topic for details and requirements • If a consultant is required, the following applies: - Homebridge requires the use of a consultant approved by HUD. A HUD approved consultant may be found at: HUD Consultants - In some areas a HUD consultant may not be available. In those specific cases Homebridge approves the use of an independent third party inspection company after review. - The borrower selects the consultant, however the consultant works for Homebridge - The consultant provides a Feasibility Study (may not be required if single repair item (e.g. swimming pool). Requirement determined by Homebridge. - The consultant provides the draw schedule and performs draw inspections to approve disbursements

Contingency Reserve	• A contingency reserve is required to cover any health, safety and/or any unplanned expenses or additions arising in the course of the renovation (e.g. addition of flooring, HVAC, permanently affixed appliances, etc.) • The contingency reserve is 10% of the total renovation cost. - 15% contingency is required when the utilities are not on or not in good working order at the time of the appraisal (includes winterized properties) - 5% contingency is permitted when the renovation is solely for the installation or renovation of a swimming pool • A transaction involving a HUD consultant, the consultant provides recommendation for the contingency reserve; however, the Homebridge underwriter makes the final determination. • The contingency may be waived **if** the borrower has sufficient post-closing reserves that are equal to or greater than the amount determined to be required above (e.g. the required contingency reserve is $20,000 and the borrower has $20,000 or more in post-closing reserves, at underwriter discretion, the contingency reserve may be waived) • May be financed or funded by the borrower from their own funds. - When financed, the contingency reserve is included in the total rehabilitation cost and any funds remaining at the end of the renovation process must be applied as a principal reduction. The borrower may not receive excess funds. - When the contingency reserve funds are provided by the borrower, the funds are not included in the total rehabilitation cost and any funds remaining at the end of the renovation process may be returned to the borrower or applied as a principal reduction.
Contingent Liabilities	• **Business Debt** - Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business. - Business debt does **not** need to be considered as part of the borrower's individual recurring monthly debt when: - The account does not have a history of delinquency, **and** - Documentation is provided that the debt was paid from the borrower's business funds (e.g. 12 months cancelled business checks), **and** - The cash-flow analysis of the business took payment of the obligation into consideration. If documentation of payment from the business funds cannot be provided, or there is history of delinquency on the account the debt must be considered as part of the borrower's individual recurring debt obligation. • **Co-Signed Debt - Mortgage** - Co-signed debt is **not required** to be included in the borrower's DTI calculation if all of the following applies: - Documentation is provided that the borrower is not primarily responsible for payment of the debt, and - The credit report indicates no late payments on the account, and - 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower). (cont. on next page)

Contingent Liabilities (cont.)	• **Co-Signed Debt – Mortgage** (cont.) - Co-signed debt must **be included** in the borrower's DTI calculation if: - It cannot be properly documented that the primary party obligated on the loan is making the payments, **or** - A 12 month pay history, by the primary party, cannot be established, **or** - The credit report indicates there have been late payments on the debt, **or** - Another party is making the payments but the borrower is the only party responsible for the debt. Refer to the Credit – Installment/Revolving topic for non-mortgage debt paid by others
Conversion of Principal Residence or Pending Sale	• **Pending Sale**: - If the borrower is purchasing a new primary residence, and the current primary residence is pending sale but will not close prior to the new transaction, the borrower's PITIA payment on their current residence may be omitted when qualifying the borrower if **all** of the following are provided: - A copy of the fully executed sales contract is provided, **and** - Written verification provided by the closing attorney or escrow confirming all financing contingencies have been cleared. • **Conversion to Second Home**: - The borrower is qualified using the PITIA payments for both properties - Reserves required in accordance to the Reserves - Multiple Financed Properties section of this guide • **Conversion to Investment Property:** Must follow standard Income-Rental and Reserves – Multiple Financed Properties section of this guide
Credit History	• Trade line requirements per DU Findings. • Authorized user trade lines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history
Credit - Installment/Revolving Accounts	All debts will be run through DU to ensure accurate DU Findings. • **Installment Debt** - Installment debt is considered as a recurring monthly debt obligation and included in the borrower's long-term debt when there are more than 10 months payments remaining. - Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations. • **Revolving Debt** - Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following: - If the monthly payment is not included on the credit report, the underwriter will use the greater of $10 or 5% of the outstanding balance to determine the monthly payment. - If the revolving account is to be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio. - If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified. - If the revolving account is to be paid off at closing, the payoff must be shown on the CD. • **30 Day Charge Accounts** - Open 30-day charge accounts require sufficient assets to pay off the debt in order to be excluded from the debt ratio

Credit - Installment/Revolving Accounts (cont.)	• **Debt Paid by Others – Non-Mortgage**
	- When the borrower is obligated on non-mortgage debt (e.g. installment loans, revolving, lease payments, student loans, etc.) but is **not** making the payment the debt may be excluded from the DTI calculation subject to the following:
	  - The other party must be paying the **entire monthly payment** for a minimum of 12 months. The debt may **not** be excluded if the borrower is paying any portion of the monthly payment **or** the other party has not been making the entire payment for at least 12 months.
	  - 12 months cancelled checks or bank statements from the party making the payments are required to document 12 months 0x30 pay history. If any delinquencies the payment **may not** be excluded.
	NOTE: The above **does not apply** if the party paying the debt is an interested party to the subject transaction
	• **Child Support/Separate Maintenance Payments**
	- Child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or other legal document must be included in the borrower's monthly debt obligations if they will continue for > 10 months. Voluntary payments are **not required** to be considered in the DTI calculation.
	• **Alimony Payments**
	Alimony payments that are required to be paid due to a divorce decree, separation agreement or other legal document may be treated using one of the two following options:
	- The monthly payment may be deducted from the borrower's monthly qualifying income and the adjusted income figure is entered as the income amount in DU, **or**
	- The monthly payment may be included in the borrower's DTI calculation
	
	• **Student Loans in Repayment, Deferred, or Forbearance**
	All student loan payments, whether deferred, in forbearance, or in repayment must be included in the DTI calculation
	Payment Included on Credit Report:
	- If the payment is included on the credit report, the payment on the credit report will be used for qualifying (including income-driven payments)
	NOTE: If documentation is provided that indicates a different payment amount than what is on the credit report (i.e. the most recent student loan statement) the correct monthly payment amount may be used. The documentation supporting the correctly monthly payment must be retained in the loan file. A credit supplement may be obtained to reflect the correct monthly payment but is **not** required.
	Payment Not Included on Credit Report:
	- If the payment is not included on the credit report, or the credit report indicates $0, **one of the following two options must be used** to calculate the qualifying monthly payment:
	1. 1% of the outstanding loan balance (even if the amount is lower than the actual fully amortizing payment), **OR**
	2. A fully amortizing payment using the documented loan repayment terms
	• **Student Loans – Income Based Repayment (IBR)**
	A $0 payment may be used when:
	- It is listed as $0 on the credit report (a credit supplement that documents the $0 payment is acceptable), **OR**
	- A letter from student loan servicer is obtained stating the payment is $0

Credit Report/Scores	• Minimum credit score is 700 • All borrowers are required to have a credit score and must meet the minimum credit score requirement provided by DU unless the borrowers meet all the requirements under the Non-Traditional Credit topics of these guidelines • Homebridge will accept a credit report, in the broker's name, from any Fannie Mae acceptable credit vendor. The credit report **must contain trended credit data**. • A tri-merged credit report is required for all borrowers. • If a borrower does not have sufficient credit to establish a credit score a non-traditional credit profile must be established. A tri-merged credit report is required to confirm the borrower does not have a credit score. If a credit score cannot be provided the credit report must accurately reflect the borrower(s) personal information (social security number, current address, etc.) • The representative credit score is determined as follows: - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. - If there are two (2) valid scores, the lower of the two is used - If there is one (1) valid score, that score is used The representative score for the loan is the lowest representative score for all borrowers. • The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 90 days, specifically **stating the name of the creditor(s)** and the result of the inquiry/inquiries (i.e. was new credit obtained or not). Examples of acceptable/unacceptable responses below: - **Acceptable Response**: "The inquiry/inquiries by Bank of America, Wells Fargo, etc. did not result in additional credit" - **Unacceptable Response**: "We did not obtain any additional credit as a result of the credit inquiry/inquiries listed on our credit report" (unacceptable since name of creditors **not** listed) • The credit report cannot be older than 4 months at time of funding or the expiration date received from DU, whichever is less. **Court Ordered Assignment of Debt** Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations; however, the payment history for the debt prior to its assignment must be reviewed. **Credit Score Exception** • Non-Traditional Credit: No Borrower has a Credit Score and Non-Traditional Credit: One Borrower has Credit Score topics, refer to the Homebridge Fannie Mae Conforming and High Balance program guidelines for complete non-traditional credit requirements.
Deed / Resale Restrictions	Properties with age related restrictions (55+ communities) are eligible subject to Fannie Mae requirements. All other properties subject to deed/resale restrictions are ineligible.

Derogatory Credit	

Derogatory Credit

Bankruptcy

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

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

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

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

Collections/Charge-offs/Judgments

The following applies to collection and charge-off accounts:

- Past-due accounts (that have not gone to collection) must be brought current.
- The borrower is not required to pay off outstanding collections or charge-offs regardless of the amount.

Mortgage Charge-offs

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

Derogatory Credit (cont.)	**Judgments** Open judgments, garnishments and all outstanding liens appearing on the Public Records section of the credit report must be paid off prior to or at closing. Documentation of sufficient funds to satisfy these obligations must be obtained. **Consumer Credit Counseling** Follow DU Findings **Foreclosure** A previous foreclosure is subject to the following: • A 7 year waiting period from completion date to the disbursement date of the new loan is required • A 3 year waiting period with documented circumstances. The following also applies: - Maximum LTV/CLTV is the lesser of 90% or the program maximum - Borrower must be purchasing a primary residence • If mortgage debt was discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied. **Deed-in-Lieu/Pre-Foreclosure (Short Sale/Short Pay-off)** A previous deed-in-lieu (short sale/short pay-off) is subject to the following: • A 4 year waiting period, measured from event end date to new loan disbursement date is required. • A 2 year waiting period is eligible with documented acceptable extenuating circumstances*. NOTE: Disbursement date is defined as the date the loan funds are disbursed for the subject mortgage. The disbursement date may occur on or after the Note date. ***Extenuating Circumstances An extenuating circumstance is defined by Fannie Mae as a non-recurring event that was beyond the borrower's control that resulted in a sudden, significant and prolonged significant reduction in income (e.g. job loss, divorce, serious illness, etc.) or a catastrophic increase in financial obligations (e.g. large medical bills). An extenuating circumstance must be fully documented. Copies of any paperwork substantiating the event such as divorce decree, job layoff notice, severance papers, medical bills, etc. must be provided. Additionally copies of any documents substantiating the borrower's inability to resolve the problems resulting from the event such as insurance claims, unemployment paperwork, listing agreements, tax returns (covering the period of the event; before, during and immediately after) etc., are required. A letter of explanation from the borrower, explaining the event and documentation provided is also required.

Derogatory Credit (cont.)	**Disputed Accounts** Disputed accounts are subject to DU Findings. • When an "Approve/Eligible" is received **and** the DU message indicates **no further action** required no documentation is required • When an "Approve/Eligible" is received **and** the DU message indicates the disputed account must be researched to determine if the account belongs to the borrower the underwriter must research and document their findings. - If upon research the underwriter determines the account **does not** belong to the borrower **no further action required.** An updated credit report is **not required** - If the underwriter determines the account **does** belong to the borrower the loan is **ineligible** as Fannie Mae requires a manual underwrite and Homebridge does not offer manual underwriting on conventional loans **NOTE**: If any finding other than an "Approve/Eligible" is received the loan is also ineligible as Fannie Mae requires a manual underwrite **Re-Established Credit Requirements** After a foreclosure, bankruptcy, deed-in-lieu, or pre-foreclosure borrowers are required to have re-established good traditional credit. Re-established credit is met if **all** of the following are met: - The above detailed waiting periods and related additional requirements are met - The loan receives an "Approve/Eligible" Finding from DU - The borrower has established new traditional credit (non-traditional credit or "thin files" are **not** acceptable) **Delinquent Child Support** Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review. **Garnishments** All garnishments with more than ten (10) months remaining must be included in the borrower's DTI calculation as recurring debt. Garnishments are not required to be paid off.
Down Payment Assistance (Community Seconds)	If using a Community Second, program must be currently approved by Homebridge. Refer to the Approved DPA/Community Seconds Program list located under Working With Us on the Homebridge website at www.Homebridgewholesale.com for eligible programs. All Fannie Mae Community Seconds requirements must be met.
DTI	Per DU Findings
Employment	• A two year employment history is required for both wage earner and self-employed borrowers. • Borrowers with 12-24 months of self-employment may be eligible subject to Homebridge management review and the following: - The most recent signed tax returns reflect the receipt of income at the same or greater level in a field that provides the same products or services as the current business or an occupation with similar responsibilities as the current business. - The borrower's level of experience and the amount of business debt will be considered. • A verbal verification of employment (VVOE) is required within10 calendar days of the Note date for salaried borrowers and within 120 calendar days for self-employed borrowers. • A current paystub with YTD income and most recent W-2s are required for wage earners. • Self-employed borrowers require verification of the business by a third party source (e.g. CPA, **or**, Federal Tax ID Certificate, **or** Business License, etc.). Self- employed borrowers are individuals who have 25% or greater ownership interest in a business.
Escrow/Impound Account	• > 80% LTV required unless prohibited by state law; CA loans ≥ 90% • ≤ 80% LTV not required; refer to rate sheet for pricing adjustment **Reminder**: If flood insurance is required, escrow/impounds are required **regardless of LTV;** escrows **cannot** be waived

Fees and Charges (included in the rehabilitation cost)	• Labor and material costs for the renovation, • Contingency reserve, if financed (10% of the total renovation cost; 15% if utilities are not in good working or are off at time of appraisal; 5% for swimming pools) • Appraisal fee, • Feasibility Study fee (required when total rehabilitation costs exceed $15,000 or when required by Homebridge) • Inspection fees • Final title update fee, • Architectural and engineering fees (if applicable), • Permit fees (if applicable), • Discount points
Financed Properties	• **Owner-occupied properties**: Unlimited • **Determining the Number of Financed Properties:** The number of financed property is cumulative for all borrowers (jointly owned are only counted **once**) and the count includes the actual number of properties that are financed not the number of mortgages on the property or the number of mortgages sold to Fannie Mae. - When determining the number of financed properties the following is **included**: - All 1-4 unit residential properties where the borrower is **personally obligated** on the loan, **and** - The borrower's principal residence if it is financed - Properties owned in the name of an LLC are **not included** in the calculation **unless the borrower is personally obligated on the loan.** - The following property types are **not included** in the calculation **even when the borrower is personally obligated on the mortgage:** - Commercial real estate, - Multifamily property consisting of 5 or more units, - Ownership in a timeshare, - Ownership of a vacant lot (residential or commercial, or - Ownership of a manufactured home on a leasehold estate not titled as real property

<table>
<tr><td>Fund Disbursement / Draws</td><td>
A maximum of (5) draws are allowed subject to the following:

If only 1 draw is required the appraiser completes the re-inspection. If the original appraiser cannot complete the re-inspection, Homebridge approval is required and additional requirements may apply
If more than 1 draw is required the broker is required to confirm, in writing, who will conduct the re-inspections (appraiser, HUD consultant, or independent 3rd party inspection company)
NOTE: When a Feasibility Study is required, the HUD consultant determines the number of draws
10% is withheld from each draw
A one-time material draw at the beginning of the project may be released to the borrower and contractor. A portion of these funds may also be used to pay design and architect fees and for permits. The draw is limited to the lesser of:
- 10% of the total hard cost of the project, or
- 50% of the material cost on the work write-up
NOTE: This one-time up-front release of funds in not included in the draw count
The remaining draws are released once an acceptable inspection has been completed by the applicable party.
Refinance transactions require all permits and/or building approvals prior to funding/closing
Final disbursement occurs when a final title update is performed to evidence no liens on the property
Any excess funds at project completion must be applied to the principal balance of the loan

</td></tr>
<tr><td>Gift Funds</td><td>

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

<table>
<tr><th>LTV/CLTV</th><th>Property Type</th><th>Minimum Contribution from Borrower Own Funds</th></tr>
<tr><td>≥ 80.01%
MI company guidelines apply</td><td>1-unit primary residence</td><td>A minimum contribution from borrower's own funds not required. All funds may be a gift.</td></tr>
<tr><td>≤ 80%</td><td>1-unit primary residence</td><td>Not required. All funds may come from a gift.</td></tr>
</table>
* If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the previous 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the borrower contribution requirement as loan as both parties will occupy the subject property as their primary residence.

Gift funds may be provided by any of the following:
- A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood marriage, adoption or legal guardianship, or
- A fiancé or fiancée, or domestic partner.

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 (including borrower's parent who is the seller/buyer's agent and giving commission earned or other cash gift to the borrower for down payment)
The gift must be evidenced by a gift letter, signed by the donor and it must:
- Specify the dollar amount,
- Be signed by the donor and the borrower,
- Specify the date the funds were transferred,
- Indicate the donor(s) name, address, phone number, and relationship to the borrower, and
- Include a statement by the donor that no repayment of the gift funds is expected.

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</table>

Gift Funds (cont.)	• The transfer of the gift funds must be documented. Acceptable documentation includes: - Copy of the donor's cancelled check and the borrower's deposit slip - Copy of the donor's withdrawal slip and the borrower's deposit slip - Copy of the donor's check to the closing agent, or - The settlement statement showing receipt of the donor's check. • If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check.
Gift of Equity	Eligible if the following requirements are met. The gift of equity is not subject to the interested party contribution requirements. • Allowed from an immediate family member only. • A gift letter must be provided (refer to gift funds above for gift letter requirements). • The CD must indicate "gift of equity".
Identity of Interest/ Conflict of Interest	• The borrower may have a familial or business relationship/affiliation with the contractor, including being the borrower's employer, as long as the contractor meets all contractor requirements NOTE: No party to the transaction may operate in a dual capacity (e.g. seller cannot be the contractor, consultant cannot be the seller or contractor, etc.) • The contractor may be on title as an owner of the subject property but cannot be a borrower/co-borrower on the loan • The contractor cannot also be the consultant on a project where the rehabilitation costs exceed $15,000 or when required by Homebridge; the consultant must be a HUD Consultant • Broker owned escrows are eligible subject to Homebridge approval

Improvements – Eligible	Improvements must be permanently affixed to the property. Examples of eligible improvements are: • Structural alterations/additions to the subject property (room/garage additions, finish attics/basements, and recreation rooms. Additions may be attached or detached. **NOTE: Manufactured homes are not eligible for any renovation project that includes structural changes** • Construction of an accessory unit is eligible if the unit is in compliance with local zoning requirements and the applicable building codes for the local area. - Fannie Mae defines an accessory unit as an additional living area independent of the primary dwelling unit that includes a fully functioning kitchen and bathroom. - Accessory units may include a living area over a garage and basement units. - The addition of the accessory unit **cannot change the property from a 1-unit to a 2-unit property** and there can only be one (1) accessory unit on the property. Refer to the Property With an Accessory Unit topic for complete accessory unit requirements. • Changes to improve function/modernization (bath/kitchen remodel) • Kitchen appliances (free-standing or built-in) • Elimination of health/safety hazards (lead base paint, mold, etc.) Follow state and local government requirements where property is located for removal and testing, • Repair/replacement/upgrade of plumbing, heating, air conditioning and electrical systems, • Repair/replace flooring • Window and door replacement, • Interior/exterior painting, • Weatherization including storm windows/doors, insulation, weather stripping, • Major landscaping • Repair/replace roofing, gutters and down spouts, • Installation of new well and/or septic system or repair of such systems • Enhancing accessibility for a disabled person • Swimming pools, spas (installation or repairs) • Outdoor living spaces (barbeque islands, outdoor fireplaces, etc.) • Basement finishing or waterproofing • Television antennas/satellite dishes • Generator • Tennis courts • Solar panels (must be attached to the property) • Final non-structural work on a newly built home that was not completed by the original builder, when the home is at least 90% complete. The remaining work must be non-structural buyer preference items (e.g. flooring, cabinets, kitchen appliances, fixtures, and trim)
Improvements - Ineligible	Ineligible improvements include, but are not limited to: • Tearing down an existing structure and rebuilding • Any improvement not permanently affixed to the property (e.g. non-kitchen appliances (washer/dryer, etc.) • Alterations to allow for commercial or business use • Purchase of personal property • Manufactured home with structural renovation projects • Converting a 1-unit property to a 2-4 unit property

Income	Income documentation is determined by DU however, at underwriter discretion, additional documentation may be required. • **Wage Earner Borrowers**: - At minimum, a current paystub with YTD earnings and the most recent W-2 is required. • **Self-Employed Borrowers - Tax Return Requirements:** - Copy of the most recent 2-years signed federal individual and business tax returns with all schedules. If DU requires business returns business tax transcripts will be required. - The requirement for business tax returns **may be waived** if: - The borrower is using personal funds for down payment and closing costs and to satisfy applicable reserve requirements - The borrower has been self-employed in the same business for a minimum of 5 years - The borrower's individual tax returns show an increase in self-employment income over the past 2-years. - Copies of the most recent 1 year of personal and business tax returns are eligible **only when DU Findings allow**. The following is required: - Signed individual and business federal tax returns for the most recent year that **reflect a minimum of 12 months self-employment income** Example: If 2014 tax returns used for qualification, documentation must be provided the borrower's business was in existence **on or before** 12/31/13 to meet the full 12 months self-employment requirement. • **Self-Employed Co-Borrowers**: - When income from a self-employed co-borrower is **not used** for qualifying purposes, the self-employed co-borrower's income (or loss) is **not** required to be documented - If the borrower is personally obligated on any business debt that debt must be included in the borrower's DTI calculation. • **Self-Employed - Profit and Loss Statements** - A year-to-date Profit & Loss (P&L) statement and balance sheet are required if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower (borrower prepared is acceptable) NOTE: A balance sheet is **not** required for Schedule C borrowers - Additionally, if the income used to qualify the borrower exceeds the two year average of tax returns, an audited P&L or signed quarterly tax returns obtained from the IRS are required • **Self-Employed Income or Loss from a Sole Proprietorship Reported on Schedule C** - Schedule C will be reviewed to determine whether the income reported is recurring or non-recurring - Non-recurring income must be **deducted** in the cash-flow analysis, including any exclusion for meals and entertainment expenses reported on Schedule C - Recurring items claimed by the borrower on Schedule C must be added back to the cash-flow analysis. The following recurring items must be added back: - Depreciation, - Depletion, - Business use of home, - Amortization, and - Casualty losses • **Borrowers Employed by Family Members** - Two (2) years' tax returns required to support the income - Borrower's current income documentation (based on DU "Approve/Eligible" Findings) can be used to qualify the loan as long as the two (2) years tax returns evidence the following: - Borrowers do **not** have any ownership interest in the business, **and** - Any significant increase or decrease noted in the borrower's tax returns is satisfactorily explained • **Length of Self Employment** - Refer to the Employment topic for length of self-employment requirements.

Income (cont.)

- **Other Sources of Income**:
  DU determines the documentation, verification and continuation requirements for other sources of income
  - **Rental Income:** Refer to the Income - Rental topic for requirements when using rental income for qualifying
  - **Contract for Future Employment**: Income from a job that the borrower is scheduled to start is eligible subject the following:
    - Transaction must be a 1-unit, owner-occupied purchase
    - The borrower must be scheduled to begin employment within 90 days from Note date
    - The borrower cannot be employed by a family member or any interested party to the transaction
    - The borrower will be qualified upon fixed based income
    - A copy of the offer/contract for employment, signed by the employer and the borrower, is required and must include the following
      - The employer's name,
      - The borrower's name,
      - The terms of employment, including position, type and rate of pay, and the borrower's start date which must be within 90 days of the Note date,
      - The employment cannot have any contingencies. If any conditions to the employment exist they must be cleared prior to loan closing, **and**
      - Financial reserves in addition to those required by DU sufficient to cover PITIA payments for the subject property for 6 months **or** current income sufficient to cover the monthly liabilities included in the DTI ratio, including the PITIA for the subject property for the number of months between the Note date and the employment start date, **plus** one month.
  - **Unreimbursed Employee Expenses**
    - Unreimbursed expenses only need to be considered when the borrower's **commission income** is 25% or more of income
    - Union dues and other voluntary deductions identified on the borrower's paystub **do not** need to be deducted from the borrower's income
  - **Social Security Income** (retirement, disability supplemental security income) is an eligible source of income subject to the following:
    - Documentation requirements are determined on the type of benefit and whether the benefits received are from the borrower's own account or from another person's account (e.g. borrower eligible for benefits from a spouse, ex-spouse, dependent parents, etc.)

Type of Benefit	Benefit from Borrower's Own Account	Benefit from Another Person's Account
Retirement	• SSA Award Letter, OR • Proof of current receipt No continuance documentation required	• SSA Award Letter, and • Proof of current receipt, and • Minimum 3 year continuance required
Disability		
Survivor	N/A	
Supplemental Security Income (SSI)	• SSA Award Letter, and • Proof of current receipt	N/A

Income – Rental

Documenting Rental Income

Rental Income on Schedule E

- If the borrower has a history of renting a property, rental income is reported on Schedule E of the borrower's personal tax return and may be used for qualification.
- The gross monthly rent must be documented even if the borrower is not using any rental income from the subject property to qualify.

Rental Income from Subject Property

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

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

Documenting Rental Income from Subject Property		
Borrower has History of Receiving Rental Income from Subject Property	**Transaction Type**	**Documentation Required**
No	Purchase	Form 1007 or Form 1025 as applicable and copies of the current lease agreement(s) If the property is not currently rented, lease agreement(s) not applicable and the market rent determined on form 1007 or Form 1025. If there is a lease/leases that are being transferred to the borrower, the underwriter must review to ensure there are no provisions that could affect Homebridge's first lien position

Rental Income from Other Investment Property (not the subject)

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

Income – Rental (cont.)	

Income – Rental (cont.)

Partial Rental History or No Rental History

- Borrower's with partial rental history or no rental history (i.e. purchase transaction) including the subject and other rental property are subject to the following.
  - If it can be documented, per the requirements outlined in the table below, that the rental property was not in service the previous tax year, or was in service only a portion of the previous tax year, the qualifying rental income may be determined by:
    - Using Schedule E income and expenses, and annualizing the income (or loss) calculation, or
  - Using the fully executed lease agreement(s) to determine the gross rental income to be used in the net rental income (or loss) calculation.

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

Calculating Monthly Qualifying Rental Income or Loss

Schedule E

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

Lease Agreements

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

Income – Rental (cont.)	**Treatment of the Rental Income or Loss**
	The treatment of rental income/loss varies depending on the occupancy as detailed below:
	Property that is the Borrower's Principal Residence
	• The monthly qualifying rental income is added to the borrower's total monthly income. The income is not netted against the PITIA of the property.
	• The full amount of the PITIA payment is included in the borrower's total monthly obligations when calculating DTI.
	Property that is not the Borrower's Principal Residence
	• If the monthly qualifying rental income minus the full PITIA is positive, it is added to the borrower's total monthly income
	• If the monthly qualifying rental income minus the full PITIA is negative, the net rental loss must be added to the borrower's total monthly obligations.
	• The full PITIA for the rental property is factored into the amount of the net rental income/loss so it **should not** be included in the borrower's monthly obligation
	• The full monthly payment for the borrower's primary residence (full PITIA or the monthly rent) should be included in the borrower's monthly obligation.
	Rental Property Reported through a Partnership or S Corp
	If the borrower is personally obligated on a mortgage debt (as reported on the credit report) and gross rents and related expenses are reported through a partnership or S corp., the business tax returns may be used to offset the PITIA payment subject to the following:
	• Obtain the borrower's business tax returns, including form 8825 for the most recent year
	• Evaluate the properties listed as follows:
	   - From the total gross rents, subtract total expenses. Add back insurance, mortgage interest, taxes and HOA dues (if applicable), depreciation, and non-recurring property expenses (if documented),
	   - Divide by the number of months the property was in service,
	   - Subtract the entire PITIA (proposed for subject property or actual for real estate owned) to determine the property cash flow.
	• If the resulting net cash-flow is **positive**, the PITIA may be excluded from the borrower's monthly obligation when calculating DTI,
	• If the resulting cash flow is **negative** (the rental income does not fully offset the PITIA payment on the property) the negative amount must be included in the borrower's monthly obligations when calculating DTI.
	NOTE: When including positive net rental income received through a partnership/S corp. in the borrower's monthly qualifying income, the requirements for using partnership/S. corp. income to qualify the borrower must be met.
	DU applies the term "subject net cash flow" to net rental income from the subject property and the term "net rental income" to rental income from properties other than the subject property.

Inspections/Re-inspections

- The following inspections, if required by the appraiser and/or consultant, must be completed:
  - Termite/pest
  - Well or septic certification
  - Additional HVAC or system certifications
  - Additional architectural exhibits as required

No Feasibility Study Required

The contractor bid must specify the number of draws desired **or** the contractor must confirm in writing the number of draws requested.

- If 1 draw, the appraiser completes the re-inspection.
- If > 1 draw, the broker confirms, in writing, who will complete re-inspections (appraiser, HUD consultant, or independent 3rd party inspection company.

Feasibility Study Required

- HUD consultant determines the number of draws and completes the re-inspections

Interested Party Contributions

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

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

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

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

Interested party contributions are limited as follows:

Occupancy Type	LTV/CLTV	Maximum Allowable Contribution*
Primary Residence	75.01% - 90%	6%
	75% or less	9%

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

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

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

LDP/GSA and Mortgage Fraud	**LDP / GSA** All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System. • Borrower(s) and Borrower(s) AKA name (if applicable) • Seller(s), • Real Estate Listing and Selling Agent(s), • Appraiser, • Appraisal Company (**not** the AMC) • Broker • Loan Officer, Loan Officer Assistant • Loan Processor, • Underwriter, • Closing/Settlement Agent, • Title/Settlement Company, and • 203(k) Consultant Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.
Maximum Allowable Repairs	• **Purchase Transactions**: The maximum renovation/repair costs are limited to the **lesser of**: - $75,000, or - 50% of the purchase/sales price **NOTE**: $75,001 to $100,000 may be allowed on an exception basis if the increase in the borrower's new housing payment is < 30% over their current payment • **Refinance Transactions:** The maximum renovation/repair costs are limited to the **lesser of**: - $75,000, or - 25% of the "after-improved" value **NOTE**: $75,001 to $100,000 may be allowed on an exception basis if the increase in the borrower's new housing payment is < 30% over their current payment • **Manufactured home:** Renovation/repair costs cannot exceed the **lesser of**: - $50,000, or - 50% of the "after-improved" value
Maximum Mortgage Amount	**Purchase Transactions** • The LTV is based on the lesser of: - Purchase price **plus** total renovation costs, **or** - The "After-Improved" value • The maximum mortgage is determined as follows: - Multiply the lesser amount (as determined above) by the desired LTV (up to the maximum allowed per program matrix) to determine the loan amount **Refinance Transactions** • The loan amount equals the desired LTV multiplied by the "After-Improved" value NOTE: If the unpaid principal balance plus the total rehab costs plus closing costs are greater than the LTV multiplied by the "After-Improved" value calculation than the lesser LTV (i.e. the maximum allowed per program guidelines) applies

Repair Costs: **$75,001 to $100,000**	• Repair costs $75,001 to $100,000 (if eligible) are subject to the following:
	- A Builder Risk policy is required unless there is written confirmation is received from the insurance company stating they have reviewed the appraisal **and** the final scope of work and will issue the property insurance policy without any property related exceptions. The Homebridge underwriter will be responsible to ensure written confirmation is received.
	    - A 6 month policy is required for direct hard project costs
	- Contractor requirements are as follows:
	    - Must have a minimum three (3) year history of performing similar projects, **and**
	    - Must have been licensed and insured for the most recent 36 month (measured from application date), **and**
	    - A line of credit and/or cash that covers a minimum of 25% of the direct project must be available
	- Soft costs (costs for architectural drawings, engineering fees, permits, etc.) are only reimbursable fees when the final draw and project is complete
	- **No funds will be released from the escrow account until the permit(s) are provided** (including purchase transactions)
	NOTE: Refinance transactions require all permits and building approvals prior to closing/funding
	- If combining HomeStyle and HomeReady and there is an accessory unit, the rental income from an accessory unit is **not eligible** for qualifying
	- The appraiser must include in the appraisal addendum any repairs that are required to meet fire, health and safety, and/or any other repairs required for the property to meet Fannie Mae minimum property standards or note that there are none to be addressed

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

Loans with > 80% LTV, mortgage insurance is required and are subject to MI guidelines. The more restrictive of Homebridge or MI company guidelines apply. Links to review individual MI Company guidelines are provided below.
Purchase transactions: LTV based on the lesser of the “After-Improved” value or purchase price + total rehabilitation cost
Eligible MI products:

- Borrower paid mortgage insurance (BPMI). Monthly or single premiums are eligible.

- Lender paid mortgage insurance (LPMI). Single premium only.
Eligible MI options:

- Financed MI eligible for BPMI single premium (cannot cause the LTV to exceed maximum allowed per program)

- Non-refundable

- Refundable (eligible with BPMI single premium only)

- Renewal type: Level/constant
Homebridge approved MI companies for HomeStyle are:

- Essent

- Radian
Non-traditional credit with DU “Approve/Eligible”

- Mortgage insurance must be obtained from one of the following MI providers:

  - Essent, or

  - Radian
Mortgage insurance coverage is determined by LTV and loan term as detailed below*

<table>
<tr><th colspan="3">Required MI Coverage</th></tr>
<tr><th rowspan="2">Loan Term</th><th colspan="2">LTV</th></tr>
<tr><th>80.01-85%</th><th>85.01 - 90%</th></tr>
<tr><td>30 year</td><td>12%</td><td>25%</td></tr>
<tr><td>15 year</td><td>6%</td><td>12%</td></tr>
</table>

*Loans combining HomeStyle and HomeReady may use the lower MI coverage allowed by HomeReady. Refer to the HomeReady guidelines on the Products and Guidelines page of the Homebridge website for coverage amounts
</td></tr>
<tr><td>Mortgage Insurance – New York</td><td>
New York state statute supersedes Fannie Mae standard requirements for calculating the LTV used for determining the need for mortgage insurance. The following applies to loans secured by properties in New York:

Calculating the LTV to Determine if MI Required
The appraised value is always used to calculate the LTV ratio to determine whether or not mortgage insurance is required. If MI required determine coverage as outlined below.
Determining the Required Amount of MI Coverage
If mortgage insurance is required the lesser of the appraised value or the sales price is used to calculate the LTV ratio that determines the amount/percentage of mortgage insurance coverage required (see Required MI Coverage chart above for required coverage amounts by LTV/Loan Term)
</td></tr>
</table>

Mortgage/Rental History	• Per DU Findings however the mortgage /rental rating cannot have any ≥ 60 day lates in the previous 12 months NOTE: If DU allows any delinquencies a satisfactory explanation of the delinquency is required and is subject to underwriter review and acceptance. Timeshares are **not** considered mortgage debt by Fannie Mae and are not subject to mortgage history requirements. Fannie Mae considers timeshares to be installment debt. • The credit report must reflect the most recent 12 months activity. • Mortgage must be current for the month closing. • Copies of rent checks are required to document rental payment history subject to DU Findings. In lieu of rent checks, at the underwriter's discretion the following may be acceptable: - A direct verification of rent (VOR) provided by a professional management company, or - Copies of money orders **Forbearance Plan Policy** The policy below applies to the subject property and to any other real estate mortgage loan where the borrower is in a forbearance plan, **<u>Subject Property Lien (Loan being Refinanced) and is Current</u>** • If the borrower is current **and** has not missed a payment, the loan is **eligible** **<u>Other REO OR Subordinating Second Lien and is Current</u>** • The loan is eligible if the borrower is current **and** has never missed a payment, **and** • Written evidence, **provided directly from the servicer**, confirming the forbearance plan has been withdrawn, closed or cancelled prior to the closing of the new subject loan required. NOTE: Documentation must be obtained for loans in a forbearance plan **and** for loans where borrower inquired about forbearance and the servicer flags the inquiry **<u>Subject Property, Subordinating Second Lien, AND Other REO NOT Current/Missed Payment AND Loan is Brought Current (Reinstatement)</u>** • If the borrower has brought the loan current (aka reinstatement), **using their own funds**, the loan is eligible subject to: - The funds used to bring the loan current must be the borrower's **own funds <u>and</u>** must be **sourced and seasoned, and** - The borrower **cannot** have entered into a forbearance repayment plan or loan modification agreement, **and** - Proceeds from a refinance cannot be used to bring the loan current or, if cash-out, to reinstate the mortgage on other REO, **and** - The payoff cannot include any deferred or missed payments - **Other REO or Subordinating Second ONLY**: Written evidence must be provided **directly from the servicer** confirming that the forbearance plan has been with withdrawn or otherwise close out/canceled prior to closing of our new Homebridge loan **<u>Subject Property AND Other REO NOT Current/Missed Payment AND Borrower in Forbearance Repayment Plan, Loan Modification, Payment Deferral, or Other Loss Mitigation Solution</u>** • The following applies to loans in a repayment plan, had a loan modification, payment deferral or any other loss mitigation solution. - The loan is eligible if the borrower has made three (3) on-time payments per the applicable agreement - When the above requirement is met for the existing mortgage being refinanced, the new loan amount may include the full amount required to satisfy the existing mortgage NOTE: The borrower is only required to have made the three (3) consecutive payments; completion of the applicable plan is not required

Multiple Renovation Loans	Homebridge limits the number of open renovation loans in process to one. Multiple renovation loans in process at the same time are not allowed.
Non-Arm's Length	• A non-arm's length transaction is a purchase transaction where the is a relationship or business affiliation between the buyer and seller of the property • Non-arm's length transactions are eligible for re-sale properties • When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. New construction properties require the certificate of occupancy be issued or the property is not eligible.
Occupancy	Owner-occupied primary residence only; second home and investment properties **ineligible**
Power of Attorney	A Power of Attorney (POA) is allowed on a case-by-case basis subject to all of the following: • Must be specific to the transaction • Must include the borrower name, property address and loan amount • The POA must be fully executed and notarized • The borrower must sign the application and disclosures • Homebridge to review and approve prior to loan closing • The POA must be recorded along with the mortgage. NOTE: A POA is ineligible on a cash-out transaction
Prepayment Penalty	Not permitted
Products	Fixed Rate: 15 and 30 year
Properties – Eligible	• 1- unit single family residences • PUDs (attached/detached) • Condominium (attached/detached), Fannie Mae warrantable. Refer to the Property Eligibility - Condo topic for additional condo requirements. • Leaseholds meeting Fannie Mae guidelines. The lease must extend a minimum of five (5) years beyond the mortgage maturity. • New construction at least 90% complete • 1-unit manufactured home. Improvements **cannot include any structural changes.** Improvements must meet all Fannie Mae requirements for manufactured homes
Properties - Ineligible	• Non-warrantable condominiums • New or newly converted condominium projects in Florida without a PERS approval • New construction less than 90% complete • Properties requiring a zoning change or variance • Properties with a historic designation which require a local authority to approve the scope of work • 2-4 unit properties including the conversion of a 1-unit property to a 2-4 unit property • Properties currently boarded up, condemned and uninhabitable are generally not eligible (if located in a declared FEMA disaster area considered on case-by-case basis) • Condominiums < 450 square feet • Modular/prefabricated homes • Cooperative projects • Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) • Unique properties • Agricultural-type properties, farms, orchards, ranches • Properties zoned for agricultural use • Rural property > 10 acres • Commercial property • Second home and investment properties

Property Eligibility - Condo	Condos are eligible subject to the following: • Proposed renovation must be eligible under the bylaws of the HOA; written approval from the HOA is required • Renovation is limited to the interior of the unit which may include installation of fire walls in the attic • A Full Review is required; Limited Reviews are ineligible. • Two comparable sales, from a project other than the project where the subject property is located, are required.
Property Acquired at Auction	If the subject property is purchased at auction, the combination of the buyer's premium and the winning bid may be used to calculate the final sales price. The lesser of the final sales price or appraised value is used to determine the LTV/CLTV **NOTE**: The amount of the buyer's premium should be common and customary for a typical auction transaction.
Property Flips	Eligible subject to underwriter review. • Property flips are subject to: - Appraisal must support any value increases. Additional documentation may be required and a desk review or second appraisal may be required at underwriter discretion. - Borrower must have excellent credit history, employment history, savings pattern, etc.
Property with an Accessory Unit	**Legal Accessory Unit** Eligible on 1- unit single family properties only provided the following requirements are met: • The appraisal must indicate the improvements are typical for the market, **and** • A minimum of one (1) comparable sale with the same use is required, **and** • The appraiser must describe the unit and analyze any effect the accessory unit has on the value or marketability of the subject property, **and** • The unit includes a fully functioning kitchen and bathroom, **and** • The borrower must qualify for the mortgage without considering any rental income for the legal accessory unit, **and** • There is only one (1) accessory unit; multiple accessory units are ineligible **Illegal Accessory Unit** If it is determined that the accessory unit does not comply with zoning the property is eligible subject to the following additional conditions: • The use conforms to the subject neighborhood and market, **and** • The property is appraised based upon its current use, **and** • The appraisal must indicate that the improvements represent a use that does not comply with zoning, **and** • The appraisal must indicate that the improvements are typical for the market through an analysis of at least three (3) comparable properties that have the same illegal use, **and** • The accessory unit cannot jeopardize any future hazard insurance claim that could be filed against the property, **and** • The borrower must qualify for the mortgage without considering any rental income from the illegal accessory unit. • There is only one (1) accessory unit; multiple accessory units are ineligible
Property with an Addition without Permits	If the appraiser identifies an addition that does not have the required permits the following is required: • The appraiser must comment on the quality and appearance of the work, **and** • The impact the addition might have, if any, on the market value of the subject property.

Property with an Illegal Conversion	Properties with an illegal conversion (e.g. garage converted to office/bedroom, screened in porch converted to laundry room, etc.) are eligible subject to the "Property with an Addition Without Permits" topic requirements **unless** the illegal conversion includes the amenities to make it a self-contained living space (e.g. a garage converted to a living space that includes a bathroom **and** kitchen). In cases where the illegal conversion would be considered an accessory unit (living space, bathroom **and** kitchen) the conversion is subject to the guidelines under the "Illegal Accessory Unit" topic above.

Property with Solar Panels	• Properties with solar panels that are owned by the borrower are eligible without additional requirements.
	• Properties with solar panels that are not owned by the borrower (i.e. leased from or owned by a third party under a power purchase agreement or other similar arrangement, whether applicable to the original agreement or as subsequently amended) are subject to Homebridge management prior approval and all of the following:
	  - The solar panels cannot be included in the appraised value,
	  - The property must maintain access to an alternate source of electric power that meets community standards.
	  - **The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation, 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 **or** verification that the owner of the solar panels **is not named loss payee** (or named insured) on the property owner's property insurance policy; **and**
	    - In the event of foreclosure, Homebridge as the lender has the discretion to either:
	      - Terminate the lease/agreement and require the third-party owner to remove the equipment;
	      - Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third-party; or
	      - Enter into a new lease/agreement with the third-party, under terms no less favorable than the prior owner.
	  - Title exceptions due to the solar panels (e.g. easement) are acceptable provided the interest is not superior to Homebridge.
	  - 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.

Purchase Agreements Amended / Re-negotiated	• Not eligible if the sales price was increased **after** the original appraisal was completed if: - The appraised value is higher than the originally contracted sales price that was provided to the appraiser**, and** - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, **and** - The only change to the purchase agreement was the sales price. • If the purchase agreement was renegotiated after the completion of the appraisal, the LTV will be based on the **lower** of the original purchase price or the appraised value, unless: - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables, or - The purchase contract was amended for a new construction property due to improvements made that impact the tangible value of the property. An updated appraisal report must be obtained to validate the value of the improvements.
Reserves	Generally, per DU Findings. **Multiple Financed Properties** • The reserve requirement for borrowers with 2-4 financed properties is 2 months PITIA reserves for each additional second home or investment property **Acceptable Sources of Reserves**: • Checking/savings accounts, • Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts • Vested amount in retirement accounts, and • Cash value of a vested life insurance policy **Unacceptable Sources of Reserves** • Interested party contributions, • Personal unsecured loans, • Stock options and non-vested restricted stock • Stock held in an unlisted corporation, • Funds that have not been vested, • Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination, or death.
Seller Contributions	Refer to the Interested Party Contributions topic for seller contribution limits.
Streamline Option	The Streamline option, which does **not require** the use of a consultant, is available subject to the following: • The scope of work is ≤ $35,000, **and** • The scope of work includes, at minimum, one energy improvement with an "Energy Star" designation. Examples of energy improvements include, but are not limited to: - Energy efficient hot water heaters/tankless heater, dual pane windows, heating or cooling systems, low flow water fixtures, (shower heads, faucets, toilets), insulation, appliances, etc. **and** • A detailed contractor bid(s) outlining the scope of work and costs must be provided. The bid must specifically document the energy improvement material type, make, model, etc., as applicable • A general contractor is **not** required if the contractors providing the work are properly licensed and insured. The project is limited to a maximum number of **3 contractors** when a general contractor is not utilized. • A qualified third party inspection company **or** the original appraiser must conduct the inspections required when a draw request is made • Draw inspections: - When a general contractor is utilized a maximum of three (3) draws are allowed - When a general contractor is **not** utilized and the draw inspections are completed by the appraiser or third party inspection company a maximum of two (2) draws are allowed • Disbursement of upfront monies is not allowed

Subordinate Financing	• Eligible subject to the CLTV limits on the matrix located on pages 1 and 2. Max CLTV is 105% for a fixed rate owner-occupied property with a Community Second. • If existing subordinate financing is a HELOC, the full amount of the available credit must be used to determine the HCLTV. • Unacceptable subordinate financing terms include: - Mortgages with negative amortization (with the exception of employer subordinate financing that has deferred payments) - Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new fist mortgage - Subordinate financing that has a prepayment penalty • If using a Community Second, program must be currently approved by Homebridge. Refer to the Approved DPA/Community Program list located under Working With Us on the Homebridge website at www.Homebridgewholesale.com for eligible programs. All Fannie Mae Community Seconds requirements must be met. • The PACE/CA HERO programs are ineligible subordinate financing
Temporary Buydowns	Not available
Transactions – Eligible	1-unit purchase and rate/term refinance transactions
Transactions – Ineligible	• Any transaction without a DU "Approval/Eligible" Finding • Second home and investment transactions • Any **purchase** transaction involving any cash to the borrower; borrower **cannot receive any cash-back on a HomeStyle transaction in any amount** (Fannie Mae standard limited cash-out refinance of 2% or $2,000, whichever is less, is **not permitted** on HomeStyle) • Manual underwrites • Transactions secured by 2-4 units or a property with historic designation requiring local authority approval • Cash-out refinance • Texas Section50(a)(6) aka Texas cash-out • New construction not fully completed (i.e. certificate of occupancy has not been issued) • ARMs • Interest-only • Non-traditional credit • 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. • MCC (Mortgage Credit Certificates) • Transaction with PACE/CA HERO program subordinate financing. • Transaction involving the payoff of a PACE loan obtained prior to July 6, 2010 (Fannie Mae requires manual u/w; Homebridge does not manually underwrite Fannie Mae loans)

Utilities	• Utilities must be inspected to ensure they are in proper working order unless they are being completely updated.
	• If the utilities were not on at the time of the appraisal/inspection or are determined to not be in good working order, a 15% contingency reserve must be established (including homes that have been "winterized").
	• When obtaining bids, the contractor should provide a bid that allows for any repairs that may be required.
	Utilities on at Time of Appraisal/Inspection
	• Appraiser or other licensed professional (consultant, contractor, inspector, plumber, electrician) must confirm in writing that the utilities have been visually inspected and appear to be in good working order.
	Utilities NOT on at time of Appraisal Inspection
	• If utilities were not on at the time of the appraisal and the Feasibility Study or bid (as applicable) does not include repairs to the utilities, Homebridge will accept alternative documentation to validate condition of utilities.
	  - If home was winterized, a winterization certification indicating all utilities were working properly when turned off.
	  - A certification by a licensed professional (consultant, contractor, inspector, plumber, electrician) that the utilities have been inspected and appear to be in good working order.
	  - If bank or Agency owned a copy of the home inspection from the listing report
	• If the utility inspection reveals utilities are not in good working order, the Feasibility Study (if applicable) or Contractor Bid must include detailed required repairs. If identified through a Feasibility Study the utility repair cost must match the contractor bid(s).