# Introduction to the HELOC Product

Offered in Partnership with Symmetry Lending

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7/23/26

# Benefits of a HELOC

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- Benefits of a HELOC:
  - Avoid mortgage insurance and mandatory impounds on Homebridge first mortgage when doing HELOC concurrently
  - Better interest rate on the first due to lower LTV
  - HELOC funds may be used to consolidate debt and/or pay off existing liens
  - Provides borrower with additional funds for home improvement, future investments or just a safety net for borrowers with limited savings

# HELOC Overview

- Homebridge is partnering with Symmetry Lending to offer a new HELOC product that will close simultaneously with the first mortgage on Fannie Mae/Freddie Mac or FHA transactions.  The HELOC allows you to:
  - Exceed both conforming and high balance county limits without doing a Jumbo loan
  - Avoid mortgage insurance on CLTVs greater than 80%
- Homebridge will facilitate both the first and the second
- HELOCs are consumer loans and are **not** subject to TRID. An LE and CD are not required.  Symmetry will issue required HELOC disclosures to the borrower(s)
- Minimum initial draw:
  - All states (excluding AZ, CA, FL, OR, WA):  $25,000
  - AZ, CA, FL, OR, WA:  $50,000

# HELOC Overview (cont.)

- **Maximum** HELOC line amount:
  - Primary Residence:
    - ✓ CLTV > 80%: $500,00
    - ✓ CLTV ≤ 80%: $750,000
    - ✓ CLTV ≤ 75% **and** minimum 720 credit score: $1,000,000
  - Second Home and Investment: $500,000
- Eligible on primary residence, second home, and investment property (2nd home/investment ineligible with FHA first lien)
  - 1-4 unit primary residence with max CLTV 89.99%
  - 1-unit second home with max CLTV 85%
  - 1-4 unit investment property with max CLTV 70%
- Eligible with purchase, rate/term and cash-out first transactions

# HELOC Overview (cont.)

- Maximum DTI for a primary residence is 45% (back-end)
- Maximum DTI for a second home and investment is 43% (back-end)
- The HELOC is qualified using the fully drawn line amount at the start rate **plus** 2% amortized over 30 years
- No additional title insurance required for HELOC ≤ $250,000;
  - > $250,000 requires a Jr. Lien or Limited title policy.
  - A full title insurance policy for HELOC amount is required if third lien to ensure Symmetry second lien position

# HELOC Overview (cont.)

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- The appraisal from the first is acceptable (full, desktop, or exterior-only) subject to a desk review ordered by Symmetry (except as noted below)
  - Line amount ≤ $400,000: A market value report will be ordered in lieu of a desk review
  - Line amount ≤ $300,000: An AVM will be ordered in lieu of a desk review

  **NOTE:** A market value report or AVM are not eligible for investment properties, 2-4 units, or properties > 20 acres; a desk review is required
- The appraisal cannot be older than 120 days from date of submission to Symmetry by Homebridge. A Recertification of Value is acceptable if the appraisal is older than 120 days if the recert was:
  - Completed by a licensed appraiser, **AND**
  - Completed within 30 days of loan application and within 60- days of funding.

  **NOTE:** If the recert indicates a declining market a new valuation will be required

# HELOC Overview (cont.)

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- The credit report must be no older than 120 days old from date of submission to Symmetry by Homebridge
- 30 year HELOC term:
  - 5 year draw period with interest-only payment during draw period and a 25 year amortizing repayment period, **OR**
  - 10 year draw period with interest-only payment during draw period and a 20 year amortizing repayment period (LLPA applies, see slide 9)
- Homebridge first mortgage underwriting fee with Symmetry HELOC = $1295
- Symmetry origination fee: $625 (excluding New Jersey) deducted from HELOC at close. New Jersey is $625 **application** fee
- Symmetry annual maintenance fee: $150 (excluding Iowa) collected with 1st Symmetry statement. Iowa annual maintenance fee is $15
- Pricing is the current prime rate plus margin. Margin determined by credit score; refer to slide 9 for details

# HELOC Overview (cont.)

- HELOC Eligible States:

  - Alabama,
  - Alaska,
  - Arizona,
  - California
  - Colorado
  - Connecticut,
  - Delaware,
  - Florida
  - Georgia
  - Idaho
  - Iowa
  - Illinois
  - Indiana
  - Kansas
  - Kentucky
  - Massachusetts
  - Maine
  - Maryland
  - Michigan
  - Minnesota
  - Montana
  - North Carolina
  - Nebraska
  - Nevada
  - New Hampshire
  - New Jersey
  - New Mexico
  - Ohio
  - Oklahoma
  - Oregon
  - Pennsylvania
  - South Carolina
  - Tennessee
  - Utah
  - Vermont
  - Virginia
  - Washington
  - Wisconsin
  - Wyoming

# HELOC Overview (cont.)

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- Summary of Combined Loan Amount and Credit Score Requirements

| 1-4 Unit Primary Residence<br>1-Unit Second Home<br>1-4 Unit Investment<br>Concurrent Close with Fannie Mae/Freddie Mac/FHA First Lien Purchase or Refinance | | | | |
|---|---|---|---|---|
| Occupancy/ Transaction Type | Maximum CLTV | Maximum Combined Loan Amount (First Lien and HELOC) [1] | Minimum Credit Score | Maximum DTI |
| Primary Residence Purchase & Refinance | 89.99% | $4,000,000 | 680 | 45% |
| Second Home [2] Purchase & Refinance | 85% | $4,000,000 | 700 | 43% |
| Investment Purchase & Refinance | 70% | $4,000,000 | 720 | 43% |

**Footnotes:**

1. Minimum initial draw:
   - All states (excluding AZ, CA, FL, OR, WA): $25,000
   - AZ, CA, FL, OR, WA: $50,000
2. Second home and investment not applicable to FHA first lien transactions

| HELOC Start Rate | | | | |
|---|---|---|---|---|
| | HCLTV ≤ 89.99% | | | |
| | Draw Amount | $25,000-$99,000 | $100,000-$199,999 | ≥ $200,000 |
| Credit Score | 740+ | Prime + 1.50% | Prime + 0.50% | Prime + 0.50% |
| | 720-739 | Prime + 2.00% | Prime + 1.00% | Prime + 0.75% |
| | 700-719 | Prime + 2.50% | Prime + 2.00% | Prime + 1.50% |
| | 680-699 | Prime + 3.00% | Prime + 2.50% | Prime + 2.00% |
| HELOC Start Rate Add On | | | | |
| 10 Year Draw Term | +0.25% | | | |
| CLTV > 80% | +0.50% | | | |

# Eligible Borrowers

- U.S. citizens
- Non-occupant co-borrowers are eligible when the primary borrower on the transaction has a minimum 720 credit score
- Permanent resident aliens with unexpired green card
- Non-permanent resident alien requirements:
  - Borrower(s) must have a valid social security number (ITIN **ineligible**)
  - Borrowers must be legally present in the U.S. (an EAD or Matricula Consular card are **not acceptable** to document borrower's eligibility)
  - A valid, eligible, unexpired visa issued by the USCIS is required. The borrower may be required to verify their ability to travel out of and return to the U.S.

    **NOTES:**

    1. DACA status borrower are **not** eligible
    2. Transactions originated in the state of Maryland require at least one borrower to be a U.S. citizen

  - **Ineligible** Visa Types: A-3; B-1; B-2; C-3 OPT; F-1; H-1C; I; J-1; K-1; M-1; M-2; O-2; P-1; P-2; P-3; Q-1; Q-2; R-1; U-1; U-2; U-3; U-4; U-5

# Credit Score and Tradelines

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- Primary Residence:  Minimum 680 credit score
- Second Home: Minimum 700 credit score
- Investment Property: Minimum 720 credit score
- Symmetry orders a tri-merged credit report
  - The primary borrower must meet the minimum credit score requirement (middle score is used)

  NOTE:  Primary borrower is the borrower with the highest income
- Minimum 1 tradeline (total/combined for all borrowers):
  - One open/active tradeline required, **OR**
  - One closed tradeline reporting that was paid as agreed for a minimum of five years

# Derogatory Credit

- Fannie Mae seasoning requirements apply to the following derogatory credit events:
  - Foreclosure,
  - Bankruptcy,
  - Short sale,
  - Deed-in-Lieu

  **NOTE**: No major derogatory credit allowed following any of the above

# Liabilities

- **Installment Debt**
  - May be excluded from the DTI calculation when the account has ≤ 10 payments remaining
- **Revolving Debt**
  - Assets may not be used to offset revolving debt
  - If the monthly payment is not included on the credit report, 5% of the outstanding balance will be used to determine the monthly payment
  - The most recent account statement may be used to validate the account balance and payment if it is lower than the credit report indicates
  - Open 30 day charge accounts that do not reflect a monthly payment on the credit report, or 30 day accounts that reflect a monthly payment that is identical to the account balance, Fannie Mae policy applies

# Liabilities (cont.)

- **Alimony Payments**
  - The payment must be deducted from the borrower's monthly income
- **Child Support Payments**
  - The payment must be included in the DTI calculation
- **Accounts with a Modification, Deferment, or Forbearance**:
  - Fannie Mae policy applies to mortgages, HELOCs, installment, or revolving accounts that have been subject to a modification, payment deferral or forbearance plan

# Employment and Income

- **Salaried Borrowers**
  - A current paystub with YTD income dated no more than 60 days prior to HELOC submission to Symmetry required for wage earner borrowers
- **Self-Employed Borrowers**
  - Fannie Mae self-employed income calculation policies apply
- **Declining Income**
  - Generally, income is averaged over 24 months
  - If income is declining by >20%, calculation will be based on the most recent 12 months earnings
  - If income is declining due to one-time event (e.g. medical leave, etc.) income may be adjusted to exclude that time period on an exception basis subject to Homebridge management review and approval

# Employment and Income (cont.)

- **Rental Income: Eligible subject to:**
  - An executed lease agreement with a duration of 12 months or more required, **and**
  - Documentation that verifies the deposit of the rent as stated on the lease agreement, into the borrowers account required, **OR**
  - If a new lease, documentation the security deposit was deposited into the borrower’s account

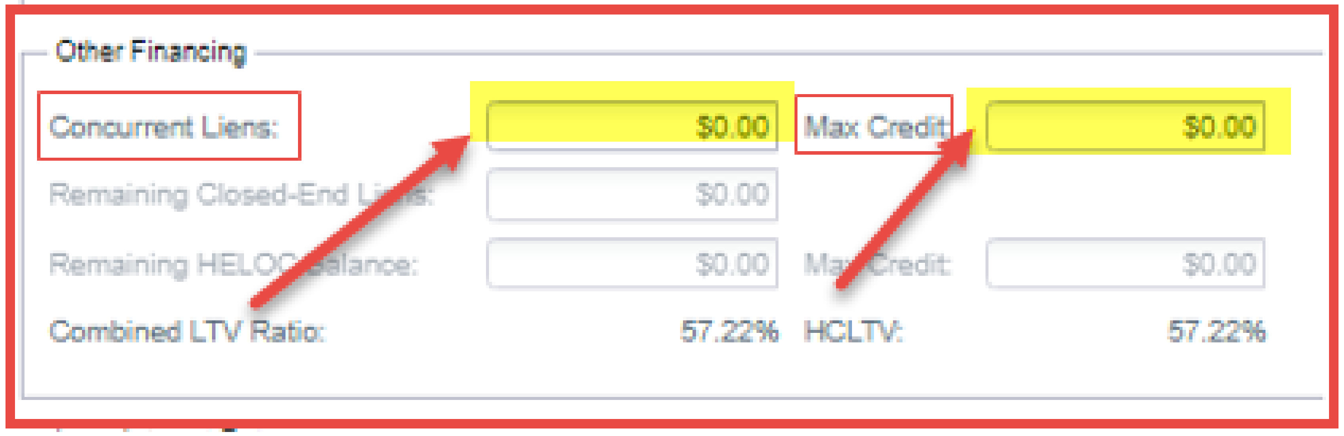
  **NOTE:** FNMA forms 1007 and 1025 are acceptable on **purchase transactions only** for rental income calculations
- When using rental income from the subject property, full rental income and full property liabilities will be included (a rental cash flow calculation is not acceptable)
- When the subject property is an investment property, the first mortgage, taxes, insurance, and HOA (if applicable) will be cash flowed. The HELOC qualifying payment will be included as a liability

# Eligible Properties

- Single family residence
- PUD
- Condos - Fannie Mae warrantable (condo questionnaire **not** required)
- 2- 4 units

# Submitting the HELOC in P.A.T.H.

- The following steps are required when submitting the Fannie Mae/Freddie Mac first lien with a concurrent Symmetry HELOC
  - **STEP ONE:** Identify the HELOC on the Short Application by going to the **Other Financing** section
    - ✓ Input the initial draw amount in the **Concurrent Liens** field, **and**
    - ✓ Input the high credit amount in the **Max Credit** field



# Submitting the HELOC in P.A.T.H. (cont.)

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- **STEP TWO**: Identify the Symmetry HELOC on the Liabilities screen of the Full Application. The fields identified below are required to be input (see next slide for screen shot) Fields with a red asterisk are **mandatory**; the remaining fields must be completed correctly to avoid AUS issues on the first lien

  1* Debt type Select HELOC from drop down

  2* Name of Creditor: Enter "Symmetry HELOC"

  3* Payment: Enter, as applicable (FNMA/FHLMC qualifies using the draw amount; see example on slide 20)

  4 Outstanding Balance: Enter the initial draw amount

  5 Total Credit Line: Enter the high credit amount of the HELOC

  6 Principal & Interest: Enter the same payment amount as field 3

  7* Handling: Select "Include in Debt Calculations" from the dropdown

  8 Lien Type: Select "Second Mortgage"

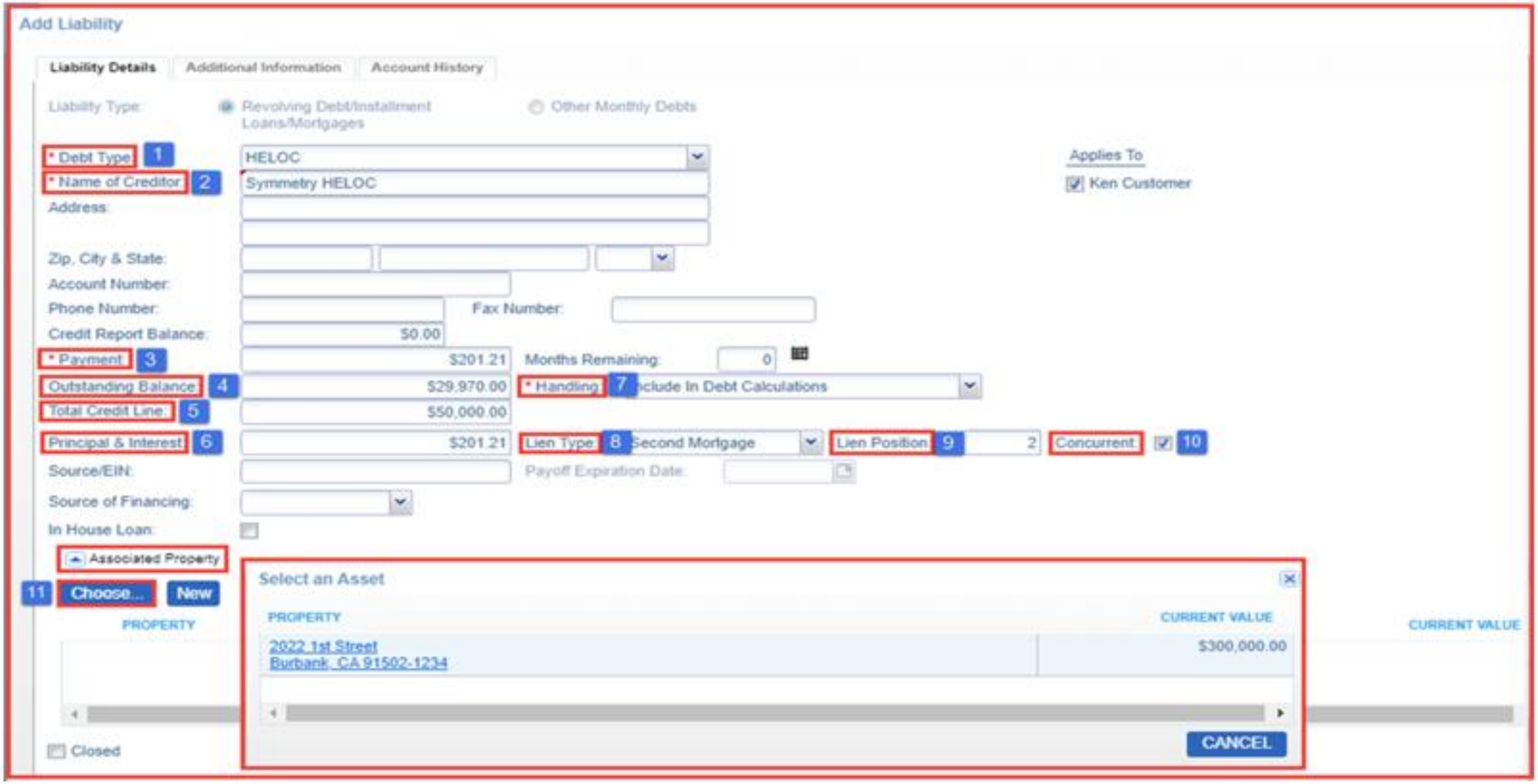
  9 Lien Position: Select "2"

  10 Concurrent: Place a checkmark in the box

  11 Associated Property: If subject property is a refinance, concurrent lien must be associated to the subject property

# Submitting the HELOC in P.A.T.H. (cont.)

- See previous slide for information correlating to the numbers below



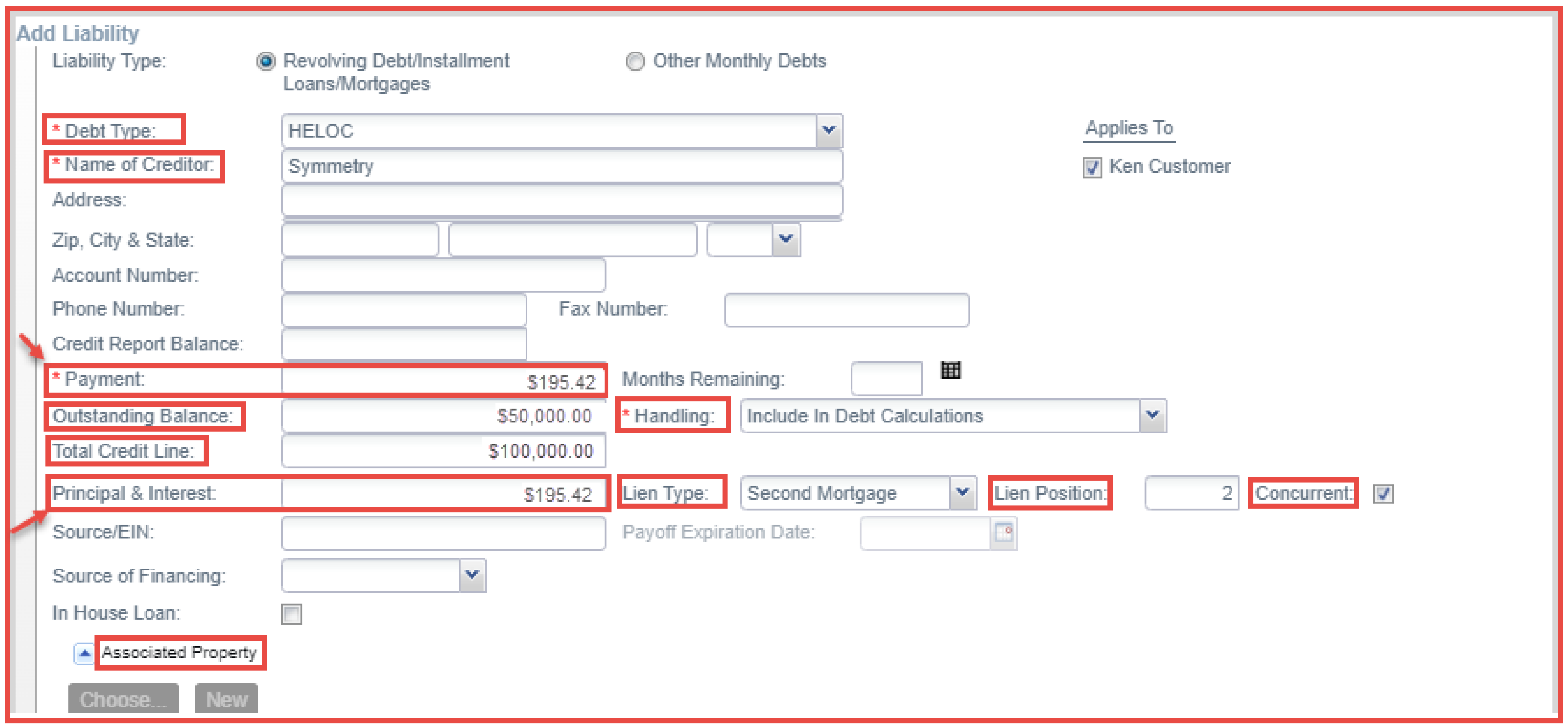
# HELOC Payment Calculation Example

- When inputting the Symmetry HELOC in conjunction with the FNMA/FHLMC first, the borrower is qualified using the payment on the initial draw amount (**not** the total credit line)

  **Example:**

  - Initial draw amount: $50,000
  - Current prime rate (4%) **plus** margin .49% = 4.49%

    (margin determined by FICO. In this example the margin for a 720 FICO was used; additional add-ons may apply. Refer to slide 8 for details)
  - Symmetry qualification rate: 4.49% + 2% = 6.49%
  - Interest-Only Payment: $195.42 (**based on initial draw**)
  - Enter the payment in both the Payment **AND** Principal & Interest fields



# HELOC File Flow

- Homebridge will submit the HELOC to Symmetry at the time Homebridge is in receipt of the following:
  - **Symmetry Borrower(s) Certification & Authorization**, signed by all borrowers, **and**
  - Sufficient income and other additional documentation on other REO, if applicable, has been provided in order for Symmetry to make a credit decision

**NOTE**: The Symmetry Borrower(s) Certification & Authorization can be found on the Homebridge website at www.HomebridgeWholesale.com under Working With Us >> Symmetry HELOC

# HELOC File Flow (cont.)

- Upon receipt of the submission package from Homebridge, Symmetry will mail the following HELOC required disclosures directly to the borrower:
  - Command Credit HELOC Disclosure
  - CFPB HELOC Booklet
  - BSA Disclosure

**NOTE**: The borrower is **not** required to sign and return disclosures

# HELOC File Flow (cont.)

- Homebridge will work directly with Symmetry to coordinate the simultaneous closing of the Homebridge first mortgage and the Symmetry HELOC
- A complete file flow document is available under the Symmetry HELOC topic on the Working With Us page of the Homebridge website at:

[www.HomebridgeWholesale.com](www.HomebridgeWholesale.com)

For complete requirements refer to the Piggyback HELOC Product guidelines posted on the Products and Guidelines page on the Homebridge Wholesale website