

The Elite Access program has three documentation options. An overview and option specific requirements are detailed on pages 5-38. General program guides begin on page 39

Full Doc							
(2-Years Paystub/W-2 or 2-Years Tax Returns)							
1-4 Unit Primary Residence, 1-Unit Second Home, 1-4 Unit Investment							
Purchase and Rate/Term Refinance				Cash-Out Refinance ⁴			
\$1,500,000 ^{1, 2}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO ⁷	LTV ^{2,3,5,6,7,8}	LTV ^{3,6,8}	LTV ^{3,6,8}	FICO⁷	LTV ^{3,6,8}	LTV ^{3,6,8}	LTV ^{3,6,8}
740	85%	80%	80%	740	80%	80%	80%
720	85%	80%	75%	720	80%	80%	75%
700	80%	80%	75%	700	80%	80%	75%
680	80%	80%	75%	680	75%	75%	75%
660	70%	70%	70%	660	70%	70%	70%
\$2,000,000 ^{1, 2}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO ⁷	LTV ^{3,6,8}	LTV ^{3,6,8}	LTV ^{3,6,8}	FICO⁷	LTV ⁸	LTV ⁸	LTV ⁸
740	80%	80%	80%	740	75%	75%	75%
720	80%	80%	75%	720	75%	75%	75%
700	80%	80%	75%	700	75%	75%	75%
680	80%	80%	75%	680	70%	70%	70%
660	70%	70%	70%	660	65%	65%	65%
\$2,500,000 ^{1, 2}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO	LTV ⁸	LTV ⁸	LTV ⁸	FICO	LTV ⁸	LTV ⁸	LTV ⁸
740	75%	75%	75%	740	75%	75%	75%
720	75%	75%	75%	720	75%	75%	75%
700	75%	75%	75%	700	75%	75%	75%
680	75%	75%	75%	680	70%	70%	70%
\$3,000,000 ^{1, 2}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO	LTV ⁸	LTV ⁸	LTV ⁸	FICO	LTV ⁸	LTV ⁸	LTV ⁸
740	75%	75%	75%	740	75%	75%	75%
720	75%	75%	75%	720	75%	75%	75%
700	75%	75%	75%	700	75%	75%	75%
680	75%	75%	75%	680	70%	70%	70%

Footnotes:

1. Minimum loan amount \$125,000.
2. Loan amounts < \$150,000 maximum 80% LTV
3. Maximum DTI is 50%. DTI > 45% maximum 75% LTV
4. Maximum cash-out: ≤ 65% LTV: Unlimited cash-out; > 65% LTV: Maximum \$500,000
5. Warrantable condos and 2-4 unit properties: Maximum 80% LTV
6. Non-warrantable condos: Maximum 75% LTV
7. Interest-only transactions: Minimum 680 credit score and maximum 80% LTV
8. Properties located in declining market **AND** the LTV is > 65% an LTV reduction is required; refer to the [Declining Markets](#) topic for requirements



Alt-Doc							
(Bank Statement, 1099 Only, and P&L Only)							
1-4 Unit Primary, 1-Unit Second Home, 1-4 Unit Investment							
Purchase and Rate/Term Refinance				Cash-Out Refinance ⁴			
\$1,500,000 ^{1,2}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO ^{7,8}	LTV ^{2,3,5,6,7,8,9}	LTV ^{3,6,8,9}	LTV ^{3,6,8,9}	FICO ^{7,8}	LTV ^{3,6,8,9}	LTV ^{3,6,8,9}	LTV ^{3,6,8,9}
740	85%	80%	80%	740	80%	80%	80%
720	85%	80%	75%	720	80%	80%	75%
700	80%	80%	75%	700	80%	80%	75%
680	80%	80%	75%	680	75%	75%	75%
660	70%	70%	70%	660	70%	70%	70%
\$2,000,000 ^{1,2}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO ^{7,8}	LTV ^{3,6,8,9}	LTV ^{3,6,8,9}	LTV ^{3,6,8,9}	FICO ^{7,8}	LTV ⁹	LTV ⁹	LTV ⁹
740	80%	80%	80%	740	75%	75%	75%
720	80%	80%	75%	720	75%	75%	75%
700	80%	80%	75%	700	75%	75%	75%
680	80%	80%	75%	680	70%	70%	70%
660	70%	70%	70%	660	65%	65%	65%
\$2,500,000 ^{1,2}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO ⁸	LTV ⁹	LTV ⁹	LTV ⁹	FICO ⁸	LTV ⁹	LTV ⁹	LTV ⁹
740	75%	75%	75%	740	75%	75%	75%
720	75%	75%	75%	720	75%	75%	75%
700	75%	75%	75%	700	75%	75%	75%
680	75%	75%	75%	680	70%	70%	70%
\$3,000,000 ^{1,2}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO ⁸	LTV ⁹	LTV ⁹	LTV ⁹	FICO ⁸	LTV ⁹	LTV ⁹	LTV ⁹
740	75%	75%	75%	740	75%	75%	75%
720	75%	75%	75%	720	75%	75%	75%
700	75%	75%	75%	700	75%	75%	75%
680	75%	75%	75%	680	70%	70%	70%

Footnotes:

1. Minimum loan amount \$125,000
2. Loan amounts < \$150,000 maximum 80% CLTV
3. Maximum DTI is 50%. DTI > 45% maximum 75% LTV
4. Maximum cash-out: **≤ 65% LTV:** Unlimited cash-out; **> 65% LTV:** Maximum \$500,000
5. Warrantable condos and 2-4 unit properties: Maximum 80% LTV
6. Non-warrantable condos: Maximum 75% LTV
7. Interest-only transactions: Minimum 680 credit score and maximum 80% LTV
8. **P&L Only transactions: If < 720 credit score maximum 75% LTV**
Properties located in declining market **AND** the LTV is > 65% an LTV reduction is required; refer to the [Declining Markets](#) topic for requirements

Alt-Doc (Asset Qualifier)		
1-4 Unit Primary and 1-Unit Second Home		
Purchase and Rate/Term Refinance ^{2, 4}		
\$1,500,000 ¹		
	Owner Occupied	Second Home ³
FICO ³	LTV ⁴	LTV ⁴
740	75%	75%
720	75%	75%
700	75%	75%
680	75%	75%
660	70%	70%
\$2,000,000 ¹		
	Owner Occupied	Second Home ³
FICO ³	LTV ⁵	LTV ⁵
740	75%	75%
720	75%	75%
700	75%	75%
680	75%	75%
660	70%	70%
\$2,500,000 ¹		
	Owner Occupied	Second Home ³
FICO ³	LTV ⁵	LTV ⁵
740	75%	75%
720	75%	75%
700	75%	75%
680	75%	75%
\$3,000,000 ¹		
	Owner Occupied	Second Home ³
FICO ³	LTV ⁵	LTV ⁵
740	75%	75%
720	75%	75%
700	75%	75%
680	75%	75%

Footnotes:

1. Minimum loan amount \$125,000
2. Maximum DTI is 50%. (income based on Net Qualified Assets divided 84 months)
3. Interest only transactions:
 - Minimum 680 credit score
 - Second home transactions **ineligible**. IO only available on primary residence
4. Cash-out ineligible
5. Properties located in declining market **AND** the LTV is > 65% an LTV reduction is required; refer to the [Declining Markets](#) topic for requirements

INVESTOR CASH FLOW							
1-4 Unit Investment Property							
INVESTMENT PROPERTY Minimum DSCR 1.00				INVESTMENT PROPERTY Minimum DSCR .80			
\$1,500,000^{1,2}				\$1,500,000^{1,2}			
	Purchase	Rate/Refi	Cash-Out³		Purchase	Rate/Refi	Cash-Out³
FICO	LTV^{2,4,5,6}	LTV^{2,4,5,6}	LTV^{2,4,5,6}	FICO	LTV⁶	LTV⁶	LTV⁶
740	80%	80%	75%	740	75%	75%	70%
720	75%	75%	75%	720	75%	75%	70%
700	75%	75%	75%	700	75%	75%	70%
\$2,000,000^{1,2}				\$2,000,000			
	Purchase	Rate/Refi	Cash-Out³		Purchase	Rate/Refi	Cash-Out
FICO	LTV⁶	LTV⁶	LTV⁶	FICO	LTV	LTV	LTV
740	75%	75%	65%	740	N/A	N/A	N/A
720	75%	75%	65%	720	N/A	N/A	N/A
700	75%	75%	65%	700	N/A	N/A	N/A
\$2,500,000^{1,2,5}				\$2,500,000			
	Purchase	Rate/Refi	Cash-Out³		Purchase	Rate/Refi	Cash-Out
FICO	LTV⁶	LTV⁶	LTV	FICO	LTV	LTV	LTV
740	70%	70%	65%	740	N/A	N/A	N/A
720	70%	70%	65%	720	N/A	N/A	N/A
700	70%	70%	65%	700	N/A	N/A	N/A
\$3,000,000^{1,2,5}				\$3,000,000			
	Purchase	Rate/Refi	Cash Out³		Purchase	Rate/Refi	Cash-Out
FICO	LTV⁶	LTV⁶	LTV	FICO	LTV	LTV	LTV
740	70%	70%	65%	740	N/A	N/A	N/A
720	70%	70%	65%	720	N/A	N/A	N/A
700	70%	70%	65%	700	N/A	N/A	N/A

Footnote:

1. Minimum loan amount \$100,000
2. Loan amounts < \$150,000 maximum 75% LTV
3. Maximum cash-out:
 - DSCR ≥ 1.00:
 - ≤ 65% LTV: Unlimited cash-out
 - > 65% LTV: Maximum \$500,000 cash-out
 - DSCR .80 to < 1.00:
 - ≤ 60% LTV: Maximum \$1,500,000 cash-out
 - 60.01% to 65% LTV: Maximum \$1,000,000 cash-out
 - > 65% LTV: Maximum \$500,000 cash out
4. 2-4 units and non-warrantable condos: Maximum 75% LTV
5. Interest-only transactions:
 - Maximum \$2,000,000 loan amount
 - Maximum 75% LTV
 - Minimum 1.00 DSCR
6. Properties located in declining market **AND** the LTV is > 65% an LTV reduction is required; refer to the [Declining Markets](#) topic for requirements

Full Documentation Eligibility and Summary	
Full Documentation	
Overview	<ul style="list-style-type: none"> The Full Doc program is available for both salaried and self-employed borrowers. Fannie Mae guidelines apply to topics not addressed in the Full Doc Eligibility and Summary section or the Elite Access general Guidelines
Borrower's Income Type Eligibility	<ul style="list-style-type: none"> Wage earner/salaried borrowers Self-employed borrowers, defined as an individual who has a 25% or greater ownership interest in a business. The following must be considered when analyzing self-employed borrowers: <ul style="list-style-type: none"> The stability of the income The location and nature of the business The demand for the product or service offered by the business The financial strength of the business, and The ability of the business to continue generating and distributing sufficient income that will allow the borrower to meet ATR requirements
4506-C	<ul style="list-style-type: none"> A signed 4506-C and applicable tax transcripts (W-2, 1099, 1040) covering the number of years provided 4506-C results must be validated against the income documentation Broker provided processed 4506-C results are not eligible
Assets	Refer to the Assets topic in the general guidelines section for detailed requirements
Borrowers - Eligible	Refer to the Borrowers - Eligible topic for complete list of eligible borrowers and requirements
Debt-to-Income	<ul style="list-style-type: none"> Maximum 50% DTI, no exceptions. Refer to the Debt to Income topic in the General Underwriting section for complete requirements DTI cannot be rounded down to qualify
Derogatory Credit-Significant Events	<ul style="list-style-type: none"> Refer to the Derogatory Credit topic in the General Underwriting section for details

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income

Topics not addressed below, follow Fannie Mae requirements

Wage Earner Requirements

- Paystub(s) covering 30 calendar days with YTD earnings dated no earlier than 30 calendar days prior to the initial loan application date **and**
- The most recent 2-years W-2s, **and**
- Two (2) years W-2 transcripts. 2-years W-2 transcripts may be provided in lieu of W-2s if W-2s not available. A written explanation must be provided explaining the W-2 was unavailable
NOTE: Tax returns not required unless necessary to document additional factors (e.g. unreimbursed business expenses)
- Written VOE is only acceptable to supplement/explain W-2/paystub income breakdown. A stand-alone WVOE is **not allowed**.

Part-Time Income/Secondary Employment (Multiple Jobs)

Income from part-time employment is eligible for qualifying when documentation is provided the borrower has worked part-time uninterrupted for the prior 2-years and is expected to continue

NOTE: Part-time employment is defined as employment that supplements the borrower's regular employment income and is worked less than 40 hours per week. Part-time employment is not a primary job

- Paystub(s) covering 30 consecutive days with YTD dated no earlier than 30 calendar days prior to the initial loan application date **and**
- The most recent 2 years W-2s, **and**
- W-2 transcripts for previous 2 years, **and**
- Part-time income/secondary employment (multiple jobs) used for qualifying will be based on a 2-year average of the W-2s
 - Part-time income received < 2-years but no less than 18 months may be included in the qualifying income when documentation provided the income is likely to continue

Bonus Income

Income received from bonus income may only be used for qualifying income if it has been received for the prior 2-years. A 1-2 year history may be acceptable with additional favorable factors (e.g. a borrower switched jobs within the same line of work and received a bonus from previous employer and documentation can be provided there is a likelihood of continuance from the new employer

- Paystub(s) covering 30 consecutive days with YTD earnings dated no earlier than 30 calendar days prior to the initial loan application date **and**
- The most recent 2 years W-2s, **and**
- W-2 transcripts for previous 2 years
- Bonus income will be averaged based on 2-years receipt from the current employer; it cannot be combined with bonus income received from a previous employer

Overtime Income

Overtime income is eligible if received for the prior 2 years and likely to continue.

- OT income will be averaged based on a minimum of 2-years previous receipt plus YTD from the **current** employer; it cannot be combined with OT received from a previous employer
- OT income received < 2-years may be considered **subject to HB management review and approval**
- In all cases, receipt of YTD overtime income, in line with or greater than the average being used to qualify, must be documented

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income (cont.)

Commission Income

Commission income borrowers are borrowers who receive > 25% of their annual income from commission.

- Paystub(s) covering 30 calendar days with YTD earnings dated no earlier than 30 calendar days prior to the initial loan application date
- The most recent 2-years W-2s,
- Two (2) years tax returns required; **transcripts are not acceptable in lieu of tax returns,**
- Commission income is averaged over the previous 2-years plus YTD period, **and**
- The portion of commission income must be clearly documented
- The borrower must have a 2 most recent year history of receiving commission income in the same field
- Annual earnings should be level or increasing from one year to the next. If the trend for the commission earnings shows a decline, an explanation must be provided by the borrower and eligibility will be determined by the underwriter
- Commission income received for more than one year, but less than two years, may be considered if the likelihood of continuance can be documented in the file subject to Homebridge review and approval
- In all cases, receipt of YTD commission income, in line with or greater than the average being used to qualify, must be documented
- Commission income earned for less than one year is not eligible

NOTE: Exceptions may be considered for situations in which the borrower's compensation was changed from salary to commission within a similar position with the same employer.

Gratuity and Tip Income

Eligible for qualifying if the income has been included in the borrower's prior two years taxable income. The income will be averaged, unless declining. Current receipt must be verified and be consistent with the tip/gratuity income received in the prior 2 years

Partial Year Paid Borrowers

Borrowers who are paid for only part of the year (e.g. teachers, forest fire fighters) are eligible. Qualifying income will be determined by using the monthly salary, multiplied by the number of months the borrower is paid, and divided by 12

Recent Conversion from W-2 to 1099

A borrower who has converted from a W-2 employee to a 1099 employee and has not yet have filed tax returns are eligible subject to:

- The borrower is in the same or a substantially similar role in a contractor position as they were in a W-2 employee,
- They are in the same industry, and
- They can provide a contract(s) which are customary to their industry stating the new terms of their employment

When all of these conditions are met, the income may be considered stable. The borrower must provide their last two year's tax returns in all cases as well as a year-end and/or year to date profit and loss statement and balance sheet (as applicable). The new 1099 income should be greater than or equal to their previous W-2 income. The underwriter will utilize the borrower's last two year's W-2 income less 2106 expenses claimed to develop an average of income which the profit and loss statements should support. Expenses claimed on the profit and loss statement should be reasonable to the borrower's line of work, provided they are not reimbursed per the borrower's contractor. Two years employment in the same line of work prior to the conversion should also be verified.

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income (cont.)

Self-Employed Minimum Documentation Requirements

The following documentation must be present in the file to make a determination of a self-employed borrower's income:

- Most recent one or two year's personal federal tax returns (depending on the below),
- Any K-1s relating to self-employment listed on personal federal tax return(s) provided,
- Most recent one- or two-year's business federal tax returns (depending on the below) for primary business(s) relied upon for qualifying, and
- Year end and/or year to date profit and loss statement and balance sheet for primary business(es) relied upon for qualifying, if the Note date of the file will be more 120 days removed from the end date of the most recent tax returns provided

Age of Documents

- Paystubs (if utilized): 120 days
- Profit and Loss/Balance Sheet: 120 days
- CPA/EA/Licensed Tax Preparer Letter: 60 days

Treatment of Income sources

The borrower provides the most recently filed two (2) years of personal and business federal tax returns. Income is generally calculated based on a 24-month average of the tax returns provided if income is increasing and a 12-month average of the most recent years returns if income is decreasing. See below for instances where the income listed on the profit and loss statement may be included with qualifying income. If income is decreasing, an explanation and/or additional documentation may be required. A year-end and/or year-to-date profit and loss statement and balance sheet prepared by the borrower may be required.

For either method of documenting self-employed income, the following may be added back to the borrower's income calculation:

- Depreciation
- Amortization
- Pension contributions directly contributed to borrower
- Any expense(s) that can reasonably be documented to be one time and non-recurring
- Net operating loss carryforwards from years prior to the tax returns provided
- Business expenses for debts already included in the DTI
- Business Use of Home
- Mileage

Use of Interim Financials to Determine Qualifying Income

A self-employed borrower may include either year end or year to date financials prepared in accordance with above as part of their qualifying income. Income will be averaged over the period of the tax returns and the profit and loss statements provided. The borrower must provide their bank statements from the account utilized for their business for the period covered by the P&L and their bank statements must show deposits which are a.) part of the borrower's income stream and b.) total at least 90% of the gross receipts listed P&L.

Business Income not Used to Qualify

Homebridge does not require a borrower to provide corporate/partnership tax return(s) or interim financials if the income generated by the entity is not considered to qualify. The underwriter must ensure that there are no losses from businesses that are not being considered. K-1s reflecting income on the tax return(s) which are not being used to qualify the borrower and which do not reflect losses do not need to be provided. K-1's and business returns (as applicable) reflecting losses on the tax return years provided must be furnished by the borrower.

Types of Business Structures

There are four basic types of business structures:

- Sole proprietorships
- Corporations
- Limited liability or "S" corporations
- Partnerships

(cont. on next page)

Full Documentation Eligibility and Summary	
Full Documentation	
Documentation of Income (cont.)	<p>Self-Employed Minimum Documentation Requirements (cont.)</p> <p>Sole Proprietor A sole proprietor generally files a Schedule C with their personal tax returns which reflects their business' income.</p> <p>Partnership Partnership income is generally shown on Schedule K-1 and is filed with the borrower's personal federal tax returns as well as with the partnership returns. If the borrower or borrowers combined controls 25% or more of the business entity, the borrower(s) will need to provide the entity(s) tax returns.</p> <p>Corporation If the borrower, or borrowers combined, control 25% or more of the business entity, the borrower(s) will need to provide the entity(s) tax returns.</p> <p>Use of Profits from a Corporation In addition to the self-employed income or salary paid to the borrower(s) by the Corporation, net income from the corporation may be considered as additional qualifying income. In order to use business "net profits" from a Corporation as a qualifying income source, the borrower(s) on the loan application must document receipt of the income during the time period of tax returns the borrower provides. Additionally, the following requirements must also be met:</p> <ul style="list-style-type: none"> • The borrower(s) must have a legal right to the additional income by obtaining a corporate resolution or other comparable document that establishes that right, • Verification from the accountant for the company indicating that the business can support the ongoing distribution of the corporate profits at the same or increasing level, • Homebridge analysis of the business must also support that the business is capable of providing the borrower(s) with the additional income. <p>NOTE: These requirements do not apply to an "S" Corp. Receipt of net income for those businesses is sufficiently documented by the K-1 the borrower(s) receive.</p> <p>Limited Liability Company (LLC) Limited Liability Companies file taxes using partnership tax returns. The partnership tax return requirements listed above apply to these companies.</p>

Full Documentation Eligibility and Summary	
Full Documentation	
Documentation for Other Real Estate	<p>The following documentation is required for other real estate owned:</p> <ul style="list-style-type: none"> • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Employment	<p>Wage Earner/Salaried Borrowers</p> <ul style="list-style-type: none"> • Wage earner/salaried borrowers, two (2) full years employment in the same line of work required <ul style="list-style-type: none"> - If the borrower was in school or the military for the most recent two (2) full years are acceptable if transcripts or military discharge papers are provided • Gaps in Employment: <ul style="list-style-type: none"> - Borrowers with an absence or gap in employment greater than 90 days must provide a letter of explanation - Borrowers with an absence or gap in employment greater than 6 months require a letter of explanation and the borrower must document a 2-year work history in the same line of work prior to the absence or gap from employment • Borrowers with an offer letter/employment contract that is fully executed by borrower and employer are eligible. The offer letter cannot contain any contingencies. The borrower is qualified using the projected income documented on the offer letter/contract. The following applies: <ul style="list-style-type: none"> - The contract (including employment agreements/offer letters) must contain the employment start date, length of employment, and salary) The contract terms should be reasonable to the position - The borrower will start employment or begin receipt of the income within 60 days of loan closing <p>Self-Employed Borrowers</p> <ul style="list-style-type: none"> • Self-employed borrowers (defined as an individual who has a 25% or greater ownership interest in a business) or receives 1099s to document income. Self-employed borrower generally require a minimum of 2 years self-employment in the same line of work <p style="margin-left: 20px;">NOTE: 1-2 years self-employment may be considered on a case-by-case basis, subject to Homebridge management review and approval, with 2 years previous employment in the same line of work or related occupation. Less than 1-year self-employment is not eligible</p> • Gaps in Employment: <ul style="list-style-type: none"> - Borrowers with an absence or gap in employment greater than 90 days must provide a letter of explanation - Borrowers with an absence or gap in employment greater than 6 months require a letter of explanation and the borrower must document a 2-year work history in the same line of work prior to the absence or gap from employment. A CPA/EA/tax preparer letter required to verify self-employment
Gift Funds	Eligible; refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Not allowed

Full Documentation Eligibility and Summary	
Full Documentation	
Income - Annuity	<p>Annuity income is acceptable subject to the following:</p> <ul style="list-style-type: none"> • A copy of the annuity contract or letters from the organization providing the income required • The income must continue for three years from the closing date • Receipt of the income must be documented with the following: <ul style="list-style-type: none"> - The most recent year's W-2s, 1099s, or Federal Income Tax Returns, or - 12 months bank statements reflecting regular deposits of the annuity income
Income – Alimony, Child Support, and Maintenance Payments	<p>Income received from alimony, child support, and/or maintenance payments is eligible subject to the following:</p> <ul style="list-style-type: none"> • A copy of the final divorce decree, legal separation agreement, court order, or voluntary payment agreement must be provided • The income must continue for a minimum of 3 years from the closing date of the loan • Child support income may be “grossed up” subject to Fannie Mae non-taxable income policy • One of the following required to document receipt for the previous 6 months: <ul style="list-style-type: none"> - Cancelled checks, - Deposit slips, - Tax returns, or - Court records • Child support and non-taxable alimony may be grossed up subject to non-taxable income policy
Income – Automobile Allowance/Expense Account Payments	<ul style="list-style-type: none"> • An automobile allowance may be included in qualifying income provided evidence of receipt for two years is verified via either a written verification received from the Borrower's employer or paystubs reflecting receipt. • The Borrower's employer must confirm the payments will continue. • The full amount of the allowance is added to the Borrower's monthly income and the full amount of the lease/loan payment is added to liabilities.
Income – Capital Gains and Losses	<p>If capital gains income is customary for borrower's occupation and/or the borrower has a constant turnover of assets resulting in gains or losses, capital gains may be considered as qualifying income. The earnings trend or loss must be considered in the overall analysis of this income type.</p> <ul style="list-style-type: none"> • Tax returns for the previous 3 years must be reviewed to determine the earnings trend (Schedule D) • If the trend results in a gain, it may be added as effective income • If the trend consistently shows a loss, it must be deducted from the total income • Homebridge must document that the Borrower has an “inventory” of assets to continue to sell in order to generate gains in the future. The assets in the “inventory” must be of the same class as the assets which were generating the gain(s) being utilized to qualify. (e.g. Homebridge can consider the capital gains for an individual who purchases old houses, remodels them and sells them for profit)
Income - Disability	<p>Disability income may be included as qualifying income provided the borrower's current eligibility, including the amount and terms of the disability payment income, is verified through a copy of the awards letter, or other verification provided by: the employer, insurance company or government agency (e.g., Social Security Administration, Department of Veterans Affairs).</p> <p>The underwriter cannot request any medical documentation or make any inquiry regarding the nature of the disability or its duration. Any discussion regarding a borrower's disability should be limited to a request for the above- required documentation.</p>

Full Documentation Eligibility and Summary	
Full Documentation	
Income – Distribution from Non-Retirement Accounts	<p>Non-retirement assets may be set up for regular distribution payments and used as qualifying income. Regular distributions from non-retirement assets must be set up and two (2) months distribution received prior to closing. Cash-out refinance transactions are not eligible for asset-utilization. The following requirements must be met:</p> <ul style="list-style-type: none"> Borrower(s) can provide supporting documentation verifying that they have had ownership of financial assets for a minimum of 12 months and that they have unrestricted access. Any deposits >10% of the face value of the account as of the most recent statement must be sourced and documented. Gift funds or other unacceptable deposits will be deducted from the total assets available. Distribution income cannot be used for qualification if there is any knowledge or documentation indicating that the distribution will terminate within the next three years. Assets accounts utilized to derive income (distributions) cannot be used for reserves or down payment, nor may income generated from the accounts (i.e. interest, dividends, capital gains) be used for qualifying in addition to distributions. Distribution income from financial assets must be verified by providing all of the following: <ul style="list-style-type: none"> - Year-end statements for most recent year to evidence ownership and value of the assets, - Written verification from the financial institution managing the assets to evidence that regular monthly distributions have been set up. It must provide amount, frequency and duration of the distributions. - Most recent two months' statements for account(s) utilized for distribution <p>Qualifying Balances</p> <ul style="list-style-type: none"> Checking/Savings: 100% Marketable securities: 70% <p>Calculation Method</p> <p>Any distribution set up must have 120 months of continuance.</p> <p>Example:</p> <ul style="list-style-type: none"> - A borrower has \$700,000 in qualified assets. - The maximum distribution that can be utilized would be \$5,833 per month (\$70,000 per year). - Account balances must be verified within 120 days of the Note date, using account statements or other verification of the account balance.
Income – Distribution from Retirement Accounts	<p>Income from regular distributions from retirement accounts are eligible for qualifying subject to:</p> <ul style="list-style-type: none"> Borrower's utilizing retirement income distributions must be of retirement age Regular distributions from retirement assets must be set up and two (2) months distribution received prior to closing The distribution must have at least 3 years' worth of continuance at the time of closing based on qualifying balance 70% of the vested value is utilized to determine the qualifying balance The most recent full month's statement available as of the closing date must be provided. If statements are issued quarterly, provide a balance within 120 days of the note date, via statements or other verification of the account balance

Full Documentation Eligibility and Summary	
Full Documentation	
Income – Family Owned Business	<p>Borrowers employed by a family member, spouse, domestic partner in a family owned business are subject to the following:</p> <ul style="list-style-type: none"> • Two (2) years most recent signed tax returns required (applies to all income types, salary, OT, commission etc. showing the income. Tax transcripts are not allowed in lieu of tax returns • One of the following required to verify borrower’s ownership percentage (if any): <ul style="list-style-type: none"> - A signed copy of the business tax return, - A CPA letter, - Most current K-1 • Borrower is qualified using a 2-year average of W-2 earnings amortized of 24 months. If there is a decline in earning from one year to the next the lower income is used for qualifying
Income – Foster Care	<p>Foster care income may be included as qualifying income provided: proof of receipt for the previous 2-years and the income for providing foster parent care services to foster children is paid to the borrower by a governmental agency. Receipt must be verified by copies of checks or contracts/agreements with the governmental agency.</p>
Income - Government Assistance Programs	<p>Income received from government assistance programs is acceptable as long as the income has been received for the previous 2-years and the paying agency provides documentation indicating that the income is expected to continue for at least three years. Copies of checks, award letters or grant statements are acceptable documentation.</p>
Income – Homeownership Subsidies	<p>A monthly subsidy may be treated as income if a borrower is receiving subsidies under the housing choice voucher home ownership option from a public housing agency (PHA). Although continuation of the homeownership voucher subsidy beyond the first year is subject to Congressional appropriation, for the purposes of underwriting, the subsidy will be assumed to continue for at least three years.</p> <ul style="list-style-type: none"> • If the borrower is receiving the subsidy directly, the amount received is treated as income. The amount received may also be treated as nontaxable income and be “grossed up” by 25 percent, which means that the amount of the subsidy, plus 25 percent of that subsidy may be added to the borrower’s income from employment and/or other sources. • The subsidy will be treated as an “offset” to the monthly mortgage payment (that is, reduce the monthly mortgage payment by the amount of the home ownership assistance payment before dividing by the monthly income to determine the payment-to-income and debt-to- income ratios). The subsidy payment must not pass through the borrower’s hands. The assistance payment must be: <ul style="list-style-type: none"> - Paid directly to the servicing creditor, or - Placed in an account that only the servicing creditor may access. <p>NOTE: Assistance payments made directly to the borrower must be treated as income</p>
Income – Housing Allowance	<p>Housing allowance income (e.g. military, clergy, etc.) is eligible as qualifying income provided:</p> <ul style="list-style-type: none"> • The housing allowance has a history of being a part of the historical salary, • The amount of the allowance is verified in writing by the employer, and • There is proof of receipt of the income for the most recent 12 months. This requirement is only for non-military housing allowances • If the income is non-taxable (such as clergy) document as non-taxable via most recent two years tax returns and the non-taxable portion may be grossed up by 1.25%

Full Documentation Eligibility and Summary	
Full Documentation	
Income – Interest and Dividend	<p>Investment income may be used as stable monthly income. When markets are stable, documented earnings may generally be used. During periods of volatility or when verified earnings do not appear to be supported by current market conditions, Homebridge will use an earnings rate of 3%.</p> <p>To include interest or dividend income from cash or marketable securities in qualifying income, the following guidelines will be used:</p> <ul style="list-style-type: none"> • The income has been received for the past two years as verified by tax returns. • Verification that the underlying cash deposits and/or securities still exist must be obtained within 30 days of closing, • Any required funds necessary for closing on the subject transaction will be subtracted prior to the calculation of interest/dividend income. If using the accounts for funds to close, the underwriter will impute a 3% return on the remaining assets with no amortization of the account balance. • Year-to-date interest and dividend income will be averaged with the last two years as verified by the borrowers' tax returns, unless declining, • Year-to-date earnings will be imputed by applying a realistic market-rate of interest to the account balances and averaging over the number of months, • Margined securities in the calculation of interest/dividend income will not be included • Interest from pass-through tax entities (partnerships and S corporations) may be included provided the borrower can document they still own the interest producing the income in question
Income – K-1	<p>A borrower who is relying on K-1 income from an entity as part of their qualifying income does not need to document a history of receipt of distributions from said entity to utilize the income to qualify.</p> <p>Borrowers Recently Converted to K-1</p> <p>A borrower who has recently been made a partner in their employer (typically but not necessarily a law firm, accounting firm, etc.) may also have their income considered stable. Borrowers must provide their most recent two year's tax returns with all supporting documents and a copy of their partnership agreement. Income will be calculated based on the most recent two years' W-2 income compared with any guaranteed payments they are to receive under their new compensation structure. Guaranteed payments must be in line with previous salary utilized to qualify. A minimum of two years of employment in the same line of work must be verified.</p> <p>Borrowers Switching Employers and Converting to K-1</p> <p>Borrowers who are switching employers AND changing from a W-2 to K-1 position may be considered, provided the ownership interest in the new firm is of a minimal nature. The calculation of the income in this situation shall be the more conservative of guaranteed payments or historic income. A minimum of two years of employment in the same line of work must be verified.</p> <p>Borrowers who become a partner in their current employer with an ownership interest greater than or equal to 25% may also be considered under this guideline. In addition to two years of personal income tax returns, the company's most recent two years of tax returns must be provided to ensure no losses were incurred by the business which would need to be considered. A minimum of two years of employment in the same line of work must be verified.</p>
Income – Other	<p>Other income sources, whether taxable or non-taxable, must be verified unless otherwise indicated in the specific Product Profile. Non-taxable income should be distinguished from non-reported income as non-taxable income sources are not taxed, the "value" to the borrower is greater. Unless otherwise noted, all non-taxable income sources may be grossed up by a factor of 25% provided the non-taxable status of the income is verified. All sources of income included in the loan qualification must be stable, with a reasonable expectation that at least the same level of income will continue to be received for a minimum of three years. Provided there is no evidence that the income source will cease within the next three years, it can be reasonably assumed that the income will continue. In no case can income be used for qualification if there is any knowledge or documentation indicating that the income will terminate within the next three years.</p>

Full Documentation Eligibility and Summary	
Full Documentation	
Income – Rental	<p><u>Rental income – Investment Property</u> Rental income from investment properties may be used as qualifying income. Generally, the Borrower does not need a history of managing properties in order to rely on rental income, except as otherwise specified below.</p> <p>Method One Tax Returns The net figure on schedule E page 1 of most recent year’s tax return will be utilized. Depreciation, amortization and interest claimed will be added back. Deduct the principal and interest component of the mortgage payment(s) tied to the property (if any). Current property tax, property insurance and homeowner’s association dues expenses do not need to be documented. For purposes of determining PITIA on non-subject rental properties owned, 1/12th of expenses claimed on the 1040’s may be used.</p> <p>Method Two Lease Use 75% of current lease less documented PITIA (principal, interest, taxes, insurance, and homeowner’s association dues). If lease is materially greater than income listed on tax return(s), borrower to provide supporting explanation/documentation. An expired lease which has converted to month-to-month is acceptable for this purpose. Document current receipt of the lease income within 60 calendar days of the Note date with the most recent one month’s check. Any leases provided must be a minimum 12-month term. Short term rents will be averaged over the most recent 12-month period. Gaps are acceptable however the leases will still be averaged over a 12-month period. In the event the subject transaction is a purchase transaction and an executed lease is not available, monthly rental income can be obtained from Comparable Rent Schedule less 25% for vacancy factor. When relying upon either leases or the appraiser’s opinion of market rents, the lower of the two figures will be used and a 25% vacancy factor is applied to the gross rents.</p> <p><u>Rental Income Two-to-Four Primary</u> Rental income from a 2-4 unit primary residence is eligible from the tenant occupied units. purposes. Calculate as described in the preceding section. No management history is required. Projected rent for the tenant-occupied units only may be considered gross income, only after deducting vacancy and maintenance factors, and not to be used as a direct offset to the mortgage payment.</p> <p>Rental Income – Accessory Unit Not allowed</p> <p>Rental Income – Boarder Not allowed</p>
Income – Retirement/ Pension	<p>Retirement income must be verified from the former employer, custodian or from federal tax returns. If any retirement income will cease within the first full three years of the mortgage loan, it may not be used in qualifying.</p> <p>Retirement income and/or pension income must be verified using one of the following options:</p> <ul style="list-style-type: none"> • Written verification from the financial institution holding the assets/organization/company supplying the income, • Copy of most recent award letter, • Copies of the most recent 3 months check stubs evidencing consistent receipt of the income, • Copies of the most recent 3 months bank statements that verify receipt of the direct deposit, • Most recent 2 years 1099 tax forms, or • Most recent 2 years personal tax returns.

Full Documentation Eligibility and Summary	
Full Documentation	
Income – Royalty/Lease - Other than Real Estate	<p>Royalty income will be considered on a case-by-case basis subject to Homebridge management review and approval. The following applies:</p> <p>The source and method in quantifying this type of income will be considered along with the reasonableness and potential for continuity. Royalty/lease income is found on Schedule E of the personal tax return. To use royalty or lease income:</p> <ul style="list-style-type: none"> • Copies of the contracts or leases should be obtained. The payers of the leases/contracts must be identified, • The income must have been received for a minimum of two-years • A two-year average of the income will be used, unless declining, and • Evidence of at least three (3) year continuance is required.
Income – Seasonal	<p>Seasonal employment income is eligible on a case-by-case basis. The following applies:</p> <ul style="list-style-type: none"> • A minimum 2-year history of receipt required, and • The income must be from the same job for the past 2 years, and • The borrower’s employer confirms there is a reasonable expectation that the borrower will be rehired for the next season
Income – Social Security	<p>Social Security income must be verified with the Social Security Administration or on Federal tax returns. If any benefits expire within the first full three years of the loan, the income source may not be used in qualifying. Any portion of the Social Security Income which is non-taxable can be grossed up by 25%.</p> <p>Social Security income can be used as qualifying income provided the income is verified via one of the following:</p> <ul style="list-style-type: none"> • A copy of the Social Security Administration Award Letter, • 3 months bank statements that verify receipt of the benefits via direct deposit, • 3 months most recent check stubs, • Most recent 2 year's 1099 tax forms, or • Most recent 2 year's personal tax returns. <p>The following suffixes to the social security number will indicate what type of social security benefit is being received:</p> <p>Suffix Description</p> <ul style="list-style-type: none"> A. Disability or retirement benefit B. The person is still alive, and the spouse is receiving the benefit C. Child beneficiary D. The person is deceased, and the surviving spouse is receiving the benefit <p>Supplemental Social Security Income</p> <p>Supplemental Security Income may be included as qualifying income provided verification can be obtained by one of the following:</p> <ul style="list-style-type: none"> • A copy of the awards letter, • 3 months bank statements that verify receipt of the benefits via direct deposit, or • 3 months most recent monthly disbursement checks. • Continuance of at least three years for Supplemental Social Security Income for “child beneficiary” must be evidenced. • If any benefits expire within the first full three years of the loan, the income source may not be used in qualifying.

Full Documentation Eligibility and Summary	
Full Documentation	
Income – Temporary Leave	<p>Temporary leave from work is generally short in duration. Borrowers on temporary leave may or may not be paid during their absence from work. If a borrower will be on temporary leave at the time of closing of the mortgage loan and that borrower's income is needed to qualify for the loan, Homebridge must determine allowable income and confirm employment as described below:</p> <ul style="list-style-type: none"> The borrower's employment and income history must meet standard eligibility requirements The borrower must provide written confirmation of his or her intent to return to work Document the borrower's agreed-upon date of return by obtaining verification either from the borrower or directly from the employer (or a designee of the employer when the employer is using the services of a third party to administer employee leave). There must be no evidence or information from the borrower's employer indicating that the borrower does not have the right to return to work after the leave period A verbal verification of employment will be obtained by Homebridge. If the employer confirms the borrower is currently on temporary leave, the borrower will be considered employed The borrower's income will be verified in accordance with the other provisions of this guide. The amount and duration of the borrower's "temporary leave income" must be obtained which may require multiple documents or sources depending on the type and duration of the leave period and "regular employment income." The latter may include but is not limited to, the income the borrower receives from employment on a regular basis that is eligible for qualifying purposes (for example, base pay, commissions, and bonus). <p>Note: Income verification may be provided by the borrower, by the borrower's employer or by a third- party employment verification vendor.</p> <p>Requirements for Calculating Income Used for Qualifying</p> <p>If the borrower will return to work as of the first mortgage payment date the borrower's regular employment income will be used for qualifying.</p> <p>If the borrower will not return to work as of the first mortgage payment date, the lesser of the borrower's temporary leave income (if any) or regular employment income will be used. If the borrower's temporary leave income is less than their regular employment income, supplement the temporary leave income with available liquid financial reserves. These reserves would be in addition to any other reserves required.</p> <ul style="list-style-type: none"> Supplemental income amount = available liquid reserves divided by the number of months of supplemental income Total qualifying income = supplemental income plus the temporary leave income Available liquid reserves = subtract any funds needed to complete the transaction (down payment, closing costs, other required debt payoff, escrows, and minimum required reserves) from the total verified liquid asset amount. Number of months of supplemental income: the number of months from the first mortgage payment date to the date the borrower will begin receiving his or her regular employment income, rounded up to the next whole number. <p>After determining the supplemental income, the total qualifying income is calculated. The total qualifying income that results may not exceed the borrower's regular employment income.</p> <p>The same assets utilized to meet the liquid reserve requirement may not be used for asset distribution.</p>

Full Doc Eligibility and Summary	
Full Doc	
Income - Trust	<p>Trust income is an acceptable source of income. and can be verified via K-1 Statements, Schedule B, Schedule D or Schedule E of the personal federal tax return depending on the composition of the trust assets.</p> <ul style="list-style-type: none"> • Income from trusts may be used if guaranteed and if constant payments will continue for at least the first three years of the mortgage term. • Required trust income documentation includes a copy of the Trust Agreement or other trustee statement, confirming the: <ul style="list-style-type: none"> - Amount of the trust, - Frequency of distribution, and - Duration of payments. • Trust account funds may be used for the required cash investment if the borrower provides adequate documentation that the withdrawal of funds will not negatively affect income
Income – Unacceptable Sources	<p>Income from unacceptable sources include, but are not limited to the following:</p> <ul style="list-style-type: none"> • Boarder or roommate income • Cryptocurrency/virtual currency income • Deferred compensation plans • Farm income from the subject property • Foreign income • Future income • Income derived from gambling • Home ownership subsidies from any source other than the Public Housing Agency • Income derived from the sale or distribution of marijuana • Income derived from the subject property with land being leased to another party • Temporary or income received on a one-time basis • Lump sum payment of lottery earnings that are not ongoing • Lump sum payments (e.g. inheritances or lawsuit settlements) • Non-incidenta income received from farming or agricultural use of a property • Rental income from an ADU associated with the subject property • Rental income received from the borrower’s single family property primary residence on a refinance transaction • Restricted stock units • Retained earnings in a company • Non-vested stock options • Taxable forms of income not declared on personal tax returns • Trailing co-borrower income • Unverifiable income • VA education benefits
Income – Unemployment	<p>Unemployment compensation (such as that received by seasonal workers) may be considered as acceptable stable income provided it is properly documented, has been received for the past two years and is predictable and likely to continue. Unemployment income is found on the front page of the personal tax return. The use of unemployment compensation is considered on a case-by-case basis and requires Homebridge management review and approval</p>

Full Doc Eligibility and Summary	
Full Doc	
Income – Veterans Benefits	<p>Veterans benefits, other than educational assistance, can be included as qualifying income provided the income is verified via one of the following: a letter or distribution form or a Statement of Earnings from the Department of Veterans Affairs (VA).</p> <ul style="list-style-type: none"> Direct compensation for service-related disabilities from the Department of Veterans Affairs (VA) is acceptable, provided Homebridge obtains the documentation from the VA. Education benefits used to offset education expenses are not acceptable. If any benefits expire within the first full three years of the loan, the income source may not be used in qualifying.
Reserves	Required. Refer to the Reserves topic for requirements
Residual Income	Minimum \$1500 required

Bank Statement Eligibility and Summary	
Bank Statement	
Overview	<ul style="list-style-type: none"> The Bank Statement option is available for self-employed borrowers. Self-employment is defined as an ownership interest of $\geq 25\%$. At least one borrower on the transaction must derive their primary income source from self-employment. 12 or 24 months personal or business bank statements are used to qualify borrowers. <ul style="list-style-type: none"> The borrower(s) are required to be account holders of the bank accounts throughout the 12 or 24 months (as applicable) being used to qualify The name of the business noted on the initial 1003 must match the business name on the business bank statements NOTE: Borrowers employed in the service and tip industry are not eligible for the Bank Statement option Transactions are subject to ATR requirements Undisclosed debt discovered on the bank statements must be addressed and considered when qualifying
4506-C/Tax Returns	<p>Not required. Tax returns must not be submitted when using the Bank Statement option or the loan is ineligible for bank statement option except as follows:</p> <ul style="list-style-type: none"> A co-borrower using full documentation, applicable transcripts, based on documentation used to qualify, is required so a signed 4506-T must be obtained
Assets	Refer to the Assets topic in the general guidelines section for requirements
Borrower Eligibility	<p>Self-Employed</p> <ul style="list-style-type: none"> Self-employed borrowers (defined as an individual who files Schedule C or corporate tax returns) with a minimum of 25% ownership in business (individual or combined with co-borrower) Borrower generally must have a minimum of two (2) years self-employment in the same business. Borrowers with less than 2 years self-employment will be underwritten using 12 months bank statements Co-Borrower: Income from a co-borrower, who is not self-employed, may provide supplemental bank statement income <ul style="list-style-type: none"> The borrower is qualified using Full Documentation option requirements Taxable income is counted on a “gross” amount regardless of the net deposits shown on the bank statements Deposits resulting from these income sources should be deducted from the bank statement analysis Non-taxable income may be grossed up by 25% NOTE: Tax returns cannot be provided; if provided the transaction must be underwritten under the Full Doc option <p>1099 Borrowers</p> <ul style="list-style-type: none"> Borrowers receiving 1099 income (files Schedule C or Schedule E) are eligible provided that 1099 income is in the same line of work and has been received for the most recent consecutive 2-years. Non-self-employed 1099 income is not eligible A CPA/EA/licensed tax preparer letter confirming the borrower is a 1099 contractor required
Debt-to-Income	<ul style="list-style-type: none"> Maximum 50% DTI, no exceptions. Refer to the Debt to Income topic in the General Underwriting section for complete requirements DTI cannot be rounded down to qualify
Derogatory Credit	<ul style="list-style-type: none"> Refer to the Derogatory Credit topic for requirements

Bank Statement Eligibility and Summary	
Bank Statement	
Documenting Business	<ul style="list-style-type: none"> • A CPA/tax preparer letter documenting the following is required: <ul style="list-style-type: none"> - Name of business, - Borrower's percentage of ownership, - Length of self-employment, - An assertion the business is active and in good standing • Homebridge will verify the existence of the business within 120 calendar days prior to the Note date for the initial verification and will re-verify within 10 business days of the Note date
Documentation of Income	<ul style="list-style-type: none"> • The self-employment income must be reasonable for the profession, verified stable, and likely to continue • The newest bank statements in the file must be dated within 45 days of the initial application and within 90 days of the Note date, based on the end date of the statement NOTE: The 12/24 months bank statements provided must be all personal or all business (i.e. cannot provide 8 months personal statements and 4 months business statements) • Bank statements provided must include: <ul style="list-style-type: none"> - All pages of the statement and the period covered by the statement, - The account holder name and address, - Beginning, ending, and average balance, - The name of the financial institution - The account number (truncated account number acceptable), and - Full transaction history • Unverifiable deposits will be deducted from income. Borrowed, gift and/or cash deposits are ineligible <p><u>Personal Bank Statements</u></p> <ul style="list-style-type: none"> • 12 or 24 months most recent consecutive personal bank statements. Statements from multiple accounts are acceptable • Deposits are evaluated to verify they are part of the borrower's income and should indicate a stable or increasing income trend. Refer to the Income Trend topic for requirements if a declining trend is indicated • Any deposits that appear abnormal/atypical must be sourced and documented to be considered as part of the borrower's income • Three (3) months most recent business bank statements are required to verify the income is coming from the borrower's business <ul style="list-style-type: none"> - If the borrower does not utilize a separate business and personal accounts are considered comingled and will be treated as business accounts for the purpose of determining income. The borrower's qualifying income will be calculated using one of the methods listed in the Documenting Bank Statement Income topic • Qualifying income is the total eligible deposits divided by 12 or 24, as applicable, to determine monthly income <ul style="list-style-type: none"> - Transfers between personal accounts are not considered income, - Transfer coming from only one (1) business account may be utilized - Transfers between a business account to a personal account may be utilized in the income calculation provided all other requirements in this section are met

Bank Statement Documentation Eligibility and Summary	
Bank Statement	
Documentation of Income (cont.)	<p><u>Business Bank Statements</u></p> <ul style="list-style-type: none"> Borrower(s) combined ownership of the business must be 25% or more 12 or 24 months most recent business bank statements. Statements from multiple accounts are acceptable however the same calculation method must be applied (see options below) Multiple businesses may also be used to determine qualification provided each is separately verified and meet these guidelines Transfers between business accounts OR from personal to business accounts are not considered deposits and therefore are not considered income Any deposits that appear to be atypical or inconsistent (defined as exceeding 50% of average eligible monthly deposits) must be sourced and documented to be considered as part of the borrower's income Personal liabilities paid by the borrower's business require 6 months most recent business bank statements to exclude the debt from the DTI Installment debt/auto lease with a history of being paid by the business, that have since been paid in full and then replaced with similar/new debt may only be excluded from the DTI if the new liability payment is \leq to the previous/original payment <p>Documenting Bank Statement Income</p> <p>There are 3 options for documenting business bank statement income</p> <p>1. Uniform Expense Ratio</p> <ul style="list-style-type: none"> The underwriter multiplies the eligible deposits received by 50% expense ratio. NOTE: If the borrower has an expense ratio > 50% the higher percentage will be used for qualifying The above result is multiplied by the borrower's ownership percentage and divided by 12, or 24 as applicable If the expense ratio is reasonable for the borrower's line of work, no further information is required <p>2. Profit and Loss Statement</p> <ul style="list-style-type: none"> Requires a P&L provided by a CPA, EA or licensed tax preparer for the most recent 12, or 24 months as applicable. The P&L must cover the same 12 or 24 month period as the bank statements provided If the deposits on the business statements support a minimum of 75% of the gross receipts listed on the P&L the P&L may be used for qualifying based on the borrower's pro-rata share of ownership. The resulting income should be reasonable for the borrower's line of work. <p>3. CPA Letter for Expense Ratio</p> <ul style="list-style-type: none"> A letter provided by a CPA, EA or licensed tax preparer stating the business' expense ratio based on the most recent year's tax return is required. The letter may not include any disclaimers as to the accuracy of the information Multiply the expense ratio by the business' total deposits over the 12, or 24 month period shown on the bank statements. Deduct that figure from the total deposits. Multiply net deposits by the applicant's pro-rata ownership percentage and divide by 12, or 24 as applicable. The resulting income should be reasonable for the borrower's line of work

Bank Statement Documentation Eligibility and Summary

Bank Statement

Documentation of Income (cont.)

Personal and Business Accounts

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

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

Non-Sufficient Funds (NSFs)

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

- 12 Months Bank Statements:**
 - Maximum of three (3) **instances*** of NSFs within the past 12 months
 - Four (4) or more **instances*** of NSFs within the past 12 months, **the loan is ineligible**
- 24 Months Bank Statements:**
 - Maximum of three (3) **instances*** within the most recent 12 months, **and**
 - If > three (3) **instances*** of NSFs in months 13 to 24 a detailed explanation from the borrower is required

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

- Returned deposits require a detailed letter of explanation from the borrower

Income Trend

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

- 12 Months Bank Statements:**
 - A decline in deposits over 6 months up to 10% is allowed
 - Declines > 10% require an additional 12 months of bank statements and the 24 months bank statement policy below applies
- 24 months Bank Statements**
 - If eligible deposits are declining, refer to the chart below for requirements
 - The borrower must provide a written explanation for a decline > 15% in year-over-year eligible deposits. The LOE must address the reason for the decline and whether or not this event will continue
 - If the decline is > 50% year over year, the account **cannot** be used for income calculation

**24 Month Bank Statements:
Declining Deposit Trend Requirements**

Scenario	Requirement
If the eligible deposits declined year over year by ≤ 15%	Utilize 24 month average
<ul style="list-style-type: none"> If the eligible deposits decline by > 15% up to 50% year over year. Borrower must provide an LOE explaining the reason for the decline and if the decline is expected to continue 	Utilize a 12 month average of the most recent years eligible deposits NOTE: Borrowers using P&L option to qualify, a revised P&L covering only the most recent 12-month period is required
If the eligible deposits decline year over year by > 50%	The income is ineligible

- Calculating the Income Trend 24 Months Bank Statements:** The deposit trend is determined by calculating the percentage change from year one (months 13 to 24) to year two (months 1 to 12).

- Eligible deposits from year one are subtracted from year two and the difference is divided by year one eligible deposits to determine the change

Example:

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

Bank Statement Documentation Eligibility and Summary	
Bank Statement	
Documentation for Other Real Estate Owned	The following documentation is required for other real estate owned: <ul style="list-style-type: none"> • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Gift Funds	Eligible; refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Ineligible
Ineligible Income Types	The following types of income are not eligible: <ul style="list-style-type: none"> • Income from foreign accounts/businesses • Non-self-employed 1099 income • Interest on lawyer's trust accounts (IOLTA) • Income generated from any source considered illegal under local, state, and/or federal law, including cannabis-related income • Deposits of the following types cannot be used for income calculation: <ul style="list-style-type: none"> - Borrowed funds such as cash advances from credit cards and/or credit line/business financing deposits - Gift funds, - Cash, ATM/teller, instant money transfer apps (e.g. Venmo, Zelle, etc.) that are not typical for the type of business - Tax refunds, PPP funds, and product returns/credits - Unverifiable deposits
Reserves	Required. Refer to the Reserves topic for requirements
Residual Income	Minimum \$1,500 required
Supplemental Income Sources	<ul style="list-style-type: none"> • Secondary or supplemental income/earnings earned by the self-employed borrower is eligible provided the secondary/supplemental income does not exceed 50% of the total qualifying income for the borrower. <ul style="list-style-type: none"> - Any losses from secondary self-employment will be considered in qualifying income • Acceptable sources of supplemental income include: <ul style="list-style-type: none"> - Social security, - Pension - Asset utilization/distribution (not eligible for cash-out) - Alimony, - Child support, and - Second job • Supplemental income sources will be documented using full documentation requirements and calculation methods. W-2s and/or 1099s will be required; tax returns cannot be utilized

Bank Statement Documentation Eligibility and Summary	
Bank Statement	
Supplemental Income Sources (cont.)	<p>Rental Income - Subject Property Purchase:</p> <ul style="list-style-type: none"> • History of managing rental property not required and lease is not required • 75% of the gross rental income is eligible. Gross rental income is determined using: <ul style="list-style-type: none"> - If there is a valid lease in place, use the lesser of: <ul style="list-style-type: none"> - The rent stated on the lease, or - Market rent as determined by the appraiser - If a lease is not in place, the market rent, determined by the appraiser, is used • If 2-4 unit primary residence, the rental income is added to the borrower's income • If the property is an investment property, the rental income is calculated on a net basis <p>Rental Income - Subject Property Refinance</p> <ul style="list-style-type: none"> • A current lease is required to utilize rental income. A lease that has expired and converted to a month-to-month is acceptable. Properties with a history of being rented on a short term basis are eligible with rents averaged over the most recent 12 months. Gaps are acceptable however the income will still be averaged over the most recent 12 months. • Document of receipt of one months' rental income with bank statement or cancelled check (front and back) which must be dated within 60 calendar days of the Note date • 75% of the current income identified on the lease may be used • Rental deposits are not included in the income stream • If the property is a 2-4 unit primary residence, the rental income is added to the borrower's income • If the property is an investment property, the income is calculated on a net basis <p>Rental Income – Non-Subject Property</p> <ul style="list-style-type: none"> • A current lease is required to utilize rental income. A lease that has expired and converted to a month-to-month is acceptable. Properties with a history of being rented on a short term basis are eligible with rents averaged over the most recent 12 months. Gaps are acceptable however the income will still be averaged over the most recent 12 months. • 75% of the current income identified on the lease minus the documented PITIA payment may be used for qualifying • Rental deposits are not included in the income stream • Document of receipt of one months' rental income with bank statement or cancelled check (front and back) which must be dated within 60 calendar days of the Note date <p>Rental Income - Departing Residence</p> <ul style="list-style-type: none"> • If the borrower wishes to convert their current primary residence to an investment property, the borrower must have a 25% equity position in their current residence to use rental income from the converted property. Homebridge will attempt to obtain an AVM to support the value. In the event Homebridge cannot obtain an AVM that supports the value, the following is required: <ul style="list-style-type: none"> - A full appraisal that is no more than 6 months old, or - Compare the unpaid principal balance to the original purchase price of the property. • If the current residence is eligible for conversion to an investment property, rental income from the converted property can be used to qualify, using 75% of the current lease minus the full PITIA payment. The following is required: <ul style="list-style-type: none"> - A copy of the fully executed lease agreement that extends for a minimum of one (1) year after loan closing, and - Copy of security deposit and/or first month's rent check from the tenant, and - A copy of the borrower's bank statement indicating the security deposit funds and/or first month's rent have been deposited into the borrower's account <p>Rental Income – Accessory Unit Not allowed</p> <p>Rental Income – Boarder Not allowed</p>

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow (DSCR)	
Overview	<ul style="list-style-type: none"> • The Investor Cash flow option uses only rental income from the subject investment property to determine cash flow • No income or employment is verified when this option is utilized; qualification is determined by the debt service coverage ratio of the subject property • Loans using the Investor Cash Flow (ICF) option are not subject to ATR, QM, or HPML requirements as they are considered business purpose loans • Proceeds from a cash-out transactions may ONLY be used for business purposes; the proceeds cannot be used to pay off any consumer debt • At least one borrower must have a documented 12 month history of owning and managing rental properties. See Borrower Eligibility topic below for complete requirements and exception to this requirement • Loans Approved on or after February 12, 2024: <ul style="list-style-type: none"> - The tenant of the property cannot be a family member of the borrower
4506-C/Tax Return	N/A
Assets	Refer to the Assets topic in the general guidelines section for requirements
Borrower Eligibility	<ul style="list-style-type: none"> • At least one borrower must have a documented 12 month history of owning and managing rental properties (copy of lease, or a CPA letter stating borrower has the management history is acceptable documentation) See exception below <ul style="list-style-type: none"> - Ownership/management of commercial property are acceptable to satisfy the 12 month history requirement - The management history is not required to have been in the most recent 3-year period • Exception to History of Owning and Managing Rental Property: The requirement for a documented 12 month history of owning and managing rental properties may be waived if the following is met: <ul style="list-style-type: none"> - Borrower must currently own a primary residence, and - Purchase transaction only, and - Minimum 1.000 DSCR based on a 30 year amortizing payment, and - 0x30 in previous 12 months on all housing trade lines as of loan application date, and - No mortgage forbearance with a missed payment in the most recent 12 months prior to the application date - At underwriter discretion request a motivation letter or other documentation to establish the loan as a business purpose loan <p>NOTE: The above requirements apply to all borrowers on the transaction. In the event all borrowers do not meet all the requirements, additional documentation will be required to confirm the transaction is a business purpose loan</p> • First time home buyers are ineligible (including FTHBs living rent free)
Debt-to-Income	N/A; DTI is not calculated. See the Debt Service Coverage Ratio topic for requirements
Debt Service Coverage Ratio (DSCR) – Definition and Minimum DSCR Requirements	<p>Qualification is based on the DSCR of the subject property only. The DSCR cannot be rounded up to qualify</p> <p>DSCR Definition</p> <p>The DSCR is the gross rent divided by the qualifying PITIA OR the ITIA, as applicable, on the subject property. DSCR qualified using ITIA payment see Calculating the DSCR topic for requirements</p> <ul style="list-style-type: none"> • Fixed Rate: Qualify at the Note rate amortized over the loan term • Fixed Rate Interest-Only: Qualify at the Note rate amortized over 20 years <p>Minimum DSCR Requirements</p> <ul style="list-style-type: none"> • Refer to the Investor Cash Flow matrix for minimum DSCR requirements • Interest-only transactions: Minimum 1.00 DSCR (IO not eligible if DSCR < 1.00) <p>NOTE: ICF IO loans maximum \$2,000,000 loan amount, minimum 700 credit score and maximum 75% LTV</p>

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow (DSCR)	
Debt Service Coverage Ratio (DSCR) – Calculating the DSCR	<p>The Determination of Rents topic provides details for determining the rent.</p> <p>Calculating the DSCR - Fully Amortizing Transactions Once the rent has been determined the following applies:</p> <ul style="list-style-type: none"> • Gross rent is divided by the PITIA for the subject property <p>Calculating the DSCR – Interest-Only Transactions:</p> <ul style="list-style-type: none"> • Once the rent has been determined the DSCR may be calculated using the interest-only payment for the subject property as follows: <ul style="list-style-type: none"> - The taxes, insurance, and HOA payment (if applicable) and any other payment included in the “TIA” portion of the payment must be included when calculating the DSCR using the IO payment - Maximum 75% LTV
Debt Service Coverage Ratio (DSCR) - Determination of Rents	<p>Determination of Rents</p> <p>Purchase Transactions:</p> <ul style="list-style-type: none"> • 100% of the lesser of: <ul style="list-style-type: none"> - The current rent (if currently rented, leases must be provided), or - The market rent as determined by the appraiser if a unit is not currently leased • In the event a property is subject to an at-will tenancy without a written lease agreement, which will continue after closing, a signed letter from the seller of the property, detailing the terms of the agreement, including the tenants name, address, amount of monthly rent is acceptable. The rental income utilized cannot exceed the market rent as determined by the appraiser • If a tenant is in place with a lease, which will commence within 60 days of purchase, the lease may be considered when determining the rent. A copy of the executed lease, and proof of receipt of 1 month’s rent and/or security deposit is required. The rental income utilized cannot exceed the market rent as determined by the appraiser. <p>Refinance Transactions:</p> <ul style="list-style-type: none"> • 100% of the lesser of: <ul style="list-style-type: none"> - Current rent (if currently rented, leases must be provided), or - 100% of market rent as determined by the appraiser if the unit is currently vacant <p>NOTE: An expired lease, which converts to month-to-month based on language contained in the lease or per state law, is acceptable</p> <ul style="list-style-type: none"> • If the property is leased for more than the appraiser’s opinion of market rents, the lease amount may be used provided the lease will continue for at least six (6) months after the Note date and the timely receipt of the two (2) months of rents due prior to the application date are documented. Acceptable documentation includes copies of checks, bank statements, etc. If receipt of rents cannot be verified the unit will be considered vacant and market rent will be utilized • In the event a property is subject to an at-will tenancy without a written lease agreement, a signed letter from the borrower, detailing the terms of the agreement, including the tenants name, address, amount of monthly rent, and how long the property has been leased is acceptable in lieu of a written lease agreement. Documentation confirming receipt of most recent month’s rent required. • If there is a lease in place which will commence within 60 days of closing, the rental income may be used to determine the rent. The rental income cannot exceed the appraiser’s opinion of market rents. The borrower must provide the signed lease agreement and proof of receipt of the first month’s rent and/or security deposit due per the terms of the lease. <p>(cont. on next page)</p>

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow (DSCR)	
Debt Service Coverage Ratio (DSCR) - Determination of Rents (cont.)	<p>Determination of Rents (cont.)</p> <p>Multi-Year Lease If there is a multi-year lease with a rent increase coming within 12 months that will continue for 12 months after the adjustment, the increased rent may be utilized to calculate the DSCR. The increased rent may not exceed the appraiser's opinion of market rent for the unit(s).</p> <p>Rental Income – Accessory Unit Not eligible</p> <p>Short-Term Rental Income Not eligible</p>
Derogatory Credit–Significant Events	Refer to the Derogatory Credit topic in the General Underwriting section for details
Documentation of Income	N/A. Income is not documented on this program
Gift Funds	Eligible. Refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Not allowed
Liabilities	N/A. Liabilities are not considered
Reserves	Reserves are required. Refer to the Reserves topic for details
Residual Income	Not required

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier	
Overview	<ul style="list-style-type: none"> • Qualified assets include bank accounts, stocks, bonds, mutual funds, and vested amount of retirement accounts <ul style="list-style-type: none"> - Any portion of the qualified assets being used for down payment, closing costs, or reserves, must be excluded when determining qualifying income • Purchase and rate/term refinance transactions only; cash-out refinance ineligible • Primary residence and second home transactions only; investment ineligible
4506-C/Tax Return	N/A
Assets – Calculation of Income	<p>Net qualified assets divided by 84 months = monthly income</p> <p>NOTE: Any portion of assets used for down payment, closing costs, or reserves must be excluded from any balance prior to determining available qualifying income</p>
Assets – Eligible	<p>Six (6) months seasoning of all assets is required. Bank/asset statements for the most recent consecutive six (6) months required.</p> <p>Eligible Assets</p> <p>The following asset types may be used to calculate income:</p> <ul style="list-style-type: none"> • Cash and cash equivalents at 100% of face value • Marketable securities (stocks, bonds, mutual funds excluding unvested RSUs and Stock options) eligible at 60% of value (minus any outstanding margin loans, if applicable). • Retirement accounts are eligible subject to the following: <ul style="list-style-type: none"> - Eligible at 70% of the balance(s) - Borrower must have unrestricted access to the funds (regardless of penalties and/or tax withholding) - Any loan balances must be subtracted from the balance • Joint accounts shared with a non-borrowing spouse or domestic partner are eligible with an access letter provided by the non-borrowing party <p>Liquidation</p> <p>Liquation requirements are as follows:</p> <ul style="list-style-type: none"> • If the funds are required for closing (e.g. down payment, closing costs) the liquidation of the funds and the ending balance of the account(s) must be documented • If the funds are being used to satisfy reserve requirements, liquidation is not required <p>Ineligible Assets:</p> <ul style="list-style-type: none"> • Business assets • Unseasoned foreign assets • Cash surrender value of life insurance • Annuities • Trusts • Proceeds from the sale of real estate not seasoned for a minimum of 6 months • Privately traded RSUs, non-vested stocks • Assets that produce income already included in the income calculation
Assets – Documenting	<ul style="list-style-type: none"> • The most recent six (6) months of bank/asset statements for each account that will be utilized for asset qualification must be provided • Large deposits, defined as any single deposit that is atypical or inconsistent, on the most recent bank statements must be sourced and documented. <ul style="list-style-type: none"> - Any deposits that cannot be sourced will be deducted from the value of the account • Asset balances must be verified within 90 calendar days of the Note date
Borrower Eligibility	Refer to the Borrowers - Eligible topic for requirements
Debt-to-Income	Refer to the Debt to Income topic for requirements

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier	
Derogatory Credit-Significant Events	Refer to the Derogatory Credit topic in the General Underwriting section for requirements
Gift Funds	<ul style="list-style-type: none"> • Eligible for down payment and closing costs on purchase transactions only after 10% borrower own funds requirement met • Gift funds cannot be used to meet reserve requirements Refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Not allowed
Reserves	Refer to the Reserves topic for reserve requirements
Residual Income	Minimum \$1,500 is required NOTE: Funds being used for down payment and/or closing costs are excluded from the residual income calculation
Supplemental Income	Asset Qualifier income may be used to supplement full income documentation when the total qualified assts are at least 50% of the loan amount. Tax return/transcripts may be required at underwriter discretion. Loans will be underwritten using Income – Distribution from Retirement Accounts or Non-Retirement Accounts guidelines located in the Full Doc option section

1099 Only Documentation Eligibility and Summary	
1099 Only	
Overview	<ul style="list-style-type: none"> The 1099 Only option is available for borrowers who are an independent contractor who receive a 1099 at year-end or receive income from commission The 1099s provided must cover a complete calendar year. In the event the borrower converted from W-2 to 1099 during the previous year, refer to the Borrowers Income Type Eligibility topic for requirements. A borrower who is an independent contractor and receives a portion of their independent contractor income as W-2 income may have that income included in the income calculation when documentation is received from a CPA, enrolled agent, or licensed tax preparer that verifies the W-2 income is not the result of employment income. The letter is valid for 60 days The borrower's primary income source (> 50% of qualifying income) must be 1099 income minus the applicable expense ratio The 1099 income must be recurring (i.e. income that is part of the borrower's normal and recurring income stream) The 1099 income used to qualify the borrower cannot be from a source owned by the borrower(s) or from a family-owned business Income derived from sources deemed illegal under local, state, and/or federal law is not eligible
4506-C/ Transcripts	<ul style="list-style-type: none"> A signed 4506-C and applicable 1099 tax transcripts covering the number of years of 1099s provided (1 or 2 years) 4506-C results must be validated against the income documentation Broker provided processed 4506-C results are not eligible A co-borrower using full documentation, requires a signed 4506-C and the applicable transcripts, based on Full Documentation requirements, must be obtained
Assets	Refer to the Assets topic in the general guidelines section for detailed requirements
Borrowers – Eligible	<ul style="list-style-type: none"> Borrowers who receive income from commission or are an independent contractor who receive a 1099 at year-end 1099s issued to an entity instead of the borrower, the borrower must have 100% ownership interest in the entity. The ownership interest must be documented by a CPA, Enrolled Agent, or licensed tax preparer in writing or equivalent documentation provided Refer to the Borrowers Eligible topic for complete borrower eligibility information
Debt-to-Income	<ul style="list-style-type: none"> Maximum 50% DTI, no exceptions. Refer to the Debt to Income topic in the General Underwriting section for complete requirements DTI cannot be rounded down to qualify
Derogatory Credit - Significant Events	Refer to the Derogatory Credit topic in the General Underwriting section for requirements
Documentation for Other Real Estate Owned	<p>The following documentation is required for other real estate owned:</p> <ul style="list-style-type: none"> Mortgage statements to determine the payment Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.

1099 Only Documentation Eligibility and Summary	
1099 Only	
Documentation of Employment/Income	<ul style="list-style-type: none"> • Two year's employment history must be verified with one of the following: <ul style="list-style-type: none"> - Written VOE, or - CPA letter, or - Documentation determined acceptable by the Homebridge Underwriter based on the borrower's circumstances • Most recent one (1) or two (2) years 1099(s). The 1099 income must be recurring (i.e. income that is part of the borrower's normal and recurring income stream) • Acceptable documentation of year-to-date income within 120 calendar days of the Note date is one the following: <ul style="list-style-type: none"> - A paystub or check(s) showing YTD income, OR - Bank statements showing receipt of YTD income • Transcripts for the number of years of 1099s submitted required • Methods Two or Three (detailed below) require a CPA/enrolled agent/licensed tax preparer prepared P&L or expense ratio letter to calculate income
Documentation of Employment/Income	<p>Income Calculation Methods</p> <p>Qualifying income is based on the gross income on the 1099s provided (one or two years) minus the applicable expense ratio (established using one of the three (3) methods described below). YTD gross income must support the 1099s provided and used to qualify</p> <ul style="list-style-type: none"> • If two (2) years 1099s are provided the following applies: <ul style="list-style-type: none"> - If the gross income is stable or increasing, a 24 months average of the net income is utilized - If the gross income is declining, a 12 months average of the net income is utilized - YTD gross income must support the 1099s provided and used to qualify <p>Method One: Uniform Expense Ratio</p> <ul style="list-style-type: none"> • The eligible gross receipts are multiplied by 25% of the expense ratio • If the expense ratio is reasonable for the line of work and the borrower qualifies, additional documentation is not required <p>Method Two: Profit and Loss Statement</p> <ul style="list-style-type: none"> • A profit and loss, prepared by a CPA/enrolled agent/licensed tax preparer covering the time period of the 1099(s) (i.e., one or two years as applicable) • If the gross income on the 1099(s) support a minimum of 90% of the gross income listed on the P&L the net income on the P&L is used for qualifying • If two (2) year's 1099s are provided, and the gross income shows a declining trend, a P&L covering the most recent calendar year must be provided and used for qualifying • The income must be reasonable for the borrower's line of work <p>Method Three: CPA Letter for Expense Ratio</p> <ul style="list-style-type: none"> • A CPA/enrolled agent/licensed tax preparer prepared letter stating the borrower's expense ratio based on the borrower's most recent year's tax return. The letter cannot contain any exculpatory language • The expense ratio is multiplied by the gross income shown on the 1099(s) used for qualification. That figure is subtracted from the gross income listed on the 1099(s) and the resulting number is used to qualify, averaged over the number of months of income provided • The income must be reasonable for the borrower's line of work • If two (2) year's 1099s provided, and the gross income shows a declining trend, the income will be calculated using the most recent year's 1099 only minus the stated expense ratio
Gift Funds	Eligible; refer to the Gift Funds topic for complete details
Gift of Equity	Not allowed

1099 Only Documentation Eligibility and Summary	
1099 Only	
Income – Co-Borrower	Income from a co-borrower who does not utilize 1099s is eligible to supplement the 1099 income. Refer to the Full Documentation option for eligible sources of income and documentation requirements.
Income – Other Sources	<p>Other income sources may be used to supplement 1099 income; 1099 income must be the borrower’s primary source of income (> 50%)</p> <p>Full Documentation option requirements are used to calculate and document the income types below with the exception of providing tax returns; tax returns cannot be used to document receipt of income. The borrower must provide alternative documentation (bank statements, checks, W-2s, 1099s, etc.)</p> <ul style="list-style-type: none"> • Alimony, • Asset Utilization/Distribution, • Child Support, • Pension, • Second Job, • Social Security
Income - Rental	<p>Rental Income – Subject Property Purchase</p> <ul style="list-style-type: none"> • History of managing rental property not required and a lease is not required • 75% of the gross rental income is eligible. Gross rental income is determined using: <ul style="list-style-type: none"> - If there is a valid lease in place use the lesser of: <ul style="list-style-type: none"> - The rent stated on the lease, or - Market rent as determined by the appraiser - If a lease is not in place use the market rent as determined by the appraiser • If the property is a 2-4 unit primary residence, the rental income is added the borrower's income; it is not used to offset the PITIA • If the property is an investment property, calculate the rental income on a net basis • Rental income from a second home is not eligible <p>Rental Income – Subject Property Refinance</p> <ul style="list-style-type: none"> • A history of rental management history is not required, however a current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable • If the tenancy is at-will, with no formal lease agreement in place, a signed letter from the borrower outlining the terms of the agreement is acceptable. A lease that has expired and converted to month-to-month is acceptable • 75% of the current income identified on the lease may be used • Rental deposits are not included in the income stream • If the property is a 2-4 unit primary residence, the rental income is added to the borrower's income, it is not used to offset the PITIA • If the property is an investment property calculate the rental income on a net basis • The borrower must document one months' receipt of rental income, dated within 60 calendar days of the Note date • Rental income from properties historically leased on a short-term basis is eligible. The income is averaged over the most recent 12 month period. Gaps are acceptable however the income will still be averaged over the most recent 12 months • Rental income from a second home is not eligible

1099 Only Documentation Eligibility and Summary	
1099 Only	
Income – Rental (cont.)	<p>Rental Income – Non-Subject Property</p> <ul style="list-style-type: none"> • A current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable • If the tenancy is at-will, with no formal lease agreement in place, a signed letter from the borrower outlining the terms of the agreement is acceptable. • 75% of the current income on the lease minus the documented PITIA eligible for qualifying • Rental deposits are not included in the income stream • Document one (1) months' current receipt with bank statement or cancelled check (front and back) dated within 60 calendar days of the Note date • Rental income from properties historically leased on a short-term basis is eligible. The income is averaged over the most recent 12 month period. Gaps are acceptable however the income will still be averaged over the most recent 12 months <p>Rental Income - Departing Residence</p> <ul style="list-style-type: none"> • If the borrower wishes to convert their current primary residence to an investment property, the borrower must have a 25% equity position in their current residence to use rental income from the converted property. Homebridge will attempt to obtain an AVM to support the value. In the event Homebridge cannot obtain an AVM that supports the value, the following is required: <ul style="list-style-type: none"> - A full appraisal that is no more than 6 months old, or - Compare the unpaid principal balance to the original purchase price of the property. • If the current residence is eligible for conversion to an investment property, rental income from the converted property can be used to qualify, using 75% of the current lease minus the full PITIA payment. The following is required: <ul style="list-style-type: none"> - A copy of the fully executed lease agreement that extends for a minimum of one (1) year after loan closing, and - Copy of security deposit and/or first month's rent check from the tenant, and - A copy of the borrower's bank statement indicating the security deposit funds and/or first month's rent have been deposited into the borrower's account <p>Rental Income – Accessory Unit Not eligible</p> <p>Boarder/Roommate Income Not eligible</p>
Reserves	Refer to the Reserves topic for reserve requirements
Residual Income	Minimum \$1,500 required

P&L Only Documentation Eligibility and Summary	
P&L Only	
Overview	<ul style="list-style-type: none"> Self-employed borrowers only. Borrower's tax returns/P&Ls must be prepared by an independent entity; self-employed borrowers who complete and file their own tax returns/P&Ls are not eligible Maximum 75% LTV when the credit score is < 720
4506-C/ Transcripts	<p>Not required. Tax returns must not be submitted when using the P&L Only option or the loan is ineligible for P&L Only option except as follows:</p> <ul style="list-style-type: none"> A co-borrower using full documentation, requires a signed 4506-C and the applicable transcripts, based on Full Documentation requirements, must be obtained
Assets	Refer to the Assets topic in the general guidelines section for detailed requirements
Borrowers - Eligible	<ul style="list-style-type: none"> Self-employed borrowers with $\geq 50\%$ ownership in the business Refer to the Borrowers Eligible topic for complete borrower eligibility information
Debt-to-Income	<ul style="list-style-type: none"> Maximum 50% DTI, no exceptions. Refer to the Debt to Income topic in the General Underwriting section for complete requirements DTI cannot be rounded down to qualify
Derogatory Credit – Significant Events	Refer to the Derogatory Credit topic in the General Underwriting section for requirements
Documenting Business	Homebridge will verify the existence of the business within 120 calendar days prior to the Note date for the initial verification and will re-verify within 20 business days of the Note date
Documentation for Other Real Estate Owned	<p>The following documentation is required for other real estate owned:</p> <ul style="list-style-type: none"> Mortgage statements to determine the payment Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Gift Funds	Eligible; refer to the Gift Funds topic for complete details
Gift of Equity	Not allowed
Income	<p>Qualifying income is the lower of:</p> <ul style="list-style-type: none"> The income based on the unaudited P&L(s) OR The monthly income disclosed on the initial, signed 1003 (a revised/updated 1003 is not eligible) <p>Net Income</p> <p>The net income is calculated from the P&L(s) based on the borrower(s) percentage of ownership (e.g., if the borrower(s) have a 65% ownership interest, the borrower's qualifying income is the net income calculated using the P&L(s) multiplied by 65%)</p>

P&L Only Documentation Eligibility and Summary

P&L Only

Income Documentation

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

NOTE: Ownership is **cumulative** for all borrowers (i.e. if borrower 1 has 25% ownership and borrower 2 has 25% ownership, the **≥ 50%** ownership requirement has been met)

- The borrowers most recent unaudited P&L(s) must be provided and the following applies:

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

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

P&L Documentation Eligibility and Summary	
P&L Only	
Income – Co-Borrower	<p>Income from a co-borrower, who is not self-employed, is acceptable to supplement the P&L income using the full documentation option. Refer to the Full Documentation option for information on acceptable sources of income and requirements</p> <p>NOTE: Tax returns cannot be provided to document co-borrower income; if provided the transaction must be underwritten under the Full Doc option</p>
Income - Rental	<p>Subject Property Purchase</p> <ul style="list-style-type: none"> • History of managing rental property not required and a lease is not required • 75% of the gross rental income is eligible. Gross rental income is determined as follows: <ul style="list-style-type: none"> - If there is a valid lease in place use the lesser of: <ul style="list-style-type: none"> - The rent stated on the lease, or - Market rent as determined by the appraiser - If a lease is not in place use the market rent as determined by the appraiser • If 2-4 unit primary residence, the rental income is added to the borrower's income • If the property is an investment property, calculate the rental income on a net basis • Income from a second home is not eligible <p>Subject Property Refinance</p> <ul style="list-style-type: none"> • A current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable. • Properties with a history of being rented on a short term basis are eligible on a case-by-case basis subject to Homebridge management review and approval. Gaps are acceptable however the income will still be averaged over the most recent 12 months and the 25% vacancy factor applies • A history of managing rental property is not required • Documentation of receipt of the most recent one months' rental income with bank statement or cancelled check (front and back) and be dated within 60 calendar days of the Note date • 75% of the current income identified on the lease may be used • Rental deposits are not included in the income stream • If the property is a 2-4 unit primary residence, the rental income is added to the borrower's income • If the property is an investment property calculate the rental income on a net basis <p>Rental Income – Non-Subject Property</p> <ul style="list-style-type: none"> • A current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable. • Properties with a history of being rented on a short term basis are eligible on case-by-case basis subject to Homebridge management review and approval. Gaps are acceptable however the income will still be averaged over the most recent 12 months and the 25% vacancy factor applies • A history of managing rental history is not required • 75% of the current income identified on the lease minus the documented PITIA may be used for qualifying • Rental deposits are not included in the income stream • Document of receipt of the most recent one (1) months' rental income with bank statement or cancelled check (front/back) and be dated within 60 calendar days of the Note date

P&L Documentation Eligibility and Summary	
P&L Only	
Income – Rental (cont.)	<p>Rental Income - Departing Residence</p> <ul style="list-style-type: none"> • If the borrower wishes to convert their current primary residence to an investment property, the borrower must have a 25% equity position in their current residence to use rental income from the converted property. Homebridge will attempt to obtain an AVM to support the value. In the event Homebridge cannot obtain an AVM that supports the value, the following is required: <ul style="list-style-type: none"> - A full appraisal that is no more than 6 months old, or - Compare the unpaid principal balance to the original purchase price of the property. • If the current residence is eligible for conversion to an investment property, rental income from the converted property can be used to qualify, using 75% of the current lease minus the full PITIA payment. The following is required: <ul style="list-style-type: none"> - A copy of the fully executed lease agreement that extends for a minimum of one (1) year after loan closing, and - Copy of security deposit and/or first month's rent check from the tenant, and - A copy of the borrower's bank statement indicating the security deposit funds and/or first month's rent have been deposited into the borrower's account <p>Rental Income – Accessory Unit Not eligible</p> <p>Boarder/Roommate Income Not eligible</p>
Income – Other Sources	<p>Other supplemental income sources may be used to supplement P&L income; P&L income must be the borrower's primary source of income (> 50%)</p> <p>Full Documentation option requirements are used to calculate and document the income types below with the exception of providing tax returns; tax returns cannot be used to document receipt of income. The borrower must provide alternative documentation (bank statements, checks, W-2s, 1099s, etc.)</p> <ul style="list-style-type: none"> • Alimony, • Asset Utilization/Distribution, • Child Support, • Pension, • Second Job, • Social Security
Payment Shock	<ul style="list-style-type: none"> • Maximum payment shock is 100% • Payment shock requirements apply to first time home buyers AND to non-first time home buyers (ALL transactions) • Non-First Time Home Buyers: <ul style="list-style-type: none"> - Primary residence purchase and refinance (rate/term and cash-out) transactions, and - Second home and investment property refinance (rate/term and cash-out) transactions • First Time Home Buyers <ul style="list-style-type: none"> - Primary residence purchase transactions <p>Refer to the Payment Shock topic for complete details</p>
Reserves	Refer to the Reserves topic for reserve requirements
Residual Income	Minimum \$1,500 required

Non-QM Underwriting Guidelines	
General	Topics not addressed within these guidelines; Fannie Mae policy applies
Elite Access Specific Forms	<p>Homebridge will complete these forms, as applicable, and send with loan closing documents:</p> <ul style="list-style-type: none"> • Borrower Affidavit – Full Documentation: Signed by borrower(s) • Borrower Affidavit – Bank Statement: Signed by borrower(s) • Borrower Affidavit – Investor Cash Flow (DSCR): Signed by borrower(s) • Borrower Affidavit – 1099 Only: Signed by borrower(s) • Borrower Affidavit – P&L Only: Signed by borrower(s) • Borrower Affidavit – Asset Qualifier: Signed by borrower(s) • Borrower Affidavit – Investment Cash-Out Transactions: Signed by borrower(s)
Ability to Repay	<ul style="list-style-type: none"> • The Elite Access program is designed for loans that are not eligible under Fannie Mae/Freddie Mac guidelines • All loans must meet Ability to Repay (ATR) requirements. The following criteria must be considered when determining if the borrower has sufficient income and assets to repay the loan. <ul style="list-style-type: none"> - Current or reasonable expected income or assets, - Current employment status, - Monthly payment on the covered transaction, - Monthly payment on any simultaneous loan, - Monthly payment for mortgage-related obligations, - Current debt obligations, alimony and child support, - Credit history, and - Debt-to-income ratio • The loan file must include documentation of the borrower’s ability to repay • HPML requirements apply. Refer to the HPML topic for details.
Age of Documents	<ul style="list-style-type: none"> • All income documentation must be dated no more than 120 days prior to the Note date • Asset documentation must be dated no more than 90 days prior to the Note date • The credit report cannot be more than 120 days old as of the Note date • The appraisal(s) may not be more than 120 days old as of the Note date. A recertification of value is allowed to extend the expiration date of the report provided the original report is not more than 180 days old as of the Note date • Title commitment cannot be more than 120 days old at funding

Appraisals

- All transactions require a new full appraisal **and** a secondary valuation (see requirements below)
- Appraisal requirements are as follows:

Appraisal Requirements	
Loan Amount	Requirement
≤ \$2,000,000	One (1) full appraisal
> \$2,000,000	Two (2) full appraisals

- When two appraisals are required and **neither** are a transferred appraisal, the lower of the two is used to determine value and there are no additional requirements
- Appraisal transfers **are eligible**; refer to the [Transferred Appraisals](#) topic for requirements

Secondary Valuation Options

- **Fannie Mae Collateral Underwriter (CU) or Freddie Mac Loan Collateral Advisor (LCA)** certification with a score of 2.5 or lower, **OR**
- **A Desk Review:** Obtained from Clear Capital Collateral Desktop Analysis (CDA), **OR**
- **A Field Review:** The field review cannot be prepared by the same appraisal company as the initial appraisal, but may be ordered through the same appraisal management company (AMC)

Reviewing the Secondary Valuation

If the secondary valuation product (Desk Review or Field Review) is:

- **Greater than** the appraised value: The LTV is based on the initial appraisal
- **Lower than** the appraised value but **within a 10% tolerance**: The LTV is based on the initial appraisal
- **Lower than** the appraised value by **> 10%**: A third valuation report is required (see Additional Valuation topic below for details)

Additional Valuation (if required)

If the secondary valuation is lower than the appraised value by > 10% one of the following is required:

- **A Field Review:** If a **Desk Review** was the secondary valuation, a Field Review is required and must be within a 10% tolerance. The LTV/HCLTV is based on the original appraisal
- **A Second Full Appraisal:**
 - When a second full appraisal is obtained the value must be **within the 10%** tolerance of the original appraisal. The lower of the two appraisals is used to determine the LTV/HCLTV
 - When a second full appraisal is obtained and the value is **more than 10% below** the initial appraised value, the second full appraisal will be used to determine the LTV/HCLTV **and** a new secondary valuation product must be obtained

IMPORTANT: A maximum of two (2) supporting valuations is allowed for any appraisal

Appraisals

Purchase Transactions: The value is the **lesser** of:

- The purchase price (minus concessions or excess contributions), **or**
- The appraised value

• **Refinance Transactions:**

- **If property owned ≤ 9 months**, measured from acquisition date to the application date of the new loan, the following applies:

- The value is determined by the **lesser** of:
 - o The purchase price, **or**
 - o The current appraised value

- **If property owned > 9 months:** The value is the current appraised value

NOTE: Property ownership is measured by the acquisition date to loan application date. Refer to the [Refinance Transactions](#) topic for complete requirements

- The subject property must conform to the neighborhood in terms of age, design and materials used for construction. The appraiser must comment on and describe any items that might impact the marketability and make applicable adjustments based on those comments
- Homebridge requires properties to be, at minimum, in average condition
- Properties with a condition rating of C1, C2, C3, or C4 are acceptable in an “as is” condition
 - Properties with a C5 or C6 condition rating may be considered subject to the following:
 - o The original appraisal is completed subject to completion of repairs, and
 - o Evidence the repairs that caused the C5/C6 rating have been completed, and
 - o An updated appraisal provides a condition rating of, at minimum, C4
- Properties with a quality rating of Q1, Q2, Q3, Q4, or Q5 are acceptable. **Properties with a quality rating of Q6 are ineligible**
- **Deferred Maintenance:** Considered on a case-by-case basis if the deferred maintenance is minor in nature and does not represent a health and/or safety hazard. “Subject to” items must be described in detail and any required work must be completed prior to closing
- Properties with security bars must address any safety issues prior to close. Security bars must comply with local fire codes and meet one of the following conditions:
 - There is a “quick release” on at least one window in each bedroom. The appraiser must comment on whether or not the bars meet local codes and whether or not there is a “quick release”, **AND** provide photos of the release latches, **OR**
 - The appraiser must indicate that all bedrooms must have adequate egress to the exterior of the home

Transferred Appraisals

Transferred appraisals are eligible subject to the following for each appraisal:

- The transferred appraisal must meet all Homebridge requirements for transferred appraisals, **and**
- A CDA for each appraisal, is required with a variance between 0% and positive 10% (inclusive)

Appraisal (cont.)

- Properties with any of the following conditions are ineligible:
 - Boarded-up,
 - Inadequate foundation that does not meet code,
 - Any property that poses an imminent threat to the health and safety of the occupant
 - Inadequate heating (must be a permanently affixed legal heating system). Exceptions may be made on a case-by-case basis subject to Homebridge management approval
 - No water or public electricity
 - Cantilevered or properties on stilts, posts or piers,
 - Shared services for well, septic, or utilities that are private agreements,
 - Properties showing evidence of mold,
 - Environmental hazards or nuisances
- Refer to the [Properties - Ineligible](#) topic for a complete list of ineligible properties.
- Room additions must be permitted. Refer to the [Property with an Addition Without Permits](#) topic for complete requirements

Appraisal Requirements

- The appraisal must include all of the following:
 - Street map showing the location of the subject property and all comparable sales used,
 - Exterior building sketch of the improvements indicating dimensions,
 - A floor plan sketch is required along with calculations demonstrating how the estimate for the gross living area was determined,
 - A sketch of the unit that indicates the interior perimeter unit dimensions instead of exterior building dimensions for a condo located in a condominium project,
 - Original color photographs or digital color images of the front, street and rear view of the subject property,
NOTE: Original digital black and white photographs/pictures are permitted if the appraisal clearly documents the subject property meets Homebridge guidelines.
 - Interior photos of the subject property that include all of the following:
 - Kitchen,
 - All Bathrooms,
 - The main living area,
 - Any area with physical deterioration, and
 - Any renovations/improvements.
 - Any other information necessary to provide an adequately supported estimate of the market value must be attached or an addendum to the report
 - An analysis of all agreements of sale, options or listing for the subject property, that are effective as of the date of the appraisal,
 - An analysis of all sales of the subject property that occurred within the 3 years prior to the effective date of the appraisal,
 - A completed Sales Comparison Approach section of the Fannie Mae 1004 Appraisal when any comparable sales used have more than one sale or transfer in the 12 months prior to the effective date of the appraisal,
 - Appraiser comments on any unfavorable conditions (e.g. adverse environmental or economic factors) and how those conditions impact the market value of the property. If such conditions exist the appraiser must include comparable sales that are similarly affected, and
 - A Certification and Statement of Limiting Conditions (Fannie Mae Form 1004B/Freddie Mac Form 439) signed by the appraiser.
- **Full Doc:** Fannie Mae [Form 1007](#) Single-Family Comparable Rent Schedule or Fannie Mae [Form 1025](#) Small Residential Income Property Appraisal Report, as applicable, required

<p>Appraisals (cont.)</p>	<p>Comparable Sales</p> <ul style="list-style-type: none"> • Comparable sales should be located within 1 mile of the subject property in urban/suburban areas. If 2 of the 3 comparable sales used by the appraiser are > 5 miles from the subject property the property will be considered rural. The appraiser must provide an explanation for using any comparable outside the subject property neighborhood. • The comparable sales must represent the best market data available to support the property's estimated value and should be as similar to the subject property as possible. • Comparable sales for a new subdivision or condominium project require a minimum of 1 comparable sale from inside the new subdivision/ project and 1 comparable sale from outside the subdivision/project. • Comparable sales used must have a recent sales date, preferably within 6 months of the subject property's sale date. Any comparable sales > 6 months old require comment from the appraiser on market conditions. If necessary to use older comparable sales the appraiser must supplement them with pending sales and/or current listing in the subject property neighborhood • A minimum of 3 closed comparable sales are required. The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required: <ul style="list-style-type: none"> - MLS, or - Comps Inc., or - GeoData Plus (NY only), or - PropertyShark (NY only), or - StreetEasy (NY only) <p>NOTE: Comparables from a public independent source are only eligible in rural areas of Maine, New Hampshire, and Vermont where MLS is not common</p> • Comparable sales used for new construction properties are subject to the following: <ul style="list-style-type: none"> - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required. - If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, billboard signs, website, etc.). - Additionally, the following applies: <ul style="list-style-type: none"> - One of the comparable sales must be outside the project the subject property is located in and be from one of the above options (public source Maine/New Hampshire/Vermont rural areas only). - Two of the comparable sales must be from sources other than the subject property builder. <p>NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.</p> • Declining Markets: An LTV reduction is required if the LTV is > 65%; refer to the Declining Markets topic for requirements • Land value subject to Fannie Mae guidelines. The appraiser must comment if typical for the area and current use is highest and best use • Maximum 15 acres • Properties located in a FEMA Disaster Declaration area are subject to Homebridge standard Disaster Declaration policy
<p>Appraisal Management Companies (AMC)</p>	<p>Appraisal must be ordered from one of the following Homebridge approved AMCs:</p> <ul style="list-style-type: none"> • ACT Appraisal Management • AMC Settlement Services • Axis Management Solutions • Class Valuation • Fastapp Appraisal Management • Golden State AMC • Nadlan Valuation • Nationwide Appraisal Network • Nationwide Property & Appraisal Services

Assets

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

Asset Type	Minimum Contribution	Down Payment	Closing Costs	Reserves	Not Eligible
Anticipated Savings					X
Assets Generated from Illegal Activity					X
Bank Accounts/Funds on Deposit in Financial Institutions	X	X	X	X	
Borrowed Funds (secured by borrower's own financial assets)	X	X	X	X	
Business Assets (see Business Assets topic for eligibility details)	X	X	X	X	
Cash-on-Hand/Cash Deposits					X
Cash-out (subject transaction)			X	X	
Cash Value of Life Insurance/Annuity	X	X	X	X	
Community Savings Plans and Lending Clubs					X
Cryptocurrencies/Any Type of Virtual Currency (including currency liquidated within 90 days of application and borrowed funds secured by virtual currency)					X
Custodial Accounts Still Under Custodians Control					X
Custodial Accounts (borrower must document ability to access funds; 529 accounts not eligible)	X	X	X	X	
Down Payment Assistance Program					X
Foreign Assets (see Foreign Asset topic for details)	X	X	X		
Gift Funds (after 10% borrower own funds met; gifts ineligible for reserves)	X	X	X		
Gift of Equity					X
Individual Development Account (cannot require a subordinate lien)					X
Individual Development Account Matching Funds					X
Interested Party Contributions			X		
Lot Value (when received as gift)					X
Margin Accounts	X	X	X		
Non-Marketable Securities					X
Non-Vested RSUs/Stock Options					X
Pension Funds/Pledged Assets					X
Private Funds (secured or unsecured loan)					X

Assets (cont.)	Asset Type	Minimum Contribution	Down Payment	Closing Costs	Reserves	Not Eligible
	Proceeds from Sale of Borrower's Own Real Estate	X	X	X	X	
	Relocation Benefits			X	X	
	Relocation: Down Payment					X
	Rent Credit w/ Option to Purchase	X	X			
	Restricted Securities					X
	Retirement Accounts (401K/IRA)	X	X	X	X	
	Sales Concessions					X
	Sale of Personal Property (property for which ownership history cannot be documented (e.g. gold/jewelry))					X
	Sweat/Trade Equity					X
	Trust Accounts (if borrower is owner and has immediate access to funds)	X	X	X	X	
	Unsecured Borrowed Funds/Loans					X
	Unsecured Line of Credit Financing					X
	U.S. Savings Bonds	X	X	X	X	
	Vested Stock Options (must evidence liquidation of funds; 70% of value eligible for reserves)	X	X	X	X	

Assets (cont.)

General Asset Requirements

- Two (2) months most recent consecutive statements (all pages) or the most recent quarterly statement required to document assets required for down payment, closing costs, prepaid items and reserves. Asset statements must cover a minimum of 60 days and are valid for 90 days.

NOTE: A stand-alone VOD is **not eligible**

- All funds must be in U.S. dollars and located in U.S. institutions
- Any significant disparity between the current account balance and the opening balance may require additional explanation.
- All funds from accounts opened for 90 calendar days or less, must be sourced if used for down payment, closing costs, or reserves
- **Large or Irregular Deposits:** Recent large deposits that are atypical or inconsistent **OR** account balances that are considerably greater than the average balance over the previous few months must be adequately sourced. A LOE from the borrower must be provided.

NOTE: 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.

- **Co-mingled Funds - Non-borrowing Spouse:** Eligible when the non-borrowing spouse is or will be a titleholder **on primary residence an second home transactions only** subject to:
 - Two months asset statements are required to support the borrower's history as an account holder and to support the borrower's past and continued contributions to the account.
 - All other asset requirements outlined in this topic must be met

Asset Eligibility Requirements

- **Annuities/Cash Value of Whole Life Insurance**
 - Annuities eligible at 100% of stated value minus any loans. If used for funds to close, documentation of liquidation required
 - If penalties for failure to repay the loan are limited to the surrender of the policy, payments on a loan secured by the cash value of the borrower's life insurance policy is not considered in the total DTI
 - **Borrowed Funds – Secured:** Eligible for asset's already owned by the borrower
 - A copy of the Note is required to confirm the terms of repayment
 - **Business Assets** are an acceptable source for down payment, closing costs and reserves when the borrower is self-employed and has 25% or more ownership in the business subject to the following:
 - All funds must be documented with the most recent 2-months bank statements
 - The amount of business assets that may be utilized are restricted to the percentage of ownership interest the borrower has in the business.
 - Large deposits (atypical/inconsistent) must be sourced and documented
 - Evidence the withdrawal of funds will not negatively impact the business required. Acceptable evidence is one of the following:
 1. **A CPA/EA/licensed tax preparer letter, OR**
 2. **A cash flow analysis** based on the following:
 - Determine the business' monthly operating expenses based on either the most recent years tax returns **or** average the deductions using three (3) months business bank statements, **and**
 - Deduct three (3) months' worth of expenses from current business balance to determine available balance and apply the borrower's ownership percentage to the result to determine eligible business assets
 - Any funds transferred into personal accounts prior to the application date are eligible without restriction.
- NOTE:** Business assets are **not** eligible on the Asset Qualifier option
- **Custodial Accounts:** Eligible if the borrower has complete access to the funds. 529 accounts are **NOT** eligible
 - **Foreign assets** are eligible for down payment, closing costs and reserves subject to the following:
 - Funds must be transferred to a U.S. bank account and seasoned for a minimum of 90 days,
 - The source of funds for the down payment and/or closing costs must comply with OFAC Program requirements if funds originate from an OFAC sanctioned country

NOTE: Funds in a financial institution located outside the U.S. are not eligible to satisfy reserve requirements

Assets (cont.)

Asset Eligibility Requirements (cont.)

- **Marketable Stocks, Bonds, and Mutual Funds** (net of margin) that are traded on a major market exchange (NASDAQ, NYSE, AMEX) may be used for closing costs and reserves at 70% of the verified market value minus any outstanding margin loans. Liquidation requirements are as follows:
 - If the funds are required for closing (e.g. down payment, closing costs) the liquidation of the funds and the ending balance of the account(s) must be documented
 - If the funds are being used to satisfy reserve requirements, liquidation is **not** required
- **Proceeds from Sale of Real Estate:** The closing of the other real estate transaction must take place prior to or simultaneous with the subject closing and net proceeds must be verified with a fully executed CD/settlement statements.
 - Proceeds from a pending sale may use the equity in the property to satisfy reserve requirements, up to 50%, subject to the following:
 - Transaction must be arm's length purchase
 - The sales contract must be provided listing the seller as the owner (individually or through an entity created for their benefit)
 - The transaction must be closing within 90 days of the subject transaction
 - There can be no outstanding financing contingencies, or evidence contingencies have been cleared
 - An estimated settlement statement, prepared by an attorney or closing agent, confirming the estimated proceeds to the borrower,
 - The borrower must provide a letter attesting to the number and amount of outstanding liens on the property
- **Relocation Benefits:** Eligible for funds to close subject to the following:
 - A copy of the executed buyout agreement to purchase the existing residence required, **and**
 - Any closing costs and points that may be included in the relocation package may be use, however, the borrower must provide funds for prepaid items unless specifically stated in the relocation package, **and**
 - A copy of the fully executed CD/settlement statement must be provided at closing evidencing the sale and release from liability
 - When all of the above requirements are met, the PITIA on the existing residence may be excluded from the borrower's DTI calculation

NOTE: Relocation funds provided towards the borrower's down payment are not eligible
- **Rental or Lease Credits:** Rent/lease credit eligible to meet down payment requirements:
 - Credit for the down payment is determined by calculating the difference between the market rent and the actual rent paid for the last 12 months
 - Market rent is determined by the appraiser in the appraisal for the subject property
 - Only the portion of the rental payment that exceeds the fair-market can be applied to the down payment or closing costs
 - Credits granted to a borrower from a rent with option to buy lease arrangement as closing funds, the following applies
 - The lease agreement must state how the credit will be accrued,
 - The borrower must provide copies of cancelled checks/money orders to evidence history of 12 months, **and**
 - Copy of rental/purchase agreement evidencing a minimum original term of 12 months, and
 - The appraiser must provide comparable rent schedule for the property (FNMA Form 1007)

NOTE: Rental or lease credits are **not eligible** to meet reserve requirements
- **Repayment of a Loan:** A lump sum repayment of a loan is eligible provided the initial loan and the repayment can be verified and documented.
- **Trust Account Funds:** Eligible when the borrower has immediate access to the funds subject to the following:
 - A copy of the trust or trust certificate is required, **and**
 - Written documentation of the value of the trust, the conditions under which the borrower has access to the funds, and the effect, if any, the withdrawal of funds will have on the trust income if used in qualifying the borrower must be provided by the trust manager or trustee.

<p>Assets (cont.)</p>	<p>Asset Eligibility Requirements (cont.)</p> <ul style="list-style-type: none"> • U.S. Savings Bonds: Eligible for down payment, closing costs, and reserves. If used for closing funds and reserves, the borrower must provide a list of amount, serial number and maturity dates of the bonds (photocopies should not be requested). Bond value will be based on their purchase price unless the redemption value can be documented • Vested Stock Options: Eligible for down payment and closing costs. Evidence of liquidation is required if funds are needed for closing. 70% of current market value is eligible when using for reserves <ul style="list-style-type: none"> NOTE: Non-vested stock options are not eligible • Vested Retirement Funds: Eligible subject to the following: <ul style="list-style-type: none"> - Verification of ownership and receipt of funds from liquidation of assets required when needed to complete the transaction. Any applicable withdrawal penalties must be deducted from the funds and documented. - Funds used for reserves do not require proof of liquidation however the terms of withdrawal from the employer's account must be documented - Any existing loans secured by a retirement asset must be deducted from the discounted value of the vested balance - 60% of the value may be considered to meet reserve requirements NOTE: Any portion of self-directed IRA accounts invested in real estate or other non-liquid assets are ineligible to satisfy reserve requirements - Accounts that only allow withdrawal based on the borrower's employment termination or retirement, or death are not considered vested funds and are not eligible to satisfy reserve requirements
<p>Assumptions</p>	<p>Not allowed</p>
<p>AUS</p>	<ul style="list-style-type: none"> • Manual underwrite • Compliance with Ability to Repay (ATR) requirements must be documented and included in the loan file along with the loan approval. Refer to the Ability to Repay topic for ATR requirements.
<p>Available Markets</p>	<ul style="list-style-type: none"> • Available in all 50 states; not eligible in U.S. territories including Guam, Puerto Rico, and the Virgin Islands • New York Transactions ONLY: <ul style="list-style-type: none"> - Homebridge will run the NY subprime test and the loan must pass or the transaction ineligible • The MLO must be licensed in the subject property state except as noted below • Investor Cash Flow ONLY: MLOs who are currently not licensed in the subject property state may submit a loan under the ICF option provided: <ul style="list-style-type: none"> - They are currently licensed in at least one state at time of application, and - The property is not located in the following states: <ul style="list-style-type: none"> - Alaska, Arizona, California, Idaho, Iowa, Michigan, Minnesota, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, and Vermont NOTE: Credit exceptions will not be granted on transactions involving an unlicensed MLO

Borrowers – Eligible

- **U.S. Citizens**
- **First Time Home Buyers** (borrowers who have not owned a residential property in the past 3 years regardless of the occupancy status - see “NOTE” below). FTHB guidance **only** applies when **ALL** borrowers on the transaction are first time home buyers, and the following applies:
 - **1-4 unit primary residence transaction ONLY; second home and investment transactions ineligible for FTHB**
 - A 12 month documented rental history with 0x30 required (documented with cancelled checks, institutional VOR completed by a management company; **private party/landlord VORs not allowed**)
 - **7-year seasoning applies if the borrower has any significant derogatory credit**
 - **Payment Shock**
 - Maximum 300% payment shock unless the DTI is ≤ 36% (see exception below)
 - **P&L Only Option. Maximum payment shock is 100%, regardless of DTI**

NOTE: Refer to [Payment Shock](#) topic for complete details

 - **FTHBs ineligible for the interest-only feature**
- **First Time Home Buyers Living Rent Free:** Eligible subject to the following:
 - 1-4 unit primary residence transactions **ONLY**
 - The rent-free period must be the months directly preceding or during the loan application process
 - The rent-free period must have been consecutive and not exceed 12 months
 - The borrower must provide an acceptable written explanation for living rent-free
 - Payment shock requirement **does not** apply to borrowers living rent free

NOTE: First time homebuyers living rent free are not eligible on second home and investment property transactions
- **Non-Occupant Co-Borrowers:** Eligible
 - A family relationship is **not required** as long as the transaction is an arm’s length
 - **NOTE: The non-occupant co-borrower cannot be the seller of the property, an existing tenant, builder of the property or real estate broker**
 - Income and assets are blended
- **Non-U.S. Citizens**
 - **Permanent Resident Aliens:** Must provide an unexpired I-551 Permanent Resident Card (aka Green Card) issued by the U.S. Citizenship & Immigration Services (USCIS) **OR** a temporary I-551 stamp on an unexpired foreign passport to verify the borrower has been awarded permanent residency in the U.S.
 - **Non-Permanent Resident Borrowers – Eligible subject to the following:**
 - The borrower must hold an valid, current E-1 through E-3, EB-5, G-1 through G-5, H-1B, L-1, O-1, R-1, or TN-NAFTA visa (these are the **only** eligible visa types)
 - The following are required to document the borrower is in the U.S. legally:
 - Copy of the borrower’s valid unexpired visa (with photograph) **OR**
 - An I 797 form with valid extension dates and I-94
 - **NOTE: The above documentation is required even when a non-permanent borrower is applying with a U.S. citizen**
 - A valid EAD must be obtained if the visa is not sponsored by the borrower’s current employer
 - If the borrower’s visa will expire within six (6) months of loan application a letter from the employer confirming the borrower’s continued employment and continued visa renewal sponsorship must be obtained (**the employer on the loan application must be the same as on the unexpired visa**)
 - A valid social security number (ITIN **ineligible**), **and**
 - Two (2) full uninterrupted years of residence, two (2) years established credit history, **and** two (2) years employment in the U.S. (measured from application date) for all borrowers whose income will be used for qualifying
 - **Full Doc and Asset Qualifier:** Two (2) years tax returns required for all borrowers whose income is being used for qualifying
 - **Bank Statement:** Borrower must be qualified using 24 months bank statements **ONLY:** 12 months bank statements **not allowed**

<p>Borrowers – Eligible (cont.)</p>	<ul style="list-style-type: none"> • Inter Vivos Trust – Loans closing in the name of a revocable trust are eligible as follows: <ul style="list-style-type: none"> - Eligible on 1-2 unit primary residence only, and - Trust must meet Fannie Mae guidelines. A copy of the trust or a Trust Certificate is required when vesting in the name of the trust, and <ul style="list-style-type: none"> - An attorney’s opinion letter or lender’s legal attestation, stating the trust meets FNMA and any applicable state requirements, must be provided • All borrowers are required to have social security number; ITINs are not eligible <p>NOTE: Any inconsistency in the social security number(s) reported require a signed, written explanation from the borrower</p>
<p>Borrowers – Ineligible</p>	<ul style="list-style-type: none"> • Guarantor • Co-signer • Borrowers with diplomatic immunity • Foreign nationals • ITIN borrowers • Blind trust • Investment trust • Trusts or business entities whose members include other LLCs, corporations, partnerships, or trusts • Trusts or business entities utilizing a Power of Attorney • Land Trusts • Borrowers without a social security number or a number that cannot be validated with the SSA. • Life Estates • Non-revocable trusts – no exceptions • Guardianships • Borrowers previously convicted of mortgage fraud • Broker company employees and owners, except for Full Doc transactions (Broker cannot represent themselves in the transaction and an LOE required) • Homebridge employees
<p>Borrower – Ownership Interest - Title Vesting</p>	<p>Borrowers may hold title as follows:</p> <ul style="list-style-type: none"> • Fee Simple: Vesting in the name of individual(s) NOTE: Title held as tenants in common requires the ownership percentage be equal; if ownership percentage is unequal the transaction is ineligible • Non-borrowing Spouse: All applicable state laws regarding waiving any property rights must be followed when the transaction involves a non-borrowing spouse with an interest in the property • All individuals signing the loan application are considered borrowers and all borrowers must sign the Note • Additional individuals on the CD/settlement statement are not required to sign the Note (applicable state laws apply) • All Transactions: Title must be in the borrower’s name at time of closing <p>Refinance Transactions:</p> <ul style="list-style-type: none"> • Title to the subject property must be in the borrower’s name at time of application with the exception of an inter vivos revocable trust or LLC <ul style="list-style-type: none"> - Inter Vivos Revocable Trust: Title may be held in the name of an inter vivos revocable trust when the borrower is the primary beneficiary and Trustor (or Settler) of the trust - LLC: Title held by an LLC is only eligible then a deed is executed at closing to change vesting from the LLC to the borrower’s name
<p>Construction-to-Perm</p>	<p>Not eligible</p>

Credit History

Tradelines

Minimum Tradeline Requirements

- Each borrower must have a minimum of:
 - Three (3) traditional tradelines with a 12 month credit history, **OR**
 - Two (2) traditional tradelines with a 24 month credit history

NOTE: If the borrower's spouse is the only co-borrower on the loan, only one borrower is required to meet the above minimum tradeline requirement
- Tradelines must reflect an acceptable payment history.
- Borrowers not meeting the tradeline requirements are **not eligible**.
- Tradelines for closed accounts are eligible to satisfy tradeline requirement as long as the payment history is acceptable
- A tradeline for an account where a payment has never been made (e.g. deferred student loan) are not eligible to meet tradeline requirements
- Authorized user accounts must be included in the DTI and are **only** eligible to satisfy the tradeline requirement if the borrower can provide written documentation they have been making the monthly payment on the account for the 12 months prior to the date of application. Borrowers with mainly authorized user accounts and only a few accounts of their own are not eligible. Acceptable documentation includes cancelled checks, payment receipts, etc.
 - The authorized user account is not required to be included in the borrower's DTI calculation, unless the debt was listed on the initial loan application, **or** if the borrower is responsible for making the payment
- Self-reported tradelines (e.g. utilities) are not eligible
- Any non-mortgage late payments that occurred in the 12 months prior to application requires a letter of explanation from the borrower
- Foreign credit references are not allowed. If the borrower does not have sufficient trade lines in the U.S., the loan is **ineligible**
- Tradelines may be installment or revolving
- Tradelines requirements apply to all borrowers on the transaction (excluding if the only co-borrower is the borrower's spouse; see [Minimum Tradeline Requirements](#) topic above)
- Borrowers must sign a debt certification form at loan closing verifying they have not opened any new tradelines

Unmarried Joint Borrowers:

Unmarried joint borrowers who meet at least 2 of the 3 criteria below may be treated as spouses for determining compliance with tradeline requirements:

- Borrowers have resided together for a minimum of 2 years
- Borrowers hold at least one joint tradeline
- Borrowers jointly hold asset accounts

Credit Report/Scores

- Minimum credit score requirements vary by LTV/loan amount; refer to the [LTV/Loan Amount](#) matrices for requirements
 - **The credit report must include the borrower's full social security number; partial SSNs are not acceptable**
 - If the borrower has a credit freeze, the credit freeze must be removed, and the credit information obtained.
 - Foreign credit reports are not eligible
 - **Individual Borrower's Credit Score**
 - Each borrower is **required** to have a minimum of two (2) valid scores. If each borrower does not have two (2) valid credit scores the loan is **ineligible**. An individual borrower's representative credit score is determined as follows:
 - Three (3) valid scores, the middle score is used
 - If two scores, the lower of the two is used
 - **Representative Score for Loan:**
 - The lowest middle score of all borrowers is the qualifying credit score
 - Homebridge will accept a credit report, in the broker's name, from any Fannie Mae acceptable credit vendor.
 - A tri-merged credit report or Residential Mortgage Credit Report (RMCR) is required for all borrowers
 - Borrowers with only two (2) credit bureaus reporting are acceptable if that is the extent of the information available
 - Borrowers with only one (1) bureau reporting are **not eligible**
 - Borrowers must sign a debt certification form at loan closing verifying they have not opened any new tradelines
 - The credit report should include verification of all credit references provided on the loan application
 - **Any inconsistency in the social security number(s) reported require a signed, written explanation from the borrower.**
 - The credit report must certify the results of public record searches for each city the borrower has resided in during the last 2 years.
 - **Credit Inquiries**
 - The borrower(s) must address, in writing, **all** credit inquiries indicated on the credit report within the previous 120 days. The LOE must reference the creditor name (e.g. Wells Fargo, Bank of America, etc.) and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). If new credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment.
- Examples:**
- **Acceptable Response:** Chase, Wells & Bank of America credit pulled while searching for a mortgage; no credit was obtained.
 - **Unacceptable Response:** "We did not accept any credit for the inquiries listed on our credit report: or "We did not accept any credit from Chase, Wells & Bank of America" (neither response specifically addresses both the inquiry and disposition).
- If additional debt was obtained or discovered or the borrower's income is reduced after the underwriting decision was made the following applies:
 - The additional debt(s) and reduced income must be applied and determined if the loan still qualifies,
 - If there is new subordinate debt on the subject property, the loan must be re-underwritten, and
 - The final loan application signed by the borrower(s) must include all income and debt verified, disclosed or identified
 - The credit report cannot be more than 120 days old as of the Note date

<p>Credit Report/Scores (cont.)</p>	<p>Credit Re-Score</p> <ul style="list-style-type: none"> Once a credit report is obtained, and it is still within its validity period, a credit re-score will only be permitted when the re-score is due to: <ul style="list-style-type: none"> The removal of a disputed account, or There was pay down or payoff of existing debt(s), or New information is obtained to address and correct any item(s) that are erroneous <p>NOTE: Transactions involving a re-score are subject to Homebridge management review and approval</p> A re-score is not allowed when it is due to the following: <ul style="list-style-type: none"> Addition of new debt (when used for purposes of potentially increasing the borrower's credit score), or Disputing a derogatory account or any account that was not already in dispute at the time of the original credit report The Homebridge Underwriter is responsible to review the credit report for any new accounts opened within 60 days of the credit report, to determine if a re-score may have occurred <ul style="list-style-type: none"> The credit report is not valid if there is an open derogatory dispute. All derogatory disputes must be resolved, and an updated credit report obtained If the original credit score expires and a new report is required, the new report is not considered a re-scored report <p>Fraud Alerts</p> <p>All fraud alerts must be addressed and resolved prior to loan closing</p> <p>Letter of Explanation: Required as follows:</p> <ul style="list-style-type: none"> For all address, employment and/or name variation and/or inconsistencies. Whenever the credit report indicates the borrower may not manage credit effectively (e.g. recently opened revolving accounts at or near account limit, and/or a delinquent payment history indicates the borrower may overly rely on credit) For all credit inquiries within previous 120 days with an acceptable response (see above "Examples") 																				
<p>Declining Markets</p>	<p>Properties identified by the appraiser on the appraisal as being in a declining market AND the LTV on the transaction is > 65%, the following applies:</p> <table border="1" data-bbox="467 1144 1356 1375"> <thead> <tr> <th>Property Value</th> <th>Demand</th> <th>Market Time</th> <th>Reduce LTV</th> </tr> </thead> <tbody> <tr> <td>Declining</td> <td>Shortage or In Balance</td> <td>< 3 Months</td> <td>5%</td> </tr> <tr> <td>Declining</td> <td>Shortage</td> <td>3-6 Months</td> <td>5%</td> </tr> <tr> <td>Declining</td> <td>In Balance</td> <td>3-6 Months OR Over 6 Months</td> <td>10%</td> </tr> <tr> <td>Declining</td> <td>Over Supply</td> <td>Over 6 Months</td> <td>10%</td> </tr> </tbody> </table>	Property Value	Demand	Market Time	Reduce LTV	Declining	Shortage or In Balance	< 3 Months	5%	Declining	Shortage	3-6 Months	5%	Declining	In Balance	3-6 Months OR Over 6 Months	10%	Declining	Over Supply	Over 6 Months	10%
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<p>Debt-to-Income (DTI) Ratios</p>	<ul style="list-style-type: none"> Maximum DTI 50%; no exceptions <p>NOTE: DTI cannot be rounded down to qualify</p> <ul style="list-style-type: none"> Borrowers with significant derogatory credit events: Maximum DTI 43%. Refer to the Derogatory Credit topic for details <p>Alimony, Child Support, and Separate Maintenance</p> <ul style="list-style-type: none"> Alimony payments may be deducted from the qualifying income if the payments are tax deductible; if not they must be included in the DTI Child support, and separate maintenance payments must be included in the DTI calculation A copy of the divorce decree, separation agreement, court order or notarized agreement signed by all parties and their attorneys must be provided to document the terms of the payment. <p>Court Ordered Assignment of Debt</p> <ul style="list-style-type: none"> Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations if the following is provided: <ul style="list-style-type: none"> Copy of the court order, divorce decree, settlement agreement to verify the debt is assigned to another party who is fully responsible for repayment of the debt is required 																				

Debt-to-Income (DTI) Ratios (cont.)

Debts Paid by Others

Debt the borrower is obligated on that is being paid by others may be excluded from the DTI calculation subject to the following:

• **Non-Mortgage Debt**

Non-mortgage debt includes, but is not limited to, auto loans, lease payments, student loans, revolving debt, etc. The following applies to non-mortgage debt:

- Documentation the other party has been making the payments for the prior 12 months. Acceptable documentation includes bank statements, cancelled checks etc.
- The debt must be paid as agreed **with no history of delinquent payments**
- The party making the payments **cannot** be an interested party to the transaction

• **Mortgage Debt**

- The party making the payments must be obligated on the mortgage
- Documentation the other party has been making the payments for the prior 12 months. Acceptable documentation includes bank statements, cancelled checks, etc.
- The debt must be paid as agreed **with no history of delinquent payments**
- The borrower is not using rental income from the applicable property to qualify
- The property must be included in the total count of financed properties

Debts Paid by Business (Self-Employed Borrowers)

- Debt(s) paid by the borrower's business **may be excluded** from the DTI calculation as follows:
 - Documentation provided the business has paid the debt for the previous 6 months. Acceptable documentation includes business cancelled checks, bank statements, tax returns or cash-flow analysis etc.)

NOTE: If the debt is mortgage debt and the borrower is personally obligated on the mortgage debt it cannot be excluded

 - There can be no history of delinquency
- Debt paid by the borrower's business **must be included** in the DTI calculation if:
 - There is any history of delinquency,
 - The borrower cannot provide acceptable evidence (see bullet point above for acceptability),
 - Evidence is provided however the Homebridge underwriter analysis does not reflect any business expense related to the debt

Deferred Installment Debt

- Deferred installment debt must be included in the DTI calculation. Accounts in forbearance considered on case-by-case basis subject to Homebridge management review. If the credit report does not indicate a payment amount due at the end of the deferred period, the following is required:
 - Documentation that includes the payment amount after the deferment period (payment letter, forbearance agreement, etc.)
 - If a payment cannot be determined, 1% of the outstanding balance will be used

Installment Debt (Including Mortgages)

- Installment debt must be included in the borrower's DTI calculation/debt service when there are 10 months or more payments remaining.

NOTE: Lease payments must be included in the DTI/debt service regardless of number of payments remaining. Lease payments cannot be paid down or paid off
- Installment debt with < 10 months of payments remaining may be excluded from the DTI as long as the borrower has sufficient assets to make the remaining payments
- Installment debt may be paid down to < 10 months to exclude however the source of funds must be documented and sourced
- If the payment is not on the credit report, documentation of the current payment must be provided
- If a payment will be changing within 6 months (i.e. an ARM or interest-only loan) the new payment must be used for the DTI calculation/debt service
- Installment debt that will be paid in full prior to closing may be excluded from the DTI calculation/debt service. Documentation (credit supplement or direct verification from the creditor) must be obtained to evidence the debt has been paid in full is required and the source of funds must be documented

(cont. on next page)

Debt-to-Income (DTI) Ratios (cont.)

Installment Debt (Including Mortgages) (cont.)

- If the installment account is to be paid off at closing, the payoff must be shown on the Closing Disclosure. **If the debt is paid off with any portion of the allowable cash-back on a rate/term transaction, the loan will be considered a cash-out transaction**
- An authorized used account may be omitted from the DTI calculation provided there is no evidence the borrower is paying the account. A credit supplement, showing the account removed, will be obtained

Loans Secured by Financial Assets

- The payment on a contingent liability (loans secured by the borrower's financial assets such as life insurance, 401(k) account, CDs, etc.) are not required to be included in the DTI calculation. A copy of the loan instrument showing the borrower's financial asset as collateral is required
 - If the borrower is using the asset to meet reserve requirements the amount of the loan will be deducted from available funds
- Payments on loans that are secured by a borrower's specific liquid financial asset(s) may be excluded from the DTI calculation when the repayment of the loan rebuilds the asset and current verified balance in the account (or value of the asset) is sufficient to fully payoff the loan

Relocation Benefits

The PITIA payment on the existing property is not required to be included in the DTI calculation when the borrower is using a relocation package. Refer to the [Relocation Benefits](#) topic in the Asset section for requirements when excluding the DTI.

Revolving (Including HELOC)

Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit. Revolving debt is subject to the following:

- The minimum required payment stated on the credit report or current account statement should be used in DTI calculation
- If no payment stated on the credit report or current statement is unavailable the **greater of 5%** of the current balance **OR \$10** will be used to determine the monthly payment. If no balance, no payment is included

NOTE: If HELOC use 1%

- 30 day accounts require the account to be deducted from available liquid assets OR use 5% of the balance as a payment
- If the revolving account is to be paid off prior to or at closing, a monthly payment is not required to be included in the debt ratio/debt service. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio.
- If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified
- If the revolving account is to be paid off at closing, the payoff must be shown on the Closing Disclosure and documentation provided that the borrower provided the funds necessary to pay off the account(s) **If the debt is paid off with any portion of the allowable cash-back on a rate/term transaction, the loan will be considered a cash-out transaction**
- An authorized used account may be omitted from the DTI calculation provided there is no evidence the borrower is paying the account. A credit supplement, showing the account removed, will be obtained

Sale of Departing Residence

- If the borrower is under a **non-contingent** contract to sell their departing residence the PITIA for the departing residence may be excluded from the DTI calculation **if the borrower has an additional 6 months reserves based on the departing residence PITIA**
- If the borrower is not under a contract to sell or has a contract to sell with contingencies that have not yet been released the departing residence will be treated as an investment property and the PITIA payment will be included in the DTI calculation

(cont. on next page)

<p>Debt-to-Income (DTI) Ratios (cont.)</p>	<p>Student Loans</p> <ul style="list-style-type: none"> • Student loan payments, regardless of payment status, must be included in the DTI calculation/debt service. • The payment on the credit report will be used. • If the payment is not listed/deferred, the lesser of 1% of the outstanding loan balance or document the fully amortized payment <p>Deferred/Balloon Payment</p> <p>Debt payments scheduled to begin or come due within 12 months of loan closing (e.g. student loan, balloon Note, etc.) must be included in the DTI calculation. Verification the borrower has sufficient liquid assets available to cover the amount due, in addition to all other requirements, required</p>
<p>Deed / Resale Restrictions</p>	<p>Age-related and developer land-use or building code requirements only; all other types of deed restrictions ineligible</p>
<p>Derogatory Credit</p>	<p>Collections/Charge-offs</p> <ul style="list-style-type: none"> • Collection/charge off accounts are generally required to be paid off prior to or at closing. Accounts may remain open as follows: <ul style="list-style-type: none"> - Individual accounts with an outstanding balance < \$250, or - Aggregate accounts with an outstanding balances of < \$1,000, or - Account(s) with a balance greater than the above if they do/will not affect title <p>NOTE: Medical collections may remain open regardless of the balance</p> <p>Credit Counseling</p> <p>Borrowers who have participated in credit counseling are eligible as long as the credit requirements in these guidelines are met</p> <p>Disputed Accounts</p> <p>Disputed accounts identified on the credit report within the last 2 years require review by the Homebridge underwriter. The following applies to disputed accounts:</p> <ul style="list-style-type: none"> • If the account is a collection account and the balance is ≤ \$250 the account may remain open • If the account has a zero balance with no derogatory information in the 2 years preceding the credit report date, no action required • If the account has a zero balance and derogatory information in the 2 years preceding the credit report date, the account will be removed and a new credit report obtained • If the account has a positive balance but no derogatory information in the 2 years preceding the credit report date, no action required • If the account has a positive balance and derogatory information in the 2 years preceding the credit report date, the account will be removed and a new credit report obtained <p>NOTE: A credit supplement is not allowed to document disputed; a new credit report is required</p> <p>Judgements/Tax Liens</p> <ul style="list-style-type: none"> • Any liens (federal, mechanic's, etc.) or judgements must be paid-off at or prior to closing. • Solar liens must be subordinated or paid off • HERO/PACE loans must be paid off
<p>Derogatory Credit Events - Significant</p>	<p>Significant Derogatory Credit Events</p> <ul style="list-style-type: none"> • Borrowers with <u>multiple</u> significant unrelated derogatory credit events are ineligible • Borrowers with a significant derogatory credit event are eligible subject to meeting the requirements in this topic. Maximum 43% DTI. Refer to the Debt-to-Income topic for details • First time home buyers with any significant derogatory credit require a 7-year waiting period measure from the completion of the event date to Note date • Borrowers with a significant derogatory credit event, as detailed below, are required to have a documented, reestablished credit. <p>(cont. on next page)</p>

<p>Derogatory Credit Events - Significant (cont.)</p>	<ul style="list-style-type: none"> • A four (4) year waiting period is required after a significant derogatory credit event. Borrowers who have completed any of the below within four (4) years prior to the application date are not eligible <ul style="list-style-type: none"> - Foreclosure - Short Sale - Deed-in-Lieu - Short Payoff/ - Bankruptcy (7, 11,13 either dismissed or discharged and includes borrowers currently in bankruptcy proceedings) - Pre-foreclosure including Lis Pendens or Notice of Default (NOD) where the borrower is currently delinquent <p>NOTE: An NOD is not considered a significant derogatory credit event if payments are current</p> <ul style="list-style-type: none"> - Modification, regardless of seasoning the following applies: <ul style="list-style-type: none"> - A minimum 720 credit score required, and - The borrower cannot have had any additional credit event following the modification <p>Mortgage Tradelines in Forbearance</p> <p>Borrower who have had one or more mortgage trade lines in forbearance must meet one of the following requirements:</p> <ul style="list-style-type: none"> • If all payment were made on time, with no payments missed, during the forbearance period, and all account(s) have been reinstated prior to application, there is no waiting period • If one or more payments were missed on one or more accounts due to forbearance, the account(s) with missed payments must have been reinstated and a minimum of three (3) monthly payments have been made on time after the forbearance period and prior to the loan application date <p>NOTE: Borrowers who have missed more than three (3) payments during the forbearance period and/or have had the missed payments added to the loan balance are eligible as long as the requirements stated above have been met</p> <ul style="list-style-type: none"> • Borrowers who cannot document a minimum of three (3) monthly on time payments made after the forbearance completion are not eligible <p>Non-Mortgage Tradelines in Forbearance</p> <ul style="list-style-type: none"> • Non-mortgage trade lines in forbearance may remain in forbearance • The payment must be included in the borrower’s DTI <p>Other Derogatory Credit</p> <ul style="list-style-type: none"> • Any other derogatory credit not addressed above, that is on the borrower’s credit report in the previous 12 months requires a letter of explanation (LOE) from the borrower. • Additionally, any pattern of delinquent credit that occurred prior to the previous 12 months, will also require an LOE from the borrower <p>Reestablished Credit</p> <p>Borrowers with significant derogatory credit event(s) are required to have re-established credit</p> <ul style="list-style-type: none"> • A minimum of three (3) traditional credit references with activity in the most recent 24 months, and • The credit report cannot reflect any late payments in the previous 24 months, and • All other derogatory credit requirements and minimum credit score requirements met, and • The waiting period and any related additional requirements have been met
<p>Down Payment/ Earnest Money Deposit</p>	<ul style="list-style-type: none"> • Gift funds eligible after 10% borrower own funds requirement is met (if applicable). Refer to the Gift Funds topic for details • Down payment/earnest money deposits must be documented and sourced, if applicable
<p>Escrow Holdbacks</p>	<p>Not eligible</p>
<p>Escrow/Impound Account</p>	<ul style="list-style-type: none"> • LTV > 80%: Escrow/impound account required • NOTE: N/A to CA properties due to CA law (escrow/impound account cannot be required unless ≥ 90% LTV) • LTV < 80%: Escrow/impound account recommended but not required • Escrow/impound account is always required on the following, no exceptions: <ul style="list-style-type: none"> - HPML transactions with a minimum escrow period of 5 years - Transaction requires flood insurance

<p>Financed/Free and Clear Other Real Estate Owned</p>	<ul style="list-style-type: none"> • Primary residence: No limit on the number of financed properties • Borrowers with > 15 properties are not eligible for second home and investment transactions, aggregate based on all borrowers and includes free and clear and commercial properties • Two (2) months PITIA reserves for each financed property is required in addition to subject property reserve. Refer to the Reserves topic for complete reserve requirements. • Two (2) months taxes, insurance and HOA dues in reserves for properties owned free and clear • Homebridge limits its exposure to maximum of 4 loans per borrower and/or a maximum of \$5,000,000. <p>NOTE: DSCR loans with < 1.00 DSCR Homebridge limits its exposure to a maximum of \$2,000,000</p> <ul style="list-style-type: none"> • Condo Projects: Homebridge limits is exposure to a maximum of 5% of the properties in the project. Projects with 10 or fewer units, financing on a maximum of 1-unit allowed
<p>Gift Funds</p>	<p>Gift funds eligible for down payment and closing costs (gift funds not eligible to satisfy reserve requirements).</p> <p>Gift Fund Eligibility</p> <p>Gift funds eligible subject to the following:</p> <ul style="list-style-type: none"> • Purchase transactions only • No minimum borrower contribution required on owner-occupied properties; all funds required may be from a gift subject to the requirements in this topic • A minimum 10% borrower own funds required on second home and investment properties <p>NOTE: Co-mingled accounts with parents/relative are ineligible to satisfy the 10% borrower own funds requirement</p> <ul style="list-style-type: none"> • Gift funds may be provided by a relative defined as follows: <ul style="list-style-type: none"> - Any person related by blood, legal proceedings, marriage, or adoption and also includes a fiancé or domestic partner <p>NOTE: Gifts from a business or trust are not an eligible source for gift funds</p> • The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction. • Gift funds from foreign assets must meet foreign asset seasoning requirement to be an acceptable source of funds for a gift; refer to the foreign assets topic for requirements • The gift must be evidenced by a gift letter, signed by the donor and it must: <ul style="list-style-type: none"> - The name and address of the receiving party - Name and address of the donor, - The donor's relationship to the borrower/receiving party, - Specify the dollar amount of the gift, - Include a statement by the donor that no repayment of the gift funds is expected. - The property being financed, and - Specify the date the funds were/will be transferred • The transfer of the gift funds must be documented. Acceptable documentation includes: <ul style="list-style-type: none"> - Copy of the donor's cancelled check and the borrower's deposit slip - Copy of the donor's withdrawal slip and the borrower's deposit slip - Copy of the donor's check to the closing agent, or - The settlement statement showing receipt of the donor's check. • If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a wire transfer, certified/cashier's check or other official check required
<p>Gift of Equity</p>	<p>Gift of equity is ineligible</p>
<p>High Cost</p>	<p>Not eligible</p>

<p>Higher Priced Mortgage Loan (HPML)</p>	<p>Standard HPML requirements apply. The below are an example, but not an exhaustive list of requirements:</p> <ul style="list-style-type: none"> • Primary residence transactions only (N/A to second home and investment properties) • Escrows are mandatory for a minimum of 5 years • Compliance with ability to repay (ATR) must be documented • No prepayment penalties allowed • A second appraisal is required when: <ul style="list-style-type: none"> - The seller of the property acquired the property less than 90 days prior to the new contract date and there is an increase in value of 10% or more, OR - The seller acquired the property less than 180 days prior to the contract date and there is an increase in value of 20% or more
<p>Income – Unacceptable Sources: All Documentation Options</p>	<p>Income from unacceptable sources include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Boarder or roommate income • Deferred compensation plans • Farm income from the subject property • Foreign income • Restricted Stock Units • Stock options • Income derived from medical marijuana dispensaries or any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law • Rental income from an ADU associated with the subject property • Temporary or income received on a one-time basis (non-recurring income) • Retained earnings • Educational benefits • Trailing co-borrower income • Income that cannot be verified, is not stable or will not continue • Non-reported income (aka undocumented income) cannot be used as qualifying income • Gift income, even if received on a regular and on-going basis • Any sources of income that are illegal under local, state, and/or federal law • Gains from trading cryptocurrency
<p>Inspections</p>	<p>Inspections only required when the purchase contract requires one, or the appraiser identifies a need for an inspection on the appraisal</p>
<p>Interest-Only</p>	<p>Interest-only eligible on all documentation options as follows:</p> <ul style="list-style-type: none"> • Eligible on primary residence, second home, and investment properties NOTE: Second home and investment property not eligible on Asset Qualifier • The IO period is for 10 years with a payment period amortized over 20 years • Maximum 80% LTV (Investor Cash Flow maximum 75% LTV) OR the maximum LTV allowed for applicable loan amount/credit score, whichever is less • Minimum 680 credit score (Investor Cash Flow minimum 700 credit score) <p>Interest-only ineligible as follows:</p> <ul style="list-style-type: none"> • First time home buyer transactions

<p>Interested Party Contributions</p>	<p>Interested Party Contributions</p> <ul style="list-style-type: none"> Interested party contributions (IPC) include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction. IPCs must be: <ul style="list-style-type: none"> - Disclosed on the sales contract - Documented in the loan file - Clearly identified on the Closing Settlement Statement, and - Paid to the appropriate vendor the Title/Escrow Company or Closing Attorney Interested party contributions are limited as follows: <table border="1" data-bbox="570 512 1339 695"> <thead> <tr> <th>Occupancy</th> <th>LTV</th> <th>Maximum Allowable Contribution</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Primary Residence and Second Home</td> <td>≤ 75%</td> <td>9%</td> </tr> <tr> <td>75.01% to 90%</td> <td>6%</td> </tr> <tr> <td>Investment</td> <td>All LTVs</td> <td>3%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Funds from an interested third party and paid to the vendor are acceptable when they are used to: <ul style="list-style-type: none"> - Pay related mortgage financing costs, closing costs, pre-pays and escrow costs, or - Permanently reduce the interest rate on the mortgage - The total of financing contributions may not exceed the lesser of: <ul style="list-style-type: none"> - The total of the closing costs and pre-pays, or - The LTV detailed in the chart above 	Occupancy	LTV	Maximum Allowable Contribution	Primary Residence and Second Home	≤ 75%	9%	75.01% to 90%	6%	Investment	All LTVs	3%
Occupancy	LTV	Maximum Allowable Contribution										
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	75.01% to 90%	6%										
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<p>LDP/GSA</p>	<p><u>LDP</u> / <u>GSA</u></p> <p>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.</p> <ul style="list-style-type: none"> • 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. 											
<p>Mortgage Insurance</p>	<p>Not required</p>											

<p>Mortgage/Rental History</p>	<ul style="list-style-type: none"> • 0x30 in previous 12 months mortgage/rental payment history in the aggregate for all mortgages and/or rental verifications except as noted below: <ul style="list-style-type: none"> - Full Doc and Alt-Doc Transactions: 1x30 in previous 12 months with maximum 80% LTV - ICF Transactions: 1x30 in previous 12 months with maximum 75% LTV • Mortgage/housing requirements apply to all borrowers on the loan • Mortgage must be current for the month closing • Borrowers who cannot document a 12 month housing history in the previous 3-years are not eligible • If the mortgage/rental history is not listed on the credit report the following documentation is required: <ul style="list-style-type: none"> - Rental History: <ul style="list-style-type: none"> - Professional Management Company: A fully completed and signed verification of rent (VOR) - Private Party: The most recent consecutive 12 months (as applicable) cancelled checks (front and back) and/or bank statements, along with a copy of the lease required - Mortgage History: <ul style="list-style-type: none"> - Institutional Lender: A fully completed and signed verification of mortgage (VOM) - Private Party: The most recent consecutive 12 months' cancelled checks (front and back) and a copy of the Note <p>Property Owned Free and Clear</p> <ul style="list-style-type: none"> • Borrowers with a free and clear property must provide documentation that TIA payments on the property are current <p>Payment Shock – First Time Home Buyer</p> <ul style="list-style-type: none"> • Payment shock is limited to a maximum 300% unless the DTI is ≤ 36% (does not apply to P&L option – see below) <p>Payment Shock – P&L Only Option – All Borrowers</p> <ul style="list-style-type: none"> • P&L Only option ONLY: Maximum 100% payment shock applies to all borrowers (FTHBs AND non-FTHBs) regardless of DTI. Refer to the Payment Shock topic for complete requirements
<p>New York Transactions</p>	<ul style="list-style-type: none"> • NY transactions must pass the NY Subprime test, as applicable • NY CEMA eligible for refinance transactions; Fannie Mae requirements apply. CEMA not eligible for purchase transactions <ul style="list-style-type: none"> - The most recent version of New York Consolidation, Extension, and Modification Agreement Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) is required <p>NOTE: Lost Note Affidavits are not allowed</p>
<p>Non-Arm's Length/ Identity of Interest Transactions</p>	<p>Not allowed with the exception of transactions involving unrelated tenant/landlord relationships</p>

<p>Occupancy</p>	<ul style="list-style-type: none"> • 1-4 unit owner-occupied primary residence <ul style="list-style-type: none"> - Borrowers are required to occupy the subject property within 60 calendar days of closing • 1-unit second home (borrowers may own more than one second home as long as each is in a separate geographic area). The following applies: <ul style="list-style-type: none"> - Generally, the property should be located at least 50 miles from the borrower's primary residence - Must be suitable for year round use, - Must be occupied by the borrower for some portion of the year, - Must be in an area typical for second home use, - The property cannot be leased or rented or intended for lease or rental and no rental income can be used to qualify - Cannot be subject to any timeshare arrangements, rental pools, or other agreements that gives a management company control over the occupancy; the borrower must have exclusive control over the property • 1-4 unit investment property. Properties that do not meet the definition of a primary residence or second home are considered an investment property
<p>Payment Shock</p>	<p><u>Full Doc, Bank Statement, 1099 Only: Non-First Time Home Buyers</u></p> <ul style="list-style-type: none"> • Payment shock limits do not apply <p><u>Full Doc, Bank Statement, 1099 Only: First Time Home Buyers</u></p> <ul style="list-style-type: none"> • Payment shock applies to first time home buyers purchasing a primary residence • Maximum 300% payment shock unless the DTI is $\leq 36\%$ (does not apply to P&L Only option) <p>NOTE: Payment shock does not apply to ICF transactions; see below for P&L Only option payment shock requirements)</p> <p><u>P&L Only Option ONLY: Non-First Time Home Buyers and First Time Home Buyers</u></p> <ul style="list-style-type: none"> • Maximum payment shock is 100%, there are no DTI exceptions • Payment shock requirements apply to first time home buyers AND to non-first time home buyers (ALL transactions) • Non-First Time Home Buyers: <ul style="list-style-type: none"> - Primary residence purchase and refinance (rate/term and cash-out) transactions, and - Second home and investment property refinance (rate/term and cash-out) transactions • First Time Home Buyers: <ul style="list-style-type: none"> - Primary residence purchase transactions <p>NOTE: Payment shock is based on the difference between the current rent (purchase) or the current mortgage payment for the subject property (second home and investment refinance transactions) minus 1% (i.e. the proposed housing PITIA divided by the current rent/mortgage, as applicable, and subtract 1% from that sum)</p>
<p>Points and Fees</p>	<ul style="list-style-type: none"> • Points and fees must comply with all federal and state requirements. • The maximum points and fees, paid to the broker or Homebridge, is 5%. Maximum points and fees are calculated based on the amount financed

Power of Attorney

A power of attorney (POA) is eligible subject to the following:

- A **specific** POA is eligible:
 - For closing documents **only; ineligible** for application and disclosures
 - On purchase and rate/term refinance transactions; **ineligible on cash-out transactions**
- POA **ineligible** when title will be held in the name of a trust
- The following persons, when connected to the transaction, are **ineligible** to act as the agent/attorney-in-fact under a power of attorney, unless allowed by applicable state law, **OR** they are the borrower's relative (as defined by Fannie Mae) or the borrower's fiancé, fiancée, or domestic partner:
 - The lender or broker,
 - Any affiliate of the lender or broker,
 - Any employee of the lender or broker
 - The loan originator,
 - The employer or any employee of the employer of the loan originator,
 - The title insurance company providing the title insurance policy or any affiliate of the title insurance company including, but not limited to, the title agency closing the loan,
 - Any employee of either the title insurance company or any affiliate of the title insurance company
 - Property seller, or any person related to the property seller, including a relative or affiliate,
 - Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent
- In the event there is only one borrower on the loan, the person signing as the attorney-in-fact/agent using the POA must be either a relative or the borrower's attorney
- Homebridge must review and approve the POA prior to loan closing
- As a reminder, items not specifically addressed above, Fannie Mae policy will apply

<p>Prepayment Penalty</p>	<p>A prepayment penalty is available on all documentation options for transactions secured by investment properties only.</p> <p>Prepayment available, on purchase and refinance transactions, but not required, in the following states:</p> <ul style="list-style-type: none"> • Alabama • Arizona • Arkansas • California • Colorado • Connecticut • Delaware • Florida • Georgia • Hawaii • Idaho • Illinois • Indiana • Iowa • Kentucky • Louisiana • Maine • Maryland • Massachusetts • Missouri • Montana • New Hampshire • North Carolina • Nebraska • Nevada • New York • Oklahoma • Oregon • Pennsylvania • South Carolina • South Dakota • Tennessee • Texas • Utah • Vermont • Virginia • Washington • Washington D.C. • Wisconsin • Wyoming <p>NOTE: If a state is not listed, a prepayment penalty is not available</p> <p>If selected the following prepayment period options are available:</p> <ul style="list-style-type: none"> • 1, 2, 3, 4, or 5 year • The prepayment penalty applies when: <ul style="list-style-type: none"> - There is a full prepayment, or - Any payment within the preceding 12 months that exceeds 20% of the original principal loan amount • The prepayment charge will be six (6) months of interest on the amount prepaid within a 12 month period that exceeds 20% of the original loan amount
<p>Products</p>	<ul style="list-style-type: none"> • Fixed rate, fully amortizing with 30 year loan term <ul style="list-style-type: none"> - Qualify at the Note rate • Interest-only eligible with 10 year IO period and 20 year repayment period; P&I payment begins in year 11 <ul style="list-style-type: none"> - Qualify using the full PITIA payment amortized over 20 years <p>NOTE: IO ineligible > 80% LTV (ICF: IO ineligible > 75% LTV)</p>

Properties – Eligible

- 1-4 unit primary residence
- 1-unit second home
- 1-4 unit investment property (investment **ineligible** on Asset Qualifier option)
- Condominiums **Fannie Mae Warrantable** (attached/detached). The following review types are eligible:
 - Fannie Mae **Full Review** completed by the Homebridge Condo Department, **or**
 - Fannie Mae **Limited Review** completed by Homebridge, **or**
 - Fannie Mae **Project Eligibility Review Service (PERS)** approval. Reminder, Homebridge **does not** obtain PERS approvals; project must currently have a PERS approval that is valid through the Note date

NOTE: The loan file must include the HOA/management company contact information, the amount and frequency of the HOA dues and evidence of current status of HOA dues
- Condominiums **Non-Warrantable**; refer to the [Properties – Eligible: Non-Warrantable Condominiums](#) topic for requirements
- The following review types are **ineligible**: Project Eligibility Waiver, or a project labeled “Unavailable in FNMA’s CPM
- Properties with leased solar panels are eligible subject to Fannie Mae guideline
- 1-unit property with an accessory dwelling unit (ADU) that meets Fannie Mae requirements; refer to the [Property With Accessory Dwelling Unit](#) topic for details
- Rural properties eligible.
 - Comparable sales should be similar rural locations and similar property styles. The appraiser must adequately explain the use of any comparable sales not meeting these requirements
- Acreage: Maximum 15 acres; must be typical for the area and value/marketability is supported by appraisal comparables of similar acreage
- TBD properties are eligible. The loan must be **resubmitted** when a property address is identified
- Properties located on a private road or access to the property requires the use of a private road or shared driveway, the file must contain, at minimum, one of the following documents:
 - Title policy with the private road maintenance agreement language contained within, or
 - Private road maintenance agreements, or
 - Evidence the property is located in a state or county with statutory provisions that define the responsibilities of property owners for the maintenance and repair of a private road; in this instance a separate agreement or covenant is not required
- Properties purchased through a short sale are eligible subject to Homebridge management review and approval. The following documentation is required:
 - Written details provided to the borrower outlining any additional fees or payments and the additional necessary funds to complete the transaction
 - The servicer who is agreeing to the short sale must provide confirmation they have the option of renegotiating the payoff amount to release its lien
 - All parties (buyer, seller, servicer) must provide a written agreement to the final details of the transaction, including the additional fees or payments (e.g. Request for Approval of Short Sale or alternative form/addendum)
 - The CD must include all fees and payment included in the transaction

**Properties - Eligible:
Non-Warrantable
Condominiums**

Non-warrantable condominium projects are eligible subject to any restrictions outlined on the Loan Amount/LTV/credit score matrices and the following:

Commercial Space

- The subject unit must be 100% residential in nature.
- The commercial space must be typical for the marketplace and have no negative impact on the marketability of the project.
- A commercial entity cannot have control of the HOA

New Project Completion Status

- The project must be 100% complete (subject property legal phase **and all other** project phases)
- All common areas must be 100% complete
- A minimum of 50% of the units must be sold or under a bona-fide contract

Delinquent HOA Dues

No more than 20% of the total units in the project may be 60 days or more past due on their HOA dues

Investor Concentration

- Investor concentration cannot exceed 60%

HOA Control

The developer may be in control of the HOA provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined period of time

HOA Reserves

HOA replacement reserves must be, at minimum, 8%

Litigation

Projects with pending litigation may be considered on a case-by-case basis subject to Homebridge management review and approval. Litigation involving structural issues, health and safety issues, or items that will impact the marketability of the project are not eligible

Single Entity Ownership

A single entity cannot own more than 25% of the project

<p>Properties – Ineligible</p>	<ul style="list-style-type: none"> • Acreage > 15 acres • 2-4 units with an ADU • Condo hotels or condos with hotel-like features • Condo projects with any manufactured housing • Condo projects with 5-20 units with more than 2-units owned by one entity or projects with 21 or more units with 20% or more of units owned by one entity • Condo conversion project not fully converted • Condo projects without a master insurance policy • Condo projects with required critical repairs, significant deferred maintenance and/or unsafe conditions, or special assessments due to these items • Condo project where more than 35% of the total spaced is dedicated to non-residential or commercial space • Bed and Breakfast, boarding houses, group homes • Mixed use properties • Leasehold estate • Life estate • Properties with deed restrictions (excluding age-related deed restrictions and deed restrictions specific to developer land-use or building code requirements for a subject development) • Log Homes • Properties located in Lava Zone 1 and 2 • Manufactured and modular homes • Manufactured accessory dwelling units • Properties subject to oil and/or gas leases • Tenancy in common properties with unequal ownership percentage • Properties with < 500 square feet of living space • Hobby farms • Properties not available for year round occupancy • Properties not readily accessible by roads that meet local standards • Timeshares, houseboats • Properties requiring hauled water and those lacking satisfactory utilities • Unique properties (e.g. dome homes, berm homes, geodesic, etc.) • Agriculturally zoned properties and working farms, ranches, orchards, etc.) • Vacant land • Co-ops • Live work projects • Properties with a condition rating of C5 or C6 • Any property type ineligible with Fannie Mae
<p>Property Flip</p>	<p>If the property seller has owned less than 180 calendar days from date of the purchase contract and the new sales price is higher than the price paid by the seller to acquire the property, the transaction is ineligible</p> <p>The following types of re-sale transactions are not considered property flips</p> <ul style="list-style-type: none"> • Property being sold by a spouse who acquired the property through a divorce settlement • Property acquired by an employer through a relocation program • Property being sold by an administrator or executor of an estate • Property being sold by a lender, mortgage investor, or MI company that was acquired through foreclosure or deed-in-lieu of foreclosure • Property transferred via quit claim deed (or transfers) between the property seller and their business when the property seller is the sole owner of the business <p>NOTE: If the transaction is one of the above, the transaction cannot be an HPML</p>

<p>Property with an Accessory Unit</p>	<p>Legal Accessory Unit Eligible on 1- unit single family properties only provided the ADU meets Fannie Mae and the following requirements:</p> <ul style="list-style-type: none"> • The appraisal must indicate the improvements are typical for the market • A minimum of one (1) comparable sale with the same use is required • The borrower must qualify for the mortgage without considering any rental income from the unit
<p>Property with an Addition without Permits</p>	<p>Unpermitted additions cannot be included in the overall square footage of the property unless permits are obtained and documentation provided that the addition is covered by acceptable property insurance</p>
<p>Properties with Solar Panels</p>	<ul style="list-style-type: none"> • Properties with solar panels that are owned by the borrower are eligible without additional requirements. • Properties with solar panels that are not owned by the borrower (i.e. leased from or owned by a third party under a power purchase agreement or other similar arrangement, whether applicable to the original agreement or as subsequently amended) must meet Fannie Mae requirements and are subject to Homebridge management prior approval and all of the following: <ul style="list-style-type: none"> - The solar panels cannot be included in the appraised value, - The property must maintain access to an alternate source of electric power that meets community standards. - The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation/debt service, unless the lease is structured to: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home); and - The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure the panels are attached to; and - In the event of foreclosure, Homebridge as the lender has the discretion to either: <ul style="list-style-type: none"> - Terminate the lease/agreement and require the third-party owner to remove the equipment; - Become, without payment of any transfer or similar fee, the beneficiary of the borrower's lease/agreement with the third-party; or - Enter into a new lease/agreement with the third-party, under terms no less favorable than the prior owner. - Title exceptions due to the solar panels (e.g. easement) are acceptable provided the interest is not superior to Homebridge. • Additionally, title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to Homebridge

Refinance Transactions

All Refinance Transactions

The information below applies to both rate/term **and** cash-out refinance transactions

- **Properties Recently Listed for Sale:** If property currently listed for sale the transaction is **ineligible**.
 - If the property was listed for sale in the previous six (6) months, the borrower must provide an acceptable letter stating their intent to **retain** the subject property
NOTE: See the [Rate/Term Refinance](#) and [Cash-Out Refinance](#) topics for addition details.
- All refinance transactions must provide a bona fide benefit to the borrower
- If the property was purchased within the previous 9 months, the CD or Settlement Statement must be provided.
- Refinance transactions LTV determined as follows:
 - **If the subject property was purchased \leq 9 months**, measured from acquisition date to application date, LTV determined using the **lesser of**:
 - The purchase price, **OR**
 - The current appraised value
 - **If the subject property was purchased $>$ 9 months**, measured from date of acquisition to application date, the LTV is based on the current appraised value

Rate/Term Refinance

- Rate/term refinance transactions do not have a seasoning requirement
- **Properties Listed for Sale:** The property must have been taken off the market and the listing cancelled **a minimum of 1 month prior to the loan application date**. The following is required:
 - The LTV will be based on the **lesser of**:
 - The list price, **OR**
 - The appraised value
 - Obtain a copy of the cancelled listing agreement,
 - Document that a search of the MLS was performed to ensure the property is not listed with a different realtor,
 - Documentation that confirms the borrower is currently occupying the subject property (owner-occupied only)
- A rate/term transaction is eligible for the following:
 - Payoff of the existing first lien, including closing costs, prepaids and points.
 - The maximum cash-back to the borrower is limited to **the lesser of**:
 - 2% of the balance of the new loan amount, **OR**
 - \$5,000

NOTE: Payoff of debt at closing with any portion of the cash-back from the rate/term transaction will result in the loan being considered a cash-out refinance

 - Payoff a first lien and purchase money subordinate lien. Documentation must be provided that the entire subordinate first lien was used to purchase the property
 - Payoff of any subordinate lien or HELOC seasoned $>$ 6 months that has not had draws $>$ \$5,000 in the previous 6 months
 - Buying out the equity position of a co-owner as a result of a court order (the borrower does not need to be a signer on the current Note)
- Principal curtailments must be the **lesser of** \$10,000 or 1% of loan amount

Refinance Transactions (cont.)

Delayed Financing

Delayed financing recoups funds used to purchase a property with cash in the previous 6 months. Delayed financing eligible as a rate/term refinance transaction subject to the below:

- The Closing Disclosure of the cash transaction must be provided
- Cash used for the purchase must have been the borrower's own funds and must be documented
- **NOTE:** Recoupment of gift funds is not allowed as gift funds are considered cash-out
- Maximum proceeds cannot exceed the borrower's documented cash investment
- The LTV will be calculated using the **lower of:**
 - The purchase price, or
 - The appraised value unless the appraiser can justify and support an increase in value
- Recoupment of funds used for property improvements. The improvements must be documented (e.g. invoices, proof of payment with cancelled checks, etc.) and completed in the previous 6 months. Funds used for improvements must have been the borrower's own funds.
- Cash-out cannot exceed the amount of the documented cash improvements or else the transaction will be considered cash-out. A current appraisal is required and the LTV is based on the appraised value.

Cash-Out Refinance

A cash-out refinance is a refinance that does not meet the rate/term definition and would include a refinance where the borrower receives cash that exceeds the lesser of 2% of the new loan **OR** \$5,000 **OR** does not meet the rate/term refinance requirements stated under the Rate/Term Refinance topic

- A 6 month seasoning requirement applies, measured from the date the borrower took title to the application date of the new loan
- **Properties Listed for Sale:** The property must have been taken off the market and the listing cancelled **a minimum of 3 months prior to the loan application date.** The LTV must be reduced by 5% and will be based on the lesser of: The list price **OR** appraised value
- **Full Doc and Alt Doc:** Maximum cash-out proceeds are subject to the following:
 - ≤ 65% LTV: Unlimited
 - > 65% LTV \$500,000
- **Investor Cash Flow:** Maximum cash-out proceeds are subject to the following:
 - **DSCR ≥ 1.00:**
 - ≤ 65% LTV: Unlimited
 - > 65% LTV \$500,000
 - **DSCR .80 to < 1.00:**
 - ≤ 60% LTV: Maximum \$1,500,000
 - 60.01% to 65% LTV: Maximum \$1,000,000
 - > 65% LTV: Maximum \$500,000 cash-out
- Cash-out proceeds are defined as:
 - The net cash funds received by the borrower at closing (per the CD), **plus**
 - The funds used to pay-off unseasoned subordinate liens on the subject property, **plus**
 - The funds used to pay-off non-mortgage debt(s), including installment and revolving debt or mortgage debt associated with other owned properties
- **Investment Property Cash-Out Transactions ONLY:**
 - **Cash-out proceeds may ONLY be used for business purposes**
 - **Cash-out proceeds cannot be used to pay off any consumer debt**
- Cash-out proceeds may be used to satisfy reserve requirements
- Properties owned free and clear are always considered a cash-out refinance.
- **Cash-out ineligible on:**
 - Asset Qualifier option, or
 - Full Doc loans using asset distribution as income

<p>Reserves</p>	<p>Reserve requirements for the subject property are determined by loan amount</p> <table border="1" data-bbox="506 226 1258 449"> <thead> <tr> <th colspan="2" data-bbox="506 226 1258 264">Reserve Requirements</th> </tr> <tr> <th data-bbox="506 264 891 302">Loan Amount</th> <th data-bbox="896 264 1258 302">Required Reserves</th> </tr> </thead> <tbody> <tr> <td data-bbox="506 302 891 340">\$125,000 to \$1,000,000</td> <td data-bbox="896 302 1258 340">3 months PITIA</td> </tr> <tr> <td data-bbox="506 340 891 378">\$1,000,001 to \$1,500,000</td> <td data-bbox="896 340 1258 378">6 months PITIA</td> </tr> <tr> <td data-bbox="506 378 891 415">\$1,500,001 to \$3,000,000</td> <td data-bbox="896 378 1258 415">9 months PITIA</td> </tr> <tr> <td data-bbox="506 415 891 449">Rate/Term Refi and ≤ 65% LTV</td> <td data-bbox="896 415 1258 449">Minimum reserves not required</td> </tr> </tbody> </table> <p>NOTE: PITIA includes (as applicable): Principal and interest, real estate taxes, homeowner’s insurance, ground rents, special assessments, HOA fees, payments for subordinate financing</p> <ul style="list-style-type: none"> • Cash-out proceeds are eligible to satisfy reserve requirements • Gift funds may not be used to satisfy reserve requirements • Borrowers with additional properties are required to have an additional 2 months PITIA in reserves for each additional financed property owned. Additional properties owned free and clear require additional two (2) months TIA (taxes, insurance, HOA, if applicable) in reserves 	Reserve Requirements		Loan Amount	Required Reserves	\$125,000 to \$1,000,000	3 months PITIA	\$1,000,001 to \$1,500,000	6 months PITIA	\$1,500,001 to \$3,000,000	9 months PITIA	Rate/Term Refi and ≤ 65% LTV	Minimum reserves not required
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\$1,500,001 to \$3,000,000	9 months PITIA												
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<p>Residual Income Requirements</p>	<p>All transactions require \$1,500 minimum residual income, excluding ICF; N/A to ICF transactions</p>												
<p>Seller Contributions</p>	<p>Refer to the Interested Party Contributions topic for seller contribution limits.</p>												
<p>Subordinate Financing</p>	<p>Subordinate financing eligible as follows:</p> <ul style="list-style-type: none"> • New or existing subordinate financing is eligible up to the maximum CLTV/HCLTV allowed. • Institutional subordinate financing only • The subordinate financing doesn’t have negative amortization • Variable payment mortgages that comply with the below • Mortgages with deferred payments in connection with employer subordinate financing • Mortgage terms that require interest at a market rate. If the Note does not contain a rate of interest, the underwriter will use current market rate with an interest only payment calculation <p>Ineligible Subordinate Financing</p> <ul style="list-style-type: none"> • Subordinate liens with negative amortization • Subordinate financing that does not full amortize under a level monthly payment plan where the maturity or balloon payment date is less than five (5) years after the Note date of the new first mortgage (with the exception of employer subordinate financing that has deferred payments) <p>NOTE: Subordinate financing with the above two features may be acceptable if the underwriter determines the amount of the debt relative to the borrower’s financial assets and credit profile is of minimal impact</p>												
<p>Temporary Buydowns</p>	<p>Not allowed</p>												
<p>Texas Section 50(a)(6) aka Texas Equity</p>	<p>Texas Section 50(a)(6), Section 50(a)(3), and Section 50(f)(2) not allowed</p>												

Transactions – Eligible

- **Purchase**
 - A copy of the fully executed purchase contract and all attachments/addendums are required
 - The transaction must be arm's length (i.e. there can be no defined relationship between the buyer and seller)
 - The lesser of the purchase price or appraised value of the subject property is used to calculate the LTV
 - The borrower may not be on title prior to the loan closing.
 - The seller that is on title (vested owner of record) must be the individual who executes the sales contract and be on title prior to when the settlement statement and closing docs are executed
 - Transactions involving the purchase of a property in an unexpired redemption period are not eligible
 - Transactions with an assigned purchase contract are eligible. The purchase price will be the original purchase price per the purchase agreement. Any assignment fees must be paid by the borrower
- **Limited Cash-Out Refinance (Rate/Term)**
 - If the subject property was purchased in the **previous 9-months**, the **lesser of**:
 - The purchase price, **OR**
 - The current appraised value
 - Ownership measured from date of acquisition (closing date on CD/Settlement Statement) to the application date of the refinance transaction
 - If a principal curtailment is required, the amount must be the **lesser of**:
 - \$10,000 or 1% of the loan amount
- **Cash-Out Refinance**
 - If the subject property was purchased in the **previous 9-months**, the **lesser of**:
 - The purchase price, **OR**
 - The current appraised value
 - Ownership is measured from date of acquisition (closing date on CD/settlement statement) to the application date of the refinance transaction

Transactions – Ineligible

- Loans with more than four (4) borrowers
- Transactions with “thin-file” credit, no credit history, or non-traditional credit
- ARM transactions
- Construction-to-perm
- Transaction paying of an installment land contract
- Community land trust
- Cash-out on a property listed for sale or purchased in the previous 6 months
- Energy Efficient Mortgages (EEM)
- Blind trust, land trust
- Transactions guarantors or co-signers
- New York CEMA purchase transactions
- Title held as Tenants in Common with **unequal** ownership
- A principal curtailment exceeds the **lesser of** \$10,000 or 1% of the loan amount
- Temporary Buydowns
- Transactions with a balloon payments
- Transactions with a loan to a principal owner of business lending client
- Transactions that allow assumptions
- Property flips (not meeting policy in these guidelines)
- A refinance transaction where the property is currently listed for sale
- Texas Section 50(a)(6), Section 50(a)(3), and Section 50(f)(2)
- Transactions with PACE/HERO program originated prior to July 6, 2010
- Transactions with a PACE/HERO loan (loan must be paid off)
- High cost mortgage loan
- Subordinate liens with negative amortization
- Refinance of an unseasoned restructured loan or short refinance loan
- Renovation or rehabilitation loans
- Transaction consisting of an assignment of the sales contract
- Transaction that include the use of privately funded loans for the purpose of securing assets for the transaction