Elite Access (Non-QM)

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10/7/26

Program Overview

- Elite Access is a Non-QM program offering Full Doc, Alt Doc, which includes Bank Statement, Asset Utilization, 1099 Only, Investor Cash Flow, and P&L Only options and is designed for loans that are not eligible under Fannie Mae/Freddie Mac guidelines
- The Bank Statement option allows for 12 or 24 months business or personal bank statements. Multiple accounts are acceptable
- Investor Cash Flow (ICF) is available for investment properties only; the borrower is qualified on the debt service coverage ratio of the subject property. Foreign National borrowers are eligible using ICF option
- Asset Utilization qualifies borrowers on their liquid assets or assets that can be liquidated without restriction and is eligible for primary residence and second home purchase and rate/term refinance transactions
- 1099 Only is available for independent contractors receiving a 1099 at year-end or borrowers receiving commission income
- P&L Only is available for self-employed borrowers with a minimum of 2-years self-employment; allows for 12 months unaudited P&L

Program Overview (cont.)

- Purchase, rate/term, and cash-out available
- Eligible in all states
  - ✓ New York transactions must pass the NY Subprime test, if applicable
  - ✓ New York CEMA transactions **eligible** for refinance transactions; **ineligible** on purchase transactions
- 1-4 unit primary residence, 1-unit second home, and 1-4 unit investment properties eligible (ICF is available for investment property **only**)
- Maximum DTI: 50%, **no exceptions** (DTI N/A ICF including Foreign Nationals and Asset Utilization)
- Minimum loan amount $150,000 (ICF minimum $125,000)
- Minimum 660 FICO (ICF minimum 700)
- Maximum loan amount $3,000,000

Program Overview (cont.)

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- Cash-out transactions are subject to the following:
  - ✓ Cash-out limitations include the amount of cash-in-hand to the borrower **PLUS** the payoff of any non-mortgage debt **PLUS** any funds used to pay off unseasoned subordinate liens on the subject property

- Cash-Out (all options excluding Asset Utilization and Foreign Nationals):
  - ✓ **LTV ≤ 60%:** Unlimited cash-out
  - ✓ **LTV > 60%:** Maximum cash-out $1,000,000
- Cash-out Foreign Nationals: Maximum cash-out $250,000 regardless of LTV

  NOTE: Cash-out **not eligible** on Asset Utilization option

Program Overview (cont.)

- **Cash-Out Investor Cash Flow 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
- **Cash-Out Full Doc, Bank Statement, 1099 Only, P&L Only Investment Property 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**

Program Overview (cont.)

- Residual income required as follows:
  - ✓ All Options (excluding ICF): $1,500

    NOTE: Investor Cash Flow: Residual income **does not** apply
- **Rate/term transactions:**
  - ✓ Do not have a seasoning requirement
  - ✓ Properties currently listed for sale are ineligible
  - ✓ Properties that have been listed for sale must have had the listing cancelled a minimum of 1 month prior to loan application
  - ✓ Properties that have been listed for sale in the previous 6 months require a letter from the borrower stating their intent to retain the property

Program Overview (cont.)

- **Cash-out transactions**:
  - ✓ Properties owned for < 6 months (measured from Deed date to Note date) require a 5% LTV reduction
  - ✓ Properties currently listed for sale are ineligible
  - ✓ Properties that have been listed for sale that do not include a prepayment penalty must have had the listing cancelled a minimum of 3 months prior to the loan application date
  - ✓ Properties listed for sale in the previous 6 months require a letter from the borrower stating their intent to retain the subject property
- Properties located in a declining market, as identified by the appraiser, **AND** the LTV is > 65% a 5% LTV reduction is required

Program Overview (cont.)

- **Interest-only (IO) feature:**
  - ✓ Available on all documentation options with a 30 year loan term
  - ✓ 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, Asset Utilization:** IO eligible.
    - ➢ **Borrower is qualified using the <u>full PITIA</u> payment**
  - ✓ **ICF ONLY**:
    - ➢ Minimum 1.00 DSCR required, and
    - ➢ > 75% LTV requires DSCR to be calculated using the full PITIA payment.
  - ✓ Foreign national borrowers **ineligible** for interest-only feature

Program Overview (cont.)

- Available Markets: All 50 states and Washington D.C.
- State specific restrictions apply as noted below:
  - ✓ **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

Program Overview (cont.)

- ✓ **New York Transactions ONLY**:
  - ➢ Homebridge will run the NY subprime test and the loan must pass or the transaction is **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:
    - ❖ AK, CA, IA, ID, NE, NV, ND, SD, VT
  - ➢ States **eligible** for unlicensed Broker/MLO submissions subject to:

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 state
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

Program Overview (cont.)

- Borrower(s) required to sign Borrower Affidavit – Full Doc, Bank Statement, Investor Cash Flow, Asset Utilization, 1099 Only, P&L Only as applicable. Homebridge to complete and provide with loan docs

- Available Products:
  - ✓ Fixed rate with 30 year loan term; qualify at the Note rate
  - ✓ Fixed rate interest-only option available with 30 year loan term

LTV/CLTV/FICO/Loan Amount Matrices

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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]

FICO	Owner-Occupied LTV [2,3,4,5,6]	Second Home LTV [6]	Investment 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]

FICO	Owner-Occupied LTV [6]	Second Home LTV [6]	Investment 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]

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

$3,000,000 [1,2]

FICO	Owner-Occupied LTV [5,6]	Second Home LTV [5,6]	Investment 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]

FICO	Owner-Occupied LTV [6]	Second Home LTV [6]	Investment 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]

FICO	Owner-Occupied LTV [6]	Second Home LTV [6]	Investment 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]

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

$3,000,000 [1,2]

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

LTV/CLTV/FICO/Loan Amount Matrices

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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%

LTV/CLTV/FICO/Loan Amount Matrices

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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%

LTV/CLTV/FICO/Loan Amount Matrices

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INVESTOR CASH FLOW

1-4 Unit Investment Property

INVESTMENT PROPERTY
Minimum DSCR 1.00

$1,500,000 [1,2]

FICO	Purchase LTV [2,4,6,7,8]	Rate/Refi LTV [2,4,6,7,8]	Cash-Out [3] LTV [2,6,7,8]
740	80%	80%	75%
720	80%	80%	75%
700	80%	80%	75%

$2,000,000 [1]

FICO	Purchase LTV [6,7,8]	Rate/Refi LTV [6,7,8]	Cash-Out [3] LTV [6,7,8]
740	75%	75%	65%
720	75%	75%	65%
700	75%	75%	65%

$2,500,000 [1]

FICO	Purchase LTV [6, 8]	Rate/Refi LTV [6, 8]	Cash-Out [3] LTV [8]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%

$3,000,000 [1]

FICO	Purchase LTV [6, 8]	Rate/Refi LTV [6, 8]	Cash Out [3] LTV [8]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%

INVESTMENT PROPERTY
Minimum DSCR .80 [5,7]

$1,500,000 [1,5]

FICO [7]	Purchase LTV [6,7,8]	Rate/Refi LTV [6,7,8]	Cash-Out [3] LTV [6,8]
740	75%	75%	70%
720	75%	75%	70%
700	N/A	N/A	N/A

$2,000,000

FICO	Purchase LTV	Rate/Refi LTV	Cash-Out LTV
740	N/A	N/A	N/A
720	N/A	N/A	N/A
700	N/A	N/A	N/A

$2,500,000

FICO	Purchase LTV	Rate/Refi LTV	Cash-Out LTV
740	N/A	N/A	N/A
720	N/A	N/A	N/A
700	N/A	N/A	N/A

$3,000,000

FICO	Purchase LTV	Rate/Refi LTV	Cash-Out LTV
740	N/A	N/A	N/A
720	N/A	N/A	N/A
700	N/A	N/A	N/A

LTV/CLTV/FICO/Loan Amount Matrices

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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%

Eligibility of Documentation Providers

- Homebridge requires the individuals preparing P&Ls, expense ratio letters, etc. and/or who are validating self-employment businesses on the Full Doc, Bank Statement, and 1099 Only options, as applicable, to have one of the following designations:
  - ✓ Certified Public Accountant (CPA), or
  - ✓ Enrolled Agent (EA), or
  - ✓ California Tax Education Council (CTEC), or
  - ✓ A PTIN tax preparer that is employed by a 3rd party firm (ineligible if not employed by a 3rd party* (see below for exception)

NOTES:

1. PTIN tax preparer employed by a 3rd party firm is **NOT eligible on the P&L option.** The P&L option requires all documentation **be** provided by a CPA, EA, or CTEC
2. A CTA designation is **not** acceptable

Full Documentation Option

- **Borrower Eligibility**
  - ✓ Wage Earner/Salaried Borrowers
  - ✓ Self-Employed Borrowers
- **Income Documentation**
  - ✓ Wage Earner/Salaried Borrowers
    - ❖ Pay stub covering 30 calendar days with YTD earnings dated no earlier than 30 calendar days prior to initial loan application
    - ❖ Most recent 1 or 2 year's W-2s
  - ✓ 1 or 2 year's W-2s (W-2 transcripts eligible in lieu of W-2s if W-2s not available)
- **Self-Employed Borrowers**
  - ✓ One or two year's personal and/or business tax returns (as applicable) with all schedules (refer to guides for complete details and requirements)
  - ✓ Year-end or YTD P&L and balance sheet for businesses used for qualifying
  - ✓ Interim financials acceptable (see guides)

Full Documentation Option (cont.)

- ✓ **Salaried Borrowers with Bonus/OT Income**
  - ➢ A pay stub covering a minimum of 1 months' YTD earnings, **and**
  - ➢ W-2s for most recent 2 years, **and**
  - ➢ W-2 transcripts for most recent 2 years, **and**
  - ➢ Income is average based on 2-years receipt from **current** employer; it **cannot** be combined with bonus income received from previous employer

NOTE: 1-2 years history of receipt considered with additional favorable factors on a case-by-case basis subject to Homebridge management review/approval

Full Documentation Option (cont.)

- ✓ **Salaried Borrowers with Commission Income:**
  - ➢ Eligible for borrowers who receive > 25% of annual income from commission
  - ➢ A pay stub covering a minimum of 1 months' YTD earnings, **and**
  - ➢ W-2s for most recent 2 years, **and**
  - ➢ Tax returns for most recent 2 years **(transcripts not acceptable in lieu of tax returns)**

  NOTE: 1-2 years history of receipt considered on a case-by-case basis if documentation provided it is likely to continue

- **Other Income Types**: Refer to guidelines for eligibility
- **Asset Distribution:** Income from regular distributions from retirement and non-retirement accounts eligible. Refer to guides for complete requirements

Bank Statement Option: 12 or 24 Months

- Bank statement option is available for self-employed borrowers with 25% or more ownership interest in a business
- 12 or 24 months personal or business bank statements eligible and statements from multiple accounts acceptable; the same calculation method must be applied
- Two (2) year self-employment history is generally required
  - ✓ 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

Bank Statement Option: 12 or 24 Months (cont.)

- **Personal Bank Statements:**

  - ✓ Qualifying income is divided by 12 or 24 months (as applicable) to determine monthly income

  - ✓ Three (3) months most recent **business bank statements** required to verify income is coming from the borrower's business. Transfers from only one (1) business account are eligible for qualifying

  - ✓ If the borrower does not utilize separate business and personal accounts, the accounts are considered comingled **and will be treated as a business account** when determining qualifying income.

    NOTE: Qualifying income will be calculated using one of the methods eligible for business bank statements (see slides 24 - 26)

Bank Statement Option: 12 or 24 Months (cont.)

- **Business Bank Statements**
  - ✓ 12 or 24 month history requirement for a single business
  - ✓ Multiple businesses may be used to qualify provided each business is verified separately and the income is documented; the same calculation method must be applied
  - ✓ The borrower(s) combined must own 25% or more of the business to use business bank statements
  - ✓ There are three methods are available for documenting income; Uniform Expense Ratio, Profit & Loss and CPA Letter for Expense Ratio. Requirements are detailed on the following slides

Bank Statement Option: 12 or 24 Months (cont.)

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- **Business Bank Statements** (cont.)
  - **Method One**: **Uniform Expense Ratio:** The eligible deposits are multiplied by the expense ratio as 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 then divided by 12 or 24 months 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

Bank Statement Option: 12 or 24 Months (cont.)

- **Method Two**: **Profit and Loss Statement**
  - A P&L is 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 at least 75% of the gross receipts listed on the P&L the P&L may be used for qualifying the borrower using the pro-rata share of ownership

NOTE: The PTIN tax preparer **must be** employed by a 3rd party firm to be eligible

Bank Statement Option: 12 or 24 Months (cont.)

- **Method Three: CPA Letter for Expense Ratio**
  - A CPA/EA/CTEC/PTIN tax preparer is provided that indicates the business expense ratio based on the most recent year's tax return
  - The expense ratio is multiplied by the business' total deposits over 12 or 24 shown on the bank statements. That figure will be deducted from the total deposits. The net deposits are multiplied by the borrower's pro-rata ownership percentage and divide by 12 or 24 as applicable

NOTES:

1. The CPA/EA/CTEC/PTIN tax preparer letter **cannot** include any disclaimers as to the accuracy of the information
2. The PTIN tax preparer **must be** employed by a 3rd party firm to be eligible

Bank Statement Option: 12 or 24 Months (cont.)

- The following applies to both personal and business bank statement options:
  - ✓ **Non-Sufficient Funds** (NSF): Excessive NSFs require a written explanation from the borrower. The following applies:
    - ➢ **12 months bank statements:**
      - ❖ Maximum 3 NSF **instances*** in the past 12 months
      - ❖ 4 or more NSF **instances*** in past 12 months, loan is **ineligible**
    - ➢ **24 months bank statements:**
      - ❖ Maximum3 NSF **instances*** in the most recent 12 months, and
      - ❖ If > 3 NSF **instances*** in months 13 to 24 months, a detailed explanation from the borrower is required
  - ✓ **Income Trend:** Bank statements should show a stable or increasing trend. Declining and/or irregular trend will require a detailed LOE from the borrower.

*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"

Investor Cash Flow

- The Investor Cash Flow (ICF) option uses the rental income from the **subject property** to determine cash flow. **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)
- Income and employment are **not** verified and DTI is **not** calculated
- Loans using the ICF option are not subject to ability-to-repay or HPML requirements as they are considered business purpose loans
- Reserves required; refer to slide 69 for requirements
- Qualify on the debt service coverage ratio (DSCR) of the subject property
- Minimum DSCR determined by LTV/Loan Amount/FICO score and range from 1.00 to 0.80; refer to the ICF guidelines for complete details
- DSCR 0.80 to < 1.00 the following applies:
  - ✓ **Purchase and Rate/Term**: Minimum 720 FICO and maximum 75% LTV
  - ✓ **Cash-Out**: Minimum 720 FICO and maximum 70% LTV
- LTV > 70% prepayment penalty is required. If prepay not eligible in the property state, a minimum 1.00 DSCR required

Investor Cash Flow (cont.)

- First time home buyers (**all** borrowers are FTHB) **ineligible**
  - ✓ Transactions involving a FTHB and a non-FTHB considered on case-by-case basis with Homebridge management review and approval
- At least one borrower must have a documented 12 month history of owning and managing rental properties (**see exception on next slide**)
  - ✓ Ownership/management of commercial property, is acceptable to satisfy the 12 month history requirement if the borrower is a majority owner of the property
  - ✓ The 12 month management history is **not** required to have been in the most recent 3-year period

Investor Cash Flow (cont.)

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- 12-month history of owning and managing rental property may be waived subject to:
  - ✓ Borrower must currently own a primary residence or second home, **and**
  - ✓ Maximum 75% LTV, **and**
  - ✓ Minimum 12 months reserves**, and**
  - ✓ Minimum 1.00 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, **and**

- ✓ No mortgage forbearance with a missed payment in the most recent 12 months prior to the application date
- ✓ At underwriter discretion request a motivation letter or other documentation to establish the loan as a business purpose loan

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. Waiver **not available** for foreign national borrowers. 12 month history of owning/managing rental property **required**

Investor Cash Flow (cont.)

- Acceptable documentation of 12 month management history includes leases or CPA/EA/CTEC letter confirming management history
- Reserves not required on **other** financed property

Investor Cash Flow (cont.)

- The debt service coverage ratio (DSCR) is:
  - ✓ The *gross rent* **divided by** the qualifying **PITIA** payment on the subject property which **equals** the DSCR

    Calculation Example of DSCR using PITIA:

    - ➢ Gross Rent: $2,000
    - ➢ PITIA (subject): $1750
    - ➢ Calculation: $2,000 divided by $1750 = 1.143 DSCR

  - ✓ Calculating the DSCR on interest-only transactions:
    - ➢ Eligible if the LTV is ≤ 75%, minimum 700 FICO, maximum $2,000,000 loan amount
    - ➢ The gross rent **divided by** the qualifying **ITIA** payment on the subject property

Investor Cash Flow (cont.)

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- **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.

Investor Cash Flow (cont.)

- **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.

Investor Cash Flow (cont.)

- **Determination of Rents – Refinance Transactions** (cont.)
  - ✓ 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 in place and the lease includes an increase in the rent within 12 months from the Note date and that increase continues for 12 months, the higher rent may be used to calculate the DSCR

    NOTE: The increased rent **may not** exceed the appraiser's opinion of market rent for the unit(s)

Investor Cash Flow (cont.)

- **Short-Term Rental Income**
  - ✓ Not eligible
- **Accessory Unit Rental Income**
  - ✓ Eligible when the appraiser comments that the accessory unit is legal and may be legally rented and the following
  - ✓ **Purchase Transactions**: The appraiser's opinion of market rent is 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

NOTE: If the property is leased, documentation confirming receipt of rents within 60 days of the Note date is required

Foreign National Borrowers

- A foreign national borrower is a person who **does not** work **or** reside in the United States
- **General Requirements**
  - ✓ Eligible on Investor Cash Flow option **only**
  - ✓ Purchase, rate/term and cash-out secured by 1-4 unit investment properties
  - ✓ Minimum 12 months PITIA reserves required and 2 months additional reserves for each additional financed property
  - ✓ Minimum DSCR 1.00 required
  - ✓ Minimum credit score requirements on the Foreign National matrix apply when the borrower has **U.S. credit;** all U.S. liabilities are considered
  - ✓ Borrowers without a U.S. credit score, maximum 65% LTV
  - ✓ Foreign debt/liabilities are **not** considered
  - ✓ An escrow/impound account is required
  - ✓ Borrowers who own their home free and clear must provide acceptable documentation confirming the property owned free and clear (see guides for details)

Foreign National Borrowers (cont.)

- The following are **ineligible** for foreign national borrowers**:**
  - ✓ FTHBs
  - ✓ Borrowers with diplomatic immunity
  - ✓ Borrowers with a prior forbearance
  - ✓ Gift funds
  - ✓ Interest-only feature
  - ✓ Non-warrantable condos
- The borrower must have a current, valid foreign passport with a photo as evidence they are in the U.S. legally, **AND**:
  - ✓ A current, valid visa with a photo and signature except as noted under the Visa Exception 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. Borrowers eligible under the Visa Waiver program must provide the following:
    - ➢ A valid passport, and
    - ➢ The applicable paperwork related to the Visa Waiver program

Foreign National Borrowers (cont.)

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- Foreign national borrowers are **not** required to have a social security number
  - ✓ A credit report and credit score **not** required if the borrower **does not** have a SSN
  - ✓ When the borrower **does not** have a social security number the following applies:
    - ➢ Two credit reference letters from an acceptable financial institution from the borrower's country of origin, written or translated into English required (refer to Exhibit A in the guidelines for a list of acceptable foreign financial institutions)
    - ➢ The letters may include non-traditional credit sources (e.g. utility company)
    - ➢ The letters must reference the borrower's time as a customer and that the borrower is in good standing
  - ✓ If the borrower **does** have a SSN, a U.S. **or** international credit report must be obtained and the borrower's credit must be reviewed
    - ➢ The borrower's credit history must meet credit history requirements
- Borrowers with significant derogatory credit events in the most recent 4 years, measured from completion/discharge/dismissal date to application date, are **ineligible**, no exceptions

NOTE: Borrowers with **any** history of forbearance, regardless of seasoning, are **ineligible.** Refer to the Foreign National topic in the Access guides for complete credit requirements

Foreign National Borrowers (cont.)

- **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 guides for complete details)
  - ✓ 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 if the institution is listed on the **Acceptable Bank/Financial Institutions for Foreign Credit and Assets** for acceptable foreign institutions (see Exhibit A in guides)

Foreign National Borrowers (cont.)

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Documentation and Additional Requirements Specific to Foreign Nationals

- All borrowers must file an IRS Certificate of Foreign Status (IRS form W-8BEN) which must be maintained in the loan file
- 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 execute an Automated Clearing House (ACH) Agreement tied to a U.S. bank account, to facilitate the electronic transfer of funds
  - ✓ 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

NOTE: Homebridge will issue an ACH Agreement for borrower signature with loan docs

Foreign National Borrowers (cont.)

- A **World Compliance** search is required for all borrowers. The World Compliance search is performed by Homebridge management
  - ✓ Any alerts must be addressed and cleared. If a clear World Compliance search cannot be obtained the loan is **ineligible**
- The 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**
- 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 documents is required and is subject to Homebridge management review and approval

Asset Utilization

- The Asset Utilization option allows borrower to be qualified based on their liquid assets or assets that may be liquidated without restriction. ATR and HPML requirements apply
- Asset Utilization is available for purchase and rate/term transactions **only**; **cash-out ineligible**
- Maximum 80% LTV
- Minimum 660 credit score required
- Primary residence and second home **only**; ineligible on investment properties
- Significant derogatory credit event requires 5 years seasoning
- Total post-closing assets must cover the sum of:
  - ✓ 100% of the loan amount **plus** 60 months of total debt service (subject PITIA or rental properties PITIA not included) **plus** 60 months of net loss on rental properties **plus** required reserves
- Income and employment **not** verified and DTI not calculated; debt service is considered

Asset Utilization (cont.)

- Six months bank/asset statements for the most recent consecutive 6 months must be provided; seasoning of assets **not required**
- **Asset balances must be verified within 10 days of the Note date**
- Eligible assets include:
  - ✓ Cash and cash equivalents at 100% of face value
  - ✓ Marketable securities at 100% minus any outstanding margin loans, if applicable
  - ✓ Retirement accounts are eligible subject to the following:
    - ➢ 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)
    - ➢ Borrower must have the ability to access the funds
  - ✓ 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**
  - ✓ 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

Asset Utilization (cont.)

- Documentation of the liquidation of funds needed for down payment and closing costs, and the ending balance is required
- Ineligible assets include:
  - ✓ 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
  - ✓ Unseasoned foreign assets

Asset Utilization (cont.)

- Gift funds are eligible for down payment and closing costs on purchase transactions after 10% borrower own funds requirement met

  NOTE: Gift funds **ineligible** on foreign national borrowers

- Gift funds may **not** be used:
  - ✓ As an eligible asset to meet Asset Utilization requirements
  - ✓ To meet reserve requirements
- Gift of equity **not** allowed

1099 Only

- The 1099 Only option is available for borrowers who are an independent contractor and receive a 1099 at year-end **or** receive income from commission
- One or two years 1099s may be provided.
  - ✓ The 1099(s) must cover a complete calendar year
- 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
- 1099s issued to an entity, instead of the borrower, the borrower must have **100% ownership** in the entity, documented by a CPA/EA/CTEC/PTIN tax preparer employed by a 3rd party firm
- Income from a co-borrower who does not utilize 1099s is eligible to supplement the 1099 income

1099 Only (cont.)

- Other income sources eligible to supplement 1099 income (see guidelines for complete details) but the 1099 income must be the borrower's primary source of income (> 50%)

- Two (2) year's employment history must be verified by one of the following:
  - ✓ Written VOE, or
  - ✓ CPA/EA/CTEC letter, or
  - ✓ Documentation determined acceptable by Homebridge based on the borrower's circumstances

- YTD income must be documented within 120 calendar days of the Note date by one the following:
  - ✓ A paystub or check(s) showing YTD income, **OR**
  - ✓ Bank statements showing receipt of YTD income

1099 Only (cont.)

- Transcripts for the number of years of 1099s submitted required
- There are three (3) income calculation methods:
  - ✓ **Method One: Uniform Expense Ratio**
    - ➢ Eligible gross receipts are multiplied by 25%
  - ✓ **Method Two: Profit and Loss**
    - ➢ A CPA/EA/CTEC/PTIN tax preparer* prepared P&L covering the same time period as the 1099s required
    - ➢ If the gross income of the 1099s 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 2 years 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 PTIN tax preparer must be employed by 3rd party firm

1099 Only (cont.)

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- ✓ **Method Three: CPA Letter for Expense Ratio**
  - ➢ A CPA/EA/CTEC/PTIN tax preparer* prepared letter stating the borrower's expense ratio based on the borrower's most recent year's tax return. The letter **cannot** contain any exculpatory language
  - ➢ The expense ratio is multiplied by the gross income shown on the 1099(s) used for qualification. That figure is subtracted from the gross income listed on the 1099(s) and the resulting number is used to qualify, averaged over the number of months of income provided
  - ➢ If 2-years 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

NOTES:

1. For all income calculation methods, the income must be reasonable for the borrower's line of work
2. *The PTIN tax preparer must be employed by 3rd party firm

P&L Only

- P&L Only is available for self-employed borrowers with a minimum of 2-years self-employment
- Maximum 80% LTV
  - ✓ Credit score < 720 maximum 75% LTV
- The most recent 12-month unaudited P&L required
  - ✓ The P&L **end date** must be ≤ 90 calendar days prior to the Note date
- Borrower's tax returns/P&L must be prepared by a CPA/EA/CTEC; **self-employed borrowers who complete and file their own tax returns/P&Ls are not eligible**
- Borrower must have ≥ 50% ownership in the business

P&L Only (cont.)

- Borrower(s) ownership interest must be documented by one of the following:
  - ✓ Certified Public Accountant (CPA), **or**
  - ✓ IRS Enrolled Agent (EA), **or**
  - ✓ California Tax Education Council (CTEC), **or**
  - ✓ Operating Agreement

  NOTE: PTIN tax preparers are **NOT eligible** on the P&L Only option

- 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

- The net income is calculated from the P&L based on the borrower(s) percentage of ownership (e.g. if the borrower(s) have 65% ownership interest, the qualifying income is the net income calculated using the P&L(s) multiplied by 65%)

P&L Only (cont.)

- The borrower's most recent 12 month unaudited P&L must be provided and the **end date** must be ≤ 90 calendar days prior to the Note date
- P&L **must be prepared by an independent third party** (borrower prepared are **not allowed**). Additionally, the preparer of the P&L must have completed/filed the borrower's most recent business tax returns Acceptable individuals include:
  - ✓ Certified Public Accountant (CPA), or
  - ✓ Enrolled Agent (EA), or
  - ✓ California Tax Education Council, registered*

NOTES:

1. **P&L must be prepared by a CPA/EA/CTEC; PTIN tax preparers are not allowed**
2. *See next slide for specific requirements when P&L prepared by CTEC

- A copy of the CPA, 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
- The P&L must be signed by **both** the borrowers(s) with an ownership interest **AND** the preparer (non-owner borrowers are **not** required to sign)

P&L Only (cont.)

- **CTEC Prepared P&L ONLY** (the below **does not apply** to a CPA or EA prepared P&L)**: One** of the following will be required:
    1. The transaction must meet the following requirements:
        - ✓ Maximum 70% LTV, **and**
        - ✓ Minimum 720 FICO, **and**
        - ✓ Maximum 100% payment shock, **no exceptions**, **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

P&L Only (cont.)

- The CPA/EA/CTEC must confirm, in writing, **one** of the following:
  - ✓ They have reviewed working papers provided by the borrower and certify, based on this review, the P&L represents an accurate summary of the business cash flow and applicable cash expenses. The CPA/EA/CTEC 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 letter detailing the nature of the business, signed and dated by the borrower, is required
- Rental income is eligible; refer to guides for requirements

P&L Only (cont.)

- Reserves are required; refer to slide 69 for details
- A minimum $1500 residual income required
- Gift funds are eligible
- Gift of equity not allowed
- Maximum 300% payment shock
- **Non-first time home buyers**: Payment shock applies to:
  - ✓ **All** primary residence purchase and refinance transactions, and
  - ✓ Second home and investment refinance transactions

  NOTE: Exceptions considered with Homebridge management review and approval. Refer to guides for exception request requirements
- **First time home buyers:** Payment shock applies to:
  - ✓ Primary residence purchase transactions

  NOTE: Exceptions considered with Homebridge management review and approval. Refer to guides for exception request requirements

Eligible Borrowers

- Eligible borrowers on the Elite Access program include:
  - ✓ U.S. Citizens
  - ✓ First-time home buyers defined as a borrower who has not owned a property in the previous 3 years. FTHB requirements apply when **ALL** borrowers are FTHBs (see guides)
    - ➢ 1-4 unit primary residence transactions only; 2nd home/investment ineligible
    - ➢ A 12 month documented rental history of 0x30
    - ➢ 7 year seasoning applies to any derogatory credit
    - ➢ Borrowers living rent free* **OR** that cannot document a 12 month housing history are **ineligible**
      *see Exception for FTHB rent-free borrowers on next slide
    - ➢ Maximum 300% payment shock unless the DTI is ≤ 36% (see guides for payment shock calculation requirements) **excluding** P&L Only option
    - ➢ **P&L Only option:** Maximum 100% payment shock applies to both FTHBs **AND** non-FTHBs.

NOTE: FTHBs **ineligible** on ICF option

Eligible Borrowers (cont.)

- ✓ Exception to FTHBs living rent-free:
  - ➢ FTHBs currently living rent free are eligible subject to the following:
    - ❖ Exception eligible on Full Doc, Bank Statement, 1099 Only and P&L Only options; exception **not eligible** on ICF and Asset Qualifier
    - ❖ 1-4 unit primary residence **only**
    - ❖ Rent-free period not required to be in the months immediately preceding or during the loan application process (excluding P&L Only; see below)
    - ❖ The rent-free period must have been consecutive and not exceed 12 months
    - ❖ An acceptable written explanation for living rent-free
    - ❖ Maximum 45% DTI
    - ❖ Required reserves must be borrower own funds
    - ❖ 10% minimum borrower own funds contribution required
    - ❖ Payment shock requirements **do not** apply (excluding P&L Only; see below)
  - ➢ **P&L Option:** In addition to the above:
    - ❖ The rent-free period must be in the months immediately preceding the loan application or during the loan process, and
    - ❖ The borrower must have a 12-month mortgage or rental payment history ending within the most recent 6 months. P&L payment shock requirements apply

Eligible Borrowers (cont.)

- ✓ Permanent Resident Aliens (see guides for eligibility)
- ✓ Non-Permanent Resident Aliens (see guides for eligibility)
- ✓ Non-Occupant Co-Borrowers (N/A ICF option). **Specific restrictions apply**; refer to guidelines

- Title may be held:
  - ✓ Fee Simple
  - ✓ In the name of an Inter Vivos Revocable Trust (subject to FNMA requirements)
  - ✓ In the name of an LLC or Corporation subject to specific requirements and Homebridge management review and approval; refer to the Elite Access guidelines for complete requirements

Property Eligibility

- SFR and PUDs (attached/detached)
- 2-4 unit primary residence
- 1-4 unit investment property
- Condominiums FNMA/FHLMC warrantable (attached/detached)

  NOTE: New, attached condo projects are subject to non-warrantable condo project requirements
- Non-warrantable condominiums
  - ✓ Full/Alt Doc Options: Maximum 80% LTV
  - ✓ ICF Option (Foreign Nationals ineligible): Maximum 75% LTV
- Florida condominium projects are subject to specific requirements; refer to guides for complete details
- Properties with leased solar panels are eligible subject to meeting Fannie Mae guidelines

Property Eligibility (cont.)

- Acreage: Maximum 15 acres
- Agriculturally zoned properties, income producing, hobby/horse farms are **ineligible**
- Properties with an accessory dwelling unit(s) (ADUs) eligible as follows:
  - ✓ 1-unit SFR properties with one ADU meeting FNMA requirements eligible on **all** documentation options
  - ✓ 1-unit SFR with two ADUs **OR** a 2-unit property with one ADU eligible subject to the below:
    - ➢ The appraiser confirms compliance with local regulations
    - ➢ The appraiser provides a minimum of 2 comparable properties with the respective number of ADUs
    - ➢ The value and/or income from only 1-unit may be used
    - ➢ Eligible on **all** documentation options **<u>except</u> ICF; ineligible on ICF**

Property Eligibility (cont.)

- Rural properties eligible subject to the following:
  - ✓ Primary residence and second home only
  - ✓ Max 75% LTV/CLTV
  - ✓ Must be primarily for residential use
  - ✓ Property cannot be agricultural use or provide a source of income.
  - ✓ Lot size and acreage must be typical for the area and similar surrounding properties
  - ✓ The appraisal must indicate the present use is the highest and best use for the property

General Underwriting Requirements

- **Assets**: The borrower must have sufficient liquid assets available for down payment, closing costs, and reserves
  - ✓ Minimum of 2 months most recent bank/asset statements (all pages) or most recent quarterly statement
  - ✓ Additional months may be required at underwriter discretion
  - ✓ See Assets section of the guidelines for eligible asset types and requirements

- **Tradelines:**
  - ✓ 3 tradelines with a 12 month credit history, **OR**
  - ✓ 2 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 tradelines requirements

  - ✓ Tradelines must reflect an acceptable payment history
  - ✓ Tradelines for closed accounts are eligible to satisfy requirements as long as the payment is acceptable

General Underwriting Requirements (cont.)

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- **Mortgage/Rental History**: The following applies to all mortgages/rental payment history and to all borrowers:
  - ✓ 0x30 in the previous 12 months except as noted below:
    - ➢ **Full and Alt-Doc Options**: 1x30 in previous 12 months; maximum 80% LTV
    - ➢ **ICF Option**: 1x30 in previous 12 months; maximum 75% LTV
      - ❖ **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
      - ❖ **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 < $150,000 a payment history for <u>all properties</u> is required <u>regardless of transaction type</u>**

General Underwriting Requirements (cont.)

- **Property Owned Free and Clear:** Borrower must provide documentation that the TIA payments on the property are current

- **Other Real Estate Owned Limitations:**

  - ✓ **Primary Residence Transactions**:
    - ➢ No limit on the number of properties owned
  - ✓ **Second Home and Investment Transactions:**
    - ➢ Limited to a maximum 20 financed properties. Borrowers with > 20 financed properties **ineligible**. The limitation is aggregate based on all borrowers and **includes commercial properties**

- Homebridge limits its exposure to a maximum of 4 loans and/or a maximum of $10,000,000 (DSCR loans with < 1.00 DSCR maximum exposure $2,000,000)

General Underwriting Requirements (cont.)

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- Significant derogatory credit is defined as:
  - ✓ Foreclosure, pre-foreclosure, deed-in-lieu of foreclosure
  - ✓ Short sale, short payoff
  - ✓ Bankruptcy (7, 11, or 13) either dismissed or discharged and borrowers currently in bankruptcy proceedings)
  - ✓ Pre-foreclosure including Notice of Default or Lis Pendens where the borrower **is currently delinquent** (NOD is not considered a significant derogatory credit event if payments are current)
  - ✓ Forbearance (see next slide)
  - ✓ Modification, regardless of seasoning, the following applies
    - ➢ Minimum 720 credit score required, and
    - ➢ The borrower cannot have had any additional credit event following the modification

NOTE: Any derogatory credit not listed above that is on the borrower's credit report in the previous 12 months requires an LOE from the borrower

General Underwriting Requirements (cont.)

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- **All derogatory credit events must be completed prior to the application date and borrowers must meet reestablished credit requirements** (see guides)
- A 4-year waiting period is required for all significant derogatory credit measured from event completion/dismissal/discharge date to the application date **(Asset Utilization requires 5-year waiting period)**

  NOTE: Foreign National: Any history of forbearance, regardless of seasoning, the borrower is ineligible

- **Mortgage Tradeline(s) in Forbearance**:
  - ✓ If all payments made on time, with no missed payments during the forbearance period, and account(s) reinstated prior to application, no waiting period
  - ✓ If any missed payments on any account, the account(s) with missed payments must have been reinstated and 3 monthly on-time payments have been made after the forbearance period and prior to application date
  - ✓ If a minimum of 3 on-time payments cannot be documented the loan is ineligible
- **Non-Mortgage Account(s) in Forbearance:**
  - ✓ Borrowers with non-mortgage account(s) in forbearance, the account may remain in forbearance, however the payment must be included in the DTI calculation

General Underwriting Requirements (cont.)

- Secondary/subordinate financing is eligible up to the maximum CLTV allowed on the matrices (excluding ICF; **subordinate financing ineligible** on ICF)
  - ✓ Subordinate financing must be institutional; seller subordinate financing **not allowed**
- 1-Unit SFRs with a legal accessory unit are eligible subject to the ADU meeting FNMA requirements.
  - ✓ Rental income from the ADU may be used for qualifying (see guides for details)

Gift Funds

- Gift funds, from a relative (see guides for details), are eligible on all options for down payment and closing costs. Gift funds **cannot** be used to satisfy reserve requirements
  - ✓ **Gift Fund Requirements** (see guides for complete requirements)
    - ➢ Gift funds eligible on purchase transactions only
    - ➢ **Owner-Occupied Properties**: No minimum borrower contribution required; all funds may come from a gift
    - ➢ **Second Home & Investment Properties**: A minimum 10% borrower own funds required prior to gift fund eligibility
- Gift of equity **ineligible**

Reserves

- Reserve requirements apply to all documentation options

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 (cont.)

- **Cash-Out Proceeds for Reserves Eligibility**
  - ✓ **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

- Residual income requirement applies to all documentation options (**excluding** ICF):
  - ✓ All transactions require $1,500 minimum residual income
- **Investor Cash Flow**:
  - ✓ Residual income requirements do **not** apply

Appraisals

- Appraisal requirements are determined 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 four slides; **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

Appraisals (cont.)

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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: o **Purchase**: Lesser of sales price or AVM o **Rate/Term**: AVM value o **Cash-Out owned < 6 months**: Lesser of the purchase price + improvements or the AVM **AND** a 5% LTV reduction required o **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	

Appraisals (cont.)

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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.)

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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 o 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: o **Purchase**: Lesser of sales price or AVM o **Rate/Term**: AVM value o **Cash-Out owned < 6 months**: Lesser of the purchase price + improvements or the AVM **AND** a 5% LTV reduction required o **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

Appraisals (cont.)

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 and the value is the lower of the two appraised values

Refer to the Appraisals topic in the guidelines for complete appraisal requirements

Prepayment Penalty

- **All Documentation Options**: A prepayment option (prepay not required) is available on investment property transactions in the following states **only:**

- 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

Prepayment Penalty (cont.)

- If a state is not listed (see previous slide), a prepay is **not** available.
- **ICF Option:**
  - ✓ DSCR 0.80 to < 1.00 **AND** LTV is > 70%: A minimum 1-year prepayment penalty is **REQUIRED**
  - ✓ If the state is **not** listed, a DSCR < 1.00 is **NOT** eligible and a minimum 1.00 DSCR **REQUIRED**
- If the prepayment option is exercised, the following prepayment periods are eligible:
  - ✓ 1, 2, 3, 4, or 5 years
- The prepayment penalty applies when:
  - ✓ There is a full prepayment, **or**
  - ✓ Any payment within the preceding 12 months exceeds 20% of the original principal loan amount
- The prepayment charge will be 6 months of interest on the amount prepaid within a 12 month period that exceeds 20% of the original principal loan amount

Complete Requirements

Refer to the Elite Access (Non-QM) guidelines, posted on the Products and Guidelines page of the Homebridge Wholesale , website for complete details and requirements