The Elite Access program has multiple documentation options. An overview and option specific requirements are detailed on pages 6-40. General program guides begin on page 41

Full Doc

(1 or 2-Years Paystub/W-2 or 1 or 2-Years Tax Returns; Asset Distribution[7])

1-4 Unit Primary Residence, 1-Unit Second Home, 1-4 Unit Investment

Purchase and Rate/Term Refinance

$1,500,000 [1,2]

	Owner-Occupied	Second Home	Investment
FICO	LTV [2,3,4,5,6]	LTV [6]	LTV [6]
740	85%	80%	80%
720	85%	80%	80%
700	80%	80%	80%
680	80%	80%	75%
660	70%	70%	70%

$2,000,000 [1,2]

	Owner-Occupied	Second Home	Investment
FICO	LTV [6]	LTV [6]	LTV [6]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	80%	80%	75%
660	70%	70%	70%

$2,500,000 [1,2]

	Owner-Occupied	Second Home	Investment
FICO	LTV [5,6]	LTV [5,6]	LTV [5,6]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	80%	80%	75%

$3,000,000 [1,2]

	Owner-Occupied	Second Home	Investment
FICO	LTV [5,6]	LTV [5,6]	LTV [5,6]
740	75%	75%	75%
720	75%	75%	75%
700	75%	75%	75%
680	75%	75%	75%

Cash-Out Refinance [3,7]

$1,500,000 [1,2]

	Owner-Occupied	Second Home	Investment
FICO	LTV [6]	LTV [6]	LTV [6]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	75%	75%	75%
660	70%	70%	70%

$2,000,000 [1,2]

	Owner-Occupied	Second Home	Investment
FICO	LTV [6]	LTV [6]	LTV [6]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	75%	75%	75%
660	70%	70%	70%

$2,500,000 [1,2]

	Owner-Occupied	Second Home	Investment
FICO	LTV [5,6]	LTV [5,6]	LTV [5,6]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	75%	75%	75%

$3,000,000 [1,2]

	Owner-Occupied	Second Home	Investment
FICO	LTV [5,6]	LTV [5,6]	LTV [5,6]
740	75%	75%	75%
720	75%	75%	75%
700	75%	75%	75%
680	75%	75%	75%

Footnotes:

1. Minimum loan amount $150,000
2. Maximum DTI is 50%. DTI > 45% maximum 80% LTV
3. Maximum cash-out: **≤ 65% LTV:** Unlimited cash-out; > **65% LTV**: Maximum $1,000,000
4. **Non-warrantable** condos and 2-4 unit properties: Maximum 80% LTV
5. Interest-only transactions:
   - Loan amount ≤ $2,000,000 maximum 80% LTV
   - Loan amounts > $2,000,000 to $2,500,000 maximum 75% LTV
   - Loan amounts > $2,500,000 maximum 70% LTV

   NOTE: IO loans qualified using full PITIA payment
6. Properties located in declining market **AND** the LTV is > 65% a 5% LTV reduction required
7. Transactions using asset distribution are **not eligible for cash-out**

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Alt-Doc

(Bank Statement, 1099 Only, and P&L Only[6])

1-4 Unit Primary, 1-Unit Second Home, 1-4 Unit Investment

Purchase and Rate/Term Refinance			
$1,500,000 [1,2]			
	Owner-Occupied	Second Home	Investment
FICO	LTV [2,4,5,6,7]	LTV [6,7]	LTV [6,7]
740[6]	85%	80%	80%
720[6]	85%	80%	80%
700[6]	80%	80%	80%
680[6]	80%	80%	75%
660	70%	70%	70%
$2,000,000 [1,2]			
	Owner-Occupied	Second Home	Investment
FICO	LTV [6,7]	LTV [6,7]	LTV [6,7]
740	80%	80%	80%
720	80%	80%	80%
700[6]	80%	80%	80%
680[6]	80%	80%	75%
660	70%	70%	70%
$2,500,000 [1,2]			
	Owner-Occupied	Second Home	Investment
FICO	LTV [5,6,7]	LTV [5,6,7]	LTV [5,6,7]
740	80%	80%	80%
720	80%	80%	80%
700[6]	80%	80%	80%
680[6]	80%	80%	75%
$3,000,000 [1,2]			
	Owner-Occupied	Second Home	Investment
FICO	LTV [5,7]	LTV [5,7]	LTV [5,7]
740	75%	75%	75%
720	75%	75%	75%
700	75%	75%	75%
680	75%	75%	75%

Cash-Out Refinance [3]			
$1,500,000 [1,2,3]			
	Owner-Occupied	Second Home	Investment
FICO	LTV [6,7]	LTV [6,7]	LTV [6,7]
740	80%	80%	80%
720	80%	80%	80%
700[6]	80%	80%	80%
680[6]	75%	75%	75%
660	70%	70%	70%
$2,000,000 [1,2,3]			
	Owner-Occupied	Second Home	Investment
FICO	LTV [7]	LTV [7]	LTV [7]
740	80%	80%	80%
720	80%	80%	80%
700[6]	80%	80%	80%
680[6]	75%	75%	75%
660	70%	70%	70%
$2,500,000 [1,2,3]			
	Owner-Occupied	Second Home	Investment
FICO	LTV [5,6,7]	LTV [5,6,7]	LTV [5,6,7]
740	80%	80%	80%
720	80%	80%	80%
700[6]	80%	80%	80%
680	75%	75%	75%
$3,000,000 [1,2,3]			
	Owner-Occupied	Second Home	Investment
FICO	LTV [5,7]	LTV [5,7]	LTV [5,7]
740	75%	75%	75%
720	75%	75%	75%
700	75%	75%	75%
680	70%	70%	70%

Footnotes:

1. Minimum loan amount $150,000
2. Maximum DTI is 50%. DTI > 45% maximum 80% LTV
3. Maximum cash-out: **≤ 65% LTV:** Unlimited cash-out; > **65% LTV**: Maximum $1,000,000
4. **Non-warrantable** condos and 2-4 unit properties: Maximum 80% LTV
5. Interest-only transactions:
   - Loan amount ≤ $2,000,000 maximum 80% LTV
   - Loan amounts > $2,000,000 to $2,500,000 maximum 75% LTV
   - Loan amounts > $2,500,000 maximum 70% LTV

   NOTE: IO loans qualified using full PITIA payment
6. **P&L Only transactions**:
   - Maximum 80% LTV
   - If **< 720 credit score maximum 75% LTV**
7. Properties located in declining market **AND** the LTV is > 65% a 5% LTV reduction required

Alt-Doc (Asset Utilization)		
1-4 Unit Primary and 1-Unit Second Home		
Purchase and Rate/Term Refinance [3]		
$1,500,000 [1]		
	Owner Occupied	Second Home [2]
FICO	LTV [4]	LTV [4]
740	80%	80%
720	80%	80%
700	80%	80%
680	80%	80%
660	70%	70%
$2,000,000 [1]		
	Owner Occupied	Second Home [2]
FICO	LTV [4]	LTV [4]
740	80%	80%
720	80%	80%
700	80%	80%
680	80%	80%
660	70%	70%
$2,500,000 [1,2]		
	Owner Occupied	Second Home [2]
FICO	LTV [2,4]	LTV [4]
740	80%	80%
720	80%	80%
700	80%	80%
680	80%	80%
$3,000,000 [1,2]		
	Owner Occupied	Second Home [2]
FICO	LTV [2,4]	LTV [4]
740	75%	75%
720	75%	75%
700	75%	75%
680	75%	75%

Footnotes:

1. Minimum loan amount $150,000
2. Interest-only transactions:
   - Loan amount ≤ $2,000,000 maximum 80% LTV
   - Loan amounts > $2,000,000 to $2,500,000 maximum 75% LTV
   - Loan amounts > $2,500,000 maximum 70% LTV
   - Second home transactions **ineligible. IO only available on primary residence**

   NOTE: IO loans qualified using full PITIA payment
3. Cash-out ineligible
4. Properties located in declining market **AND** the LTV is > 65% a 5% LTV reduction is required

INVESTOR CASH FLOW

1-4 Unit Investment Property

INVESTMENT PROPERTY Minimum DSCR 1.00 [5]				INVESTMENT PROPERTY Minimum DSCR .80 [5]			
$1,500,000 [1,2]				**$1,500,000 [1]**			
	Purchase	Rate/Refi	Cash-Out [3]		Purchase	Rate/Refi	Cash-Out [3]
FICO	LTV [2,4,5, 6,7,8]	LTV [2,4,5, 6,7,8]	LTV [6,7,8]	FICO [7]	LTV [6,7,8]	LTV [6,7,8]	LTV [6,8]
740	80%	80%	75%	740	75%	75%	70%
720	80%	80%	75%	720	75%	75%	70%
700	80%	80%	75%	700	N/A	N/A	N/A
$2,000,000 [1]				**$2,000,000 [1]**			
	Purchase	Rate/Refi	Cash-Out [3]		Purchase	Rate/Refi	Cash-Out
FICO	LTV [6,7,8]	LTV [6,7,8]	LTV [6,7,8]	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]				**$2,500,000 [1]**			
	Purchase	Rate/Refi	Cash-Out [3]		Purchase	Rate/Refi	Cash-Out
FICO	LTV [6,8]	LTV [6,8]	LTV [8]	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]				**$3,000,000 [1]**			
	Purchase	Rate/Refi	Cash Out [3]		Purchase	Rate/Refi	Cash-Out
FICO	LTV [6,8]	LTV [6,8]	LTV [8]	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 $125,000
2. Loan amounts < $150,000 maximum 75% LTV
3. Cash-out transactions: Refer to the Cash-Out Transactions topic for complete requirements
   - **DSCR ≥ 1.00**: ≤ 65% LTV: Unlimited; > 65% LTV: Maximum cash-out $750,000
   - **DSCR < 1.00**: ≤ 60% LTV: Unlimited; > 60% LTV: Maximum cash-out $500,000
4. Non-warrantable condos: Maximum 75% LTV
5. Interest-only transactions:
   - Minimum 1.00 DSCR
   - **IO loans qualified using the ITIA payment maximum 75% LTV. > 75% LTV requires borrower to be qualified using the full PITIA payment**
6. Properties located in declining market **AND** the LTV is > 65% a 5% LTV reduction required
7. **LTV > 70% a prepayment penalty is required.** Refer to the Prepayment Penalty topic for a list of states. **If the state is NOT listed, a minimum DSCR of 1.00 is required**
8. Subordinate financing not eligible

Foreign National [1,2,6,7] (Investor Cash Flow Option ONLY)			
1-4 Unit Investment			
Minimum DSCR 1.00			
$1,500,000 [3]			
FICO [4]	Purchase	Rate/Term	Cash-out [5]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%
$2,000,000 [3]			
FICO [4]	Purchase	Rate/Term	Cash-out [5]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%
$2,500,000 [3]			
FICO [4]	Purchase	Rate/Term	Cash-out [5]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%
$3,000,000 [3]			
FICO [4]	Purchase	Rate/Term	Cash-out [5]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%

Footnotes:

1. Eligible on Investor Cash Flow **ONLY**
2. The applicable ICF option guidelines apply **AND** the requirements detailed in the Foreign Nationals topic
3. Minimum loan amount $125,000
4. The credit score requirement only applies only if borrower has U.S. credit. Borrowers without a U.S. credit score maximum 65% LTV

   NOTE: When pricing a Foreign National loan the following applies:
   - Borrowers **with** U.S. Credit: The applicable credit score **and** Foreign National LLPAs apply
   - Borrowers without U.S. Credit: Only the Foreign National LLPA applies
5. Maximum cash-out $250,000
6. Minimum 12 months reserves required. An **additional** 2 months reserves required for each additional financed property
7. The following are **ineligible** on Foreign National transactions:
   - Interest-only
   - Gift funds
   - Non-warrantable condos
   - Borrowers with prior forbearance

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

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income

Topics not addressed below, follow Fannie Mae requirements

Wage Earner Requirements

- Paystub(s) covering 30 calendar days with YTD earnings dated no earlier than 30 calendar days prior to the initial loan application date **and**
- The most recent 1 or 2 years W-2s, **and**
- The most recent 1 or 2 years W-2 transcripts. 1 or 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 reason 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 **subject to Homebridge management review and approval** and 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 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 I 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 is required to determine 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, prepared by an acceptable individual, 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
  - Acceptable individuals include:
    - Certified Public Accountant (CPA), or
    - Enrolled Agent (EA), or
    - California Tax Education Council (CTEC) registered, or
    - A PTIN tax preparer **that is employed by a 3rd party firm** (**ineligible** if not employed by a 3rd party

  NOTE: A CTA designation is **not** acceptable

Age of Documents

- Paystubs (if utilized): 120 days
- Profit and Loss/Balance Sheet: 120 days
- CPA/EA/CTEC/PTIN tax preparer* Letter: 60 days (see above for eligibility details)
  ***NOTE:** The PTIN tax preparer **must be employed by a 3rd party firm**

Treatment of Income Sources

Method One – One Year Tax Returns

- One (1) year personal and business federal tax returns, including all schedules, that cover a 12 month period of self-employment
- A **CPA/EA/CTEC/PTIN tax preparer** (PTIN tax preparer **must be employed by a 3rd party firm**) prepared profit and loss statement/balance sheet (not required to be fully audited) covering the time from the end of the time the tax returns covered (a minimum 6 months' time frame required) **OR** YTD if it has been less than 6 months from the end date of the tax returns
- Income is generally calculated using the tax return and comparing it to the trend on the P&L. The income trend should be stable or positive. See below for instances where the income listed on the profit and loss statement may be included with qualifying income
- If the income trend is not stable or positive, two years tax returns are required.
- The tax returns provided must cover a 12 month period of self-employment

Method Two – Two Year's Tax Returns

- Two (2) years most recently filed 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

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income (cont.)

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

- Wage earner borrowers with secondary self-employment income are not required to provide corporate/partnership tax returns or interim financials for the business **as long as any income generated by the business was not used for qualifying.** (i.e. the wage earner income was sufficient to qualify the borrower **without the use of any** secondary self-employment income)
- **Borrower Attestation:** The borrower is required to provide an attestation confirming they do not have any additional personal debt other than what is listed on the loan application and credit report

Types of Business Structures

There are four basic types of business structures:

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

Self-Employed Minimum Documentation Requirements

Sole Proprietor

A sole proprietor generally files a Schedule C with their personal tax returns which reflects their business' income.

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.

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.

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:

- 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.

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.

Limited Liability Company (LLC)

Limited Liability Companies file taxes using partnership tax returns. The partnership tax return requirements listed above apply to these companies.

Full Documentation Eligibility and Summary	
Full Documentation	
Documentation for Other Real Estate	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Employment	**Wage Earner/Salaried Borrowers** • Wage earner/salaried borrowers, two (2) full years employment in the same line of work required - If the borrower was in school or the military for the most recent two (2) full years are acceptable if transcripts or military discharge papers are provided • **Gaps in Employment:** - 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: - 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 **Self-Employed Borrowers** • Self-employed borrowers (defined as an individual who has a 25% or greater ownership interest in a business) or receives 1099s to document income. Self-employed borrower generally require a minimum of 2 years self-employment in the same line of work **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** • **Gaps in Employment:** - 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/CTEC/PTIN tax preparer (PTIN tax preparer **must be** employed by a 3rd party firm) 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 eligible

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Income - Annuity	Annuity income is acceptable subject to the following: • 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: - 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	Income received from alimony, child support, and/or maintenance payments is eligible subject to the following: • A copy of the final divorce decree, legal separation agreement, court order, or voluntary payment agreement must be provided • The income must continue for a minimum of 3 years from the closing date of the loan • Child support income may be "grossed up" subject to Fannie Mae non-taxable income policy • One of the following required to document receipt for the previous 6 months: - 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	• 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	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. • 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	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). 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.

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Income – Asset Distribution: Distribution from Non-Retirement Accounts	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 one (1) month distribution received prior to closing. Cash-out refinance transactions are not eligible for asset-utilization. The following requirements must be met: • 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: - 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 **Qualifying Balances** • Checking/Savings: 100% • Marketable securities: 100% **Calculation Method** Any distribution set up must have 120 months of continuance. ***Example***: - 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. **NOTE**: Borrowers using assets as a source of income who have not or do not wish to establish regular distributions may use the Asset Utilization option
Income – Asset Distribution: Distribution from Retirement Accounts	Income from regular distributions from retirement accounts are eligible for qualifying subject to: • Borrower's utilizing retirement income distributions must be of retirement age • Regular distributions from retirement assets must be set up and one (1) month 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 • 100% of the vested value is utilized to determine the qualifying balance if the borrower is of retirement age (≥ 59 ½ yrs of age); 80% of the vested value is used if the borrower is not of retirement age < 59 ½ yrs of age) • 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 **NOTE**: Borrowers using assets as a source of income who have not or do not wish to establish regular distributions may use the Asset Utilization option

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Income – Family Owned Business	Borrowers employed by a family member, spouse, domestic partner in a family owned business are subject to the following: • 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): - A signed copy of the business tax return, - A CPA/EA/CTEC/PTIN tax preparer* letter, - Most current K-1 ***NOTES**: 1. PTIN tax preparer **must be employed by a 3rd party firm** to be eligible, otherwise not allowed 2. CTA designation **not** permitted • 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	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.
Income - Government Assistance Programs	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.
Income – Homeownership Subsidies	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. • 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: - Paid directly to the servicing creditor, or - Placed in an account that only the servicing creditor may access. **NOTE**: Assistance payments made directly to the borrower must be treated as income
Income – Housing Allowance	Housing allowance income (e.g. military, clergy, etc.) is eligible as qualifying income provided: • 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%

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Income – Interest and Dividend	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%. To include interest or dividend income from cash or marketable securities in qualifying income, the following guidelines will be used: • 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	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. **Borrowers Recently Converted to K-1** 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. **Borrowers Switching Employers and Converting to K-1** 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. 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.
Income – Other	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.

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Income – Rental	**<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. **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. **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. **<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. **Rental Income – Accessory Unit** Rental income from an accessory unit is eligible to use for qualifying income when the appraiser comments that the accessory unit is legal and may legally be rented. **Verification of receipt of rent within the 60 calendar days of the Note date required i**f relying on a lease for qualification • ***Purchase Transactions***: - 75% of the appraiser's opinion of market rent may be used • ***Refinance Transactions***: - The rental income must be listed on the borrower's tax return **AND** be supported by a lease, unless the underwriter can justify reliance on the lease alone; 75% of documented rental income is eligible **Rental Income – Boarder/Roommate** Not eligible
Income – Restricted Stock Units	Restricted stock units are an eligible source of income subject to the following: • The restricted stock is vested, and • The borrower has a 2-year history receipt of restricted stock, and • A 3-year expectation of vesting continuance

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Full Documentation	
Income – Retirement/ Pension	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. Retirement income and/or pension income must be verified using one of the following options: • 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.
Income – Royalty/Lease - Other than Real Estate	Royalty income will be considered on a case-by-case basis subject to Homebridge management review and approval. The following applies: 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: • 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	Seasonal employment income is eligible **subject to Homebridge management review and approval** and the following: • 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	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%. Social Security income can be used as qualifying income provided the income is verified via one of the following: • 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. The following suffixes to the social security number will indicate what type of social security benefit is being received: ***Suffix Description*** 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 **Supplemental Social Security Income** Supplemental Security Income may be included as qualifying income provided verification can be obtained by one of the following: • 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.

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Full Documentation	
Income – Temporary Leave	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: • 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). **NOTE:** Income verification may be provided by the borrower, by the borrower's employer or by a third- party employment verification vendor. **Requirements for Calculating Income Used for Qualifying** 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. 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. • 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. 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. The same assets utilized to meet the liquid reserve requirement may not be used for asset distribution.

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Full Doc	
Income - Trust	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. • 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: - 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	Income from unacceptable sources include, but are not limited to the following: • Boarder/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 • Self-employment income derived from the sale or distribution of marijuana **NOTE**: Income generated from marijuana dispensaries or an activity related to recreational marijuana (including growing, selling, or supplying) is eligible for qualifying for W-2/salaried borrowers as long as the borrower has no ownership interest in the business/activity • Income derived from the subject property with land being leased to another party • Temporary or income received on a one-time basis • Lump sum payment of lottery earnings that are not ongoing • Lump sum payments (e.g. inheritances or lawsuit settlements) • Non-incidental income received from farming or agricultural use of a property • Rental income received from the borrower's single family property primary residence on a refinance transaction • 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	Unemployment compensation (such as that received by seasonal workers) may be considered as acceptable stable income on a case-by-case basis, **subject to Homebridge management review and approval,** provided it is properly documented, has been received for the past two years and is predictable and likely to continue. **NOTE:** Unemployment income is found on the front page of the personal tax return.

Full Doc Eligibility and Summary	
Full Doc	
Income – Veterans Benefits	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). • 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	• The Bank Statement option is available for self-employed borrowers. Self-employment is defined as an ownership interest of ≥ 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.
	  • 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
	• The following are acceptable to document business, provide P&Ls, Expense Ratio letter, (as applicable), etc.
	  - Certified Public Accountant (CPA), **or**
	  - IRS Enrolled Agent (EA), **or**
	  - California Tax Education Council (CTEC) registered, or
	  - PTIN tax preparers **employed by a 3rd party firm** (if not employed by 3rd party, **ineligible**
	  NOTE: A CTA designation is **not eligible**

4506-C/Tax Returns	**Not required.** Tax returns must **not** be submitted when using the Bank Statement option or the loan is ineligible for bank statement option **except** as follows: • A co-borrower using full documentation, applicable transcripts, based on documentation used to qualify, is required so a signed 4506-T must be obtained
Assets	Refer to the Assets topic in the general guidelines section for requirements

Borrower Eligibility	**Self-Employed**
	• Self-employed borrowers (defined as an individual who files Schedule C or corporate tax returns) with a minimum of 25% ownership in business (individual or combined with co-borrower)
	• Borrowers generally must have a minimum of 2 years self-employment in the same business.
	  - Borrowers with < 2 years but ≥ 1 year self-employment prior to loan application, are eligible with 2-years previous experience in the same line of work
	  - 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
	  - 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
	
	(cont. on next page)

Bank Statement Eligibility and Summary	
Bank Statement	
Borrower Eligibility (cont.)	**1099 Borrowers** • Borrowers receiving 1099 income (files Schedule C or Schedule E) are eligible provided that 1099 income is in the same line of work and has been received for the most recent consecutive 2-years. Non-self-employed 1099 income is **not eligible** • A CPA/EA/CTEC/PTIN tax preparer* letter confirming the borrower is a 1099 contractor required ***NOTES**: 1. PTIN tax preparer **must be employed by a 3rd party firm** to be eligible, otherwise not allowed 2. CTA designation **not** permitted
Debt-to-Income	• Maximum 50% DTI, **no exceptions**. Refer to the Debt to Income topic in the General Underwriting section for complete requirements • DTI cannot be rounded down to qualify
Derogatory Credit	• Refer to the Derogatory Credit topic for requirements
Documenting Business	• A CPA/EA/CTEC/PTIN tax preparer* letter documenting the following is required: - Name of business, - Borrower's percentage of ownership, - Length of self-employment, - An assertion the business is active and in good standing ***NOTES**: 1. PTIN tax preparer **must be employed by a 3rd party firm** to be eligible, otherwise not allowed 2. CTA designation **not** permitted • 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 prior to the Note date

Bank Statement Eligibility and Summary	
Bank Statement	
Documentation of Income	• The self-employment income must be reasonable for the profession, verified stable, and likely to continue • The bank statements provided, both personal and business, **must be dated within 60 days of the Note date**, based on the end date of the most recent 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: - 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 **Personal Bank Statements** • 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** - 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 liste**d 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 - 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.)

Business Bank Statements

- 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 ≤ to the previous/original payment

Documenting Bank Statement Income

There are 3 methods for documenting business bank statement income

Method One: Uniform Expense Ratio

- The underwriter multiplies the eligible deposits received by the expense ratio detailed below

Type of Business	1-5 Employees	>5 Employees
Business Offers Services* (e.g. consulting, accounting, legal, therapy, counseling, financial planning, insurance, IT, etc.)	30% expense ratio**	50% expense ratio
Business Sells Goods (e.g. retail, food services, restaurants, manufacturing, contracting, construction, etc.)	50% expense ratio	

*A business offering services is distinguished from a business that sells goods by having a minimal expense ratio for the cost of goods

**Borrowers utilizing a 30% expense ratio must provide a business narrative that documents the following:

- The nature of the business, **and**
- The estimated cost of goods, **and**
- The number of employees

- 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 required

  NOTE: Rental income **may be included** as income when utilizing a 50% uniform expense ratio

  Refer to the Rental Income - Subject Property Refinance topic or Rental Income - Non-Subject Property topic, as applicable, for additional information

Method Two: Profit and Loss Statement

- Requires a P&L provided by a CPA/EA/CTEC/PTIN 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.

  ***NOTES**:

  1. PTIN tax preparer **must be employed by a 3rd party firm** to be eligible, otherwise not allowed
  2. CTA designation **not** permitted

(cont. on next page

Bank Statement Documentation Eligibility and Summary

Bank Statement

Documentation of Income (cont.)

Method Three: CPA Letter for Expense Ratio

- A letter provided by a CPA/EA/CTEC/PTIN 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

***NOTES**:

3. PTIN tax preparer **must be employed by a 3rd party firm** to be eligible, otherwise not allowed
4. CTA designation **not** permitted

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 a detailed letter of explanation required
- A decline in deposits ≤ 25% is allowed over the following time periods as follows:
  - 12 Months Bank Statements: 6 months
  - 24 Months Bank Statements: 12 months

  NOTE: A decline in income > 25% over the above time periods requires Homebridge management review and approval
- **Calculating the Deposit Trend**
  - **12 Months Bank Statements**: Calculate the percentage change from deposits in months 7-12 from deposits in months 1-6 as follows:
    - Subtract months 7-12 eligible deposits from months 1-6 eligible deposits
    - Divide the difference from months 7-12 eligible deposits to determine the percentage change

      Example:

      1. Months 7-12 eligible deposits are $60,000
      2. Months 1-6 eligible deposits are $45,000
      3. $45,000 **minus** $60,000 **divided by** $60,000 = 25% decline

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Bank Statement Documentation Eligibility and Summary	
Bank Statement	
Documentation of Income (cont.)	• **Calculating the Deposit Trend (cont.)** - **24 Months Bank Statements:** Calculate the percentage change from deposits in months 13-24 from deposits in months 1-12 as follows: - Subtract months 13-24 eligible deposits from months 1-12 eligible deposits - Divide the difference from months 13-24 eligible deposits to determine the percentage change **Example:** 1. Months 13-24 eligible deposits are $100,000 2. Months 1-12 eligible deposits are $75,000 3. $75,000 **minus** $100,000 **divided by** $100,000 = 25% decline
Documentation for Other Real Estate Owned	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Gift Funds	Eligible; refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Not allowed
Ineligible Income Types	The following types of income are not eligible: • following types cannot be used for income calculation: - 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

Bank Statement Documentation Eligibility and Summary	
Bank Statement	
Supplemental Income Sources	• Secondary or supplemental income/earnings earned by the self-employed borrower is eligible provided the secondary/supplemental income does not exceed 50% of the total qualifying income for the borrower. - Any losses from secondary self-employment will be considered in qualifying income • Acceptable sources of supplemental income include: - Social security and pension income - Asset utilization/distribution (not eligible for cash-out) - Alimony and 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** **Rental Income - Subject Property Purchase:** • 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: - If there is a valid lease in place, use **the lesser of**: - 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 **Rental Income - Subject Property Refinance** • 75% of the current income identified on the lease may be used • 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 month's rental income with bank statement or cancelled check (front and back) **which must be dated within 60 calendar days of the Note date** • Rental deposits are not included in the income stream unless using Method One: Uniform Expense Ratio to document business bank statement income • 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 **NOTES:** 1. Additional documentation of rental income is **not** required when Method One, Uniform Expense Ratio is used to document business bank statement income and the rental income is included in the income stream 2. Rental income must be documented as stated above when Method Two: P&L Statement, or Method Three: CPA Letter for Expense Ratio is used to document business bank statement income; it may **not** be included in the income stream

Bank Statement Documentation Eligibility and Summary

Bank Statement

Supplemental Income Sources (cont.)

Rental Income – Non-Subject Property

- 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 unless using Method One: Uniform Expense Ratio to document business bank statement income
- 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**

NOTES:

1. Additional documentation of rental income is **not** required when Method One, Uniform Expense Ratio is used to document business bank statement income and the rental income is included in the income stream
2. Rental income must be documented as stated above when Method Two: P&L Statement, or Method Three: CPA Letter for Expense Ratio is used to document business bank statement income; it may **not** be included in the income stream

Rental Income - Departing Residence

- 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:
  - 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:
  - 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

Rental Income – Accessory Unit

Rental income from an accessory unit is eligible to use for qualifying income when the appraiser comments that the accessory unit is legal and may legally be rented. **Verification of receipt of rent within the 60 calendar days of the Note date required i**f relying on a lease for qualification

- ***Purchase Transactions***:
  - 75% of the appraiser's opinion of market rent may be used
- ***Refinance Transactions***:
  - The rental income must be listed on the borrower's tax return **AND** be supported by a lease, unless the underwriter can justify reliance on the lease alone; 75% of documented rental income is eligible

Rental Income – Boarder/Roommate

Not eligible

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow (DSCR)	
Overview	• 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 • **The tenant of the property cannot be a family member of the borrower (including a family member living in the property as a tenant rent free)** • Subordinate financing ineligible on ICF option
4506-C/Tax Return	N/A
Assets	Refer to the Assets topic in the general guidelines section for requirements
Borrower Eligibility	• At least one borrower must have a documented 12 month history of **owning and managing rental properties** (copy of lease, or a CPA/EA/CTEC/PTIN tax preparer (PTIN tax preparer **must be employed by a 3rd party firm**) letter stating borrower has the management history is acceptable documentation) See exception below - 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: - Borrower must currently own a primary residence or second home, **and** - Maximum 75% LTV, **and** - Minimum 12 month reserves, **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** **NOTE:** Refinance transactions seasoned < 12 months the subject property must be current with no late payments - 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 **NOTES:** **1.** 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 2. Exception **not available** to foreign national borrowers; 12 month history of owning/managing rental properties required • **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

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow (DSCR)	
Debt Service Coverage Ratio (DSCR) – Definition and Minimum DSCR Requirements	Qualification is based on the DSCR of the **subject property only**. **The DSCR cannot be rounded up to qualify** **DSCR Definition** 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 • **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 **Minimum DSCR Requirements** • Refer to the Investor Cash Flow matrix for minimum DSCR requirements • **DSCR < 1.00 AND LTV is > 70%: A minimum 1 year prepayment penalty is REQUIRED. If the state is not listed a minimum 1.00 DSCR REQUIRED.** Refer to the Prepayment Penalty topic for a list of states • **Interest-only transactions: Minimum 1.00 DSCR (IO not eligible if DSCR < 1.00)**
Debt Service Coverage Ratio (DSCR) – Calculating the DSCR	The Determination of Rents topic provides details for determining the rent. **Calculating the DSCR - Fully Amortizing Transactions** Once the rent has been determined the following applies: • Gross rent is divided by the PITIA for the subject property **Calculating the DSCR – Interest-Only Transactions:** • Once the rent has been determined the DSCR may be calculated using the interest-only payment for the subject property as follows: - 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.** Interest-only transactions with an LTV > 75% requires the DSCR to be calculated using the full PITIA payment

Investor Cash Flow Documentation Eligibility and Summary

Investor Cash Flow (DSCR)

Debt Service Coverage Ratio (DSCR) - Determination of Rents (cont.)

REMINDER: The tenant of the property cannot be a family member of the borrower (including a family member living in the property as a tenant rent free)

Determination of Rents: Purchase Transactions

- 100% of the **lesser of**:
  - 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

  NOTE: An expired lease which includes language that converts the lease to month-to-month (or a lease that converts due to applicable state law) is acceptable
- 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 on a purchase transaction **or** borrower on a refinance transaction detailing the terms of the agreement, including the tenants name, address, amount of monthly rent is acceptable in lieu of a lease
- If a tenant is in place with a lease, which will commence within 60 days of closing, 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.

Determination of Rents: Refinance Transactions

- 100% of the **lesser of**:
  - The current rent (if currently leased, provide lease), **or**
  - The market rent as determined by the appraiser

    NOTES:
    1. A lease is not required if the subject property has completed a recent renovation and/or is listed for rent
    2. An expired lease, which either contains language, or per state law, converts the lease to month-to-month is acceptable
- 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 the length of time the agreement has been active, is acceptable. Documentation that confirms the receipt of the most recent month's rental income required.
- If a tenant is in place with a lease, which will commence within 60 days of closing, 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.
- If the property is leased for more than the appraiser's opinion of market rents, the lease amount (up to 125% of market rents) may be used provided the lease will continue for at least six (6) months after the Note date **and** the timely receipt of the three (3) months of rents due prior to the application date are documented. Acceptable documentation includes copy of check, bank statements, etc.

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).

Rental Income – Accessory Unit

Rental income from an accessory unit is eligible when the appraiser comments that the accessory unit is legal and may legally be rented subject to the following:

- ***Purchase Transactions***:
  - The appraiser's opinion of market rent may be used
- ***Refinance Transactions***:
  - **Vacant Property:** The appraiser's opinion of market rent may be used **when the property is vacant**, **OR**
  - **Leased Property**: The **lesser** of:
    - The lease, **or**
    - The appraiser's opinion of market rent is used
- If the property is leased documentation that confirms the receipt of rents **within 60 days of the Note date is required**. Acceptable documentation includes copy of check, bank statement, etc.

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow (DSCR)	
Debt Service Coverage Ratio (DSCR) - Determination of Rents (cont.)	**Short-Term Rental Income** **Not eligible**
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 Utilization Documentation Eligibility and Summary	
Asset Utilization	
Overview	• Qualified assets include bank accounts, stocks, bonds, mutual funds, and vested amount of retirement accounts • Any portion of the qualified assets being used for down payment, closing costs, or reserves, must be excluded when determining qualifying income • 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	Total post-closing assets must cover **the sum** of **all** the following: • 100% of the loan amount, **plus** • 60 months of total debt service (PITIA for subject or rental properties **not** included), **plus** • 60 months of net loss on rental properties, **plus** • Required reserves; refer to the Reserves topic for requirements

Assets – Eligible	Bank/asset statements for the most recent consecutive six (6) months required.
	Eligible Assets
	The following asset types may be used to calculate income:
	• Cash and cash equivalents at **100%** of face value
	• Marketable securities (stocks, bonds, mutual funds **excluding unvested** RSUs and Stock options) eligible at **100%** of value (minus any outstanding margin loans, if applicable).
	• Retirement accounts are eligible subject to the following:
	  - The borrower's ability to access the funds required
	  - Eligible at 80% of the balance if borrower **not** of retirement age (< 59 ½ yrs old)
	  - Eligible at 100% of the balance if borrower **is of** retirement age (≥ 59 ½ yrs old)
	  - Any loan balances must be subtracted from the balance
	• Cash value of a vested life insurance policy is allowed at 100%
	• Cryptocurrency that has been liquidated and deposited into a U.S. bank/financial institution account. **The funds must be seasoned for a minimum of 60 days.**
	• Proceeds from the sale of documented assets owned by the borrower over the prior six (6) months
	• Joint accounts shared with parties who are not on the loan application are eligible using the **borrower's proportionate share of the account funds**. If **no percentage of ownership** listed, it is assumed the account is divided evenly among the account holders
	Liquidation
	Liquation requirements are as follows:
	• If the funds are required for closing (e.g. down payment, closing costs) the liquidation of the funds and the ending balance of the account(s) must be documented
	• If the funds are being used to satisfy reserve requirements, liquidation is **not** required
	Ineligible Assets:
	• Business funds when used to satisfy reserve requirements (eligible for funds to close only)
	• Non-liquid assets (automobiles, artwork, business net worth, etc.)
	• Face value of life insurance
	• Unvested restricted stock
	• Stock options unless exercised
	• Securities that are not publicly traded
	• Foreign assets seasoned < 6 months in a U.S financial institution

Asset Utilization Documentation Eligibility and Summary	
Asset Utilization	
Assets – Documenting	• The most recent six (6) months of bank/asset statements for each account that will be utilized for asset qualification must be provided • Large deposits, defined as any single deposit that is greater than 10% of the face value of the account based on the most recent statement must be sourced and documented - Any deposits that cannot be sourced will be deducted from the value of the account • Business funds are an acceptable source for funds to close. Standard asset documentation requirements apply; refer to the Assets topic for details • **Asset balances must be verified within 10 calendar days of the Note date**
Borrower Eligibility	Refer to the Borrowers - Eligible topic for requirements
Debt-to-Income	DTI not calculated; debt service is considered
Derogatory Credit-Significant Events	**A five (5) year waiting period required.** Refer to the Derogatory Credit topic in the General Underwriting section for requirements
Gift Funds	Refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Not allowed
Rental Property	Negative cash flow from rental property/properties owned by the borrower must be considered in the borrower's debt service. Positive cash flow is not considered. The following calculations must be applied to each rental property owned by the borrower • Rental income is determined on a net basis based on 75% of the payment on the lease less the PITIA to determine the impact on debt service • **Three (3) months of receipt of rental income must be documented** • If rental income cannot be documented, **the full PITIA for the property must be included in the borrower's debt service** • Net rent can never exceed $0 for determining impact **Example #1** ✓ Rent Received: $1600 ✓ PITIA Payment: $1500 ✓ Calculation: $1600 x 75% = $1200 minus $1500 = -$300 (negative $300) ✓ Added to Debt Service: $300 **Example #2** ✓ Rent Received: $2400 ✓ PITIA Payment: $1500 ✓ Calculation: $2400 x 75% = $1800 minus $1500 = $300 (positive) • Added to Debt Service: $0
Reserves	Refer to the Reserves topic for reserve requirements
Residual Income	• Minimum $1,500 per month required • The required residual income is calculated by dividing the total qualifying assets by 60 months **NOTE**: Funds being used for down payment and/or closing costs are excluded from the residual income calculation

1099 Only Documentation Eligibility and Summary	
1099 Only	
Overview	• 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 Recent Conversion from W-2 to 1099 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/EA/CTEC/PTIN Tax Preparer* that verifies the W-2 income is not the result of employment income. The letter is valid for **60** days ***NOTES**: 1. PTIN tax preparer **must be employed by a 3rd party firm** to be eligible, otherwise not allowed. 2. CTA designation **not** permitted • 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	• 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	• Borrowers who receive income from commission or are an independent contractor who receive a 1099 at year-end • **1099s must be issued to the individual borrower.** If the borrower is an entity, the 1099 must reflect the entity as the payer and the borrower as the recipient • 1099s issued by an entity that the borrower owns, the borrower must have **100% ownership** interest in the entity. The ownership interest must be documented, in writing, by a CPA/EA/CTEC/PTIN tax preparer* ***NOTES**: 1. PTIN tax preparer **must be employed by a 3rd party firm** to be eligible, otherwise not allowed. 2. CTA designation **not** permitted Refer to the Borrowers Eligible topic for complete borrower eligibility information
Debt-to-Income	• Maximum 50% DTI, **no exceptions**. Refer to the Debt to Income topic in the General Underwriting section for complete requirements • DTI cannot be rounded down to qualify
Derogatory Credit - Significant Events	Refer to the Derogatory Credit topic in the General Underwriting section for requirements
Documentation for Other Real Estate Owned	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.

1099 Only Documentation Eligibility and Summary

1099 Only

Documentation of Employment/Income

- Two years' employment history must be verified with one of the following:
  - Written VOE, or
  - CPA/EA/CTEC* 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:
  - 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 P&L or expense ratio letter, prepared by an acceptable individual, to calculate income. Acceptable individuals include:
  - Certified Public Accountant (CPA), **or**
  - IRS Enrolled Agent (EA), **or**
  - California Tax Education Council (CTEC) registered, or
  - PTIN tax preparers **employed by a 3rd party firm;** if not employed by 3rd party, **ineligible**

    NOTE: A CTA designation is **not eligible**

Income Calculation Methods

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

- If two (2) years 1099s are provided the following applies:
  - 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

Method One: Uniform Expense Ratio

- 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

Method Two: Profit and Loss Statement

- A profit and loss, prepared by a CPA/EA/CTEC/PTIN tax preparer (PTIN tax preparer **must be** employed by a 3rd party firm) 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

Method Three: CPA Letter for Expense Ratio

- A CPA/EA/CTEC/PTIN tax preparer (PTIN tax preparer **must be** employed by a 3rd party firm) 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**

1099 Only Documentation Eligibility and Summary	
1099 Only	
Gift Funds	Eligible; refer to the Gift Funds topic for complete details
Gift of Equity	Not allowed
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	Other income sources may be used to supplement 1099 income; **1099 income must be the borrower's primary source of income (> 50%)** 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.) • Alimony, • Asset distribution, • Child Support, • Pension, • Second Job, • Social Security
Income - Rental	**Rental Income – Subject Property Purchase** • 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: - If there is a valid lease in place use the **lesser of:** - 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 **Rental Income – Subject Property Refinance** • 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.)	**Rental Income – Non-Subject Property** • 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) month's 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 **Rental Income - Departing Residence** • 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: - 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: • 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 **Rental Income – Accessory Unit** Rental income from an accessory unit is eligible to use for qualifying income when the appraiser comments that the accessory unit is legal and may legally be rented. **Verification of receipt of rent within the 60 calendar days of the Note date required i**f relying on a lease for qualification • ***Purchase Transactions***: - 75% of the appraiser's opinion of market rent may be used • ***Refinance Transactions***: - The rental income must be listed on the borrower's tax return **AND** be supported by a lease, unless the underwriter can justify reliance on the lease alone; 75% of documented rental income is eligible **Rental Income – Boarder/Roommate** Not eligible
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	• 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	**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: • 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	• Self-employed borrowers with ≥ 50% ownership in the business • Refer to the Borrowers Eligible topic for complete borrower eligibility information
Debt-to-Income	• Maximum 50% DTI, no exceptions. Refer to the Debt to Income topic in the General Underwriting section for complete requirements • DTI cannot be rounded down to qualify
Derogatory Credit – Significant Events	Refer to the Derogatory Credit topic in the General Underwriting section for 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 prior to the Note date
Documentation for Other Real Estate Owned	The following documentation is required for other real estate owned: • Mortgage statements to determine the payment • Additional documentation, as required, to document the property tax, insurance, HOA payment. Acceptable documentation includes tax and insurance bills, HOA statement etc.
Gift Funds	Eligible; refer to the Gift Funds topic for complete details
Gift of Equity	Not allowed
Income	Qualifying income is the **lower of:** • 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) **Net Income** 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%)
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, or - Letter from a CPA/EA/CTEC, or - Secretary of State filing • Borrower(s) must have **≥ 50%** ownership in the business. The ownership percentage must be documented by one of the following acceptable individuals: - Certified Public Accountant (CPA), **or** - IRS Enrolled Agent (EA), **or** - California Tax Education Council (CTEC) registered, **or** - Operating Agreement **NOTE**: Only individuals with the above licenses/designations are considered acceptable. All tax preparers are required to have a PTIN, however preparers with **only** a PTIN and **without** one of the above designations **are not acceptable**

P&L Only Documentation Eligibility and Summary	
P&L Only	
Income Documentation (cont.)	• 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 12-month unaudited P&L must be provided • The P&L **end date** must be ≤ 90 calendar days prior to the Note date • The P&L **must be prepared by an independent** entity: CPA/EA/CTEC (see *NOTE above for details) Borrower prepared P&Ls **are not allowed** • **CTEC Prepared P&L ONLY** (this requirement **does not apply** to a CPA or EA prepared P&L)**: <u>One</u> of the following will be required:** 1. The transaction must meet the following requirements: ○ Maximum 70% LTV, **and** ○ Minimum 720 FICO, **and** ○ Maximum $2,000,000 loan amount, **and** ○ First time home buyers **ineligible**, **and** ○ Borrowers currently living rent free **ineligible, OR** 2. A minimum of two (2) months' **most recent** bank statements, that support the P&L gross revenue must be provided. ○ The 2 months bank statements must be based off of the last two (2) ending months of the P&L period, **AND** ○ The Homebridge underwriter will complete a Gross Receipts Comparison Worksheet and the total monthly average of **usable*** deposits **must support at least 90% of the gross revenue on the P&L** ○ If the two most recent bank statements do not support the P&L, older bank statements may be considered to support P&L income provided an acceptable LOE for the discrepancy (e.g. seasonal work) is obtained from the borrower. **Homebridge management review and approval required** when older bank statements are utilized ***NOTE: The definition of usable deposits must be consistent with those of a <u>Bank Statement Option</u> transactions** • The CPA/EA/CTEC who prepared the P&L must have filed the borrower's most recent business tax returns • **The P&L must be signed by <u>both</u> the borrower(s) with ownership interest <u>and</u> preparer (non-owner borrowers are not required to sign)** • The CPA/EA/CTEC must provide an attestation that they are not affiliated or associated with the borrower's business. The CPA/EA/CTEC must also 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 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 and the P&L represent an accurate summary of the business cash flow and the applicable cash expenses • A copy of the CPA/EA/CTEC 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 - If an online listing/search would not be applicable due to the nature of the borrower's business (e.g. consultants) the borrower may provide invoices, bank statement deposits, or similar documentation to verify the business' recent operation
Income – Co-Borrower	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 **NOTE:** Tax returns **cannot** be provided to document co-borrower income; if provided the transaction must be underwritten under the Full Doc option

P&L Documentation Eligibility and Summary	
P&L Only	
Income - Rental	**Subject Property Purchase** • 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: - If there is a valid lease in place use the **lesser of:** - 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** **Subject Property Refinance** • 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 **Rental Income – Non-Subject Property** • 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** **Rental Income - Departing Residence** • 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: - 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: • 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&L Documentation Eligibility and Summary	
P&L Only	
Income – Rental (cont.)	**Rental Income – Accessory Unit** Rental income from an accessory unit is eligible to use for qualifying income when the appraiser comments that the accessory unit is legal and may legally be rented. **Verification of receipt of rent within the 60 calendar days of the Note date required** if relying on a lease for qualification • ***Purchase Transactions***: - 75% of the appraiser's opinion of market rent may be used • ***Refinance Transactions***: - The rental income must be listed on the borrower's tax return **AND** be supported by a lease, unless the underwriter can justify reliance on the lease alone; 75% of documented rental income is eligible **Rental Income – Boarder/Roommate** Not eligible
Income – Other Sources	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%)** 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.) • Alimony, • Asset Utilization/Distribution, • Child Support, • Pension, • Second Job, • Social Security
Payment Shock	Refer to the Payment Shock topic for complete details
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

Homebridge will complete these forms, as applicable, and send with loan closing documents:

- **Borrower Affidavit – Full Documentation:** Signed by borrower(s)
- **Borrower Affidavit – Bank Statement:** Signed by borrower(s)
- **Borrower Affidavit – 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 Utilization:** Signed by borrower(s)
- **Borrower Affidavit – Investment Cash-Out Transactions**: Signed by borrower(s)

Ability to Repay

- The Elite Access program is designed for loans that are **not** eligible under Fannie Mae/Freddie Mac guidelines
- All loans must meet Ability to Repay (ATR) requirements. The following criteria must be considered when determining if the borrower has sufficient income and assets to repay the loan.
  - Current or reasonable expected income or assets,
  - Current employment status,
  - Monthly payment on the covered transaction,
  - Monthly payment on any simultaneous loan,
  - Monthly payment for mortgage-related obligations,
  - Current debt obligations, alimony and child support,
  - Credit history, and
  - Debt-to-income ratio
- The loan file must include documentation of the borrower's ability to repay
- HPML requirements apply. Refer to the HPML topic for details.

Age of Documents

- All income documentation must be no more than 120 days as of the Note date

  NOTE: Bank Statement transactions only: Personal or business bank statements used to derive income must be dated no more than 60 days as of the Note date
- Asset documentation must be no more than 90 days as of 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 as of the Note date

Appraisals

- All transactions require a new full appraisal
- Appraisal requirements are as follows:

Appraisal Requirements	
Loan Amount	**Requirement**
≤ $2,000,000	One (1) full appraisal
> $2,000,000	Two (2) full appraisals
HPML Transaction **and** involves a Property Flip	Two (2) full appraisals

- Appraisals are subject to the requirements detailed below for LTV/CLTV determination **AND** in the chart on the following two pages; **additional valuation requirements may apply**
  - **Purchase Transactions:** LTV/CLTV based on the **lesser of** the sales price (minus concessions or excess contributions) **or** the appraised value
  - **Rate/Term Refinance Transactions:** LTV/CLTV based on the current appraised value
  - **Cash-Out Refinance Transactions:**
    - **Properties owned ≥ 6 months:** LTV/CLTV based on the current appraised value
    - **Properties owned < 6 months**: LTV/CLTV based on the lesser of the original purchase price plus **documented** improvements **or** the current appraised value

      NOTE: Proof of improvements must be provided (e.g. receipts, etc.) and a copy of the final CD from the purchase transaction required

(cont. on next page)

Appraisals (cont.)

One Appraisal: 1-Unit Properties

Title Acquired 6 Months or Longer (Deed date to Purchase Contract Date) OR
Property Owned < 6 Months (Deed date to Note date of refinance) AND
Value Increased 25% Or Less

Transaction Type	IF:	THEN:
All Types	The FNMA CU **OR** FHLMC LCA risk score is ≤ 2.5 **AND** the risk flag is **not** high:	No further action is required
	The FNMA CU **OR** FHLMC LCA risk score is ≤ 2.5 **AND** the risk flag **is high**:	The appraisal requires a review by the Homebridge Appraisal Dept. An additional valuation product may be required
	The FNMA CU **AND** FHLMC LCA risk score are **both** > 2.5:	A CDA, ordered by Homebridge, is required and the following applies: • If the CDA variance is ≤ 10% of the appraised value, the appraisal is acceptable subject to Homebridge UW review • If the CDA variance is > 10%, the CDA and appraisal must be sent to the Homebridge Appraisal Dept. The Appraisal Dept. will order an AVM - If the AVM value is within 10% of the appraised value, the appraised value can be used to determine the LTV - If the AVM variance is > 10% of the appraised value **OR** the confidence score is determined unacceptable by the Appraisal Dept. the LTV is determined as follows: ○ **Purchase**: Lesser of sales price or AVM ○ **Rate/Term**: AVM value ○ **Cash-Out owned < 6 months**: Lesser of the purchase price + improvements or the AVM **AND** a 5% LTV reduction required ○ **Cash-Out owned ≥ 6 months**: AVM value **NOTE:** Brokers have the option to order a second appraisal at Broker cost. The second appraisal is subject to Homebridge review and approval. If acceptable the lower of the two values will be used
	REMINDER: Primary residence purchase transactions are also subject to HPML requirements, if applicable. Refer to the HPML topic for details	

Rapid Appreciation
One Appraisal: 1-4 Unit Properties

Title Acquired < 6 Months (Deed date to Purchase Contract date) OR
Property Owned < 6 Months (Deed Date to Note Date of refinance) AND
Value Increased More Than 25%

Transaction Type	REQUIREMENT:	THEN:
All Types	An AVM, obtained by the Homebridge Appraisal Dept. is required **Reminder:** Cash-out transactions and the property owned < 6 months a 5% LTV reduction required	• If the AVM value is ≤ 10% of the appraised value, the appraisal is acceptable. • If the AVM variance is > 10% of the appraised value **OR** the confidence score is determined unacceptable by the Appraisal Dept. the loan is **ineligible.** **NOTE:** Brokers have the option to order a second appraisal at Broker cost. The second appraisal is subject to Homebridge review and approval. If acceptable the lower of the two values will be used
	REMINDER: Primary residence purchase transactions are also subject to HPML requirements, if applicable. Refer to the HPML topic for details	

Appraisals (cont.)

One Appraisal: 2-4 Unit Properties OR CU/LCA Risk Score Not Received

Transaction Type	IF:	THEN:
All Types	Transaction involves a 2-4 unit property **OR** CU or LCA score not received **IMPORTANT NOTE:** If the transaction is subject to the requirements stated in Rapid Appreciation, **then ONLY the requirements in that topic apply**	A CDA, ordered by Homebridge, is **required** and the following applies: • If the CDA variance is ≤ 10% of the appraised value, the appraisal is acceptable subject to Homebridge UW review • If the CDA variance is > 10%, the CDA and appraisal will be sent to the Homebridge Appraisal Dept. and the Appraisal Dept. will order an AVM - If the AVM value is ≤ 10% of the appraised value, the appraisal is acceptable. - If the AVM variance is > 10% of the appraised value **OR** the confidence score is determined unacceptable by the Appraisal Dept. the LTV is determined as follows: ○ **Purchase**: Lesser of sales price or AVM ○ **Rate/Term**: AVM value ○ **Cash-Out owned < 6 months**: Lesser of the purchase price + improvements or the AVM **AND** a 5% LTV reduction required ○ **Cash-Out owned ≥ 6 months**: AVM value **NOTE:** Brokers have the option to order a second appraisal at Broker cost. The second appraisal is subject to Homebridge review and approval. If acceptable the lower of the two values will be used

Two Appraisals

No additional valuation required. The lower of the two appraised values will be used

Transferred Appraisal

Transaction Type	IF:	THEN:
All Types	Transferred appraisal:	A Desk Review completed by the Homebridge Appraisal Dept. **required**

Property Flip Transactions

Property flip transactions that are **NOT** HPML are subject to the requirements stated above as applicable:

- Title Acquired 6 months or Longer **OR** Property Owned < 6 Months **AND** Value Increased 25% **or Less**
- Rapid Appreciation: Title Acquired < 6 Months **OR** Property Owned < 6 Months **AND** Value Increased **More Than 25%**

Refer to the Property Flip topic for complete property flip requirements

REMINDER: Flip transactions that **are** HPML require 2 appraisals; the value is the lower of the two appraised values

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:
    - The original appraisal is completed subject to completion of repairs, and
    - Evidence the repairs that caused the C5/C6 rating have been completed, and
    - An updated appraisal provides a condition rating of, at minimum, C4
- Properties with a quality rating of Q1, Q2, Q3, Q4, or Q5 eligible; **a quality rating of Q6 is 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

Appraisal (cont.)

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

Appraisal Requirements

- The appraisal must include all of the following:
  - Street map showing the location of the subject property and all comparable sales used,
  - Exterior building sketch of the improvements indicating dimensions,
  - A floor plan sketch is required along with calculations demonstrating how the estimate for the gross living area was determined,
  - A sketch of the unit that indicates the interior perimeter unit dimensions instead of exterior building dimensions for a condo located in a condominium project,
  - Original color photographs or digital color images of the front, street and rear view of the subject property,

    NOTE: Original digital black and white photographs/pictures are permitted if the appraisal clearly documents the subject property meets Homebridge guidelines.
  - Interior photos of the subject property that include all of the following:
    - Kitchen,
    - All Bathrooms,
    - The main living area,
    - Any area with physical deterioration, and
    - Any renovations/improvements.
  - Any other information necessary to provide an adequately supported estimate of the market value must be attached or an addendum to the report
  - An analysis of all agreements of sale, options or listing for the subject property, that are effective as of the date of the appraisal,
  - An analysis of all sales of the subject property that occurred within the 3 years prior to the effective date of the appraisal,
  - A completed Sales Comparison Approach section of the Fannie Mae 1004 Appraisal when any comparable sales used have more than one sale or transfer in the 12 months prior to the effective date of the appraisal,
  - Appraiser comments on any unfavorable conditions (e.g. adverse environmental or economic factors) and how those conditions impact the market value of the property. If such conditions exist the appraiser must include comparable sales that are similarly affected, and
  - A Certification and Statement of Limiting Conditions (Fannie Mae Form 1004B/Freddie Mac Form 439) signed by the appraiser.
- **Full Doc:** Fannie Mae Form 1007 Single-Family Comparable Rent Schedule or Fannie Mae Form 1025 Small Residential Income Property Appraisal Report, as applicable, required

Appraisals (cont.)	**Comparable Sales** • Comparable sales should be located within 1 mile of the subject property in urban/suburban areas. If 2 of the 3 comparable sales used by the appraiser are > 5 miles from the subject property the property will be considered rural. The appraiser must provide an explanation for using any comparable outside the subject property neighborhood • The comparable sales must represent the best market data available to support the property's estimated value and should be as similar to the subject property as possible. • Comparable sales for a new subdivision or condominium project require a minimum of 1 comparable sale from inside the new subdivision/ project and 1 comparable sale from outside the subdivision/project. • Comparable sales used must have a recent sales date, preferably within 6 months of the subject property's sale date. Any comparable sales > 6 months old require comment from the appraiser on market conditions. If necessary to use older comparable sales the appraiser must supplement them with pending sales and/or current listing in the subject property neighborhood • A minimum of 3 closed comparable sales required. The sources of the closed comparable sales used in the appraisal are subject to the following requirements (excluding rural areas and/or Maine, New Hampshire and Vermont; see **NOTE** below). - **At least two of the comparables must be from the Multiple Listing Service (MLS)**. The two comparable sales **must**: o Be located within the same town or municipality as the subject property, **and** o Be considered part of the same market area within that town or municipality as the subject property o **On an exception basis**, Homebridge will allow comparables from another town or municipality, however the appraiser must provide substantial commentary on the similarities of the two towns/municipalities and why they are considered comparable markets. The exception request must be approved by the Homebridge Appraisal Dept. - The remaining comparable(s) must be from one of the following entities: o Comps Inc., or o Property Navigator (NY only – formerly GeoData), or o PropertyShark (NY only), or o StreetEasy (NY only) - **If at least two comparable are not from the MLS, a Desk Review, completed by the Homebridge Appraisal Dept., will be required** **NOTE:** Comparables from a **public independent source are eligible** in rural areas **and/or** in Maine, New Hampshire, and Vermont where MLS is not common; the above policy does not apply • Comparable sales used for new construction properties are subject to the following: - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required. - If the comparable sales are not all obtained from the MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, billboard signs, website, etc.). - Additionally, the following applies: - One of the comparable sales must be outside the project the subject property is located in and be from on of the above options (public source Maine/New Hampshire/Vermont rural areas only). - Two of the comparable sales must be from sources other than the subject property builder. • The appraiser is always allowed to provide more than three comparable sales to support the property value

Appraisals (cont.)	• **Declining Markets**: A 5% LTV reduction is required if the LTV is > 65%; refer to the Declining Markets topic • **Agricultural:** Agricultural property and property zoned agricultural are **ineligible.** Additionally, income producing properties and hobby/horse farms **ineligible** • **Rural Properties:** Eligible; see Rural Properties topic for eligibility • 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 being used as a board and care home ineligible** • Properties in a FEMA Disaster Declaration area are subject to Homebridge standard Disaster Declaration policy
Appraisal Management Companies (AMC)	Appraisal must be ordered from one of the following Homebridge approved AMCs: • ACT Appraisal Management • AMC Settlement Services • Axis Management Solutions • Class Valuation • Fastapp Appraisal Management • Golden State AMC • Nationwide Appraisal Network (NAN) A Stewart Valuation Intelligence Company • Nationwide Property and 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

NOTE: The Assets topic **does not** apply to Asset Distributions or Asset Utilization; refer to the Asset Distribution or Asset Utilization topic, as applicable, for details

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 (see Cryptocurrency topic for eligibility details)	X	X	X	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 Funds 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	

General Asset Requirements

- One (1) month 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 30 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. **An LOE from the borrower and documentation of source of funds must be provided**. ICF and foreign national transactions, sourcing of large deposits is at Homebridge underwriter discretion.

  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.
- Funds from a non-borrowing spouse who will be or is a titleholder are eligible for funds to close (**not eligible** for reserves) on primary residence and second home transactions and are **not** considered a gift. Two months' asset statements required, and all other asset requirements detailed below must be met

Assets (cont.)

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 documented with a CPA, EA, CTEC, or PTIN tax preparer (PTIN tax preparer **must be employed by a 3rd party firm)** letter. Additionally, 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 (N/A ICF option):
    1. A CPA/EA/CTEC/PTIN 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

    ***NOTES**:
    - PTIN tax preparer **must be employed by a 3rd party firm** to be eligible, otherwise not allowed.
    - CTA designation **not** permitted
  - Any funds transferred into personal accounts prior to the application date are eligible without restriction.

    NOTE: Business assets **ineligible** to satisfy reserve requirements on the Asset Utilization option
- **Cryptocurrencies**: Eligible for down payment, closing costs, and reserves. Cryptocurrency must be liquidated and deposited into a U.S. bank/financial institution account. There is **no** seasoning requirement
- **Custodial Accounts:** Eligible if the borrower has complete access to the funds. 529 accounts **ineligible**
- **Foreign funds** eligible for down payment, closing costs and reserves subject to the following:
  - Documentation that provides proof the funds belonged to the borrower for a minimum of 90 days prior to the transfer, **and**
  - Funds must be transferred into a U.S. bank or deposit account, **and**

    Reminder: Deposits may be subject to exchange rate/country risk
  - Copy of the wire transfer required

    NOTE: On a case-by-case basis Homebridge will consider allowing foreign funds being used to **satisfy reserve requirements** to remain outside of the U.S. in a foreign financial institution subject to Homebridge management review and approval. Refer to Exhibit A Acceptable Bank/Financial Institutions for Foreign Credit and Assets for a list of eligible foreign institutions.
- **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 100% of the verified market value minus any outstanding margin loans. Liquation requirements are as follows:
  - If the funds are required for closing (e.g. down payment, closing costs) the liquidation of the funds and the ending balance of the account(s) must be documented
  - If the funds are being used to satisfy reserve requirements, liquidation is **not** required

Assets (cont.)

Asset Eligibility Requirements (cont.)

- **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 though 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.
- **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

  NOTE: Non-vested stock options are **not eligible**

(cont. on next page)

Assets (cont.)

Asset Eligibility Requirements (cont.)

- **Vested Retirement Funds: Eligible** subject to the following:
  - Verification of ownership and receipt of funds from liquidation of assets required when needed to complete the transaction. Any applicable withdrawal penalties must be deducted from the funds and documented.
  - Funds used for reserves **do not** require proof of liquidation however the terms of withdrawal from the employer's account must be documented
  - Any existing loans secured by a retirement asset must be deducted from the discounted value of the vested balance
  - **100%** of the value (minus any loan balances) may be considered to meet reserve requirements for borrowers of retirement age (≥ 59 ½ yrs of age). 80% of the value for borrowers < 59 ½ yrs of age)

    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

Assumptions

Not allowed

AUS

- Manual underwrite
- Compliance with Ability to Repay (ATR) requirements must be documented and included in the loan file along with the loan approval. Refer to the Ability to Repay topic for ATR requirements.

Available Markets

- Available in all 50 states; **not eligible** in U.S. territories including Guam, Puerto Rico, and the Virgin Islands
- **Maryland Transactions ONLY:**
  - **Second home and investment property transactions in the City of Baltimore are ineligible**
  - Second home and investment properties located in the County of Baltimore, but not within the city of Baltimore, are **eligible**
  - There are **no restrictions** on primary residence transactions in the City of Baltimore
- **Pennsylvania Transactions ONLY:**
  - **Second home and investment property transactions located in the County of Philadelphia are ineligible**
  - There are **no restrictions** on primary residence properties located in the County of Philadelphia
- **New York Transactions ONLY**:
  - Homebridge will run the NY subprime test and the loan must pass or the transaction **ineligible**
- **Investor Cash Flow ONLY:** Broker/MLOs who are currently **not** licensed in the subject property state may submit a loan under the ICF option, subject to Homebridge management review and approval, and the following:
  - Maximum 75% LTV
  - States **ineligible** for unlicensed Broker/MLO submissions are as follows:
    - AK, CA, IA, ID, NE, NV, ND, SD, VT
  - States **eligible** for unlicensed Broker/MLO submissions are subject to the following:

Eligible States Licensing Requirements

State/District	Licensing Requirements
AL, AR, CO, CT, DE, DC, FL, GA, HI, IL, IN, KS, KY, LA, ME, MD, MA, MS, MO, MT, NH, NJ, NM, NY, NC, OH, OK, PA, RI, SC, TN, TX, VA, WA, WV, WI, WY	• No license required in the state where the subject property is located, **however** • The Broker **OR** MLO must have a current license in at least one other state1-
AZ, MI, MN, OR, UT	**Broker** must be licensed in the state where the subject property is located. An **MLO** license is **not required**

  - **Credit exceptions will not be granted on transactions involving an unlicensed Broker/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**). See **FTHB Living Rent Free** topic for exception
  - **Payment Shock**
    - Maximum 300% payment shock

      NOTE: Refer to Payment Shock topic for complete details
  - **FTHBs and rent free borrowers ineligible on ICF option**
- **FTHB Living Rent Free**: Eligible, as applicable, subject to the following:
  - **Borrowers living rent free must be living with a family member/relative*,**
  - 1-4 unit primary residence transactions **ONLY;** FTHBs living rent free are **not eligible** on second home and investment property transactions
  - The rent free period is not required to be in the months immediately preceding or during the loan application process (except for the P&L option; refer to the P&L option ONLY topic for requirements)
  - A rent free letter, provided by the family member/relative*, **required**
  - Maximum 45% DTI
  - Required reserves must be borrower own funds
  - 10% minimum borrower own funds contribution required
  - Payment shock requirements **do not** apply to borrowers living rent free (excluding P&L Option, see **P&L Option ONLY** below for requirements)

    ***NOTE: Fannie** Mae family member/relative definition applies:
    - A relative, defined as borrower's spouse, child, or other dependent, or any other individual related to the borrower by blood marriage, adoption or legal guardianship **OR**
    - A non-relative that shares a familial relationship with the borrower defined as a domestic partner (or relative of the domestic partner), individual engaged to marry the borrower, former relative, or godparent
  - **P&L Option ONLY**
    - The rent free period must be in the months **immediately preceding or during** the loan application process.
    - The borrower must have a 12-month mortgage or rental payment history ending within the most recent six (6) months. Payment shock requirements apply. See Payment Shock topic in the P&L Only section for requirements
- **Non-Occupant Co-Borrower: Full Doc/Bank Statement/1099 Only/P&L Only**:

  Transactions involving a non-occupant co-borrower are eligible subject to the following:
  - 1-unit primary residence,
  - Purchase and rate/term transactions; cash-out **ineligible**
  - Maximum loan amount $1,500,000
  - Maximum 80% LTV
  - A 5% LTV reduction required
  - DTI subject to the following**:**
    - Occupant borrower maximum 75% DTI with blended maximum 40% DTI, **OR**
    - Occupant borrower maximum 60% DTI with blended maximum 50% DTI
  - A minimum 5% of the down payment must be the occupying borrower's own funds
  - The occupying borrower is responsible for 50% of the reserve funds requirement

(cont. on next page)

Borrowers – Eligible (cont.)	• **Non-Occupant Co-Borrower: Asset Utilization:** **All of the above requirements apply in addition to the below:** - The non-occupant co-borrower must be a relative (defined as a person who is related to the primary borrower by blood, law, or marriage) - The non-occupant co-borrower's debt service must be included in the debt service calculation when determining qualification • **Non-Occupant Co-Borrower Investor Cash Flow:** Not applicable • **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 a valid, current E-1 through E-3, EB-5, G-1 through G-5, H-1B, L-1, O-1, R-1, NATO, or TN-NAFTA visa* (these are the **only** eligible visa types) ***NOTE:** Borrowers holding one of the following EAD types are eligible **without a visa:** - C09, C10, C24, C31, C33 - The following are required to document the borrower is in the U.S. legally: o A copy of the borrower's valid, unexpired passport, **AND** o A copy of the borrower's valid unexpired visa (with photograph) **or** EAD, **OR** o 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 social security number (ITIN **ineligible**), **and** - Two (2) full uninterrupted years of residence, **and** - 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, **and** - A valid EAD must be obtained if the visa **is not** sponsored by the borrower's current employer o If the borrower's visa **or EAD** will expire within six (6) months of loan application a letter from the employer confirming the borrower's continued employment and/or continued visa renewal sponsorship must be obtained (**the employer on the loan application must be the same as on the unexpired visa**) - **Full Doc and Asset Utilization**: Two (2) years tax returns required for all borrowers whose income is being used for qualifying - **Bank Statement**: Non-permanent resident borrowers **must be qualified using 24 months bank statements ONLY; qualifying using 12 months bank statements is not allowed** • **Foreign Nationals**: Eligible; refer to the Foreign National topic for details • **Inter Vivos 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. Loans closing in the name of a revocable trust are eligible as follows: - 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 - 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** **NOTE: Any inconsistency in the social security number(s) reported require a signed, written explanation from the borrower**

Borrowers – Ineligible	• Guarantor, or co-signer • Borrowers with diplomatic immunity • 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
Borrower – Ownership Interest/ Title Vesting	Borrowers may hold title as follows: • **Fee Simple:** Vesting in the name of individual(s) **NOTE:** Title held as tenants in common requires the ownership percentage **be equal; 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) (cont. on next page)

Borrower – Ownership Interest/ Title Vesting

- **Limited Liability Corporation (LLC) and Corporations.** Title held in an **LLC or Corporation REQUIRES HOMEBRIDGE MANAGEMENT REVIEW AND APPROVAL.** LLC and Corporation eligibility requirements are as follows:
  - Eligible on investment properties **only**
  - The LLC/Corporation must be legal in the state where it was formed
  - A maximum of four (4) members are allowed and members must be beneficial owners of the property
  - Title may be held in the LLC/Corporation, however the loan application must be in the individual borrower's name(s)
  - At least one member of the LLC/Corporation is required to qualify for the loan and individually sign the Note
    - Debt will be reported on the borrower's credit report,
    - **ICF Transactions only**: The qualifying/representative credit score is the highest middle score of the largest shareholder when the loan **is not** guaranteed by all members of the LLC/Corporation. Refer to the Credit Report/Scores topic for complete details
  - Borrowers on the loan must combine to own 50% or more of the LLC/Corporation.
    - If all members of the LLC/Corporation are not borrowers on the loan, a 6 month lookback from the application date will be completed and any members whose ownership has been reduced below 50% during the lookback period must be added to the application

      NOTE: If the LLC/Corporation was formed less than 6 months ago, the lookback period will be measured from LLC/Corporation creation date to the application date
  - Copies of **all of the** following must be provided:
    - **Articles of Organization** (LLCs) **or Articles of Incorporation**, or equivalent, (Corporations), **and**
    - **Operating Agreement** (LLC **only** - must provide term of the LLC and the members authorized to encumber the LLC as guarantors). Organizational meeting minutes may be required if the Operating Agreement does not clearly identify the powers of the managing partners, **and**
    - **By-Laws**, including all amendments (Corporations **only**)
    - **Unanimous Consent & Resolution to Borrow,** which must include the lender's name, loan amount, and property address, **and**
    - **Form SS-4, Application for Employer Identification Number,** with Tax ID number listed, **and**
    - **Certificate of Good** Standing from the applicable Secretary of State's office (print out from secretary of state website **not** acceptable), dated within 60 days of the Note date
  - The Note must be signed by the borrowers in both their individual capacity and as a member and/or manager of the LLC/Corporation. **Non-borrowing members of the LLC/Corporation are not required to sign the Note.**
  - The mortgage/deed of trust/security instrument must be signed by the borrowers in both their individual capacity and as a member and/or manager of the LLC/Corporation**. Non-borrowing members of the LLC/Corporation are not required to sign the mortgage/deed of trust/security instrument.**

Note and Mortgage/Deed of Trust Signature Example:

_____
John Smith

_____
John Smith, as member of ABC, LLC/Corporation

REMINDER: Homebridge management review and approval REQUIRED for properties closing in the name of an LLC/Corporation

NOTE: Vesting in the name of a partnership <u>is not eligible</u>

Construction-to- Perm	Not eligible
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) • 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:** - **Full Doc, Bank Statement, 1099 Only, P&L Only, Asset Utilization Transactions:** - The representative credit score is the **lowest** middle score of all borrowers - **Investor Cash Flow Option**: - Title vested in an individual's name **or** an LLC/Corp with 100% owner-guaranteed: o The representative credit score is the **highest middle score** of all borrowers. - Title vested in an LLC/Corp with < 100% owner-guaranteed: o The representative credit score is the middle score of the largest shareholder. If shares among signing members are equal, use the highest middle score • Homebridge will accept a credit report, in the broker's name, from any Fannie Mae acceptable credit vendor **NOTE**: Homebridge will accept a credit report that includes both a FICO score and a VantageScore however Homebridge will continue **to use the FICO score** as the representative credit score for loan qualification • 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: Full Doc, Bank Statement, Asset Utilization, 1099 Only and P&L Only:** - 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. **NOTE: T**his requirement **does not** apply to the Investor Cash Flow option, however, if any credit inquiry appears on the credit report and the borrower has limited reserves, at underwriter discretion, an LOE from the borrower may be required ***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

Credit Report/Scores (cont.)	**Credit Re-Score** • Once a credit report is obtained, and it is still within its validity period, a credit re-score will only be permitted when the re-score is due to: - The removal of a disputed account, **or** - There was pay down or payoff of existing debt(s), **or** - New information is obtained to address and correct any item(s) that are erroneous **NOTE:** Transactions involving a re-score subject to Homebridge management review and approval • A re-score is **not allowed** when it is due to the following: - Addition of new debt (when used for purposes of potentially increasing the borrower's credit score), **or** - Disputing a derogatory account or any account that was not already in dispute at the time of the original credit report • The Homebridge Underwriter is responsible to review the credit report for any new accounts opened within 60 days of the credit report, to determine if a re-score may have occurred - The credit report is not valid if there is an open derogatory dispute. All derogatory disputes must be resolved, and an updated credit report obtained - If the original credit score expires and a new report is required, the new report **is not** considered a re-scored report **Fraud Alerts** All fraud alerts must be addressed and resolved prior to loan closing **Letter of Explanation**: Required as follows: • For all address, employment and/or name variation and/or inconsistencies. • Whenever the credit report indicates the borrower may not manage credit effectively (e.g. recently opened revolving accounts at or near account limit, and/or a delinquent payment history indicates the borrower may overly rely on credit) • For all credit inquiries within previous 120 days with an acceptable response (see above "Examples"). LOE **not required** on ICF option
Declining Markets	Properties identified by the appraiser on the appraisal as being in a declining market **AND** the LTV on the transaction is > 65% a 5% LTV reduction is required
Debt-to-Income (DTI) Ratios	• Maximum DTI 50%; **no exceptions**. DTI **not applicable** to Asset Utilization and ICF options (including Foreign National borrower transactions) **NOTE**: DTI cannot be rounded down to qualify **Alimony, Child Support, and Separate Maintenance** • 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.

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

Buy Now/Pay Later Accounts

- Buy Now, Pay Later accounts offer short-term financing that allows consumers to pay over time on purchases, often interest-free for a period of time
- Companies offering Buy Now, Pay Later include, but are not limited to:
  - Affirm,
  - Klarna,
  - Afterpay,
  - Sezzle,
  - Zip
- Additionally, many airlines, retail establishments, medical/dental providers offer Buy Now, Pay Later options.
- Buy Now, Pay Later accounts are subject to the following requirements:
  - If the debt is identified on any asset statement or is otherwise disclosed in the loan file but **not** on the credit report, the debt is treated the same as other debt. This includes:
    - Undisclosed debt
    - Deferred debt
    - Debt paid by others
    - Consideration of installment loans and revolving accounts to DTI
  - If the debt is **not excluded**, no additional documentation required and the debt is included in the DTI
  - If the debt is **excluded**, standard documentation is required to verify terms and conditions used to support the exclusion
  - A credit supplement is **not required** however it may be obtained to verify terms and conditions provided the creditor will provide the information

Court Ordered Assignment of Debt

Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations if the following is provided:

- Copy of the court order, divorce decree, settlement agreement to verify the debt is assigned to another party who is fully responsible for repayment of the debt is required

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

(cont. on next page)

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

- 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
- 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**

  NOTE: Texas 50(a)(6) loans, the funds must be disbursed **directly to the creditor** by the closing attorney/title company
- 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 Debt (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 (excluding HELOC; if HELOC use 1%). If no balance, no payment is included
- 30 day accounts require the account to be deducted from available liquid assets OR use 5% of the balance as a payment

Debt-to-Income (DTI) Ratios (cont.)	**Revolving Debt (Including HELOC)** cont. • 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** **NOTE: Texas** 50(a)(6) loans, the funds must be disbursed **directly to the creditor** by the closing attorney/title company • 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 **Student Loans** • 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 **Deferred/Balloon Payment** Debt payments scheduled to begin or come due withing 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
Deed / Resale Restrictions	Age-related and developer land-use or building code requirements only; all other types of deed restrictions ineligible
Derogatory Credit	**Collections/Charge-offs** • Collection/charge off accounts are generally required to be paid off prior to or at closing. Accounts may remain open as follows: - 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 **NOTE**: Medical collections may remain open regardless of the balance **Credit Counseling** Borrowers who have participated in credit counseling are eligible as long as the credit requirements in these guidelines are met **Disputed Accounts** • **Disputed Mortgage Accounts:** - Must be resolved prior to closing • **Disputed Installment Accounts:** - Aggregate of ≤ $5,000: May remain open with a letter of explanation - Aggregate of > $5,000: Must be resolved prior to closing **Judgements/Tax Liens** • Any liens (federal, mechanics, 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**

Derogatory Credit Events - Significant

Significant Derogatory Credit Events

- **Borrowers with multiple significant unrelated derogatory credit events are ineligible**
- 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.
- A four (4) year waiting period (excluding **Asset Utilization which requires a five (5) year waiting period**) is required after a significant derogatory credit event.
- Borrowers who have completed any of the below within four (4) years or five (5) years, as applicable, prior to the application date are **not eligible**
  - 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

    NOTE: An NOD **is not** considered a significant derogatory credit event if payments are current
  - Modification, regardless of seasoning the following applies:
    - A minimum 720 credit score required, and
    - The borrower cannot have had any additional credit event following the modification

Mortgage Tradelines in Forbearance

Borrowers who have had one or more mortgage trade lines in forbearance must meet **one** of the following requirements:

- If all payments 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

  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
- **ICF Option ONLY:** Mortgage tradeline in forbearance, the forbearance will be considered on a case-by-case basis subject to Homebridge management review and approval. The borrower is required to provide a detailed letter of explanation.
- Borrowers who cannot document a minimum of three (3) monthly on time payments made after the forbearance completion are **not eligible**

Non-Mortgage Tradelines in Forbearance

- Non-mortgage trade lines in forbearance may remain in forbearance
- The payment must be included in the borrower's DTI

Other Derogatory Credit

- 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

Reestablished Credit

Borrowers with **significant derogatory credit event(s) are required to have re-established credit**

- 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

Down Payment/ Earnest Money Deposit	• 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
Employment Verification	A Verbal Verification of Employment (VVOE) is required within 10 business days prior to the Note date for wage earners and within 120 calendar days prior to the Note date for self-employed borrowers. **NOTE:** A VVOE **is not** required on ICF and Asset Utilization transactions"
Escrow Holdbacks	Not eligible
Escrow/Impound Account	• **LTV > 80%:** Escrow/impound account required **NOTE:** N/A to CA properties due to CA law (escrow/impound account cannot be required unless ≥ 90% LTV) • **LTV < 80%:** Escrow/impound account recommended but **not required** • An escrow/impound account **is always required** on the following, **no exceptions:** - HPML transactions with a minimum escrow period of 5 years - Transaction requires flood insurance - Transactions involving foreign national borrowers
Foreign National Borrowers	A Foreign National borrower is a person who does **not** work or reside in the United States; the borrower works and resides in a foreign country. In addition to the ICF specific guidance, the following applies to Foreign National borrowers. **Any topic not addressed below or in the ICF topic, follow standard Elite Access guides** **General Requirements** • Eligible on the Investor Cash Flow option **only** with a minimum 1.00 DSCR • DTI not calculated • 1-4 unit investment property. Non-warrantable condos **ineligible** • Purchase, rate/term and cash-out refinance transactions eligible • FTHBs **ineligible** • Interest-only **ineligible** • Borrowers with diplomatic immunity are **ineligible** • Borrowers from OFAC sanctioned countries are **ineligible** • Borrowers with a prior forbearance **ineligible** • Minimum 12 months reserves required. If the borrower has other financed properties (other than the subject property), 2 months **additional** reserves required for **each** additional financed property • Gift funds **ineligible** • Business funds are eligible subject to standard requirements as stated in the Assets topic • Borrower must have a 12 month history of owning and managing rental properties • An escrow/impound account is required • Minimum credit score and maximum LTV requirements on the Foreign National matrix apply when the borrower(s) **has U.S. credit**. • If the borrower **does not have** a U.S. credit score, **maximum 65% LTV** • Borrowers who own their home free and clear must provide a CPA/EA/CTEC/PTIN Tax Preparer (PTIN **must be** employed by a 3rd party firm to be eligible) letter*, Free and Clear Property form, or other acceptable documentation confirming the property is owned free and clear ***NOTE**: CTA not eligible to provide letter • Any documentation provided from the borrower's home country, listing that country's currency, must be provided in its original language. A certified translation is required and is subject to Homebridge management review and approval • Borrower must agree to execute an Automated Clearing House (ACH) Agreement, tied to a U.S. bank account, to facilitate the electronic transfer of funds. See Additional Requirements Specific to Foreign Nationals topic for details

Foreign National Borrowers (cont.)

Borrower Eligibility

- The borrower must provide a copy of a current, valid foreign passport with a photograph as evidence they are present in the U.S. legally, **AND**
  - A current, valid visa with a photograph and signature except as noted under the **Visa Exception** topic below, **OR**
  - Form I-797, **Notice of Action**, with valid extension dates, **and** Form I-94, **Arrival/Departure Record**

  NOTE: A list of non-immigrant visa types is available on the U.S. Department of State website
- **Visa Exception:** A visa is **not** required for:
  - Canadian citizens
  - Borrowers who are citizens of a country listed on the U.S. State Department's Visa Waiver program page. The borrower must provide a current, valid passport, with a photograph.
    - A printout of the current participating countries, with the borrower's country of origin highlighted, must be included in the loan file
- If the foreign national borrower is a co-borrower with a U.S. citizen, the requirements in this topic apply.
- All borrowers must file an IRS Certificate of Foreign Status, (IRS form W-8BEN). A copy of the Certificate must be maintained in the loan file

Assets

- Funds required for down payment, and closing costs **must be transferred to a U.S. financial institution prior to closing and** sourced for the previous 90 days. Any foreign asset statements provided must be in both the original format (home country language and currency) and as a version translated to English. Refer to the Translation Requirements topic for complete details
- Foreign funds being used for asset qualification or to satisfy reserve requirements may remain outside of the U.S. in an approved foreign financial institution subject to Homebridge management review and approval. If not approved, the funds must be moved to an account in a financial institution located in the U.S. prior to closing and meet the requirements above. Refer to Exhibit A Acceptable Bank/Financial Institutions for Foreign Credit and Assets for a list of eligible foreign institutions.

Credit Requirements

- Foreign National borrowers are **not** required to have a social security number; if they **do not** have a social security number a credit report and credit score **are not required**.

  NOTE: Borrowers without a U.S. credit score maximum 65% LTV
- When the Foreign National borrower **does not** have a social security number, the following is required:
  - Two (2) credit reference letters from a financial institution from borrower's country of origin, written or translated into English. Refer to **Exhibit A Acceptable Bank/Financial Institutions for Foreign Credit and Assets** for a list of eligible institutions
  - The letters may include non-traditional credit sources (e.g. utility company, etc.)
  - The letters must reference the borrower's time as a customer and that the borrower is in good standing.
- If the Foreign National borrower **does** have a social security number, the following applies:
  - A U.S. **or** international credit report must be obtained, and the borrower's credit reviewed
  - The U.S. or international credit report must be reviewed to ensure the borrower meets trade line requirements; the borrower's credit history cannot be disregarded
  - The borrower's credit history (e.g. combination of credit report and supplemental credit references, if applicable) including payment history and any derogatory credit, must meet the applicable credit requirements; refer to the Derogatory Credit topic for requirements.
- Borrowers with U.S. mortgages/rental verifications require 0x30 in previous 12 months

Foreign National Borrowers (cont.)	**Liabilities** • Borrower must provide a schedule of real estate owned listing, as applicable, property type, property value, and as applicable, rental income, mortgage amount, mortgage payment, and taxes, insurance, and common charges. **All U.S. liabilities must be considered.** **NOTE:** Foreign liabilities, including carrying costs on foreign properties, are not required to be documented or included in the underwriting analysis. **Additional Requirements Specific to Foreign National Transactions** • A **World Compliance** search is required for **all** borrowers. The World Compliance search will be performed by Homebridge management. Any alerts must be addressed and cleared. If a borrower cannot get a clear World Compliance search the loan is **ineligible.** - Borrower cannot be on the U.S. Department of Treasury Sanctions list and **must have** a clear OFAC search - Borrowers from OFAC sanctioned countries are **ineligible** • A signed **Automated Clearing House** (ACH) **Agreement** is required on all Foreign National transactions. The ACH Agreement will be provided by Homebridge with the closing docs for borrower signature. The ACH agreement facilitates the transfer of electronic funds and must be tied to a U.S. bank account. The account must: - Be in the borrower's name (proof required) - The borrower must document that the account has, at minimum, funds to cover the first month's loan payment • **Translation Requirements:** All foreign documentation provided must be in its original form. The documentation must be translated to English by a certified translator. The translator's certification documentation is required and **is subject to Homebridge management review and approval**

Gift Funds	Gift funds eligible for down payment and closing costs **(gift funds are not eligible to satisfy reserve requirements).** **Gift Fund Eligibility** Gift funds eligible subject to the following: • 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** **NOTE: Co**-mingled accounts with parents/relative are **ineligible** to satisfy the 10% borrower own funds requirement • Gift funds may be provided by a relative defined as follows: - Any person related by blood, legal proceedings, marriage, or adoption and also includes a fiancé or domestic partner **NOTE:** Gifts from a business or trust are **not** an eligible source for gift funds • The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction. • 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: - 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: - 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, - Evidence of the electronic transfer of funds from the donor's account to the borrower's account or closing agent, or - The settlement statement showing receipt of the donor's check. • If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a wire transfer, certified/cashier's check or other official check required
Gift of Equity	Ineligible
High Cost	Not eligible

Higher Priced Mortgage Loan (HPML)	Standard HPML requirements apply. The below are an example, but not an exhaustive list of requirements: • 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**: - 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
Income – Unacceptable Sources: All Documentation Options	Income from unacceptable sources include, but are not limited to, the following: • Boarder or roommate income • Deferred compensation plans • Farm income from the subject property • Foreign income • 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 • 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
Inspections	Inspections only required when the purchase contract requires one, or the appraiser identifies a need for an inspection on the appraisal
Interest-Only	Interest-only eligible on all documentation options as follows: • Eligible on primary residence, second home, and investment properties **NOTE:** Second home and investment property **not** eligible on Asset Utilization • The IO period is for 10 years with a payment period amortized over 20 years • IO transactions subject to the following LTV requirements - Loan amount ≤ $2,000,000 maximum 80% LTV - Loan amounts > $2,000,000 to $2,500,000 maximum 75% LTV - Loan amounts > $2,500,000 maximum 70% LTV • **Full Doc, Bank Statement, 1099 Only, P&L Only, and Asset Utilization Interest-Only Loans:** - **Must be qualified using the full PITIA payment** • **ICF Interest-Only:** - **Minimum 1.00 DSCR required** - **Transaction with an LTV ≤ 75% DSCR calculated using the interest-only (ITIA) payment** - **Transactions with an LTV > 75% require the DSCR to be calculated using the full PITIA payment** • **Interest-only ineligible on transactions where the borrower is a Foreign National**

Interested Party Contributions

Interested Party Contributions

- Interested party contributions (IPC) include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.
- IPCs must be:
  - Disclosed on the sales contract
  - Documented in the loan file
  - Clearly identified on the Closing Settlement Statement, and
  - Paid to the appropriate vendor the Title/Escrow Company or Closing Attorney
- Interested party contributions are limited as follows:

Occupancy	LTV	Maximum Allowable Contribution
Primary Residence Second Home	≤ 75%	9%
	75.01% up to 90%	6%
Investment	All LTVs	6%

- Funds from an interested third party and paid to the vendor are acceptable when they are used to:
  - Pay related mortgage financing costs, closing costs, pre-paids and escrow costs, or
  - Permanently reduce the interest rate on the mortgage
  - The total of financing contributions may not exceed the **lesser of**:
    - The total of the closing costs and pre-paids, **or**
    - The LTV detailed in the chart above

LDP/GSA

LDP / GSA

All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System.

- Borrower(s) and Borrower(s) aka name(s) (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,
- Account Manager,
- Closing/Settlement Agent,
- Title/Settlement Company, and
- 203(k) Consultant
- Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.

Mortgage Insurance

Not required

Mortgage/Rental History	• 0x30 in previous 12 months mortgage/rental payment history in the aggregate for **all** mortgages and/or rental verifications **except as noted below**: - **Full Doc and Alt-Doc Transactions**: 1x30 in previous 12 months with max 80% LTV - **ICF Transactions:** - **Rent Free Borrowers:** Borrowers currently living rent free, but have a 12 month mortgage payment history on an investment property, the borrower's mortgage payment on their investment property may be used to satisfy the 12 month payment history requirement - 1x30 in previous 12 months with maximum 75% LTV - **Purchase Transactions**: Payment history requirements only apply to the borrower's primary residence - **Refinance Transactions**: Payment history requirements only apply to the borrower's primary residence **and** the subject property - **ICF transaction with a loan amount < $150,000, a payment history for <u>all properties</u> is required <u>regardless of transaction type</u>** **NOTE:** Refer to the Foreign Nationals topic for Foreign National housing history requirements • Housing lates in the previous 12 months that resulted in a significant derogatory credit event are acceptable subject to the significant derogatory credit event requirements for the applicable documentation option. • Mortgage/housing requirements apply to **all** borrowers on the loan **NOTE:** A borrower living rent-free in a marital home may be considered to have satisfied the housing payment history requirement if a 12 month institutional VOM on the marital home is provided. **Private party VOMs are not acceptable** • 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 • First time home buyers and first time home buyers living rent free, refer to the Borrowers – Eligible topic for requirements • If the mortgage/rental history is not listed on the credit report the following documentation is required: - **Rental History:** - **Professional Management Company**: A fully completed and signed verification of rent (VOR) - **Private Party**: o The most recent consective12 months (as applicable) cancelled checks (front and back) along with a copy of the lease required **NOTE**: IFC Transactions: Cancelled check requirement **does not** apply; only a copy of the lease required - **Mortgage History:** - **Institutional Lender**: A fully completed and signed verification of mortgage (VOM) - **Private Party:** The most recent consecutive 12 months' cancelled checks (front and back) **and** a copy of the Note **Property Owned Free and Clear** • Borrowers with a free and clear property must provide documentation that TIA payments on the property are current **Payment Shock – First Time Home Buyer** • Payment shock is limited to a maximum 300% (**does not** apply to P&L option – see below) **Payment Shock – P&L Only Option – <u>ALL Borrowers</u>** • **P&L Only option ONLY:** Maximum **300% payment shock applies to all borrowers** (FTHBs **AND non-FTHBs**). Refer to the Payment Shock topic for complete requirements
New York Transactions	• NY transactions must pass the NY Subprime test, as applicable • NY CEMA eligible for refinance transactions; Fannie Mae requirements apply. CEMA **not eligible** for purchase transactions - The most recent version of New York Consolidation, Extension, and Modification Agreement Fannie Mae/Freddie Mac Uniform Instrument (Form 3172) is required **NOTE**: Lost Note Affidavits are not allowed

Non-Arm's Length/ Identity of Interest Transactions	Not allowed with the exception of transactions involving **unrelated** tenant/landlord relationships
Occupancy	• 1-4 unit owner-occupied primary residence - Borrowers are required to occupy the subject property within 60 calendar days of closing • 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: - 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 **NOTES:** **1. Second home and investment property transactions are ineligible in the City of Baltimore, Maryland** **2. Second home and investment property transactions are ineligible in the County of Philadelphia, Pennsylvania**
Other Real Estate Owned Limitations	• **Primary Residence Transactions**: No limit on the number of properties owned • **Second Home and Investment Transactions**: Borrowers with > 20 **financed** properties, are **not eligible** for second home and investment transactions. The limitation is aggregate based on all borrowers and includes commercial properties • Homebridge limits its exposure to maximum of 4 loans collectively and/or a maximum of $10,000,000. **NOTE**: DSCR loans with < 1.00 DSCR Homebridge limits its exposure to a maximum of $2,000,000 • **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

Payment Shock

Non-First Time Home Buyers:

- **Full Doc, Bank Statement, 1099 Only, Investor Cash Flow, and Asset Qualifier:**
  - No payment shock limitations
- **P&L Only:**
  - Payment shock requirements apply to:
    - **All** primary residence transactions (purchase, rate/term, and cash-out), and
    - Second home and investment property refinance transactions (rate/term and cash-out)
  - Maximum payment shock 300%. An exception may be granted to the maximum payment shock requirement subject to Homebridge management review and approval. For an exception to be considered **one or more of the compensating factors below must be met**:
    - Borrower has 0x30x12 payment history on **all** mortgages **and** minimum 700 credit score

      NOTE: Properties owned free and clear and the lien was paid off in the 24 months preceding the application date, the payment history requirement has been met provided there were no lates during the period where the loan was rated, **OR**
    - Borrower has minimum 720 credit score **and** five (5) significant tradelines rated for a minimum of 24 months. Significant tradelines include:
      - Revolving account with a minimum credit line of $10,000
      - Auto loans or similar installment account (e.g. recreational vehicles, etc.)
      - Mortgage loan, **OR**
    - Borrower has an additional three (3) months' reserves. Cash-out proceeds are **ineligible** to satisfy the additional reserve requirements, **OR**
    - The borrower's P&L income is supported by two (2) months' most recent bank statements showing the business deposits

First Time Home Buyers

- **Full Doc, Bank Statement, 1099 Only, P&L Only, and Asset Qualifier:**
  - Payment shock requirements apply to primary residence purchase transactions
  - Maximum payment shock 300%. An exception may be granted to the maximum payment shock requirement subject to Homebridge management review and approval. For an exception to be considered **one or more of the compensating factors below must be met**:
    - Borrower has 0x30x12 payment history on **all** mortgages **and** minimum 700 credit score

      NOTE: Properties owned free and clear and the lien was paid off in the 24 months preceding the application date, the payment history requirement has been met provided there were no lates during the period where the loan was rated, **OR**
    - Borrower has minimum 720 credit score **and** five (5) significant tradelines rated for a minimum of 24 months. Significant tradelines include:
      - Revolving account with a minimum credit line of $10,000
      - Auto loans or similar installment account (e.g. recreational vehicles, etc.)
      - Mortgage loan, **OR**
    - Borrower has an additional three (3) months' reserves. Cash-out proceeds are **ineligible** to satisfy the additional reserve requirements, **OR**
    - **P&L Option Only:** The borrower's P&L income is supported by two (2) months' most recent bank statements showing the business deposits. Refer to the P&L Only section for complete P&L Only requirements

Calculating Payment Shock

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)

Points and Fees	• Points and fees must comply with all federal and state requirements. • The maximum points and fees, paid to the broker or Homebridge, is 5%. Maximum points and fees are calculated based **on the amount financed**
Power of Attorney	A power of attorney (POA) is eligible subject to the following: • A **specific** POA is eligible: - For closing documents **only; ineligible** for application and disclosures - On purchase and rate/term refinance transactions; **ineligible on cash-out transactions** • POA **ineligible** when title will be held in the name of a trust • The following persons, when connected to the transaction, are **ineligible** to act as the agent/attorney-in-fact under a power of attorney, unless allowed by applicable state law, **OR** they are the borrower's relative (as defined by Fannie Mae) or the borrower's fiancé, fiancée, or domestic partner: - The lender or broker, - Any affiliate of the lender or broker, - Any employee of the lender or broker - The loan originator, - The employer or any employee of the employer of the loan originator, - The title insurance company providing the title insurance policy or any affiliate of the title insurance company including, but not limited to, the title agency closing the loan, - Any employee of either the title insurance company or any affiliate of the title insurance company - Property seller, or any person related to the property seller, including a relative or affiliate, - Any real estate agent that has a financial interest in the transaction or any person affiliated with such real estate agent • In the event there is only one borrower on the loan, the person signing as the attorney-in-fact/agent using the POA must be either a relative or the borrower's attorney • Homebridge must review and approve the POA prior to loan closing • As a reminder, items not specifically addressed above, Fannie Mae policy will apply

Prepayment Penalty

A prepayment penalty is available on **all** documentation options for **investment property transactions only**. Prepayment available, on purchase and refinance transactions, but **not required**, in the following states:

- Alabama
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- Florida
- Georgia
- Hawaii
- Idaho
- Illinois*
- Indiana
- Iowa
- Kansas
- Kentucky
- Louisiana
- Maine
- Maryland
- Massachusetts
- Missouri
- Montana
- Nebraska
- Nevada
- New Hampshire
- New Jersey*
- New York
- North Carolina
- North Dakota
- Oklahoma
- Oregon
- Pennsylvania*
- South Carolina
- Nevada
- Rhode Island*
- South Dakota
- Tennessee
- Texas
- Utah
- Vermont
- Virginia
- Washington
- Washington D.C.
- Wisconsin
- Wyoming

*State Specific Limitations	
Illinois	Prepayment penalty only allowed when transaction closing in an LLC **or** corporation
New Jersey	Prepayment penalty only allowed when transaction closing in a corporation
Pennsylvania	Prepayment penalty only allowed on 1-2 unit properties **and** minimum loan amount of $319,777
Rhode Island	**Maximum 1-year** prepayment period for **both** purchase **and** refinance transactions **Purchase Transactions**: Prepayment penalty charge is 2% balance due **Refinance Transactions:** Prepayment penalty charged as detailed below

- If selected the following prepayment period options are available:
  - 1, 2, 3, 4, or 5 year

  NOTE: If a state is not listed, a prepayment penalty is **not available**
- **Investor Cash Flow Transactions:**
  - **DSCR < 1.00 AND LTV is > 70%: A minimum 1 year prepayment penalty is REQUIRED**
  - **If the state is not listed above a DSCR < 1.00 is NOT eligible and a minimum 1.00 DSCR REQUIRED**
- The prepayment penalty applies when:
  - 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

Products

- Fixed rate, **fully amortizing with** 30 year loan term: 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
- **Full Doc, Bank Statement, 1099 Only, P&L Only, and Asset Utilization Interest-Only Loans:**
  - **Interest-Only loans must be qualified using the full PITIA payment amortized over 20 years**

  Refer to the Interest-Only topic for complete IO requirements (LTV/loan amount requirements, etc.)
- **ICF Interest-Only Loans:**
  - **Minimum DSCR 1.00 required**
  - **Transaction with an LTV ≤ 75% DSCR calculated using the interest-only (ITIA) payment**
  - **Transactions with an LTV > 75% require the DSCR to be calculated using the full PITIA payment**

Properties – Eligible	• 1-4 unit primary residence • 1-unit second home • 1-4 unit investment property (investment **ineligible** on Asset Utilization option) • **Loan Applications Dated Prior To August 3, 2026:** Condominiums **Fannie Mae Warrantable** (attached/detached). The following review types are eligible: - **Full Review** completed by the Homebridge Condo Department, **or** - **Limited Review** completed by Homebridge. FNMA Limited Review restrictions apply, **or** - Fannie Mae **Project Eligibility Review Service (PERS)** approval. Project must have an **existing** unexpired PERS approval that is valid through the Note date. Homebridge does not obtain PERS approvals **NOTES:** 1. 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 **2. New, attached condo projects are subject to non-warrantable condo project requirements** • **Loan Applications Dated On or After August 3, 2026:** Condominiums **Fannie Mae Warrantable** (attached/detached). The following review types/approvals are eligible: - **Full Review** completed by the Homebridge Condo Department, **or** - Fannie Mae **Project Eligibility Review Service (PERS)** approval: Project must have an **existing** unexpired PERS approval that is valid through the Note date. Homebridge **does not** obtain PERS approvals **NOTES:** 1. 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 **2. New, attached condo projects are subject to non-warrantable condo project requirements** • Condominiums **Non-Warrantable**; refer to the Properties – Eligible: Non-Warrantable Condominiums topic for requirements. Non-warrantable condos are subject to the following LTV restrictions: - **Full Doc/Alt Doc Options**: Maximum 80% LTV - **ICF Option (Foreign Nationals ineligible):** Maximum 75% LTV • The following review types **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 • Properties with an accessory dwelling unit (ADU); refer to the Property With Accessory Dwelling Unit topic for details • **Rural Properties**: Eligible subject to the following: - Primary residence and second home only (investment properties ineligible) - Maximum 75% LTV/CLTV - Must be primarily for residential use - Property cannot be of agricultural use or provide a source of income. Agricultural zoned properties are ineligible (see Agricultural below) - Lot size and acreage must be typical for the area and similar to the surrounding properties - The appraisal must indicate the present use is the highest and best use for the property • **Acreage:** Maximum 15 acres; must be typical for the area and value/marketability is supported by appraisal comparables of similar acreage • **Agricultural:** Agricultural property and property zoned agricultural are **ineligible.** Additionally, income producing properties and hobby/horse farms **ineligible** • **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 (cont. on next page)

Properties – Eligible (cont.)	• 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: Florida Condominium Projects	**Florida condominium projects that are <u>3 or more stories high</u> are subject to the following requirements:** • If the condo building is 30 years or older, **<u>OR</u>** • The condo building is 25 years or older **AND** the building is within 3 miles of the coastline, **<u>THEN</u>:** - Evidence the building has completed the inspections required under Florida Senate Bill 4D (SB-4D), **<u>AND</u>** - Evidence the HOA has completed the required structural integrity reserve study, and the budget contains sufficient reserves. The HOA fee must be consistent with the budget **NOTES**: 1. If the project has **not** had the required inspections, it is **ineligible** 2. If an inspection was completed but revealed substantial structural deterioration and/or unsafe/dangerous conditions exist, evidence the required repairs have been completed **must be provided** or the project is **ineligible** **REMINDER:** This requirement **does not** apply if the condo building is only 1 or 2 stories high
Properties - Eligible: Non-Warrantable Condominiums	A condo project is considered non-warrantable when project features do not meet specific Fannie Mae requirements. Non-warrantable condo projects are eligible subject to the below **Overview** • **Full Review completed by Homebridge Condo Dept. required.** The project must meet FNMA requirements for safety, soundness, structural integrity, and habitability. • Maximum 80% LTV/CLTV for a non-warrantable condo **except** as noted below: - **ICF Option**: Max 75% LTV, **Foreign** National borrowers are **not eligible** for non-warrantable condos **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), and • All common areas must be 100% complete, and • A minimum of 50% of the units must be sold or under a bona-fide contract, and • FNMA presale requirements must be met: - A minimum of 50% of the total units in the project or the subject legal phase must have been conveyed or be under contract for sale as a principal residence or second home **Delinquent HOA Dues** No more than 25% 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 70% **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% (cont. on next page)

Properties - Eligible: Non-Warrantable Condominiums (cont.)	**Mandatory Memberships/Recreational Leases** Mandatory memberships (golf memberships, beach clubs, dining memberships) and recreational leases **are eligible**. Membership fees are subject to the following: • The fees must be included in the DTI • The fees cannot affect the marketability of the unit, and A minimum of 2 or more similar sales comps required **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 30% of the project **Master Policy Insurance** Fannie Mae condo project master insurance policy requirements apply **Safety, Soundness, Structural Integrity, and Habitability** The project must meet all Fannie Mae requirements regarding safety, soundness, structural integrity, and habitability
Properties – Ineligible	• 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 space is dedicated to non-residential/commercial space • Bed and Breakfast, board and care homes, group homes, mixed use properties or live work projects • Leasehold or 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) • Properties located in Lava Zone 1 and 2 • Manufactured and modular homes and 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 • Properties not available for year round occupancy • Properties not readily accessible by roads that meet local standards • Timeshares, houseboats, unique properties (e.g. log homes, dome homes, berm homes, geodesic, etc.) • Properties requiring hauled water and those lacking satisfactory utilities • Working farms, hobby farms, ranches, orchards, etc., and/or vacant land • Agriculturally zoned properties • Co-ops • Properties with a condition rating of C5 or C6 • Any property type ineligible with Fannie Mae • **Second home and investment properties located in the City of Baltimore, Maryland** • **Second home and investment properties located in the County of Philadelphia, Pennsylvania**

Property Flip	If the property is being resold by the seller within 365 days of its acquisition and the new purchase date (date purchase contract signed by both seller and buyer) **AND** the sales price has increased **more than 10%,** the transaction is considered a property flip. Property flips are subject to the following: • Transaction must be arm's length, with no identify of interest between any of the parties • No pattern of previous flipping activity within the prior 12 months (see below for ownership transfers not considered a property flip) • The property was marketed openly and fairly through an MLS, auction, documented FSBO, or developer marketing • If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be provided • If the flip transaction is an HPML, **HPML requirements must be met;** refer to the HPML topic for details The following are examples of types of re-sale transactions are **not** considered property flips: • Property being sold by a spouse who acquired the property through a divorce settlement • Property acquired by an employer though a relocation program • Property being sold by an administrator or executor of an estate • Property being sold by a government agency, 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 • Newly constructed properties
Property with an Accessory Unit(s)	Properties with an accessory unit(s) are eligible as follows: • 1-unit single family residence (SFR) properties with one ADU meeting FNMA requirements on **all** documentation options, **OR** • 1- unit single family residence (SFR) with two ADUs **OR** a 2-unit property with one ADU subject to the following requirements: - The appraiser confirms compliance with local regulations - The appraiser provides a minimum of two (2) comparable properties with the respective number of ADUs - **The value and/or income from only one unit may be used** **NOTE: SFRs** with 3 or more ADUs **and** 3-4 units with an ADU are **ineligible** • Refer to the **Rental Income - Accessory Unit** topic in the applicable documentation option for additional requirements
Property with an Addition without Permits	Unpermitted additions cannot be included in the overall square footage of the property **unless permits are obtained** and documentation provided that the addition is covered by acceptable property insurance

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

Refinance Transactions

All refinance transactions must provide a bona fide benefit to the borrower

Rate/Term Refinance

- Rate/term refinance transactions do not have a seasoning requirement
- **Properties Listed for Sale**:
  - Properties currently listed for sale are **ineligible.** If during the loan process it is determined the property is listed for sale the transaction is i**neligible**
  - The property must have been taken off the market and the listing cancelled **a minimum of one (1) month prior to the loan application date**.
    - 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)
  - **If the property was listed for sale in the previous <u>six (6) months</u>, the borrower must provide an acceptable letter stating their intent to retain the subject property**
- 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** 1% 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)
- **LTV/CLTV Determination:** Refer to the chart in the Appraisals topic for LTV determination requirements
- Principal curtailments must be the **lesser of** $10,000 or 1% of loan amount

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 required and the LTV is based on the appraised value

Refinance Transactions (cont.)	**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 1% of the new loan **or** $5,000 **OR** does not meet the rate/term refinance requirements stated under the Rate/Term Refinance topic • **Properties owned for < 6 months (measured from Deed date to Note date) require a 5% LTV reduction** • **Properties Listed for Sale**: - Properties currently listed for sale are **ineligible** - **Cash-out transactions that do not include a prepayment penalty**, the property must have been taken off the market and the listing cancelled **a minimum of 3 months prior to the loan application date**. - **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** • **Full Doc, Bank Statement, 1099 Only, P&L Only:** Cash-out subject to the following: - ≤ 65% LTV: Unlimited - > 65% LTV: Maximum $1,000,000 • **Investor Cash Flow:** Cash-out subject to: - **DSCR ≥ 1.00:** ≤ 65% LTV: Unlimited; > 65% LTV: Maximum cash-out $750,000 - **DSCR < 1.00**: ≤ 60% LTV: Unlimited; > 60% LTV: Maximum cash-out $500,000 • **Investor Cash Flow Foreign National**: Maximum $250,000 regardless of LTV • **Investor Cash Flow Investment Property Cash-Out Transactions With OR Without a Prepayment Penalty:** - **Cash-out proceeds may ONLY be used for business purposes** - **Cash-out proceeds cannot be used to pay off any consumer debt** • **Full Doc, Bank Statement, 1099 Only, P&L Only Investment Property Cash-Out Transactions With a Prepayment Penalty:** - **Cash-out proceeds may ONLY be used for business purposes** - **Cash-out proceeds cannot be used to pay off any consumer debt** **NOTE: Full/Alt-Doc** cash-out investment transactions **without** a prepayment penalty **are not** considered business purpose and cash-out proceeds **are not** restricted • 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 • **LTV/CLTV Determination:** Refer to the chart in the Appraisals topic for LTV determination requirements and for any additional valuation requirements that may be required • Refer to the Reserves topic for cash-out eligibility to satisfy reserve requirements • Properties owned free and clear are always considered a cash-out refinance. • **Cash-out ineligible on:** - Asset Utilization option, or - Full Doc loans using asset distribution as income
Rent Loss Insurance	Not required

Reserves

Reserve requirements for the subject property are determined by loan amount

Reserve Requirements	
Loan Amount	**Required Reserves***
Loan amount up to $1,500,000	6 months PITIA
$1,500,001 to $3,000,000	9 months PITIA
ICF Landlord History Waiver	Minimum 12 months PITIA
Foreign National Borrowers	Minimum 12 months PITIA **Additional** 2 months PITIA for **each** additional financed property

***NOTES**:

1. PITIA includes (as applicable): Principal and interest, real estate taxes, homeowner's insurance, ground rents, special assessments, HOA fees, payments for subordinate financing
2. **ICF Transactions ONLY**: When the Interest-only feature is used to calculate the DSCR, the applicable reserve requirement is based on the ITIA payment. **Reminder: > 75% LTV requires the borrower to be qualified using the full PITIA payment**

Reserves include the borrower's total cash and other assets that are easily and readily convertible to cash **minus**:

- The total funds required to close the mortgage,
- Gift funds, and
- Borrowed funds

Cash-Out Proceeds Eligibility to Satisfy Reserve Requirements

- **Full Doc, Bank Statement, 1099 Only, Asset Utilization, Investor Cash Flow, Foreign Nationals**: Cash-out proceeds are subject to the following:
  - **Eligible** for closing costs and for payoff/paydown of debt, and
  - **Eligible** to satisfy reserve requirements, regardless of LTV
- **P&L Only:**
  - Payment shock ≤ 300% **OR** payment shock > 300% and the compensating factor **IS NOT** additional reserves: Cash-out proceeds subject to the following:
    - **Eligible** for closing costs and for payoff/paydown of debt, and
    - **Eligible** to satisfy reserve requirements, regardless of LTV
  - Payment shock > 300% **AND** using additional reserves as a compensating factor: Cash-out proceeds subject to the following:
    - Cash-out **eligible** for closing costs and for the payoff/paydown of debt
    - Cash-out is **not eligible** to satisfy reserve requirements

Residual Income Requirements

All transactions require $1,500 minimum residual income, excluding ICF; N/A to ICF transactions

Seller Contributions

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

Subordinate Financing	Subordinate financing is eligible on Full Doc, Bank Statement, 1099 Only, P&L Only, and Asset Utilization options. Subordinate financing is **not eligible** on the ICF option Subordinate financing subject to the following • 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 **Ineligible Subordinate Financing** • 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 **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
Tax Deferred Exchange (1031 Exchange)	Eligible for investment property transactions subject to the following: • The exchanged property must be identified within 45 days of the sale of the initial property • All 1031 proceeds from the initial sale must be re-invested in the like-kind property within 180 days of the initial sale • All 1031 proceeds from the sale of the initial property must be controlled by a Qualified Intermediary, Accommodator, or Facilitator with supporting documentation - If exchange funds are being used for earnest money deposit the borrower/taxpayer must sign an Assignment of Purchase and Sale Agreement with the QI/Accommodator/Facilitator prior to the disbursement of funds **NOTE**: The QI/Accommodator/Facilitator cannot be the borrower/taxpayer, a related party or an agent of the borrower/taxpayer
Temporary Buydowns	Not allowed

Texas Section 50(a)(6) aka Texas Equity	Texas Section 50(a)(6) loans (Texas Equity) is a cash-out refinance transaction. A current Texas Equity loan may be refinanced as a rate/term refinance subject to specific requirements. Refer to the Texas Equity Being Refinanced as a Rate/Term Transaction topic for details. **Program Option and Product Eligibility** • Texas Equity loans are eligible on Full Doc, Bank Statement, Asset Utilization, 1099 Only, and P&L Only options; **not applicable to the Investor Cash Flow option** (ICF is investment properties only and TX Equity only applies to primary residence) • Fixed rate**; interest-only is not eligible** • Transactions must meet all applicable TX law **General Requirements** • Maximum 80% LTV/CLTV • The property is the borrower's primary residence and is classified as the borrower's homestead under Texas law. • The property is a 1-unit single family residence, PUD, condo • All borrowers must occupy the property; non-occupant co-borrowers are not allowed • All borrowers must be on title • Existing subordinate financing may be resubordinated excluding a HELOC or a reverse mortgage, **which must be paid off** • Interest-only is **ineligible** • Power of attorney is **ineligible** • Loan must close in the closing agent's office (title company/attorney's office); mobile notaries are not allowed • The borrower(s) must receive a copy of the final 1003 along with the CD for review a minimum of 24 hours prior to closing • Deed of Trust: Trustee must be completed on the Security Instrument (must be a Texas resident and is typically an attorney) • All married parties, regardless if on the loan or not, must sign the Deed of Trust and Notice of Right to Cancel (Texas is a community property state) • Fees are limited to a maximum of 2%. The following are **excluded** from the limitation: - Prepaid and bona fide discount points (requires Election to Pay Discount Points affidavit) - Escrow reserves - Insurance premiums, - Property taxes paid at closing, - Per diem interest, - Homeowner's insurance, - Title insurance premium and endorsement fees, - Survey costs, and - Third party appraisal fees (appraisal management fee is not excluded) • A survey is required and must document the following: - Lot size, **and** - The homestead property and any adjacent land are separate parcels, **and** - The homestead property is separately platted and subdivided lot with full ingress/egress, **and** - The homestead is a separate parcel meeting acreage requirements (see Property Requirements below), **and** - The property is served by municipal utilities, fire, and police protection (if urban) • A Texas Land Title Association (standard or short form) title policy including a T42 and T42.1 endorsement required. • Self-employed borrowers operating a business from the subject property require a T42.1 endorsement **without exception or deletion** (cont. on next page)

Texas Section 50(a)(6) aka Texas Equity (cont.)	• The title policy cannot include language that: - Excludes coverage for a title defect that arises because financed origination expenses are held not to be "reasonable costs necessary to refinance" or - Defines the "reasonable costs necessary to refinance" requirement as a "consumer credit protection" law since the standard title policy excludes coverage when lien validity is question due to a failure to comply with consumer credit protection laws **Property Requirements** • Property is the borrower's homestead • Property must be residential in nature; properties used for agricultural purposes are **not** allowed • Properties with an agricultural designation are eligible **with a 5% reduction to the LTV** • All separate structures must be included in the homestead exemption • Only the parcel designated as the homestead parcel may secure the loan and the market value for the LTV calculation can only be assessed on that parcel. • The homestead parcel, as identified on the county appraisal district records, must include ingress/egress to a properly identified public road. • **Urban Properties**: An urban property is defined follows: - Property **is** located within municipal boundaries, a municipalities extraterritorial jurisdiction, or a platted subdivision, **and** - Property is served by police and fire (fire may be paid or volunteer), **and** - Property has a minimum of **three (3)** of the following services provided by the municipality or under contract to a municipality: - Electric, - Natural gas - Sewer, - Storm Sewer, - Water - **Maximum 10 acres** • **Rural Properties**: A rural property is defined as follows: - Property is **not** located within municipal boundaries or a municipalities extraterritorial jurisdiction, **OR** - The property **is** located within one of those areas, but it is **not** served by police or fire protection provided by the municipality/under contract with a municipality, **and** - Property has less than three (3) of the following services are provided by a municipality (directly or indirectly): - Electric, - Natural gas - Sewer, - Storm Sewer, - Water - **Maximum 10 acres.** Properties that exceed 10 acres, up to the maximum of 20, must be common/customary for the area and be the highest and best use of the property **Non-Borrowing Spouse Requirements** A non-borrowing spouse will be required to sign all of the following documents (as applicable): • Notice Concerning Extension of Credit • Security Instrument (including any Riders) • Federal Truth-in-Lending Disclosure Statement • Right of Rescission Notice • Discount Point Disclosure • Acknowledgment of Fair Market Value • Premium Pricing Disclosure • Notice of Presentation of CD One Day Before Closing • Texas Home Equity Affidavit and Agreement • Owner's Affidavit of Compliance • Receipt of Copies of Documents • Certificate of Non-Cancellation of Loan

Texas Section 50(a)(6) aka Texas Equity (cont.)	**Waiting Periods** • The loan cannot close until the Notice Concerning Extensions of Credit (aka 12 Day Disclosure) has been signed and received by Homebridge for 12 calendar days. **All** property owners and spouses of property owners must sign • The loan cannot close until 24 hours after the borrower(s) have signed the final CD and the final 1003 • There is a 3-day right of rescission period • There is a 12 month seasoning requirement. The loan cannot close until a minimum of 12 months have passed after the closing of the previous loan **Texas Equity Being Refinanced as a Rate/Term Refinance** • A minimum of one (1) year has passed since the home equity loan closed • Maximum 80% LTV/CLTV • The borrower cannot receive any cash at loan closing • The borrower must sign the Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan within three (3) business days (business days includes Saturday) of loan application and a minimum of 12 calendar days prior to loan closing. A new application will be required if the Notice not signed within three (3) business days of application
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 **ineligible**. • **Limited Cash-Out Refinance (Rate/Term):** Refer to the Refinance Transactions section for detailed requirements • **Cash-Out Refinance:** Refer to the Refinance Transactions section for detailed requirements

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 • Energy Efficient Mortgages (EEM) • Blind trust, land trust • Transactions guarantors or co-signers • New York CEMA purchase transactions • Second home and investment property transactions located in the City of Baltimore • Second home and investment property transactions located in the County of Philadelphia • 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 • 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

EXHIBIT A
Acceptable Bank/Financial Institutions for Foreign Credit and Assets

- Agricultural Bank of China*
- Banco Bradesco
- Banco do Brasil
- Bank of America*
- Bank of China*
- Bank of Montreal
- Bank of New York Mellon*
- Barclays*
- BBVA*
- BNP Paribas*
- BTG Pactual
- Caixa Econômica Federal (CEF)
- Citigroup*
- Credit Suisse*
- Deutsche Bank*
- Goldman Sachs*
- Groupe BPCE
- Group Crédit Agricole
- HSBC*
- Industrial and Commercial Bank of China Limited
- ING Bank*
- Itau Unibanco
- JP Morgan Chase*
- Mitsubishi UFJ FG
- Mizuho FG
- Morgan Stanley*
- Nordea
- Royal Bank of Scotland
- Royal Bank of Canada (RBC Bank)
- Santander*
- Société Générale
- Standard Chartered*
- State Street*
- Sumitomo Mitsui FG
- TD Bank
- UBS*
- Unicredit Group
- XP Investimentos
- Wells Fargo*

* Denotes institutions with branches located in the United States

NOTE: Foreign bank/financial institutions not listed above may be considered on a case-by-case basis subject to Homebridge management review and approval