FULL DOC [2,8]

(1-2 Year Paystub/W-2 or 1-2 Year Tax Returns)

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

PURCHASE [10] AND RATE/TERM REFINANCE

$1,000,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	90% [4,5,6,7,10]	85% [4,6,10]	80% [10]
720	90% [4,5,6,7,10]	85% [4,6,10]	80% [10]
700	90% [4,5,6,7,10]	85% [4,6,10]	80% [10]
680	85% [4,6,10]	80% [10]	80% [10]
660	85% [4,6,10]	80% [10]	80% [10]
640	75%	75%	75%
620	70%	70%	70%

$1,500,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	90% [4,5,6,7,10]	85% [4,6,10]	80% [10]
720	90% [4,5,6,7,10]	85% [4,6,10]	80% [10]
700	85% [4,6,10]	85% [4,6,10]	80% [10]
680	85% [4,6,10]	80% [10]	80% [10]
660	80%	80% [10]	75%
640	75%	75%	75%
620	70%	70%	70%

$2,000,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	90% [4,5,6,7,10]	80% [10]	80% [10]
720	90% [4,5,6,7,10]	80% [10]	80% [10]
700	85% [4,6,10]	80% [10]	80% [10]
680	80%	80% [10]	80% [10]
660	80%	75%	75%
640	70%	65%	65%

$2,500,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	85% [4,5,6,10]	80% [10]	80% [10]
720	85% [4,5,6,10]	80% [10]	80% [10]
700	80%	80% [10]	80% [10]
680	80%	80% [10]	75%
660	70%	70%	70%

$3,000,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%	80% [10]	80% [10]
720	80%	80% [10]	80% [10]
700	80%	75%	75%
680	75%	75%	75%

$3,500,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV
740	75%	60%	N/A
720	75%	60%	N/A
700	70%	N/A	N/A

CASH-OUT REFINANCE [6,11]

$1,000,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	80%	80%	75%
660	75%	75%	70%
640	70%	70%	65%
620	65%	65%	65%

$1,500,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	80%	80%	75%
660	75%	75%	70%
640	65%	65%	65%
620	65%	65%	65%

$2,000,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%	80%	80%
720	80%	80%	80%
700	80%	75%	75%
680	80%	75%	75%
660	70%	70%	70%
640	60%	55%	55%

$2,500,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%	80%	75%
720	80%	80%	75%
700	80%	80%	75%
680	75%	75%	75%
660	65%	65%	65%

$3,000,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	75%	75%	75%
720	75%	75%	75%
700	75%	75%	75%
680	75%	75%	75%

$3,500,000 [1,2,8]

	Owner Occupied [3]	Second Home	Investment
FICO [5]	LTV [9]	LTV	LTV
740	65%	N/A	N/A
720	65%	N/A	N/A
700	60%	N/A	N/A

Footnotes:

1. Minimum loan amount $125,000
2. Maximum DTI 50%, **no exceptions**
3. New York Loans **ONLY**: Loan amounts that fall within the conforming limit must pass the NY sub-prime test
4. Non-warrantable Condos**:** Max 80% LTV
5. Interest-only Transactions: Minimum 700 FICO **AND**:
   - **Maximum 85% LTV** with ≤ $2,000,000 loan amount; **Maximum 80% LTV** with > $2,000,000 loan amount

   NOTE: Refer to the Full Doc Products topic for qualifying requirements
6. Non-permanent resident borrowers maximum 80% LTV; purchase and rate/term refinance only; cash-out **ineligible**
7. 2-4 unit properties: Maximum 85% LTV
8. Temporary buydown available; refer to the Temporary Buydown topic for eligibility
9. Properties located in a declining market require a 5% LTV reduction when the LTV is > 65%
10. Gift funds eligible: **Primary residence** transactions require 5% borrower own funds with LTV > 80%; **2nd home** and **investment** transactions require 5% borrower own funds when LTV > 75% LTV
11. **Cash-out**: **LTV ≤ 65%:** Unlimited cash-out; **LTV > 65%**: Maximum cash-out $1,000,000
    NOTE: Borrowers using Asset Distributions **are not eligible for cash-out**

Refer to the Cash-Out Transactions topic for complete requirements

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Bank Statement

(12 and 24 Months)

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

PURCHASE [9] AND RATE/TERM REFINANCE

$1,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV [11]
740	90%[5,6,7,8,9]	85%[5,7,9]	80%[9]
720	90%[5,6,7,8,9]	85%[5,7,9]	80%[9]
700	90%[5,6,7,8,9]	85%[5,7,9]	80%[9]
680	85%[5,7,9]	80%[9]	80%[9]
660	85%[5,7,9]	80%[9]	80%[9]
640	75%	75%	75%
620	70%	70%	70%

$1,500,000 [1.2.4,10]

	Owner Occupied	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV [11]
740	90%[5,6,7,8,9]	85%[5,7,9]	80%[9]
720	90%[5,67,8,9]	85%[5,7,9]	80%[9]
700	85%[5,7,9]	85%[5,7,9]	80%[9]
680	85%[5,7,9]	80%[9]	80%[9]
660	80%	80%[9]	75%
640	75%	75%	75%
620	70%	70%	70%

$2,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV [11]
740	90%[5,6,7,8,9]	80%[9]	80%[9]
720	90%[5,6,7,8,9]	80%[9]	80%[9]
700	85%[5,7,9]	80%[9]	80%[9]
680	80%	80%[9]	80%[9]
660	80%	75%	75%
640	70%	65%	65%

$2,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV [11]
740	85%[5,6,7,9]	80%[9]	80%[9]
720	85%[5,6,7,9]	80%[9]	80%[9]
700	80%	80%[9]	80%[9]
680	80%	80%	75%
660	70%	70%	70%

$3,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV [11]
740	80%	80%[9]	80%[9]
720	80%	80%[9]	80%[9]
700	80%	75%	75%
680	75%	75%	75%

$3,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV
740	75%	60%	N/A
720	75%	60%	N/A
700	70%	N/A	N/A

CASH-OUT REFINANCE [3,7]

$1,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV [11]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	80%	80%	75%
660	75%	75%	70%
640	70%	70%	65%
620	65%	65%	65%

$1,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV [11]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	80%	80%	75%
660	75%	75%	70%
640	65%	65%	65%
620	65%	65%	65%

$2,000,000 [1,2,4,10]

	Owner Occupied [4]	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV [11]
740	80%	80%	80%
720	80%	80%	80%
700	80%	75%	75%
680	80%	75%	75%
660	70%	70%	70%
640	60%	55%	55%

$2,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV [11]
740	80%	80%	75%
720	80%	80%	75%
700	80%	80%	75%
680	75%	75%	75%
660	65%	65%	65%

$3,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO [6]	LTV [11]	LTV [11]	LTV [11]
740	75%	75%	75%
720	75%	75%	75%
700	75%	75%	75%
680	75%	75%	75%

$3,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO	LTV [11]	LTV	LTV
740	65%	N/A	N/A
720	65%	N/A	N/A
700	60%	N/A	N/A

Footnotes:

1. Minimum loan amount $125,000
2. Maximum DTI 50%, **no exceptions**
3. Cash-out:
   - **LTV ≤ 65%:** Unlimited cash-out; LTV **> 65%:** Maximum cash-out $1,000,000
     Refer to the Cash-Out Transactions topic for complete requirements
4. New York Transactions **ONLY**: Loan amounts within the conforming limit must pass the NY sub-prime test
5. Non-warrantable Condos**:** Maximum 80% LTV
6. Interest-only Transactions: Minimum 700 FICO **AND**:
   - Maximum 85% LTV with ≤ $2,000,000 loan amount
   - Maximum 80% LTV with > $2,000,000 loan amount

   NOTE: Refer to the Bank Statement Products topic for qualifying requirements
7. **Non-permanent resident borrowers**: Maximum 80% LTV; purchase & rate/term only; **cash-out ineligible**
8. **2-4 units**: Maximum 85% LTV
9. Gift funds eligible: **Primary residence** transactions require 5% borrower own funds with LTV > 80%; **2nd home** and **investment** transactions require 5% borrower own funds when LTV > 75% LTV
10. Temporary buydown available; refer to the Temporary Buydown topic for complete eligibility
11. Properties located in a declining market require a 5% LTV reduction when the LTV is > 65%

1099 ONLY

(1 and 2 year)

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

PURCHASE [9] AND RATE/TERM REFINANCE

$1,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO[6]	LTV [11]	LTV [11]	LTV [11]
740	90% [5,6,7,8,9]	85%[5,7,9]	80%[5,9]
720	90% [5,6,7,8,9]	85%[5,7,9]	80%[5,9]
700	90% [5,6,7,8,9]	85%[5,7,9]	80%[5,9]
680	85% [5,6,7,9]	80%[9]	80% [9]
660	80%	80%	80%
640	75%	75%	75%
620[12]	70%	70%	70%

$1,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO[6]	LTV [11]	LTV [11]	LTV [11]
740	85% [5,6,7,8,9]	85%[5,7,9]	80%[9]
720	85% [5,6,7,8,9]	85%[5,7,9]	80%[9]
700	85% [5,6,7,9]	85%[5,7,9]	80%[9]
680	85% [5,6,7,9]	80%[9]	80%[9]
660	80%	80%[9]	75%
640	75%	75%	75%
620[12]	70%	70%	70%

$2,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO[6]	LTV [11]	LTV [11]	LTV [11]
740	85%[5,7,9]	80%[9]	80% [9]
720	85%[5,7,9]	80%[9]	80% [9]
700	85%[5,7,9]	80%[9]	80% [9]
680	80%	80%[9]	80% [9]
660	75%	70%	70%
640	70%	65%	65%

$2,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO[6]	LTV [11]	LTV [11]	LTV [11]
740	85% [5,6,9]	80%[9]	80%[9]
720	85%[5,6,9]	80 [9]	80%[9]
700	80%	80%[9]	80%[9]
680	80%	75%	75%
660	70%	70%	65%

$3,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO[6]	LTV [11]	LTV [11]	LTV [11]
740	80%	80%[9]	80%[9]
720	80%	80%[9]	80%[9]
700	75%	75%	75%
680	75%	75%	75%

$3,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO	LTV [11]	LTV [11]	LTV
740	75%	60%	N/A
720	75%	60%	N/A
700	70%	N/A	N/A

CASH-OUT REFINANCE [3,7]

$1,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO[6]	LTV [11]	LTV [11]	LTV [11]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	75%	75%	75%
660	75%	75%	70%
640	70%	65%	65%
620 [12]	65%	65%	65%

$1,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO[6]	LTV [11]	LTV [11]	LTV [11]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	80%
680	75%	75%	75%
660	75%	75%	70%
640	65%	65%	65%
620[12]	65%	65%	65%

$2,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO[6]	LTV [11]	LTV [11]	LTV [11]
740	80%	80%	80%
720	80%	80%	80%
700	80%	80%	75%
680	75%	75%	75%
660	70%	70%	70%
640	60%	55%	55%

$2,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO[6]	LTV [11]	LTV [11]	LTV [11]
740	80%	80%	75%
720	80%	80%	75%
700	80%	80%	75%
680	75%	75%	75%
660	65%	65%	65%

$3,000,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO[6]	LTV [11]	LTV [11]	LTV [11]
740	75%	75%	75%
720	75%	75%	75%
700	75%	75%	75%
680	75%	75%	75%

$3,500,000 [1,2,4,10]

	Owner Occupied	Second Home	Investment
FICO	LTV [11]	LTV	LTV
740	65%	N/A	N/A
720	65%	N/A	N/A
700	60%	N/A	N/A

Footnotes:

1. Minimum loan amount $125,000
2. Maximum DTI 50%, **no exceptions**
3. Cash-out:
   - **LTV ≤ 65%:** Unlimited cash-out; **LTV > 65%:** Maximum cash-out $1,000,000
     Refer to the Cash-Out Transactions topic for complete requirements
4. New York Transactions **ONLY**: Loan amounts within the conforming limit must pass the NY sub-prime test
5. Non-warrantable Condos**:** Maximum 80% LTV
6. Interest-only Transactions: Minimum 700 credit score and:
   - Loan amount ≤ $2,000,000: Maximum 85% LTV
   - Loan amount > $2,000,000: Maximum 80% LTV

   Refer to the 1099 Only Products topic for qualifying requirements
7. **Non-permanent resident borrowers**: Max 80% LTV; purchase & rate/term only; **cash-out ineligible**
8. **2-4 units**: Maximum 85% LTV
9. Gift funds eligible. Primary residence transactions require 5% borrower own funds when LTV > 80%; **2nd home** and **investment** transactions require 5% borrower own funds when LTV >75% LTV
10. Temporary buydown available; refer to the Temporary Buydown topic for complete eligibility
11. Properties located in a declining market require a 5% LTV reduction when the LTV is > 65%

Profit and Loss Only

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

PURCHASE AND RATE/TERM REFINANCE

$1,000,000 [1,2,4,8]

	Owner Occupied	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%	80% [7]	80%[7]
720	80%	80%[7]	80%[7]
700	80%	80%[7]	80%[7]
680	80%	80%[7]	80%[7]
660	80%	75%	75%

$1,500,000 [1,2,4,8]

	Owner Occupied	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%	80%[7]	80%[7]
720	80%	80%[7]	80%[7]
700	80%	80%[7]	80%[7]
680	80%	80%[7]	80%[7]
660	75%	75%	75%

$2,000,000 [1,2,4,8]

	Owner Occupied	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%	80%[7]	80%[7]
720	80%	80%[7]	80%[7]
700	80%	80%[7]	80%[7]
680	75%	75%	75%
660	75%	70%	70%

$2,500,000 [1,2,4,8]

	Owner Occupied	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%	75%	75%
720	80%	75%	75%
700	75%	75%	75%
680	75%	70%	70%

$3,000,000 [1,2,4,9]

	Owner Occupied	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	75%	70%	70%
720	75%	70%	70%
700	75%	70%	70%
680	70%	70%	65%

CASH-OUT REFINANCE [3,6]

$1,000,000 [1,2,4,8]

	Owner Occupied	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%[7]	75%[7]	75%[7]
720	80%[7]	75%[7]	75%
700	75%	75%	75%
680	75%	75%	75%
660	75%	70%	70%

$1,500,000 [1,2,4,8]

	Owner Occupied	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	80%[7]	75%[7]	75%[7]
720	80%[7]	75%[7]	75%
700	75%[7]	75%	75%
680	75%	75%	75%
660	70%	70%	70%

$2,000,000 [1,2,4,8]

	Owner Occupied	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	75%	75%	70%
720	75%	75%	70%
700	75%	70%	70%
680	70%	70%	65%
660	65%	65%	60%

$2,500,000 [1,2,4,8]

	Owner Occupied	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	75%	75%	70%
720	75%	75%	70%
700	70%	65%	65%
680	65%	65%	60%

$3,000,000 [1,2,4,8]

	Owner Occupied	Second Home	Investment
FICO [5]	LTV [9]	LTV [9]	LTV [9]
740	70%	65%	60%
720	70%	65%	60%
700	65%	65%	60%
680	65%	65%	60%

Footnotes:

1. Minimum loan amount $125,000
2. Maximum DTI 50%, **no exceptions**
3. **Cash-Out:**
   - **LTV ≤ 65%:** Unlimited cash-out
   - **LTV > 65%:** Maximum cash-out $1,000,000

   Refer to the Cash-Out Transactions topic for complete requirements
4. New York Transactions **ONLY**: Loan amounts within the conforming limit must pass the NY sub-prime test
5. **Interest-Only Transactions:** Minimum 700 FICO. **Refer to the P&L Only Products topic for qualifying requirements.**
6. **Non-permanent resident borrowers**: Purchase & rate/term only; **ineligible for cash-out**
7. Gift funds eligible. 2nd home and investment transactions require 5% borrower own funds when LTV > 75%
8. Temporary buydown available; refer to the Temporary Buydown topic for complete eligibility
9. Properties located in a declining market require a 5% LTV reduction when the LTV is > 65%

Asset Qualifier 1-4 Unit Primary Residence and 1-Unit Second Home			
PURCHASE AND RATE/TERM REFINANCE [6]			
$1,000,000 [1,2,3,4]			
	Owner Occupied	Second Home	Investment
FICO	LTV [5]	LTV [5]	LTV
740	80%	80%	N/A
720	80%	80%	N/A
700	80%	80%	N/A
680	80%	80%	N/A
660	80%	80%	N/A
$1,500,000 [1,2,3,4]			
	Owner Occupied	Second Home	Investment
FICO	LTV [5]	LTV [5]	LTV
740	80%	80%	N/A
720	80%	80%	N/A
700	80%	80%	N/A
680	80%	80%	N/A
660	75%	75%	N/A
$2,000,000 [1,2,3,4]			
	Owner Occupied	Second Home	Investment
FICO	LTV [5]	LTV [5]	LTV
740	80%	80%	N/A
720	80%	80%	N/A
700	80%	80%	N/A
680	80%	80%	N/A
660	75%	75%	N/A
$2,500,000 [1,2,3,4]			
	Owner Occupied	Second Home	Investment
FICO	LTV [5]	LTV [5]	LTV
740	80%	80%	N/A
720	80%	80%	N/A
700	75%	75%	N/A
680	75%	75%	N/A
660	70%	N/A	N/A
$3,000,000 [1,2,3,4]			
	Owner Occupied	Second Home	Investment
FICO	LTV [5]	LTV [5]	LTV
740	75%	75%	N/A
720	75%	75%	N/A
700	75%	70%	N/A
680	75%	70%	N/A
660	N/A	N/A	N/A

Footnotes:

1. Minimum loan amount $125,000
2. Significant derogatory credit event requires 5 years seasoning
3. **New York Transactions ONLY**: Loan amounts that fall within the conforming limit will require the transactions to pass the NY sub-prime test
4. Interest-only transactions: Minimum 700 credit score. **Refer to the Asset Qualifier Products topic for qualifying requirements**
5. Properties located in a declining market require a 5% LTV reduction when the LTV is > 65%
6. Cash-out transactions not eligible

Investor Cash Flow
1-4 Unit Investment Property

MINIMUM DSCR: 1.00 [3,4,5,6,7,8,12]

$125,000 to $150,000

FICO	Purchase	Rate/Term	Cash Out [10]
740	80%	80%	75%
720	80%	80%	75%
700	80%	80%	75%
680	75%	75%	70%
660	75%	75%	70%
640	70%	70%	65%

$1,000,000 [1,3,4,5,6,7,8,9,12]

FICO	Purchase	Rate/Term	Cash Out [10]
740	80%	80%	75%
720	80%	80%	75%
700	80%	80%	75%
680	80%	80%	75%
660	75%	75%	70%
640	75%	75%	65%
620 [9]	65%	65%	65%

$1,500,000 [1,3,4,5,6,7,8,9,12]

FICO	Purchase	Rate/Term	Cash Out [10]
740	80%	80%	75%
720	80%	80%	75%
700	80%	80%	75%
680	80%	80%	75%
660	75%	75%	70%
640	75%	75%	65%
620 [9]	65%	65%	N/A

$2,000,000 [1,3,4,5,6,7,8,12]

FICO	Purchase	Rate/Term	Cash Out [10]
740	80%	80%	75%
720	80%	80%	75%
700	80%	80%	75%
680	75%	75%	70%
660	70%	70%	65%
640	65%	65%	N/A

$2,500,000 [1,4,5,6,8,12]

FICO	Purchase	Rate/Term	Cash Out [10]
740	75%	75%	70%
720	75%	75%	70%
700	75%	75%	70%
680	70%	70%	65%
660	65%	65%	N/A

$3,000,000 [1,4,6,8]

FICO	Purchase	Rate/Term	Cash Out [10]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%
680	65%	65%	60%

MINIMUM DSCR: .75 [2,4,5,6, 8,11,12]

$125,000 to $150,000

FICO	Purchase	Rate/Term	Cash Out [10]
740	75%	75%	70%
720	75%	75%	70%
700	75%	75%	65%
680	70%	70%	60%
660	60%	60%	60%
640	N/A	N/A	N/A

$1,000,000 [1,2,4,5,6,8,11,12]

FICO	Purchase	Rate/Term	Cash Out [10]
740	75%	75%	70%
720	75%	75%	70%
700	75%	75%	70%
680	70%	70%	65%
660	60%	60%	60%
640	N/A	N/A	N/A
620	N/A	N/A	N/A

$1,500,000 [1,2,4,5,6,8,11,12]

FICO	Purchase	Rate/Term	Cash Out [10]
740	75%	75%	70%
720	75%	75%	65%
700	75%	75%	65%
680	70%	70%	65%
660	N/A	N/A	N/A
640	N/A	N/A	N/A
620	N/A	N/A	N/A

$2,000,000 [1,4,5,6,8]

FICO	Purchase	Rate/Term	Cash Out [10]
740	70%	70%	60%
720	65%	65%	60%
700	65%	65%	60%
680	N/A	N/A	N/A
660	N/A	N/A	N/A
640	N/A	N/A	N/A

$2,500,000 [1]

FICO	Purchase	Rate/Term	Cash Out
740	60%	60%	N/A
720	60%	60%	N/A
700	60%	60%	N/A
680	N/A	N/A	N/A
660	N/A	N/A	N/A

$3,000,000 [1]

FICO	Purchase	Rate/Term	Cash Out
740	60%	60%	N/A
720	60%	60%	N/A
700	60%	60%	N/A
680	N/A	N/A	N/A

MINIMUM DSCR: < .75 [2,5,6,8,11,12,13]

$125,000 to $150,000

FICO	Purchase	Rate/Term	Cash Out [10]
740	75%	75%	65%
720	70%	70%	60%
700	65%	65%	60%
680	65%	65%	60%
660	60%	60%	60%
640	N/A	N/A	N/A

$1,000,000 [1,2,4,5,6,8,11,12]

FICO	Purchase	Rate/Term	Cash Out[10]
740	75%	75%	65%
720	70%	70%	60%
700	65%	65%	60%
680	65%	65%	60%
660	60%	60%	60%
640	N/A	N/A	N/A
620	N/A	N/A	N/A

$1,500,000 [1,6,8,11]

FICO	Purchase	Rate/Term	Cash Out[10]
740	70%	70%	60%
720	65%	65%	60%
700	65%	65%	60%
680	N/A	N/A	N/A
660	N/A	N/A	N/A
640	N/A	N/A	N/A
620	N/A	N/A	N/A

$2,000,000

FICO	Purchase	Rate/Term	Cash Out
740	N/A	N/A	N/A
720	N/A	N/A	N/A
700	N/A	N/A	N/A
680	N/A	N/A	N/A
660	N/A	N/A	N/A
640	N/A	N/A	N/A

$2,500,000

FICO	Purchase	Rate/Term	Cash Out
740	N/A	N/A	N/A
720	N/A	N/A	N/A
700	N/A	N/A	N/A
680	N/A	N/A	N/A
660	N/A	N/A	N/A

$3,000,000

FICO	Purchase	Rate/Term	Cash Out
740	N/A	N/A	N/A
720	N/A	N/A	N/A
700	N/A	N/A	N/A
680	N/A	N/A	N/A

Footnotes:

1. Minimum loan amount $125,000
2. **2-4 units**: DSCR < 1.00: Maximum 70% LTV
3. **Non-warrantable condos**: Maximum 75% LTV
4. **Interest-Only**: Minimum 700 FICO **and**:
   - Maximum loan amount $2,000,000 when the LTV is > 60%
   - Minimum DSCR 0.75 **required; < 0.75 DSCR not allowed with IO feature**
   - Maximum 70% LTV with DSCR 0.75 to < 1.00
   - **DSCR calculated using the ITIA payment maximum 75% LTV. > 75% LTV requires DSCR to be calculated using the full PITIA payment**
5. **Short-term rental transactions**:
   - Purchase Transactions: Max 75% LTV; Refinance Transactions: Max 70% LTV
   - Minimum 700 credit score
   - **Minimum 1.00 DSCR required**
   - Short-term rentals **ineligible** in New York **city.** Refer to Short Term Rental Income for complete STR requirements
6. **Non-permanent resident borrowers** max 75% LTV; purchase and rate/term transactions **ONLY**; cash-out **ineligible**
7. Gift funds **eligible** on investment property; requires 5% borrower own funds when LTV >75%
8. Properties located in a declining market require a 5% LTV reduction when the LTV is > 65%
9. **Credit score of 620-639 requires** 12 months PITIA reserves; refer to the Reserves topic for complete reserve requirements
10. 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
11. **DSCR < 1.00: Additional** 3 months PITIA reserves required
12. 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**
13. DSCR <0.75 escrow/impound account **required**

Individual Taxpayer Identification Number (ITIN)

(Full Doc and Bank Statement Options ONLY)

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

PURCHASE AND RATE/TERM REFINANCE

$1,000,000 [1,2,3,4]

	Owner Occupied	Second Home	Investment
FICO	LTV [8]	LTV [8]	LTV [8]
740	80	70	70
720	80	70	70
700	80	70	70
680	75	70	70

$1,500,000 [1,2,3,4,5]

	Owner Occupied	Second Home	Investment
FICO	LTV [8]	LTV [8]	LTV [8]
740	80	70	70
720	75	70	70
700	70	70	70
680	70	70	70

CASH-OUT REFINANCE

$1,000,000 [1,2,4,5,6,7]

	Owner Occupied	Second Home	Investment
FICO	LTV	LTV	LTV
740	65	65	65
720	65	65	65
700	65	65	65
680	N/A	N/A	N/A

$1,500,000 [1,2,4,5,6,7]

	Owner Occupied	Second Home	Investment
FICO	LTV	LTV	LTV
740	65	65	65
720	65	65	65
700	65	65	65
680	N/A	N/A	N/A

Footnotes:

1. Minimum loan amount $125,000
2. Maximum DTI 50%
3. Non-warrantable condos: Maximum 75% LTV
4. Interest-only **ineligible**
5. Transactions with a non-occupant co-borrower maximum $1,000,000 loan amount
6. Maximum cash-out $500,000
7. **Cash-out ineligible with the following**:
   - Full Doc using the Asset Distributions option
   - Full Doc using the 1-year income documentation option
8. Properties located in a declining market require a 5% LTV reduction when the LTV is > 65%

Refer to the Borrowers – ITIN topic for complete eligibility requirements

Foreign National [1,5,6,7,8,9]
(Investor Cash Flow Option ONLY: ≥ 1.00)
1-4 Unit Investment

MINIMUM DSCR 1.10

$1,000,000 [2,3,8]

FICO [2]	Purchase	Rate/Refi	Cash Out [4]
740	70%	70%	70%
720	70%	70%	70%
700	70%	70%	70%
680	70%	70%	65%
660	70%	70%	65%

$1,500,000 [2,3,8]

FICO [2]	Purchase	Rate/Refi	Cash Out [4]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%
680	70%	70%	65%
660	65%	65%	60%

$2,000,000 [2,3,8]

FICO [2]	Purchase	Rate/Refi	Cash Out [4]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%
680	70%	70%	N/A

$2,500,000 [2,3,8]

FICO [2]	Purchase	Rate/Refi	Cash Out [4]
740	65%	65%	N/A
720	65%	65%	N/A
700	65%	65%	N/A

$3,000,000 [2,3,8]

FICO [2]	Purchase	Rate/Refi	Cash Out [4]
740	55%	55%	N/A
720	55%	55%	N/A
700	55%	55%	N/A

MINIMUM DSCR 1.00

$1,000,000 [2,3,8]

FICO [2]	Purchase	Rate/Refi	Cash Out [4]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%
680	65%	65%	60%
660	N/A	N/A	N/A

$1,500,000 [2,3,8]

FICO [2]	Purchase	Rate/Refi	Cash Out [4]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%
680	N/A	N/A	N/A
660	N/A	N/A	N/A

$2,000,000 [2,3,8]

FICO [2]	Purchase	Rate/Refi	Cash Out [4]
740	70%	70%	65%
720	70%	70%	65%
700	70%	70%	65%
680	N/A	N/A	N/A

$2,500,000 [2,3,8]

FICO [2]	Purchase	Rate/Refi	Cash Out [4]
740	65%	65%	N/A
720	65%	65%	N/A
700	65%	65%	N/A

$3,000,000 [2,3,8]

FICO [2]	Purchase	Rate/Refi	Cash Out [4]
740	55%	55%	N/A
720	55%	55%	N/A
700	55%	55%	N/A

Footnotes:

1. **Eligible on Investor Cash Flow ONLY**
2. 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
3. Minimum loan amount $125,000
4. Maximum cash-out: $250,000. Refer to the Cash-Out Transactions section in Refinance Transactions topic for complete cash-out requirements
5. Interest-only **ineligible**
6. **The applicable ICF option guidelines apply AND the requirements detailed in the Foreign Nationals topic**
7. Gift funds i**neligible**
8. Properties located in a declining market require a 5% LTV reduction when the LTV is > 65%
9. Non-warrantable condos **ineligible**

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 topic or the Access Guidelines
Borrower's Income Type Eligibility	• Wage earner/salaried borrowers. Generally, 2 years employment in the same line of work required however < 2 years acceptable on case-by-case if training/education in the same field is acceptable substitute. • Self-employed borrowers (defined as an individual who has a 25% or greater ownership interest in a business). Self-employed borrowers must have a minimum of 2 years' self-employment. 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 **NOTE**: 1-2 years self-employment may be considered on a case-by-case basis with 2 years previous employment in the same line of work with no gaps • A borrower who converts from **W-2 to 1099** in the previous year and the filed tax returns are not available are eligible. The following applies - The borrower is in the same or substantially similar role in their contractor position as they were in the W-2 employee position in the same industry, and - A contract, stating the new terms of the borrower's employment, is provided, and - Two years' employment in the same line of work prior to converting to 1099 must be documented. - Two years most recent tax returns and a year-end and/or YTD P&L and balance sheet. Expenses claimed on the P&L must be reasonable for the line of work - The new 1099 income must be greater than or equal to their previous W-2 income - The previous 2 years W-2s (less 2106 expenses, if applicable) will be used to determine the average income for qualifying. The P&L must support the income.
4506-C/Tax Returns	• 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

Full Documentation Eligibility and Summary	
Full Documentation	
Derogatory Credit–Significant Events	Derogatory credit events are measured from the completion date of an event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • 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 up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirements** • A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance topic for requirements

Full Documentation Eligibility and Summary	
Full Documentation	
Documentation of Income	Income may be documented using multiple methods as described below **Borrowers who are subject to a temporary salary reduction must be able to qualify on the income most recently documented as of the loan closing date** **Wage Earner Requirements** **Wage Earner/Salaried Borrower Requirements** • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 120 calendar days of the Note date and support income used for qualifying), **and** • The most recent 1 or 2 years W-2s, **and** • W-2 transcripts for 1 or 2 years, **and** • Written VOE (if required to determine any variable income sources) **Salaried Borrowers with Commission/Bonus or OT Income** • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 120 calendar days of the Note date), **and** • W-2s for previous 1 or 2 years, **and** • W-2 transcripts for previous 1 or 2 years, **and** • **A written VOE to confirm a 2 year average and proof continuance**. Commission/bonus income received for more than 1-year but less than 2-years may be eligible on a case-by-case basis **with Homebridge management review and approval.** Documentation that the YTD commission income received is in line with or greater than the average being used to qualify required **NOTE: Overtime income must be received for a minimum of 2-years** and requires documentation that YTD OT income is in line with or is greater than the average being used to qualify • YTD commission income must be equal to or greater than the average being used to qualify **Part-Time or Second Job Income** Eligible subject to **Homebridge management review and approval** and the following applies: • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 120 calendar days of the Note date), **and** • The most recent 2 years W-2s, **and** • W-2 transcripts for previous 2 years**, and** • Second job/part-time income used for qualifying will be based on a 2-year average of the W-2s **Tip/Gratuity Income** • Income received from tips/gratuities may only be used for qualifying income if it has been received for the prior 2-years as evidenced on the W-2s or 1040s • The income is averaged unless declining • Current receipt of tip/gratuity income must be documented and be consistent with the tip income received for the previous 2-years

Full Documentation Eligibility and Summary

Full Documentation

Documentation of Income (cont.)

Self-Employed Borrower Requirements

- There are two (2) methods for documenting self-employed income as detailed below.

Method One – One Year Tax Return

- One (1) year personal and business federal tax returns, including all schedules, that cover a 12 month period of self-employment
- A CPA/EA/licensed tax preparer 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 date of the tax return
- 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
- 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

  NOTE: Year-to-date or year-end profit and loss statement and balance sheet required if the Note date is greater than 120 days from the end date of the most recent tax return (if tax return on fiscal year, P&L and balance sheet requirements are based off of fiscal tax return end date).

Method Two: - **Two Year's Tax Returns**

- Two (2) years most recent tax returns, both personal and business, including all schedules.
- Income is generally calculated based on a 24 month average if income is increasing and a 12 month average of the most recent year's returns if income is declining
- Declining income will require an explanation and/or additional documentation from the borrower. A borrower prepared year-end and/or YTD P&L and balance sheet may also be required.

  NOTE: Year-to-date or year-end profit and loss statement and balance sheet required if the Note date is greater than 120 days from the end date of the most recent tax return (if tax return on fiscal year, P&L and balance sheet requirements are based off of fiscal tax return end date).

Use of Interim Financials to Determine Qualifying Income

- The borrower may include either year-end or year-to-date financials prepared in accordance with either Method One or Method Two (above) as part of their qualifying income.
- The income will be averaged over the period of the tax returns and the P&L provided
- The borrower must provide the bank statements from their business account for the period covered by the P&L and the bank statements must show deposits which:
  - Are part of the borrower's income stream, and
  - Total at least 90% of the gross receipts listed on the P&L
- Regardless of the method used above, the following may be added back to the borrower's income calculation:
  - Depreciation
  - Amortization
  - Pension contributions directly contributed to borrower
  - Any expenses(s) that can be reasonably documented as one-time/non-recurring
  - Net operating loss carryforwards from the 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.)	**Documenting the Business** Evidence of the existence of the business for the previous 2 years. A CPA/EA/licensed tax preparer letter is required to verify self-employment. The letter must include: • The name of the business, and • The borrower's percentage of ownership, and • Length of self-employment, and • That the business/borrower is in good standing • The letter **cannot include** any disclaimers as to the accuracy of the information • The letter may be addressed to Homebridge or "To Whom it May Concern" is also acceptable • **The CPA/EA/licensed tax preparer letter cannot be older than 60 days at loan funding** **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
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.
Employment	**Wage Earner/Salaried Borrowers** • Generally, 2 years employment in the same line of work required however < 2 years acceptable on case-by-case if training/education in the same field is acceptable substitute • Gaps in employment greater than 60 days require the borrower to provide a signed letter of explanation • Gaps in employment that are > 6 months require a signed LOE and additional documentation may be requested. The borrower must have a minimum 2-year history in the same line of work prior to the gap • Borrowers with an employment contract that is fully executed by borrower and employer, does not contain any contingencies but the borrower has not commenced employment prior to closing are eligible. The borrower is qualified using the income documented on the 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** • Generally a 2-year history of self-employment in the same line of work is required. 1-year history to < 2-years may be considered if the borrower has a minimum 2-year previous work history in the same line of work • Gaps in employment greater than 90 days require the borrower to provide a signed LOE • Gaps in employment > 6 months require a signed LOE and a minimum 2-year history in the same line of work prior to the gap.
Gift Funds	Eligible; refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Eligible; refer to the Gift of Equity topic in the general underwriting guide for requirements

Full Documentation Eligibility and Summary	
Full Documentation	
Income – Annuity	Annuity income is eligible subject to the following: • A copy of the annuity contract or letters from the organization providing the income required • The income must continue for a minimum of 3 years from the closing date of the loan • One of the following must be provided to document receipt: - The most recent years' W-2, 1099, or tax returns, **or** - 12 months bank statements to document the regular deposits of the annuity income
Income - Automobile Allowance	Income received for an automobile allowance is eligible for qualifying subject to the following: • The income has been received for a minimum of two (2) years • Written verification from the borrower's employer **or** paystubs are required to document receipt • The borrower's employer must provide confirmation the allowance will continue • The full amount of the allowance is added to the borrower's monthly income • The full amount of the lease or loan payment is included in the borrower's liabilities.
Income – Capital Gains and Losses	Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. 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.** • An average of the gain or loss for the previous 2 years, as disclosed on the borrowers 1040 Schedule D, will be used to calculate the income • When the income from this source represents a substantial portion of the borrower's income, tax returns for the previous 3 years must be reviewed (regardless of documentation type) to determine an accurate estimated average of the earnings (e.g. an asset sold during the year might be an income-producing asset, which could result in a reduction in future income) • Borrowers must have an asset base in order to use capital gains on an on-going basis. **NOTE:** A one-time capital gain or loss will **not** be considered as a gain or loss in determining income available to the borrower.
Income – Asset Distribution: Distributions from Non-Retirement Accounts	Income from regular distributions from non-retirement assets are eligible for qualifying as follows: • Two months most recent account statements (all pages) and most current year-end statement required • Eligible on purchase and rate/term transactions **only**; **ineligible on cash-out transactions** • **A written verification** from the financial institution managing the assets is required to document: - Monthly distributions have been set-up, - The amount and frequency of distributions, and - Duration of the distributions • One month's distribution must have been received prior to closing • Documentation must be provided that the borrower has owned the assets a minimum of 12 months with unrestricted access • Any deposits > 10% of the face value of the account based on the most recent account statement requires sourcing. • Distribution income cannot be used for qualification if there is any knowledge or documentation indicating the distribution will terminate within the next 3 years • Assets being utilized for income qualifying, and the income generated from the assets, **cannot** be used for down payment or to satisfy reserve requirements • The most recent full month's account statement prior to the closing date is required NOTE: If statements are issued quarterly, a statement(s) with updated balance(s) within 60 days of the Note date may be provided **Eligible Qualifying Balances** • Checking/Savings: 100% • Marketable Securities: 80% **Calculation Method** Any set-up distribution requires an 84 months continuance. Account balances must be verified within 120 days of the Note date unless a more recent is requested at Underwriter discretion. *Example:* • Marketable Securities Account Balance: $1,000,000 • 80% of the balance eligible: $1,000,000 x 80% = $800,000 • $800,000 divided by 84 = $9,524 the maximum distribution amount eligible for qualifying

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Income – Asset Distribution: **Distributions from Retirement Accounts**	Income from regular distributions from retirement accounts are eligible for qualifying subject to: • The borrower **must be** of retirement age (59 ½ and older), **and** • One month's distribution must have been received prior to closing, **and** • Documentation required the distribution will continue for a minimum of 3 years is required or the income is not eligible, **and** • 80% of the vested value to determine the qualifying balance, **and** • Account balances must be verified with bank/financial statements within 120 days of the Note date
Income – Family Owned Business	Borrowers employed by a family member in a family owned business must provide evidence that they are not an owner of the business by providing copies of signed personal tax returns, or a copy of the corporate tax return showing ownership percentage.
Income – Fixed	Fixed income includes alimony/child support, retirement/pension, social security (including dependent's social security), temporary/permanent disability, and VA disability. Fixed income is an eligible source of income subject to the following: • Evidence of the borrower's receipt of the income and the probability the income will continue for a minimum of 3 years past the application date must be provided. - Alimony/child support income requires a copy of the final divorce decree, separation agreement, court order or voluntary payment agreement, **AND** - Evidence of receipt for the previous 6 months with cancelled checks, deposit slip, tax returns, or court order **NOTE:** Borrowers on temporary leave (e.g. maternity, short- term disability, etc.) will be considered on a case-by-case basis subject to Homebridge management approval. If allowed, the income will be subject to Fannie Mae's Temporary Leave Income requirements. Temporary leave policy **does not** apply to furloughed borrowers • Fixed income that is verified as non-taxable (e.g. social security, child support, alimony, etc.), may be adjusted or "grossed-up" by 125% subject to: - Only the net income will be used for determining disposable/residual income (Medicare and insurance payments are excluded), - The borrower must clearly benefit as a result of the income being grossed-up to qualify, - The borrower's net income (before being grossed-up) is sufficient to pay all debts. • Housing allowance is eligible for qualifying income subject to the following: - There is a history of the housing allowance as being a part of the salary, - Written documentation is provided from the employer stating the amount of the allowance, - Proof the allowance has been received for the most recent 12 months (non-military housing allowance **only**) - The amount of the housing allowance may be grossed up by 1.25% if 2-years tax returns are provided The following non-taxable income is ineligible to be grossed up: • Foreign earned income, • Foster care income
Income – Foster Care	Eligible for qualifying subject to: • Documentation is provided that it has been received for a minimum of 24 months • The income is received from a governmental agency • Copies of the checks or contracts/agreement from the governmental agency must be provided • The income cannot be grossed up
Income – Interest and Dividend	Interest and dividend income is eligible subject to the following: • Verified through 2 years tax returns as a stable source of income, **and** • Proof the underlying funds are still on deposit in the financial institution and/or investment portfolio account(s) is required. • Income must be proportionately reduced if funds from the account(s) are used for closing in a purchase money transaction NOTE: Income may be limited to an earnings rate of 3% if the verified earnings do not appear to be supported by current market conditions.

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Income – K-1	A history of receipt is not required to utilize K-1 income **NOTE:** If the borrower recently converted to K-1 income the income is considered on a case-by-case basis subject to Homebridge management review and approval. Refer to the Borrower's Income Type Eligibility for additional details
Income – Military	• Income received for clothing and quarter's allowance, hardship and/or hazard may be included as stable income if there is a likelihood of continuance. • The non-taxable income received for Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS) may be grossed up 125% • Other allowances may be grossed up if documentation is provided evidencing the allowance is non-taxable
Income - Note	Note income is eligible as qualifying income subject to the following: • A complete copy of all pages of the Note that outlines the terms and conditions of repayment, • The repayment period must extend at least 3 years past the application date of the loan, • Evidence of receipt for a minimum of 12 months required (tax returns, deposit slip, cancelled checks, etc.)
Income – Rental	Rental income from investment properties owned by the borrower is eligible for qualifying income. The borrower is not required to have a history of managing rental properties. **Calculating Rental Income** Calculate rental income using one of the following methods: **Method One: Tax Returns – Schedule E** • If the borrower has a history of renting a property, rental income is reported on Schedule E of the borrower's personal tax return and may be used for qualification • When using Schedule E to calculate qualifying rental income: - **Add back** to the borrower's cash flow: - Listed depreciation - Amortization, and - Interest - **Subtract the principal and interest portion** of the payment from the figure determined above NOTE: Current property tax, property insurance and HOA dues do not require documentation - Determine the PITIA on the non-subject rental by using 1/12th of the expenses claimed on the 1040 **Method Two: Lease Agreement** If a lease is used to document rental income the lease must be for a minimum 12 month period. Short term leases are acceptable, if the lease is in place and covers the most recent 12 months. Gaps are acceptable however the rental income will still be averaged over a 12 month period. • When using current lease agreements, calculate the rental income by multiplying the gross rent(s) by 75% • Document current receipt of the rental income, **within 60 calendar days of the Note date**, with the most recent one month's check. • If the amount of the lease is considerably greater than the income listed on the tax return supporting documentation is required. An expired lease, which converted to a month-to-month is acceptable to document rental income • Purchase transactions where there is not an executed lease available the appraiser's opinion of market rent noted on the Comparable Rent Schedule, less 25% vacancy factor, may be used. T**he lower** of the lease or the appraiser's opinion of market rent must be used for qualifying **NOTE**: Rental income from a 1-unit investment property purchased by a first-time home buyer is **ineligible** for qualifying

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Income – Rental (cont.)	**Two-to-Four Primary Residence** Rental income from a 2-4 unit primary residence is eligible from the tenant occupied units as follows: • The gross rental income, minus vacancy and maintenance factors, is eligible **NOTE**: The gross rental income is **not** used to offset 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 **Refer to the Property with Accessory Unit topic for additional eligibility requirements** **Rental Income – Boarder** Rental income from a boarder is eligible for qualifying when: • The boarder is related to the borrower by blood, marriage, or law, **and** • The rental income **must be** documented on the borrower's tax return, **and** • **Verification of receipt of rent within the 60 calendar days of the Note date required NOTE**: Income from a roommate is **not** eligible **Conversion of Primary Residence** • Refer to the Conversion of Principal Residence topic for requirements
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
Income – Seasonal	Seasonal income is eligible subject to **Homebridge management review and** approval and the following applies: • A minimum 2-year history of receipt required, • The income must be from the same job for the past 2 years
Income – Trust	Income derived from an irrevocable or revocable trust is eligible subject to all of the following: • The borrower, who is the beneficiary of the trust is also the person who established the trust, **and** • A complete copy of the trust agreement, showing the terms and conditions of the income that will be received, is provided, **or** • A Trust Certificate provided from the trust administrator that outlines the following: - Total income paid to the borrower, - The method of payment, - The duration of the trust, and - If there is any non-taxable portion • Current receipt of the income must be documented, and the income must be expected to continue for a minimum of 3 years after the date of the application
Income – Unacceptable Sources	• Income that is illegal under local, state, and/or federal law is not eligible • **Self-employment** income generated from marijuana dispensaries, or any business or activity related to recreational marijuana use (including growing, selling, or supplying of marijuana), even if legally permitted under state or local law **NOTE**: Income generated from marijuana dispensaries or an activity related to recreational marijuana, as described above, is eligible for qualifying for W-2/salaried borrowers as long as the borrower has no ownership interest in the business/activity • Educational benefits • Temporary or non-recurring income • Trailing spouse/co-applicant income • Non-reported income/undocumented income • Gift income, even if received on a regular and on-going basis, is not eligible • Gains from trading cryptocurrency

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Income – Unemployment	Unemployment income may be considered acceptable stable income **subject to Homebridge management review and approval** and the following: • It is received for the previous 2 years, is predictable and likely to continue (e.g. a seasonal worker)
Income - Unreimbursed Business Expenses	If unreimbursed employee expenses do not appear on the borrower's most recent years tax returns, the unreimbursed business expenses do not need to be considered
Payment Shock	Refer to the Payment Shock topic for requirements
Products	**Fixed Rate** • 15 and 30 year term • **Qualify at the Note rate** **Fixed Rate: 30 Year Term with Interest-Only (IO ineligible > 85%)** • 30 year term with 20 year amortization • **Qualify using the full PITIA payment amortized over 20 years** **Fixed Rate: 40 Year Term with Interest-Only Feature (IO ineligible > 85%)** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • **Qualify using the full PITIA payment amortized over 30 years** **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.00% • Floor = Margin • **Qualify at the greater of the start rate or index plus margin, amortized over full term of the loan** **7/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.00% • Floor = Margin • **30 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 20 years** • **40 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 30 years** **10/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.00% • Floor = Margin • **30 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 20 years** • **40 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 30 years**
Reserves	Required. Refer to the Reserves topic for requirements
Residual Income	• Residual income **is required** on all primary residence transactions • The minimum required residual income is $2,000 • Residual income is the total gross income **minus** total monthly debt **equals** residual income

Bank Statement Eligibility and Summary	
Bank Statement	
Overview	• The Bank Statement option is available for self-employed borrowers. At least one borrower on the transaction must derive their primary income source from self-employment. Self-employment is defined as an ownership interest of ≥ 25%. • 12 or 24 months most recent personal or business bank statements are used to qualify borrowers. **The bank statements must be dated within the 60 days prior to the Note date** • Borrowers who derive their income from investments may utilize the Bank Statement option. There must not be any evidence of significant employment income in addition to other specific requirements detailed under the "Borrower Eligibility – Income from Investments" topic below • Transactions are subject to ATR requirements
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 or non-occupant 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 25% or greater ownership in business **NOTE:** Specific ownership requirements apply when utilizing business bank statements. Refer to the Business Bank Statements topic for details • Borrower must have a minimum of two (2) years self-employment in the same business. Borrowers self-employed 1-2 years may be considered on a case-by case basis under the 12 months bank statement option **only** if: - The borrower was in the same line of work for a minimum of 2 years prior to their self-employment, **and** - A minimum of 12 months bank statements supporting self-employment income required • At least one borrower must meet the above requirements. • Co-Borrower: Income from a co-borrower, who is not self-employed, is acceptable using the full documentation option. Taxable income is counted on a "gross" amount regardless of the net deposit shown on the bank statements. Non-taxable income may be grossed up 25%. **NOTE:** Tax returns **cannot** be provided; if provided the transaction must be underwritten under the Full Doc option **1099 Contractor** • Eligible with CPA/EA/licensed tax preparer confirmation the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns) • If the borrower receives some W-2 income as part of the independent contractor employment, that income may be considered so long as the CPA/EA/licensed tax preparer confirms it is part of their self-employed income **Service & Tip Industry** • Borrowers employed in a service/tip industry position are eligible for the Bank Statement program • Base salary is verified with current paystubs and most recent W-2 • Employment is verified using traditional methods • Bank statements are used to determine qualified tips which are averaged over 12 or 24 months • **Two (2) corporate reference letters are required** (i.e. documentation that confirms borrower is in the service/tip industry required) • A P&L and business license are **not** required Refer to the Borrowers - Eligible topic for complete list of eligible borrowers and requirements

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Borrower Eligibility – Income from Investments	A borrower who receives income from their investments (i.e. trust income, distributions from partnerships where the borrower is a limited partner, rental real estate interest, dividends, etc.) and are **not** self-employed are eligible for the Bank Statement option subject to specific requirements. The following is documentation requirements apply: • 24 months **personal** bank statements required to document income receive, **and** • Income derived primarily from dividends, interest, or capital gains, requires brokerage statements confirming ownership of the assets, **and/or** • Income derived primarily through trust income requires a copy of the trust agreement and/or trustee's statements, **and/or** • Income derived through other sources, e.g. passive investments in partnerships, requires a detailed narrative of the income stream from the borrower **and** a CPA, EA, or licensed tax preparer letter, confirming the borrower owns the assets generating income • **Any significant employment generated income must be from the co-borrower** **NOTE:** Gift income is an **unacceptable** source of income
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	Derogatory credit events are measured from the completion date of a event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • 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 up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirements** • A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance topic for requirements
Documenting Business	Homebridge will verify the existence of the business within 120 calendar days prior to the Note date for the initial verification and will re-verify within 20 business days of the Note date
Documentation of Income	• The newest bank statements in the file must be **dated within the 60 days prior to the Note date (**based on the end date of the statement) **NOTE:** The 12/24 months bank statements provided must be **all** personal **or all** business (i.e. cannot provide 8 months personal statements and 4 months business statements) • A CPA/EA/licensed tax preparer letter documenting length of time business has been open and the borrower's percentage of ownership is required (cont. on next page)

Bank Statement Documentation Eligibility and Summary

Bank Statement

Documentation of Income (cont.)

Personal Bank Statements

- 12 or 24 months most recent personal bank statements **dated within the 60 days prior to the Note date.** Statements from multiple accounts allowed
- Deposits are evaluated to verify they are part of the borrower's income

  NOTE: 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. Transfers from only one (1) business are eligible for qualifying**
- If the borrower only utilizes a personal account for business activity, and does not have an associated business account, the above requirement does not apply and that personal account will be treated as a business account when determining qualifying income
- **Co-mingling of personal and business accounts is not permitted**
- 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

Business Bank Statements

- 12 or 24 months most recent business bank statements **dated within the 60 days prior to the Note date. Co-mingling of multiple business accounts is not allowed to meet the 12/24 month history requirement for a single business**

  NOTE: Statements from more than one account may be eligible if the borrower switched banks in the past 12/24 months (as applicable), and can provide documentation to evidence the accounts are for the same business
- Multiple businesses may be used to qualify provided each business is verified separately and income is documented using one of the 3 options below
- Transfers between business accounts are not considered deposits and are **not considered income**
- Any deposits that appear abnormal/atypical must be sourced and documented to be considered as part of the borrower's income
- **The borrower(s) combined must own 25% or more of the business to utilize business bank statements**

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 good by having a minimal expense ratio for the cost of goods

**Borrowers utilizing a 30% expense ratio must provide a business narrative that documents all of the following:
  - The nature of the business
  - The estimated cost of goods
  - 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 is 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

Bank Statement Documentation Eligibility and Summary

Bank Statement

Documentation of Income (cont.)

Business Bank Statements (cont.)

Method Two: Profit and Loss Statement

- Requires a P&L provided by a CPA/EA/licensed tax preparer for the most recent 12, or 24 months as applicable
- 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.

Method Three: CPA Letter for Expense Ratio

- A letter provided by a CPA/EA/licensed tax preparer stating the business' expense ratio based on the most recent year's tax return is required. **The letter may not include any disclaimers as to the accuracy of the information**

Multiply the expense ratio by the business' total deposits over the 12, or 24 month period shown on the bank statements. Deduct that figure from the total deposits. Multiply net deposits by the applicant's pro-rata ownership percentage and divide by 12, or 24 as applicable

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

Income Generated from Illegal Sources

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

Co-Mingled Accounts

Co-mingling of personal and business accounts is not permitted

Non-Sufficient Funds (NSFs)

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

- **12 Months Bank Statements**:
  - Maximum of six (6) **instances*** of NSFs within the past 12 months (detailed written explanation required)
  - Seven (7) or more **instances*** of NSFs within the past 12 months**, the loan is ineligible**
- **24 Months Bank Statements**:
  - Maximum of twelve (12) **instances*** within the past 24 months (detailed written explanation required)
  - Thirteen (13) or more **instances*** NSFs within the past 24 months, **the loan is ineligible**

*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"

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:
  - 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

(cont. on next page)

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Documentation of Income (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	Eligible; refer to the Gift of Equity topic in the general underwriting guides for requirements
Other Income Sources	**Conversion of Primary Residence** • Refer to the Conversion of Principal Residence topic for requirements **Rental Income – Boarder** Rental income from a boarder is eligible for qualifying when: • The boarder is related to the borrower by blood, marriage, or law, **and** • Receipt of income must be documented for 12 months (e.g. bank statements, cancelled checks) • **Verification of receipt of rent within the 60 calendar days of the Note date required** **NOTE**: Income from a roommate is **not** eligible **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 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 – Subject Property Refinance** **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 month-to-month is acceptable. Properties with a history of being rented on a short term basis are eligible. Gaps are acceptable however the income will still be averaged over the most recent 12 months. • Documentation of receipt of one months' rental income with bank statement or cancelled check (front and back) and 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 calculate the rental income 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	
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Other 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 month-to-month is acceptable. Properties with a history of being rented on a short-term basis are eligible. 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 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 the most recent one (1) months' current receipt with bank statement or cancelled check (front/back) and 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 – Accessory Unit** Rental income from an accessory unit is eligible to use for qualifying income on the subject property when the appraiser comments that the accessory unit is legal and may legally be rented subject to the following: • ***Purchase Transactions***: - 75% of the appraiser's opinion of market rent may be used • ***Refinance Transactions***: The rental income must be documented by a lease, **and** proof of receipt of most recent one months' rental income, **dated within 60 calendar days of the Note date**, must be provided; 75% of the documented rents are eligible **Refer to the Property With Accessory Unit topic for additional eligibility requirements** **Supplemental Income Sources** • Income from social security, pension, alimony/child support, second job, and asset distribution may be used for qualifying subject to the following: - The self-employment income calculated using bank statements must be the borrower's primary income source. If other income sources are used to qualify the borrower, the borrower's primary income source (> 50%) must be the income calculated based on the bank statements less expense ratio, if applicable - Full documentation guidelines will be used to determine documentation eligibility - W-2s and/or 1099s, as applicable, will be required. Tax returns should **not** be provided
Payment Shock	Refer to the Payment Shock topic for requirements

Bank Statement Documentation Eligibility and Summary	
Bank Statement	
Products	**Fixed Rate** • 15 and 30 year term • **Qualify at the Note rate** **Fixed Rate: 30 Year Term with Interest-Only (IO ineligible > 85%)** • 30 year term with 20 year amortization • **Qualify using the full PITIA payment amortized over 20 years** **Fixed Rate: 40 Year Term with Interest-Only (IO ineligible > 85%)** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • **Qualify using the full PITIA payment amortized over 30 years** **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **Qualify at the greater of start rate or the index plus margin amortized over full term of the loan** **7/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **30 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 20 years** • **40 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 30 years** **10/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **30 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 20 years** • **40 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 30 years**
Reserves	Required. Refer to the Reserves topic for requirements
Residual Income	• Residual income **is required** on all primary residence transactions • The minimum required residual income is $2,500 • Residual income is the total gross income **minus** total monthly debt **equals** residual income

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow	
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 or HPML requirements as **they are considered business purpose loans** • **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)** • Foreign Nationals are eligible under ICF option. Complete Foreign National requirements are detailed in the Foreign National topic.
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 letter stating borrower has the management history is acceptable documentation) See exception below (exception **does not** apply to Foreign Nationals) - 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: - **Minimum 1.00 DSCR:** Minimum 680 FICO - **Minimum 0.90 DSCR**: o Minimum 740 FICO, **and** o Maximum 70% LTV, **and** o Maximum $750,000 loan amount, **and** o Minimum 12 months reserves, **AND** **NOTE:** Transactions with a DSCR < 0.90 the exception to owning/managing rental property **is ineligible.** A 12 month history owning/managing rental property **is required** - Borrower must currently own a primary residence or second home, **AND** - 0x30 in previous 12 months on all housing trade lines as of loan application date **NOTE:** If the subject property has < 12 months mortgage history,the mortgage 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, **AND** - 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. Foreign National borrowers are **not** eligible for the exception; FN borrowers **must have a 12 month history of owning and managing rental properties.** • First time home buyers (FTHB) are **not eligible** when **ALL** borrowers are a FTHB. FTHBs are defined as a borrower who has not owned a property in in the past 3 years. - A transaction involving one or more FTHB and a non-FTHB may be considered on a case-by-case basis subject to Homebridge management review and approval • Borrowers living rent free **ineligible** except as noted below: - Borrowers currently living rent free may use the payment history from an investment property to satisfy mortgage/rental history requirements Refer to the Borrowers - Eligible topic for a complete list of eligible borrowers and requirements

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow	
Debt-to-Income	N/A; DTI is **not** calculated. See the Debt Service Coverage Ratio topic for requirements
Debt Service Coverage Ratio (DSCR) – Definition and Minimum DSCR Requirements	DTI is not considered on the Investor Cash Flow option. 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 on the **subject property.** DSCR qualified using ITIA payment see **Calculating the DSCR** topic below 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 with 30 year loan term or amortized over 30 years with a 40 year loan term • **7/6 or 10/6 ARM**: Qualify at the start rate amortized over 30 years • **7/6, or 10/6 ARM Interest-Only:** Qualify at the start rate amortized over 20 years with 30 year loan term or amortized over 30 years with a 40 year loan term **Minimum DSCR Requirements** • Refer to the Investor Cash Flow matrix for minimum DSCR requirements • **DSCR < 1.00: 3 months additional PITIA reserves required** (3 months **more** than standard requirement) • **DSCR is < 1.00 and** the LTV is > 70% a prepayment penalty is required. If the property is located in a state where a prepayment penalty is **not** available, **a minimum DSCR of 1.00 or 1.15, as applicable, is required.** Refer to the Prepayment Penalty topic for a list of states available for a prepayment penalty • **DSCR is < 1.00 and** 2-4 units: Maximum 70% LTV • **DSCR is 0.75 to < 1.00 and** interest-only maximum 70% LTV; **< 0.75 DSCR ineligible when using the IO feature** • **DSCR < 0.75: Escrow/impound account required** • **Foreign National** (regardless of LTV or credit score): Minimum 1.00 DSCR required
Debt Service Coverage Ratio (DSCR) – Calculating the DSCR	The Determination of Rents topic below provides details for determining the rent. Once the determination has been made the gross rent is divided by the PITIA, or the ITIA for transactions using the interest-only feature for the subject property to calculate the DSCR. Refer to Minimum DSCR Requirements topic above for acceptable DSCR **Calculating the DSCR – Interest-Only Transactions:** • **The DSCR may be calculated using the interest-only payment subject to the following:** - 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. IO transactions with an LTV > 75% requires DSCR to be calculated using full PITIA payment** - 6 months reserve requirement based on the **ITIA** payment (i.e. interest-only 6 months reserves based on the ITIA payment in lieu of 6 months reserves based on PITIA payment) **Refer to the ICF Products topic for specific qualifying and amortization requirements** **DSCR Calculation Example:** • ***Example of Acceptable DSCR:*** 1. **Gross Rent:** $2000.00 2. **PITIA Subject Property:** $1600 3. **Calculation**: $2,000 divided by $1600 = 1.250

Investor Cash Flow Documentation Eligibility and Summary

Investor Cash Flow

Debt Service Coverage Ratio (DSCR) - Determination of Rents

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 leased, provide lease), **or**
  - The market rent as determined by the appraiser

  NOTE: 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, which will continue after closing, a signed letter **from the seller of the property**, detailing the terms of the agreement, including the tenants name, address, amount of monthly rent is acceptable. The rental income utilized cannot exceed the market rent as determined by the appraiser
- If a tenant is in place with a lease, which will commence within 60 days of purchase, the lease may be considered when determining the rent. A copy of the executed lease, and proof of receipt of 1 month's rent and/or security deposit is required. The rental income utilized cannot exceed the market rent as determined by the appraiser.

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 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.
- 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 Documentation Eligibility and Summary	
Investor Cash Flow	
Debt Service Coverage Ratio (DSCR) - Determination of Rents (cont.)	**Short Term Rental Income (e.g. Airbnb, VRBO, HomeAway, etc.)** Short term rental income is eligible for both purchase and rate/term transactions, **subject to Homebridge management review and approval** and the following: **Purchase and Refinance Transactions** **Both purchase and refinance transactions require a short term rental analysis form. FNMA Form 1007 is NOT acceptable to document short term rental income.** **Appraisals must be ordered from one of the AMCs listed below and the report must include a Short Term Rental form as noted:** • Class Valuation: Appraisal with a **Short-Term Rental Projected Income Analysis** form, **OR** • Nationwide Appraisal Network: Appraisal with a **Narrative Short Term Rental Rent Analysis** form A minimum of three (3) comparable sales must be provided **Purchase Transactions** • The subject property must be in a short term market area. **NOTE:** Short term rental income **is not** eligible for properties located in any jurisdiction where local/state laws ban/restrict short term rentals. • 100% of the short term market rents, as determined by the appraiser, are used to calculate the DSCR • Minimum 1.00 DSCR required • Minimum 700 credit score • Max 75% LTV for borrowers with minimum 1-year experience operating a short term rental • Maximum 70% LTV for borrowers with < 1-year experience operating a short term rental property • Escrow/impound account **required** (waiver not allowed) **Refinance Transactions** • Minimum 1.00 DSCR required calculated based on average deposits over 12 months including months with zero deposits **NOTE:** Short term rental income **is not** eligible for properties located in any jurisdiction where local/state laws ban/restrict short term rentals. • Maximum 70% LTV • Minimum 700 credit score • 12 months documented payment history **from a third-party property management provider required (see exception below)** - The payment history from the third-party property management provider **must clearly identify the subject property by address.** Statements that only identify the property ID # and property description alone are **not acceptable** • **Exception** to the 12 month history being provided: - 100% of the short term market rents, as determined by the appraiser, are used to calculate the DSCR when any of the following applies to the subject property: - The subject property is self-managed, **OR** - The short term rental history is > 12 months and the payment history cannot be provided from the third party property management provider, **OR** - There is < 12 month short term rental history • An escrow/impound account **required** (waiver not allowed)

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow	
Debt Service Coverage Ratio (DSCR) - Determination of Rents (cont.)	**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. **Refer to the Property With Accessory Unit topic for additional eligibility requirements**
Derogatory Credit-Significant Events	Derogatory credit events are measured from the completion date of a event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** **NOTE:** Foreign National borrowers; refer to the Foreign Nationals topic for requirements Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • 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 up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirements** • A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance topic for requirements
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	Eligible. Refer to the Gift of Equity topic in the general underwriting guides for requirements
Liabilities	N/A. Liabilities are not considered

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow	
Products	**IMPORTANT REMINDER:** • Transactions with an LTV ≤ 75% the DSCR is calculated using the interest-only (ITIA) payment • Transactions with an **LTV > 75% the DSCR is calculated using the full PITIA payment** **Fixed Rate** - 15 and 30 year term - **Qualify at the Note rate** **Fixed Rate: 30 Year Term with Interest-Only** • 30 year term with 20 year amortization • **Qualify using the ITIA payment amortized over 20 years** **Fixed Rate: 40 Year Term with Interest-Only** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • **Qualify using the ITIA payment amortized over 30 years** **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.500 • Floor = Margin • **Qualify at the start rate** **7/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.500 • Floor = Margin • **30 Year Loan Term: Qualify at the start rate, using the ITIA payment** • **40 Year Loan Term: Qualify at the start rate, using the ITIA payment** **10/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.500 • Floor = Margin • **30 Year Loan Term: Qualify at the start rate, using the ITIA payment** • **40 Year Loan Term: Qualify at the start rate, using the ITIA payment**
Reserves	**Reserves are required**. Refer to the Reserves topic for details
Residual Income	Not required

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier	
Overview	• Borrowers are qualified based on their liquid assets or assets that may be liquidated without restriction. Refer to the Asset Qualification topic for details • Income and employment are **not verified** when this option is utilized • Loans using the Asset Qualifier option are subject to ATR or HPML requirements • **Primary residence and second home** purchase and rate/term transactions **only; investment properties and cash-out ineligible**
4506-C/Tax Return	N/A
Asset Qualification	**Method One** Total post-closing assets must equal 125% of **all** outstanding mortgage debt for which the borrower is personally liable **Method Two** Total post-closing assets must: • Equal 120% of the subject property loan amount **plus** • 30% of all other outstanding debt (mortgage and consumer) **Method Three** Total post-closing assets must cover the sum of 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 Refer to the Debt to Income/Debt Service topic for additional details on Debt Service and eligible exclusions to the debt required to be included in **Method One** and **Method Two**
Assets – Eligible	The borrower may only use their proportionate share of any account held jointly with a person(s) who will **not** be on the loan. If no specified percentage of ownership is stated, it is assumed the account is divided equally among the account holders. **Eligible Assets**: • Cash and cash equivalents at 100% of face value • Marketable securities (**excludes unvested** RSUs and Stock options) – 80% (minus any outstanding margin loans, if applicable). • Cash surrender value of an annuity. Any loan secured by the annuity must be deducted from the cash value • Cash value of a vested life insurance policy – 100% - When used for reserves, the cash value must be documented but liquidation not required • Retirement funds: - Borrower **not** at retirement age (< 59½): 70% - Borrower is of retirement age (≥ 59½ years): 80% - Borrowers who are not of retirement age must document that they have unrestricted access to all retirement-based funds used for down payment and closing costs and documentation of liquidation of the assets needed to close the loan is required. • Cryptocurrency assets are eligible **subject to Homebridge management review and approval**. The following applies: - Cryptocurrency must be liquidated and deposited into a U.S. bank/financial institution **OR** a bank/financial institution identified on **Exhibit A - Acceptable Bank List for Foreign Credit/Assets** **AND** be seasoned for a minimum of 60 days • Proceeds from the documented sale of any assets owned by the borrower over the prior 6 months • The balance of any loan secured by the asset being used for asset qualification the value of the asset must be reduced by the loan amount prior to applying the percentage above, without regard to the total amount that may be drawn

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier	
Assets – Eligible (cont.)	**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 **Business funds** may be considered an acceptable source **for funds to close** only when the borrower is self-employed subject to the following: • The borrower must have at least 51% greater interest in the business to utilize business funds and the ownership percentage must be verified. The amount of business assets that may be utilized are restricted to the percentage of ownership interest the borrower has in the business • One of the following is required: 1. A letter from the borrower stating they have access to the business funds and a cash flow analysis to document the withdrawal of funds will not negatively affect the business. The cash flow analysis must be based on: - Determine the business' monthly operating expenses based on either the most recent years tax returns **or** average the deductions on six (6) months of business bank statements, **and** - Deduct six (6) 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, **OR** 2. A CPA letter must be provided to confirm withdrawal of funds will not have a negative impact on the business **Ineligible Assets:** • Business funds (**eligible for funds to close only** – see requirements below) • Non-liquid assets (e.g. cars, artwork, business net worth, etc.) • Face value of life insurance policy. • Unvested restricted stock • Stock options, unless exercised • Securities that are not publicly traded
Assets – Documenting	• The most recent six (6) months of statements for each account that will be utilized for asset qualification must be provided • Large deposits, defined as > 10% of the face value of the account, 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 • Asset balances must be verified within 120 days of the Note date
Borrower Eligibility	Refer to the Borrowers - Eligible topic for requirements
Debt-to-Income	N/A; DTI is not calculated. While the borrower's DTI is not calculated under this program, the borrower's monthly debt service is considered when qualifying determined. Refer to the Asset Qualification topic for requirements

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier	
Derogatory Credit-Significant Events	Derogatory credit events are measured from the completion date of a event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • 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 up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirements** • **A five (5) year waiting period** is required measured from event completion/dismissal/ discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance topic for requirements
Documentation of Income	N/A; income is not documented. Qualification is determined by borrower's assets
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 for down payment and closing costs on **purchase transactions**. Gift funds may be eligible for closing costs on refinance transactions on an exception basis • Gift funds **cannot** be used to meet reserve requirements **or** as an eligible asset to meet Asset Qualifier requirements Refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Eligible. Refer to the Gift of Equity topic in the general underwriting guides for requirements
Income - Rental	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
Payment Shock	Refer to the Payment Shock topic for requirements

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier	
Product	**Fixed Rate** • 15 and 30 year term • **Qualify at the Note rate** **Fixed Rate: 30 Year Term with Interest-Only** • 30 year term with 20 year amortization • **Qualify using the full PITIA payment amortized over 20 years** **Fixed Rate: 40 Year Term with Interest-Only Feature** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • **Qualify using the full PITIA payment amortized over 30 years** **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.250 • Floor = Margin • **Qualify at the greater of the start rate OR the index plus margin amortized over the full term of the loan** **7/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.250 • Floor = Margin • **30 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 20 years** • **40 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 30 years** **10/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin**:** 4.250 • Floor = Margin • **30 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 20 years** • **40 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 30 years**
Reserves	Refer to the Reserves topic for reserve requirements
Residual Income	• A minimum of $1300 per month of residual income **is required** • The required residual income is calculated based on the total qualifying assets divided over 60 months **minus** total monthly debt **equals** residual income • Funds being used for down payment and/or closing costs are excluded from the residual income calculation

1099 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 Borrowers Income Type Eligibility topic for requirements. • A borrower who is an independent contractor and receives a portion of their independent contractor income as W-2 income may have that income included in the income calculation when documentation is received from a CPA, EA, or licensed tax preparer that verifies the W-2 income is not the result of employment income. The letter is valid for **60** days • The borrower's primary income source (> 50% of qualifying income) must be 1099 income minus the applicable expense ratio • The 1099 income must be recurring (i.e. income that is part of the borrower's normal and recurring income stream • The 1099 income used to qualify the borrower cannot be from a source owned by the borrower(s) or from a family-owned business • Income derived from sources deemed illegal under local, state, and/or federal law is **not eligible**
4506-C/ Transcripts	• 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 by a CPA/ EA/licensed tax preparer in writing or equivalent documentation provided. 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 and eligible exception • DTI cannot be rounded down to qualify

1099 Documentation Eligibility and Summary	
1099 Only	
Derogatory Credit - Significant Events	Derogatory credit events are measured from the completion date of an event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • 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 up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirements** • A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance topic 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.
Documentation of Employment/Income	• Two years' employment history must be verified with one of the following: - Written VOE, or - CPA letter, or - Documentation determined acceptable by the Homebridge Underwriter based on the borrower's circumstances • Most recent one (1) or two (2) years 1099(s). The 1099 income must be recurring (i.e. income that is part of the borrower's normal and recurring income stream) • Acceptable documentation of year-to-date income within **120** calendar days of the Note date is one the following: - 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 on next page) require a CPA/EA/licensed tax preparer prepared P&L or expense ratio letter to calculate income

1099 Documentation Eligibility and Summary	
1099 Only	
Documentation of Employment/Income	**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/licensed tax preparer covering the time period of the 1099(s) (i.e., one or two years as applicable) • If the gross income on the 1099(s) support a minimum of 90% of the gross income listed on the P&L the net income on the P&L is used for qualifying • **If two (2) year's 1099s are provided, and the gross income shows a declining trend, a P&L covering the most recent calendar year must be provided and used for qualifying** • The income must be reasonable for the borrower's line of work **Method Three: CPA Letter for Expense Ratio** • A CPA/EA/licensed tax preparer prepared letter stating the borrower's expense ratio based on the borrower's most recent year's tax return. The letter **cannot** contain any exculpatory language • The expense ratio is multiplied by the gross income shown on the 1099(s) used for qualification. That figure is subtracted from the gross income listed on the 1099(s) and the resulting number is used to qualify, averaged over the number of months of income provided • The income must be reasonable for the borrower's line of work • **If two (2) year's 1099s provided, and the gross income shows a declining trend, the income will be calculated using the most recent year's 1099 only minus the stated expense ratio**
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

1099 Documentation Eligibility and Summary	
1099 Only	
Income – Other Sources (cont.)	**Rental Income Requirements** A history of managing rental property is not required to utilize rental income **Conversion of Primary Residence** • Refer to the Conversion of Principal Residence topic for requirements **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 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 • 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 – 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) months' current receipt with bank statement or cancelled check (front and back) dated within 60 calendar days of the Note date • Rental income from properties historically leased on a short-term basis is eligible. The income is averaged over the most recent 12 month period. Gaps are acceptable however the income will still be averaged over the most recent 12 months **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 subject to the following: • **Purchase Transactions:** 75% of the appraiser's opinion of market rent may be used • **Refinance Transactions:** The rental income must be documented by a lease and documentation of the receipt of most recent one month's rental income (bank statement, cancelled check, etc.) dated within 60 calendar days of the Note date; 75% of the documented rental income is eligible **Refer to the Property with Accessory Unit topic for additional eligibility requirements** **Rental Income – Boarder** Rental income from a boarder is eligible for qualifying when: • The boarder is related to the borrower by blood, marriage, or law, **and** • Receipt must be documented for 12 months (e.g. bank statements, cancelled checks), **and** • **Verification of receipt of rent within the 60 calendar days of the Note date required** **NOTE**: Income from a roommate is **not** eligible

1099 Documentation Eligibility and Summary	
1099 Only	
Product	**Fixed Rate** • 15 and 30 year term • **Qualify at the Note rate** **Fixed Rate: 30 Year Term with Interest-Only (IO ineligible > 85%)** • 30 year term with 20 year amortization • **Qualify using the full PITIA payment amortized over 20 years** **Fixed Rate: 40 Year Term with Interest-Only Feature (IO ineligible > 85%)** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • **Qualify using the full PITIA payment amortized over 30 years** **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **Qualify at the greater of start rate or the index plus margin amortized over full term of the loan** **7/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **30 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 20 years** • **40 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 30 years** **10/6 ARM Interest-Only (IO ineligible > 85%)** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **30 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 20 years** • **40 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 30 years**
Reserves	Refer to the Reserves topic for reserve requirements
Residual Income	• Residual income **is required** on all primary residence transactions • The minimum required residual income is $2,500 • Residual income is the total gross income **minus** total monthly debt **equals** residual income

P&L Documentation Eligibility and Summary	
Profit and Loss (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.** Refer to the Income Documentation topic for complete details
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	Derogatory credit events are measured from the completion date of an event to the application date of the loan. **All derogatory credit events must be completed prior to the application date** Significant derogatory credit events include: • Foreclosure, Deed-in-Lieu of Foreclosure, • Short sale, short payoff, • 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 up-to-date) • Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings) • Modification **Waiting Period Requirement** A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date **Forbearance: Mortgage and Non-Mortgage Accounts** Refer to the Forbearance topic for requirements
Documenting Business	• Homebridge will complete an internet search of the business and include documentation in the file to support the business' existence. - 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 • Homebridge will verify the existence of the business within 120 calendar days prior to the Note date for the initial verification and will re-verify within 20 business days of the Note date
Documentation for Other Real Estate Owned	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	Eligible on primary residence and second home transactions; ineligible on investment properties Refer to the Gift of Equity topic for complete details
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%)

P&L Documentation Eligibility and Summary

Profit and Loss (P&L) Only

Income Documentation

- A minimum of 2-years self-employment in the borrower's current profession required
  - Documentation that the business has been in existence for a minimum of 2-years must be provided. The following is considered acceptable:
    - Business license,
    - Letter from a tax preparer,
    - Secretary of State filing
- Borrower(s) must have **≥ 50%** ownership in the business. The ownership percentage must be documented by one of the following acceptable individuals:
  - Certified Public Accountant (CPA), **or**
  - IRS Enrolled Agent (EA), **or**
  - California Tax Education Council (CTEC), 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**
- 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 and 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)**: One** 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 Bank Statement Option transactions**
- The CPA/EA/CTEC who prepared the P&L must have filed the borrower's most recent business tax returns
- **The P&L(s) must be signed by both the borrower(s) with ownership interest and preparer (non-owner borrowers are not required to sign)**

(cont. on next page)

P&L Documentation Eligibility and Summary	
Profit and Loss (P&L) Only	
Income Documentation (cont.)	• The CPA/EA/CTEC must confirm, in writing, that they are not affiliated or associated with the borrower's business (if they have not documented somewhere else in the loan file) and have done **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(s) and the P&L(s) represent an accurate summary of the business cash flow and the applicable cash expenses • A copy of the CPA/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
Income – Co-Borrower	**Co-Borrower Income** 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
Income – Other Sources	**Conversion of Primary Residence** • Refer to the Conversion of Principal Residence topic for requirements **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 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** **Rental Income – 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 (cont. on next page)

P&L Documentation Eligibility and Summary	
Profit and Loss (P&L) Only	
Income – Other Sources (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. • 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 – Accessory Unit** Rental income from an accessory unit is eligible to use for qualifying income on the subject property when the appraiser comments that the accessory unit is legal **and** may legally be rented subject to the following: • ***Purchase Transactions***: - 75% of the appraiser's opinion of market rent may be used • ***Refinance Transactions***: • The rental income must be documented by a lease, **and** proof of receipt of most recent one months' rental income, **dated within 60 calendar days of the Note date**, must be provided; 75% of the documented rents are eligible **Refer to the Property With Accessory Unit topic for additional eligibility requirements** **Rental Income – Boarder** Rental income from a boarder is eligible for qualifying when: • The boarder is related to the borrower by blood, marriage, or law, **and** • Receipt must be documented for 12 months (e.g. bank statements, cancelled checks), **and** • **Verification of receipt of rent within the 60 calendar days of the Note date required** **NOTE**: Income from a roommate is **not** eligible **Supplemental Income Sources** • Borrowers using P&L statements to calculate DTI may supplement their income with social security, pension, alimony/child support, second job, and asset distribution subject to the following: - The self-employment income calculated using the P&L(s) must be the borrower's primary income source. If other income sources are used to qualify the borrower, the borrower's primary income source (> 50%) must be the income calculated based on the P&L(s) less expense ratio, if applicable - Full documentation guidelines will be used to determine documentation eligibility - W-2s and/or 1099s, as applicable, will be required. **Tax returns cannot be provided** **NOTE:** Asset distribution not eligible as supplemental income on cash-out transactions
Payment Shock	Refer to the Payment Shock topic for complete details

P&L Documentation Eligibility and Summary	
Profit and Loss (P&L) Only	
Products	**Fixed Rate** • 15 and 30 year term • **Qualify at the Note rate** **Fixed Rate: 30 Year Term with Interest-Only** • 30 year term with 20 year amortization • **Qualify using the full PITIA payment amortized over 20 years** **Fixed Rate: 40 Year Term with Interest-Only** • 40 year term with 30 year amortization (40 year term available with interest-only feature only; **there is no stand-alone 40 year fixed rate term**): • **Qualify using the full PITIA payment amortized over 30 years** **7/6 and 10/6 ARM** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **Qualify at the greater of start rate or the index plus margin amortized over full term of the loan** **7/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **30 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 20 years** • **40 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 30 years** **10/6 ARM Interest-Only** • Index: 30 day average of SOFR • Caps: 5/1/5 • Margin: 4.250 • Floor = Margin • **30 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 20 years** • **40 Year Loan Term: Qualify at the greater of the start rate or the index plus margin amortized over 30 years**
Reserves	Required. Refer to the Reserves topic for requirements
Residual Income	• Residual income is required on all **primary residence** transactions • The minimum required residual income is $2,500 • Residual income is the total gross income minus total monthly debt equals residual income

Access Underwriting Guidelines

Access Specific Forms

Homebridge will complete these forms, as applicable, and send with loan closing docs.

- **Borrower Affidavit – Full Documentation**. Signed by borrower(s)
- **Borrower Affidavit – Bank Statement**. Signed by borrower(s)
- **Borrower Affidavit** – **Investor Cash Flow**. Signed by borrower(s)
- **Borrower Affidavit - Asset Qualifier**. Signed by borrower(s)
- **Borrower Affidavit** – **1099 Only**: Signed by borrower(s)
- **Borrower Affidavit** – **P&L Only**: Signed by borrower(s)

Ability to Repay

- The Access program is designed for loans that are **not** eligible under FNMA/FHLMC guidelines
- All **Full Doc, Bank Statement, Asset Qualifier, 1099 Only, and P&L Only option loans** must meet Ability to Repay (ATR) requirements (N/A for Investor Cash Flow option). All of 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 to Full Doc, Bank Statement, Asset Qualifier, 1099 Only, and P&L Only; refer to the HPML topic for details.

Age of Documents

- Income documentation must be no more than 120 days old as of the Note date

  NOTE: Bank Statement transactions only: Personal or business bank statements used to derive income **must be no more than 60 days old as of the Note date**
- Asset documentation must be no more than 120 days old as of the Note date
- The **credit report** cannot be more than 120 days old as of the Note date
- Appraisal documents cannot be more than 120 days old as of the Note date. A recertification of value is eligible provided the original appraisal is **not more than 180 days old at funding**
- Title commitment cannot be more than 120 days old as of the Note date

Appraisals

- All transactions require an appraisal and 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 and 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
- All factors that negatively impact the property's condition must be considered including:
- **Deferred Maintenance**: Considered on a case-by-case basis. "Subject to" items must be described in detail and any required work must be completed prior to closing
- **Debris, Graffiti, or Trash**: Property with excessive amount of debris, graffiti or trash may require clean-up. When clean-up required, a Satisfactory Completion Certificate (Fannie Mae Form 1004D/Freddie Mac Form 442) and photos will be required
- **Infestation**: Any indication of termites or other infestation, must be investigated, treated, and remedied.
- **Roof Damage**: Any evidence of roof leaks and/or interior water damage (ceiling stains) must be addressed by the underwriter even if not identified on the appraisal. If any of these conditions exist, a roof certification must be obtained, indicating a remaining useful and physical life of at least 3 years

Appraisals (cont.)

- **Acreage:**
  - **Full Doc, Bank Statement, 1099 Only, P&L Only, Asset Qualifier, ITIN:** Maximum 20 acres
  - **Investor Cash Flow (**including foreign nationals): Maximum 10 acres. Properties exceeding two (2) acres, must be located in a resort like area and the land value may not be excessive in comparison to the total appraised value
- **Agricultural:** Agricultural property and property zoned agricultural are **ineligible.** Additionally, income producing properties and hobby/horse farms **ineligible.**
- 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", **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
  - Properties being used as board and care homes
  - 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. Unpermitted additions are eligible on a case-by-case basis subject to Homebridge management approval. 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.

Appraisals (cont.)

- **Full Doc and ICF Investment Properties:** Fannie Mae Form 1007 Single-Family Comparable Rent Schedule or Fannie Mae Form 1025 Small Residential Income Property Appraisal Report, as applicable, required

Comparable Sales

- 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**:
    - Be located within the same town or municipality as the subject property, **and**
    - Be considered part of the same market area within that town or municipality as the subject property
    - **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:
    - Comps Inc., or
    - Property Navigator (NY only – formerly GeoData), or
    - PropertyShark (NY only), or
    - 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 a MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, billboard signs, website, etc.).
  - Additionally, the following applies:
    - 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.
- The appraisal must identify and address properties located within a declining market. If an appraisal indicates a property is in a declining market a **5% LTV reduction required for LTVs > 65%.** LTVs ≤ 65% LTV reduction **not** required
- 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 20 acres all options except ICF; ICF (including foreign nationals) **maximum 2 acres**
- Appraisal documents cannot be more than 120 days old at funding. A recertification of value is eligible provided the original appraisal is **not more than 180 days old at funding**

Appraisals (cont.)	• Properties located in a FEMA Disaster Declaration area are subject to additional appraisal review as follows: - **Appraisal Completed Prior to the Disaster:** - An interior and exterior inspection of the property is required - Inspection must be completed by a licensed third-party professional to certify the condition of the property and identify any impact to habitability or marketability - Inspection report must include photographs of the front, rear, and street view of the property, - Any damage must be repaired and a re-inspection completed - A copy of the inspection report and the inspectors license must be included in the loan file, - An appraisal update or final inspection from the appraiser must also be obtained. The appraiser must also comment on the adverse event and certify that there has been no decline in value. Any existing damage must meet the Deferred Maintenance guidance. - **Appraisal Completed After the Disaster:** - The appraiser must comment on the adverse event and any effect it had on the marketability or value of the property - Any existing damage must meet the Deferred Maintenance guidance.
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 & Appraisal Services **NOTE:** ICF transactions using short term rental income require the appraisal to be ordered from **Class Valuation** or **Nationwide Appraisal Network;** refer to the Short Term Rental topic for detailed requirements

Assets	**Full Doc, Bank Statement, 1099 Only, P&L Only, ICF; N/A Asset Distributions and Asset Qualifier**

The borrower must have sufficient liquid assets available for down payment, closing costs, and reserves.

- Acceptable assets include cash in a bank/credit union, stocks, bonds, IRAs, 401Ks, mutual funds or retirement accounts.

  NOTE: A joint access letter is **not** required to use 100% of the assets held in a joint checking, savings or credit union account with a non-borrowing account owner
- One (1) month most recent asset statement (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 120 days. **Refer to the Asset Qualifier topic for requirements unique to Asset Qualifier**
- Any significant disparity between the current account balance and the opening balance may require additional explanation.
- **Non-Borrowing Spouse:** 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. **All other asset requirements apply**
- **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 the 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.
- **Marketable Securities:** 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 80% 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

  NOTE: A joint access letter is **not** required to use 100% of the assets held in a joint checking, savings or credit union account with a non-borrowing account owner
- **Stock options that are exercisable:** Vested stock options are eligible for down payment and closing costs if funds immediately available to the borrower. Eligible for reserves at 70% of the current market value limited to the "strike price" value.
- **Vested Retirement Funds: Vested** funds are eligible as sources of funds for down payment, closing costs and reserves. The following is required:
  - Verification of ownership and receipt of funds from liquidation of assets when needed to complete the transaction. Funds used for reserves only **do not** require proof of liquidation
  - Borrowers who are not of retirement age must document that they have unrestricted access to all retirement-based funds used for down payment and closing costs and documentation of liquidation of the assets needed to close the loan is required.
  - Borrowers of retirement age (≥ 59 ½): 80% of the vested value may be considered to meet reserve requirements
  - Borrowers not of retirement age (< 59 ½): 70% of the value may be considered to meet 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

Assets (cont.)

- **Annuities/Cash Value of Life Insurance:** Eligible as a source of funds for closing costs/reserves using 100% of the surrender value minus any loans.
- **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 60 days prior to the transfer, **and**
  - Funds must be transferred into a U.S. bank or deposit account, **and**
  - 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.
- **Business funds** may be considered an acceptable source for down payment, closing costs and reserves when the borrower is self-employed subject to the following:
  - The borrower must have at least 25% or greater ownership interest in the business to utilize business funds and the ownership percentage must be documented with a CPA, EA, or licensed tax preparer letter. The amount of business assets that may be utilized are restricted to the percentage of ownership interest the borrower has in the business.
  - If the borrower **has < 51% ownership in the business an access letter is required** (**not required** if borrower's ownership is ≥ 51%).
  - One of the following is required when utilizing business funds (N/A ICF option):
    1. **A CPA, EA, or licensed tax preparer letter**, **OR**
    2. A **cash flow analysis** based on the following:
       - ✓ Determine the business' monthly operating expenses based on either the most recent years tax returns **or** average the deductions using three (3) months business bank statements, **and**
       - ✓ Deduct three (3) months' worth of expenses from current business balance to determine available balance and apply the borrower's ownership percentage to the result to determine eligible business assets
  - Any funds transferred into personal accounts prior to the application date are eligible without restriction.
- Cash-out proceeds from a refinance from the subject property, and non-subject properties meeting secured borrowed funds requirements (see below), are eligible for closing costs. Refer to the Reserves topic for cash-out eligibility to satisfy reserve requirements
- Cryptocurrency assets are eligible **subject to Homebridge management review and approval**. The following applies:
  - Cryptocurrency is eligible for funds to close **and** to satisfy reserve requirements
  - Cryptocurrency must be liquidated and evidence it has been deposited into a U.S. bank/financial institution **OR** a bank/financial institution on **Exhibit A Acceptable Bank/Financial Institutions for Foreign Credit and Assets** is required prior to loan closing

  NOTES:
  1. The above **does not** apply to Asset Qualifier; refer to the Cryptocurrencies topic in the Asset Qualifier topic for Asset Qualifier cryptocurrency requirements
- **Borrowed Funds – Secured** are eligible when the following requirements are met:
  - Are secured by an asset already owned by the borrower, **and**
  - The terms of repayment for the loan must be verified by a copy of the Note, **and**
  - The value of the remaining assets must be reduced by the amount of the secured loan balance
- Tax deferred 1031 exchange transactions are eligible for investment properties. Transactions involving a 1031 exchange must meet all IRS requirements, be properly documented, and meet the following criteria:
  - The exchanged property must be identified within 45 days from the date of sale of the relinquished property, and
  - All 1031 proceeds of the initial sale must be controlled by a Qualified Intermediary (QI), Accommodator or Facilitator, with supporting documentation provided. The QI, Accommodator, or Facilitator cannot be the borrower, a related party of the borrower, or agent of the borrower, and
  - All 1031 proceeds of the initial sale must be re-invested in the like-kind property within 180 days of the sale

<table>
<tr><td>Assets (cont.)</td><td>

The following sources of funds may not be used to meet asset requirements:

Proceeds from unsecured or personal loans
Gift funds that require full or partial repayment
Sweat equity
Cash-on-hand
Cash advances from a credit card or other revolving account
Funds from a 529 plan account
Salary/bonus advances receive against future earnings
1031 exchange proceeds on owner-occupied or second home property
Seller funded DPA programs
Funds for closing from disaster relief loans or grants
Commission from the sale of the subject property
Assets from margin accounts
Non-vested restricted stock and/or stock options
Loan proceeds
Funds that have not been vested
Assets generated from any activity that is illegal on a local, state, and/or federal level

</td></tr>
<tr><td>Assumptions</td><td>

Fixed Rate Loans: Assumptions not eligible
ARM Loans: Assumable after the fixed rate period (subject to conditions)

</td></tr>
<tr><td>AUS</td><td>

Loans are not required to be run through an AUS
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.

</td></tr>
<tr><td>Available Markets</td><td>

Available in all 50 states
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 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 <u>ineligible</u> for unlicensed Broker/MLO submissions are as follows:

AK, CA, IA, ID, NE, NV, ND, SD, VT

States <u>eligible</u> for unlicensed Broker/MLO submissions are subject to the following:
<table>
<tr><th colspan="2">Eligible States Licensing Requirements</th></tr>
<tr><th>State/District</th><th>Licensing Requirements</th></tr>
<tr><td>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</td><td>• No license required in the state where the subject property is located, however
• The Broker <u>OR</u> MLO must have a current license in at least one other state</td></tr>
<tr><td>AZ, MI, MN, OR, UT</td><td>Broker must be licensed in the state where the subject property is located. An MLO license is not required</td></tr>
</table>
Credit exceptions will not be granted on transactions involving an unlicensed Broker/MLO

</td></tr>
</table>

Borrowers – Eligible	• **U.S. Citizens** NOTE: U.S. citizens currently living overseas eligible subject to certain requirements. Refer to "U.S. Citizens Currently Living Overseas" under the Credit History topic for details. • **First Time Home Buyers** (borrowers who have not owned a residential property in the past 3 years regardless of the occupancy status). FTHB guidance **only** applies when **ALL** borrowers on the transaction are first time home buyers and the following applies: - 1-4 unit primary, second home, or 1-4 unit investment - Borrower must be able to document a rental history within the previous three (3) years with a 0x30 over a 12-month history with cancelled checks, bank statements **OR** an institutional VOR completed by a management company (a private party/landlord VOR is **not** acceptable documentation). - Borrowers living rent free **or** they cannot document a 12 month housing history **are ineligible** (see FTHB Living Rent Free topic for exception) - Rental history must be the most recent - **Payment Shock** - Maximum 300% payment shock **NOTE: Refer to Payment Shock topic for complete details** **FTHBs ineligible on ICF;** refer to the Mortgage/Rental Payment History topic for ICF **rent free** borrower eligibility • **FTHB Living Rent Free:** Eligible, as applicable, subject to the following - Maximum 80% LTV - Minimum 680 credit score (P&L Only option: Minimum 700 credit score) - 1-4 unit primary residence **only** - Letter of explanation from owner/leaseholder of borrower's current residence documenting rent free status - Exception eligible on Full Doc, Bank Statement, 1099 Only and P&L Only options; **(see Rent Free – P&L Option for additional requirement applicable to the P&L Option only); exception not eligible on ICF and Asset Qualifier** **NOTE:** Exception **does not** apply to borrowers who cannot document 12-month housing Refer to the Mortgage/Rental History topic for complete FTHB/rent free details • **Permanent Resident Aliens:** Must provide an unexpired I-551 (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: - Full Doc, Bank Statement, 1099 Only, P&L Only: Max 80% LTV - ICF: Max 75% LTV - Ineligible on Asset Qualifier - Purchase and rate/term refinance transactions only; **ineligible** on cash-out transactions - The borrower(s) has been living and working in the U.S. for a minimum of two (2) years - An established credit history is required, and the borrower must have filed U.S. tax returns for the previous two (2) years (applies to borrowers who are using income to qualify) - An eligible visa is required*: - E1, E-2, E-3, EB-5, G-1 through G-5, H-1B, L-1, NATO, O-1, R-1, TN NAFTA ***NOTE:** Borrowers holding one of the following EAD types are eligible **without a visa:** C09, C10, C24, C31, C33 - The following documentation is required to evidence that the borrower is in the U.S. legally ○ A copy of the borrower's valid and unexpired passport, **AND** ○ A copy of the borrower's valid and unexpired visa that includes a photograph, **OR** ○ An I-797, Notice of Action, form with valid extension dates **and** I-94 Arrival/Departure form (cont. on next page)

Borrowers – Eligible (cont.)	- If the visa **or** EAD will expire within six (6) months of loan application, the employer sponsoring the borrower may provide a letter stating the borrower will continue to be employed with the company and/or that their visa renewal sponsorship will continue. **NOTE:** The employer on the loan application must be the same as the employer on the unexpired visa - A valid Employment Authorization Document (EAD) is required when the visa **is not sponsored** by the borrower's current employer • **Non-Occupant Co-Borrower: Full Doc/Bank Statement/1099 Only/P&L Only, ITIN**: 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; ITIN transactions maximum loan amount $1,000,000 - Maximum 80% LTV - A 5% LTV reduction required - DTI subject to the following**:** o Occupant borrower maximum 75% DTI with blended maximum 40% DTI, **OR** o Occupant borrower maximum 60% DTI with blended maximum 50% DTI - A minimum 5% of the down payment must be from the occupying borrower's own funds - The occupying borrower is responsible for 50% of the reserve funds requirement • **Non-Occupant Co-Borrower: Asset Qualifier: 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 • **Foreign Nationals:** Refer to the Foreign Nationals topic for complete requirements • **Inter Vivos Trust:** Loans closing in the name of a revocable trust are eligible. 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 • **Blind Trust: Full Doc, Bank Statement, 1099 Only, P&L Only** (**ineligible** on ICF/Asset Qualifier): Blind trusts are eligible on a case-by-case basis subject to Homebridge Management approval • All borrowers are required to have social security number (excluding Foreign Nationals and borrowers utilizing the ITIN option) **NOTE: Any inconsistency in the social security number(s) reported require a signed, written explanation from the borrower**
Borrowers – Ineligible	• Borrowers with diplomatic immunity • Land Trusts • Borrowers without a social security number (**excluding** Foreign Nationals and ITIN borrowers) or a number that cannot be validated with the SSA. • Life Estates • Non-revocable trusts – **no exceptions** • Guardianships • Borrowers previously convicted of mortgage fraud • Borrowers holding title in the name of a partnership • Borrower is an employee of the Broker or owner except on Full Doc transactions which are subject to: - Broker/employee cannot represent themselves and an LOE is required

Borrowers - ITIN

Borrowers issued an ITIN instead of a social security number are only eligible utilizing the Full Doc or Bank Statement documentation options ONLY.

Overview

The IRS issues an Individual Taxpayer Identification Number (ITIN) to individuals who are required to file U.S. tax returns but are not eligible to obtain a social security number (SSN). These individuals include non-citizens, immigrants, dependents and spouses of U.S. citizens or residents.

The following individuals are eligible **when they have been issued an ITIN by the IRS; if the borrower has been issued a social security number they are not eligible for the ITIN option** (excluding DACA status borrowers; see **Documentation Requirements** topic for details)

- Permanent resident aliens,
- Non-permanent resident aliens, and
- Non-resident aliens

NOTE: U.S. citizens and Foreign Nationals **are not eligible** to use the ITIN option

Standard Full Doc or Bank Statement guidelines, as applicable, apply except as detailed below:

- Cash-out transactions require 2-years income documentation (1-year documentation **not eligible**)

  NOTE: Cash-out transactions only eligible for permanent resident alien ITIN borrowers; non-permanent/non-resident aliens **ineligible** for cash-out
- Interest-only **ineligible**
- 0x30x12 housing history **required**
- Gift funds **ineligible** on **investment transactions**
- Trusts, LLCs, Corporations, leaseholds **ineligible**
- Temporary buydowns **not allowed**
- **Escrow/impound account required**
- Transactions involving a non-occupant co-borrower maximum $1,000,000 loan amount
- Delayed financing (aka technical refinance) maximum 60% LTV
- Non-arm's length purchase transactions maximum 70% LTV
- Non-warrantable condos maximum 75% LTV
- Borrowers from OFAC sanctioned countries **ineligible**

Documentation Requirements

The following documentation is required:

- A government photo ID issued by the U.S. or eligible country of origin (**country of origin cannot be an OFAC sanctioned country**). Examples include:
  - License, passport, matricular consular, etc.

  NOTE: A visa is **not required**
- A copy of the borrower's valid, **unexpired** ITIN card or letter from the IRS. **The ITIN must be assigned to the borrower prior to loan application**
  - All documentation in the file must support the borrower's ITIN and **cannot** reference a SSN belonging to another individual
  - Document the ITIN is unexpired as follows:
    - **Full Doc Option**: Current executed tax transcripts
    - **Bank Statement Option: One** of the following must be provided:
      - IRS letter dated within the prior 3 years
      - Fully executed IRS Form W-7, Application for IRS Individual Taxpayer Identification Number that includes the agent's signature
      - Signed letter from borrower's tax preparer stating they have filed the borrower's most recent year's tax return with the IRS
  - Borrowers with deferred action for childhood arrivals (DACA) status are eligible with the following:
    - An ITIN, **or** SSN, **and** a valid U.S. driver's license, **and** a valid employment authorization document (EAD) evidencing DACA status

Borrower – Ownership Interest - Title Vesting	Borrowers may hold title as follows: • **Fee Simple:** Vesting in the name of individual(s) • **Inter Vivos Trust**: Title in the name of an inter vivos revocable trust or a blind trust (blind trusts case-by-case) that meets Fannie Mae guidelines. • **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, but 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 o Debt will be reported on the borrower's credit report, o **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. o 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: o **Articles of Organization** (LLCs) **or Articles of Incorporation**, or equivalent, (Corporations), **and** o **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** o **By-Laws**, including all amendments (Corporations **only**) o **Unanimous Consent & Resolution to Borrow,** which must include the lender's name, loan amount, and property address, **and** o **Form SS-4, Application for Employer Identification Number,** with Tax ID number listed, **and** o **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 is not eligible**

Construction to Perm	The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence. • Construction-to-permanent financing can be structured as a transaction with one or two separate closings; **however Homebridge will not provide the construction financing (a one closing transaction).** The borrower must hold title to the lot, which may have been previously acquired or be purchased as part of the transaction. • All construction work, including any work that could entitle a party to file a mechanics' lien or materialmen's lien, must be completed and paid for, and all mechanics' liens, and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Homebridge. Homebridge will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to-perm mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Homebridge will retain a certificate of occupancy or an equivalent from the applicable government authority. • Units in a condo project are not eligible for construction-to-permanent financing. **Two-Closing Transactions** • The first closing is to obtain the interim construction financing (and may include the purchase of the lot). **Construction financing is not eligible through Homebridge.** • The second closing (aka "end" loan) is to obtain the permanent financing upon completion of the improvements **and is eligible** through Homebridge. • A modification may not be used to update the original Note; a new Note must be completed and signed by the borrowers. • The borrower is underwritten based on the terms of the permanent mortgage. • Transactions are subject to the limited cash-out and cash-out refinance maximum LTV/CLTV/HCLTV ratios, as applicable. • Cash-out refinance transactions require the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage. • All other standard cash-out refinance eligibility and underwriting requirements apply

Conversion of Principal Residence to Second Home, Investment or Pending Sale	**Full Doc, Bank Statement, 1099 Only, and P&L Only Options** **Pending Sale** If the borrower's current primary residence is pending sale but the transaction will not close and title transferred prior to the subject property closing, both the current **and** proposed PITIA mortgage payments must be used when qualifying the borrower **Proceeds from the Pending Sale** If the borrower's primary residence is pending sale but will not close prior to the subject property close, **up to 50% of the borrower's equity in their current residence may be used towards post-closing reserves subject to the following requirements:** • The transaction must be non-arm's length, listing the seller of the property (the borrower) as the owner individually or through an entity created for their benefit, and • The transaction must have a closing date listed on the contract that is within 90 days of the subject property ("on or about" date is acceptable), and • There cannot be any outstanding financing contingencies on the property pending sale. Any financing contingencies outlined in the purchase contract must have evidence they have been cleared, and • An estimated settlement statement, completed by the closing attorney or settlement agent, must be provided that documents the estimated net proceeds to the seller of the property (borrower in subject transaction) • The borrower must provide letter attesting to the number of outstanding liens and the amount of each lien on the property pending sale **Conversion to Second Home** • If the borrower wishes to convert their current primary residence to a second home the borrower **must** have a 30% equity position in their current residence, or the current residence is **ineligible** for the conversion or the subject transaction is ineligible. 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 Additional documentation may be required at underwriter discretion. • The current and proposed PITIA mortgage payments must be used for qualifying the borrower **Conversion to Investment Property** • 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 or the current residence is ineligible for the conversion or the subject transaction is ineligible. 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

Credit History

Tradelines

- Each borrower must have a minimum of three (3) tradelines and a 24 month credit history (see "Insufficient Tradelines" below). Authorized user accounts are **not** eligible to satisfy the tradeline requirement

  NOTE: Authorized user accounts may be removed and not included in the DTI/debt service if documentation is provided confirming the borrower is not making the payments on the account. **A credit supplement, showing the account has been removed, is required**
- One (1) tradeline must have been open and active within the previous 6 months
- One (1) tradeline must be seasoned for a minimum 24 months. The same tradeline may be used to satisfy the 24 month and active requirement
- Tradelines may be installment or revolving

  NOTE: If the only co-borrower is the borrower's spouse, only one borrower is required to meet the tradeline requirement. Unmarried joint borrowers who meet two the three requirements below will be considered "spouses" when determining compliance with tradeline requirements:

  1. They have resided together for a minimum of two (2) years,
  2. Hold at least one (1) joint tradeline
  3. Have at least one (1) joint asset account

Insufficient Tradelines

A borrower with 3 tradelines on their credit report but those tradelines do not meet one or more of the tradeline requirements listed in the Tradelines topic above, may provide alternative acceptable credit (as defined by Fannie Mae) as noted below:

- One additional tradeline showing 0x30 in 12 months. One of the tradelines on the credit report or alternative must be a housing tradeline that is 0x30 in 12 months, **OR**
- Two additional tradelines that are 0x30 in 12 months

U.S. Citizens Currently Living Overseas

U.S. citizens living abroad are eligible. Borrowers living overseas that do not meet the tradeline requirements noted above may use one of the options below instead **as long as one borrower has at least one credit score reporting.**

Method One – Financial Institution Letter

- A reference letter from the financial institution with whom the borrower has a deposit relationship with for a minimum of two (2) years prior to the Note date. The letter must include the following:
  - Institution contact information
  - Borrower's name and account number(s)
  - Type and length of the relationship with the borrower
  - Whether or not the borrower is in good standing

Method Two – Foreign Credit Reference Letters

- Three (3) reference letters from creditors in the country in which the borrower is residing. The reference letters must collectively satisfy the tradeline requirements detailed above. The reference letters must be on company letterhead and include:
  - The company phone number, address, and website.

Credit Report/Scores	• Minimum credit score varies by documentation option. Refer to the applicable matrix **for minimum credit score details and requirements.** **NOTE**: Refer to the Foreign Nationals topic for credit score/report requirements • **Individual Borrower's Credit Score** - Borrowers are **required** to have three (3) valid scores. An individual borrower's representative credit score is determined as follows: - Three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. • **Representative Score for Loan:** - **Full Doc, Bank Statement, 1099 Only, and P&L Only Options**: The representative score is **the middle score of the primary wage earner**. A borrower's documented income **cannot** be excluded when determining the primary wage earner on a loan - **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 - **Asset Qualifier**: The representative credit score is the **lowest middle score** unless: - A borrower is providing 75% or more of the assets for the transaction, including funds to close and reserves, in accounts that are solely in their name or held jointly with persons who are not borrowers on the loan, then that borrower's middle credit score may be used • 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. - A report with only two (2) bureaus reporting will be considered if it contains all information available for the borrower(s). - Borrowers with only one (1) bureau reporting are not eligible • If the borrower has a credit freeze, the credit freeze must be removed, and the credit information obtained • 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 Qualifier, 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 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**: This requirement does not apply to Investor Cash Flow 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 on property located at 123 Main Street; 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 are 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 **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, **and** - Mortgage debt requires a copy of the document transferring ownership of property, **and** - If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be considered when reviewing the borrower's credit profile. **Fraud Alerts** All fraud alerts must be 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")
Debt-to-Income (DTI) Ratios – Full Doc/ Bank Statement/1099 Only Options and Debt Service – Asset Qualifier	**Investor Cash Flow Option (including Foreign Nationals):** DTI requirements do **not** apply; DTI **not** calculated. Refer to the Investor Cash Flow Debt Service Coverage Ratio (DSCR) topic for ICF requirements. **Asset Qualifier Option:** DTI requirements do **not** apply; DTI **not** calculated. Liabilities are considered in the borrower's monthly debt service when qualifying the borrower. **Full Doc, Bank Statement, 1099 Only, and P&L Only Options:** • DTI is calculated by dividing the borrower's total monthly obligations by the borrower's total monthly qualifying income. **DTI cannot be rounded down to qualify** • Maximum 50% DTI, **no exceptions**

Debt-to-Income (DTI) Ratios – Full Doc/Bank Statement/1099 Only/P&L Only Options and Debt Service – Asset Qualifier (cont.)

The following applies to Full Doc, Bank Statement, Asset Qualifier, 1099 Only, P&L Only

Alimony – Full Doc/Bank Statement/1099 Only/P&L Only

Monthly alimony may be deducted from the income rather than included in the DTI calculation when the alimony payments are tax deductible

Alimony – Asset Qualifier

Monthly alimony is included when determining borrower's monthly debt

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

Child Support and Separate Maintenance

Must be included in the borrower's DTI/debt service calculation. The terms of the payment must be documented with divorce decree, separation agreement, court order, etc.

Business Debt

Business debt that is reflected on the borrower's personal credit report may be excluded if:

- There is no history of delinquency,
- Documentation is provided the debt was paid from the business (e.g. most recent 6 months cancelled checks drawn on the business account/tax returns reflect the business expense deduction etc.),
- The cash flow analysis of the business indicates the payment.

  NOTE: Any business debt that is seasoned < 6 months, the payment **must be included** in the DTI/debt service calculation.

Co-Signed Debt

- Co-signed debt is **not required** to be included in the borrower's DTI calculation/debt service if all of the following applies:
  - Documentation is provided that the borrower is not primarily responsible for payment of the debt, and
  - The credit report indicates no late payments on the account, and
  - 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower).
- Co-signed debt must **be included** in the borrower's DTI calculation/debt service if:
  - It cannot be properly documented that the primary party obligated on the loan is making the payments, **or**
  - A 12 month pay history, by the primary party, cannot be established, **or**
  - The credit report indicates there have been late payments on the debt, **or**
  - Another party is making the payments but the borrower is the only party responsible for the debt

Debt-to-Income (DTI) Ratios - Full Doc/ Bank Statement/1099 Only/P&L Only Options and Debt Service – Asset Qualifier (cont.)	**The following applies to Full Doc, Bank Statement, Asset Qualifier, 1099 Only, P&L Only** (cont.) **HELOCs** • **The payment on the amount of the line currently being used must be included in the DTI calculation/debt service** • **If there is a balance, but no payment indicated on the credit report a statement indicating the payment amount is required or 1% of the total line amount will be used** • **HELOCs with a zero balance, no payment calculation is required.** • **The applicable CLTV/HCLTV cannot be exceeded.** **Installment Debt** • 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** • Installment debt with < 10 months of payments remaining may be excluded, if the borrower has sufficient assets to make the remaining payments. • Installment debt may be paid off with proceeds from a cash-out refinance transactions • 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 listed on the credit report, documentation must be provided with the current payment. • If a payment will be changing in the very near future (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 and sourced • **Texas Equity Loans**: If the payoff of installment debt is required to qualify, the payoff must be included on the CD **and the funds must be disbursed directly to the creditor by the closing agent** **Revolving** 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 calculations/debt service. • If no payment stated on the credit report or current statement is unavailable use 5% of the current balance to determine the monthly payment; HELOCs use 1% to determine monthly payment • If the revolving account is to be paid off prior to or at closing, a monthly payment is not required to be included in the debt ratio/debt service. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio. • If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified. • If the revolving account is to be paid off at closing, the payoff must be shown on the Closing Disclosure • Texas Equity Loans: If the payoff of revolving debt is required to qualify, the payoff must be included on the CD **and the funds must be disbursed directly to the creditor by the closing agent** **Student Loans (Deferred/Forbearance or in Repayment)** Student loan payments, regardless of payment status, must be included in the DTI calculation/debt service. • If the payment is included on the credit report, use the payment indicated on the credit report • If the payment is in deferment or not listed on the credit report, use the lesser of: - 1% of the outstanding loan balance, **or** - Document the fully amortized payment **NOTE**: Accounts in forbearance are subject to review by Homebridge management **Undisclosed Debt** Undisclosed debt will require an LOE from the borrower. At underwriter discretion, documentation supporting the explanation may be required **Timeshare** Timeshare payments are considered installment loans and installment guidelines should be followed

Deed / Resale Restrictions	Considered on a case-by-case basis only with Homebridge management approval
Derogatory Credit	**Significant Derogatory Credit Events** **A 4-year waiting period is required** from the completion date of a significant derogatory credit event to the application date of the loan. Significant derogatory credit events include: • 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) • Modification **NOTE: If** multiple credit events are present, the waiting period requirement begins with **the most recent event end date** (e.g. borrower had BK dismissed in 2020 and a foreclosure completed in 2022, the waiting period timing begins with the 2022 event; 4 years waiting required from the 2022 event) **Collections/Charge-offs** Open adverse must generally be paid off prior to or at closing (excluding medical collections) unless: • There is an individual account with a balance of < $250, **and** • The aggregate balance of all outstanding accounts is < $1,000 **Exception:** If a collection/charge account exceeds the above, the account may remain open if **the account does not/will not affect title** **NOTE: Medical collections, regardless of amount, may remain open** **Consumer Credit Counseling** Borrowers who have participated in credit counseling are eligible. **Judgment/Tax Lien** Any outstanding judgments or tax liens may remain open subject to the following: • The borrower must be in a repayment agreement • Six (6) months documented on-time payments required; if less than 6 months payments, made, the open judgment/lien is not allowed • Must be included in the DTI or debt service (as applicable) **or** for ICF in the DSCR (if attached to subject property), and • If the judgment or tax lien is recorded against the property, it must be subordinated • If the above requirements are not met, the account must be paid off prior to or at closing; cash-out proceeds may be used for pay-off

Derogatory Credit (cont.)	**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 **Delinquent Child Support** Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review. **Forbearance: Mortgage(s)** Borrowers with any mortgage tradeline in a forbearance plan (i.e. one or more mortgages) must meet **one** of the following requirements: • **No Missed Payments**: - If **all** mortgage payments were made on time, with **no missed payments** during the forbearance period the loan is eligible with no waiting period, **and** - Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled **prior to the loan application date** • **Missed Payments**: - If the borrower missed any payments while in a forbearance plan, the following applies: - Borrower is eligible, **and** - Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled, **and** - A minimum of three (3) monthly payments have been made on time after completion of the forbearance **and prior to the loan application date.** **NOTE: The** missed payments may be added to the loan's unpaid principal balance as long as the requirements stated above are met **Forbearance: Non-Mortgage Accounts** Transactions with a non-mortgage account(s) forbearance may remain in forbearance however the payment must be included in the DTI calculation (N/A ICF and Asset Qualifier options)
Down Payment/ Earnest Money Deposit	• Gift funds eligible after borrower own funds requirement met (if applicable) • Refer to the Gift Funds and Gift of Equity topic for details • Down payment/earnest money deposits must be documented and sourced, if applicable.

Employment/Income	**Full Doc, Bank Statement, 1099 Only, and P&L Only Options** Income and employment must be considered stable. Income must also be considered likely to continue for a **minimum of 3 years** and be sufficient enough for the borrower to repay the debt. • A 2-year work history is required in the same job or same line of work. If less than 2-years employment documented training and/or education in the same field is allowed to satisfy the 2-year history requirement. • Self-employed borrowers must have been in business for at least 2 consecutive years **Gaps in Employment/Income Decline** • **Wage Earners**: Gaps in employment greater than 60 days require the borrower provide a signed letter of explanation. Gaps in employment that are > 6 months require additional documentation and a minimum 2-year history in the same line of work prior to the gap • **Self-Employed:** Gaps in employment greater than 30 days require the borrower provide a signed letter of explanation. Gaps in employment that are > 6 months require additional documentation and a minimum 2-year history in the same line of work prior to the gap • Borrowers must currently be employed • Declining income sources should be closely reviewed to determine if the income can be used for qualifying. A letter of explanation detailing the reason(s) for the decline is required. If sufficient information to support the use of the income is provided, the most recent lower income must be used for qualification. • Borrowers who are experiencing a temporary salary reduction must be able to qualify on the income documented on the most recent 30 day paystubs **Investor Cash Flow and Asset Qualifier Options** Employment and income are **not** verified
Employment Verification	**Full Doc, Bank Statement, 1099 Only, and P&L Only Options** 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 **Investor Cash Flow and Asset Qualifier Options** VVOE **is not** required; employment is not verified
Escrow Holdbacks	Not allowed
Escrow/Impound Account	Not required **except** as follows: • HPML transactions require a minimum escrow period of 5 years • Foreign national and ITIN borrowers require an escrow/impound account, **no exceptions** • ICF transactions with a DSCR < 0.75: **escrow/impound required** **Reminder:** Escrow account is always required if flood insurance required

Foreign Nationals

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 Investor Cash Flow specific guidance, the following applies to Foreign National borrowers. Any other topic not addressed below or in the ICF topic, follow standard Access guides

General Requirements

- Eligible on the Investor Cash Flow option **only**
- 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 with a prior forbearance **ineligible**
- Minimum 12 months reserves required
- Gift funds **ineligible**
- Business funds are eligible subject to standard requirements as stated in the Assets topic
- An escrow/impound account is required
- Minimum credit score requirements on the Foreign National matrix apply when the borrower(s) has U.S. credit.
- Borrowers who own their home free and clear must provide a CPA letter, Free and Clear Property form, or other acceptable documentation confirming the property is owned free and clear
- If the borrower does not have a U.S. credit score, maximum 65% LTV
- 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

Borrower Eligibility

- The borrower must have a current, valid foreign passport **AND** a visa that includes a photograph and signature except as noted under the **Visa Exception** topic below
- The visa must evidence the borrower is legally present in the U.S.; a defined length of stay is **not** required. Eligible visas for foreign national borrowers are as follows:
  - B1, B2, H2, H3, I, J1, J2, O2, P1, P2
- **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
- Citizens of Mexico. Borrower(s) may provide **one** of the following to meet visa requirement
  - A laser visa card (a border crossing card and a B1/B2 visa), **OR**
  - A NAFTA treaty visa (TN, TC, E1, or E2)
- All borrowers must file an IRS Certificate of Foreign Status, (IRS form W-8BEN for individuals and W-8BEN-E for entities). A copy of the Certificate must be maintained in the loan file

Assets

On a case-by-case basis Homebridge will consider allowing foreign funds being used for asset qualification or 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. If not approved, the funds must be moved to an account in a financial institution located in the U.S. prior to closing

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 will be underwritten based on a 680 credit score and maximum 65% LTV applies.

(cont. on next page)

Foreign Nationals (cont.)

Credit Requirements (cont.)

- 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 and 0x60 in previous 24 months**.**

Income

- Income is not verified on ICF; follow ICF requirements for Foreign National borrowers except as noted below:
  - A minimum DSCR of 1.000 is required, **and**
  - The interest-only payment cannot be used to calculate the DSCR on a loan with the interest-only feature, **and**
  - A 12 month history of owning and managing rental property is required, **and**
  - 12 months reserves required. **70.01% to 75% LTV cash-out cannot be used to satisfy reserve requirements**

Liabilities

- Borrower must provide a schedule of real estate owned listing, as applicable, property type, property value, 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 Nationals

- 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	**Full Doc, Bank Statement, Investor Cash Flow, 1099 Only & P&L Only:** Gift funds eligible for down payment and closing costs (gift funds **not** eligible to satisfy reserve requirements) subject to the restrictions detailed below. • **Gift funds ineligible** on the following: - Foreign National borrowers - ITIN borrower investment property transactions **Asset Qualifier**: Gift funds eligible for down payment and closing costs **for purchase transactions** subject to restrictions detailed below. Gift funds for closing costs on refinance transactions considered on an exception basis. Gift funds **cannot** be used as an eligible asset to meet Asset Qualifier requirements or to meet reserve requirements **Gift Fund Eligibility** Gift funds from an immediate family member are allowed subject to the following: • **A minimum 5% borrower own funds required on purchase transactions except** as noted below; **borrower own funds may be waived on the following transactions**: - The transaction is a **primary residence purchase transaction with ≤ 80% LTV** - **The transaction is an investment property or second home purchase transaction with ≤ 75% LTV** - Transactions involving a gift of equity. Refer to the Gift of Equity topic for details • Immediate family member is defined as: - Borrower's spouse, or - Child or other dependent, or - A fiancé, fiancée, or domestic partner, or - Any other individual who is related to the borrower by blood (including cousins), marriage, adoption, or legal guardianship. **NOTE:** Funds from a non-borrowing spouse, who is a titleholder, will not be considered a gift • The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction. • The gift must be evidenced by a gift letter, signed by the donor and it must: - Specify the dollar amount, - Be signed by the donor and the borrower, - Specify the date the funds were transferred, - Indicate the donor(s) name, address, phone number, relationship to the borrower, and - Include a statement by the donor that no repayment of the gift funds is expected. • 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 - Evidence of the electronic transfer of funds from the donor's account to the borrower's account or to the closing agent - Copy of the donor's check to the closing agent, or - The settlement statement showing receipt of the donor's check. • If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check
Gift of Equity	Eligible subject to the following: • The seller is a relative of the borrower, **and** • A gift letter, meeting the guidelines under the Gift Funds topic above, is required, **and** • Owner-occupied and second home transactions are eligible and **do not require 5% borrower own funds** when there is a gift of equity • **Investment property transactions are <u>ineligible</u> for gift of equity** • The maximum LTV when using a gift of equity is **the lesser of**: - 75%, **or** - The applicable product maximum Refer to the Non-Arm's Length/Identity of Interest topic for additional requirements

Higher Priced Mortgage Loan (HPML)	Standard HPML requirements apply • HPML rules apply to Full Doc, Bank Statement, Asset Qualifier, 1099 Only, and P&L Only options • 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 • **A second appraisal is required when the transaction is an HPML and involves a property flip when there is:** - A > 10% increase in sales price if the seller acquired the property in the previous 90 days, **OR** - A > 20% increase in the sales price if the seller acquired the property in the previous 91-180 days
Inspections	• Septic inspections are only required when the appraiser indicates there is evidence the septic system be failing. • Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation. • Well inspections are only required when state or local regulations require, or if there is indication the well may be contaminated.
Interest –Only	• Interest-only eligible subject to: - IO feature with a 30 year loan term and payment amortized over 20 years, or - IO feature with a 40 year loan term and payment amortized over 30 years - **Minimum 700 credit score** - Maximum 85% LTV/CLTV **OR** maximum allowed by documentation options, if less, **AND:** - **Full Doc and Bank Statement Specific**: ○ Maximum 85% LTV/CLTV with ≤ $2,000,000 loan amount ○ Maximum 80% LV/CLTV with > $2,000,000 loan amount - **Investor Cash Flow Specific:** ○ > 60% LTV maximum loan amount $2,000,000 ○ **≤ 75% LTV DSCR calculated using ITIA payment** ○ **> 75% LTV DSCR calculated using the full PITIA payment** ○ DSCR 0.75 to < 1.00 **and** IO, maximum 70% LTV. IO **ineligible** with DSCR < 0.75 **NOTE**: **40 year loan term requires interest-only feature; there is no stand-alone 40 year loan term** **Refer to the Products topic, in the applicable documentation option (Bank Statement, ICF, etc.), for complete qualifying and amortization requirements** • Product - Full Doc • Product - Bank Statement • Product - Investor Cash Flow • Product - Asset Qualifier • Product – 1099 Only • Product - P&L Only • Interest-only **ineligible** on: - Foreign National transactions - Texas Section 50(a)(6) - ITIN borrowers

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.
- IPC's 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** for a temporary buydowns are subject to interested party contribution limits; refer to the Temporary Buydown topic for complete buydown requirements

Seller Credit/Financing Contributions

Funds from an interested third party and paid to the vendor are acceptable when they are used to:

- Permanently reduce the interest rate on the mortgage, or
- Pay related mortgage financing costs, closing costs, pre-paids and escrow costs.

The total of financing contributions may not exceed the lesser of:

- The total of the closing costs and pre-paids, or
- The LTV described in the chart above

Personal Property

Any personal property transferred with the sale must indicate zero transfer value on the sales contract and the appraisal. If any value is associated with the personal property, the sales price and appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV

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 (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 the previous 12 months in the aggregate for **all** mortgages and/or rental verifications*, **OR**
- 1x30 in the previous 12 months**

  NOTES:
  - ***Investor Cash Flow:**
    - **Purchase Transactions**: Payment **h**istory 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 < 660 credit score and/or the loan amount is < $150,000 a payment history for all properties is required regardless of transaction type**
  - ****Asset Qualifier and ITIN Transactions**: 0x30x12 **required**
  - ****Temporary Buydown Transactions**: 0x30x12 **required**
  - See Rent Free – ICF Option below for rent free borrower eligibility
- 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.

  NOTE: Refer to the Foreign Nationals topic for Foreign National housing history requirements
- 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
- 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**:
      - The most recent consective12 months' cancelled checks (front and back) **and** a copy of the lease, **OR**
      - A fully completed and signed VOR, 6 months cancelled checks (front and back) and a copy of the lease
  - **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

First Time Home Buyer (FTHB) (see "Borrowers – Eligible" topic for FTHB definition and complete FTHB eligibility, restrictions and payment shock requirements).

The below applies when **ALL** borrowers on the transaction are FTHB:

- 1-4 unit primary residence, second home, or 1-4 unit investment
- Borrower must be able to document a rental history within the previous three (3) years with 0x30 over a 12-month history (rental history must be most recent)
- FTHBs living rent free **or** cannot document a 12 month housing history are **ineligible** (see **FTHB Rent Free Exception** below for FTHBs living rent free)
- **FTHB Rent Free Exception: FTHBs** currently living rent free are eligible subject to the following:
  - Maximum 80% LTV
  - Minimum 680 credit score (minimum 700 for P&L Only option)
  - 1-4 unit primary residence **only**
  - Letter of explanation from owner/leaseholder of borrower's current residence documenting rent free status
  - Exception only eligible on Full Doc, Bank Statement, 1099 Only and P&L Only options (see Rent Free – P&L Option for additional requirement for P&L Only); exception **not eligible** on ICF and Asset Qualifier

    NOTE: Exception **does not** apply to borrowers who cannot document 12 months' housing

Mortgage/Rental History (cont.)	- **Rent Free Exception - P&L Option ONLY:**
	  - The rent free period must be in the months **immediately preceding** the loan application date or during the loan 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
	• **Rent Free - ICF Option**:
	  - Borrowers living rent-free but have a 12 month mortgage history on an investment property, the investment property payment history may be used to satisfy the mortgage history requirement
	  - **First time home buyer ineligible**

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 • **Investor Cash Flow Option ONLY**: Short term rental income is ineligible on transactions secured by property located in New York city **OR** for properties located in any other jurisdiction where local/state laws ban/restrict short term rentals
Non-Arm's Length/ Identity of Interest Transactions	Eligible but additional requirements, including an additional appraisal may be required. • Maximum 80% LTV; ITIN transactions maximum 70% LTV • The borrower cannot have multiple roles in the transaction (e.g. cannot be the builder and the borrower, etc.) • The borrower must state their relationship with the seller • If the seller is a relative, the seller must document the most recent 12 month's pay history on the property's existing mortgage (if applicable) with 12 months' cancelled checks or 12 months' bank statements The following are **not** considered a non-arm's length transaction: • Spousal buyout due to divorce, • Interest buyout of an inherited property

Occupancy	• 1-4 unit owner-occupied primary residence (N/A ICF option)
	• 1-unit second home (N/A ICF and Asset Qualifier options) The following applies:
	  - 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/rented other than on an occasional basis,
	  - 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/non-owner occupied properties (N/A Asset Qualifier)
	NOTES:
	1. **Second home and investment property transactions 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**: No limit to the number of properties owned on owner-occupied primary residence transactions • **Second Home and Investment Properties:** Borrowers with > 20 **financed** properties are **not eligible** for second home and investment transactions. Property limitation is aggregate based on all borrowers and **includes commercial properties** • Homebridge limits its exposure to maximum of 8 loans per borrower and/or a maximum of $10,000,000. Greater than 4 loans require Homebridge management and approval. • **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 • Two (2) months PITIA reserves for each financed property is required in addition to subject property reserve requirements (N/A ICF option). Refer to the Reserves topic for complete reserve requirements

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

Payment Shock Calculation

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 payment, as applicable, and subtract 1% from that sum)

Example Payment Shock Calculation

- Proposed Housing PITIA Payment: $2100
- Current Housing Payment (rent payment): $1200
- $2100 divided by $1200 = 1.75%
- 1.75% minus 1% = 75% increase

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** • If the prepayment option is exercised on the Investor Cash Flow option, the prepayment penalty is excluded from the points and fees test
Power of Attorney	A Power of Attorney (POA) is eligible subject to the following: • A 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, LLC, or corporation • 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 - 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 for transactions secured by **investment properties only on all documentation options.** Available, **not required**, 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,
- New Hampshire,
- North Carolina,
- North Dakota,
- Nebraska,
- Nevada,
- New Jersey*,
- New York,
- Oklahoma,
- Oregon,
- Pennsylvania*,
- Rhode Island*
- South Carolina,
- South Dakota,
- Tennessee,
- Texas,
- Utah,
- Vermont,
- Virginia,
- Wisconsin,
- Washington*,
- Washington D.C.,
- 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
Washington	Prepayment penalty only allowed on fixed rate transactions

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

  NOTE: If a state is **not listed above, a prepayment 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 exceeds 20% of the original principal loan amount
- **Prepayment Charge:** 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	Refer to the individual program options for eligible products and qualifying requirements • Product - Full Doc • Product - Bank Statement • Product - Investor Cash Flow (including Foreign National borrowers) • Product - Asset Qualifier • Product – 1099 Only • Product - P&L Only
Properties – Eligible	• 1-4 unit primary residence properties (attached/detached) • 1-unit second home • 1-4 unit investment property • **2-4 unit properties** subject to the following LTV restrictions: - **Full Doc, Bank Statement, 1099 Only**: Maximum 85% LTV - **P&L Only**: Maximum 80% LTV (Reminder: P&L Only option max. 80% LTV for any transaction) - **Investor Cash Flow: DSCR** < 1.00 DSCR: Maximum 70% LTV • PUDs (attached/detached) • Condominiums **Fannie Mae Warrantable** (attached/detached). - **Warrantable Condo**: See Warrantable Condominium topic for requirements - **Non-Warrantable Condo**: See Non-Warrantable Condo topic for requirements - Homebridge will provide financing to a maximum of 5% of the units in a condo project (applies to warrantable and non-warrantable condo projects) **NOTE: New, attached condo projects are subject to non-warrantable condo requirements** • Properties with leased solar panels are eligible subject to Fannie Mae guidelines • 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 transactions only; **ineligible** on investment transactions - Maximum 75% LTV - Property must be primarily for residential use only - The 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 of the property • **Agricultural:** Agricultural property and property zoned agricultural are **ineligible.** Additionally, income producing properties and hobby/horse farms **ineligible.** • **Acreage:** - **Full Doc, Bank Statement, 1099 Only, P&L Only, Asset Qualifier, ITIN:** Maximum 20 acres - **Investor Cash Flow (**including foreign nationals): Maximum 10 acres. Properties exceeding two (2) acres, must be located in a resort like area and the land value may not be excessive in comparison to the total appraised value

Properties – Eligible Condominiums (Warrantable)

Loan Applications Dated Prior To August 3, 2026

The following review types/approvals are eligible:

- **Full Review**: A Full Review, completed by Homebridge. All Fannie Mae requirements must be met, **or**
- **Limited Review**: A Limited Review, completed by Homebridge, is eligible for **established** projects **subject to Fannie Mae requirements**. The following LTV restrictions apply when a Limited Review is completed:

All States Excluding Florida	
Occupancy	**Maximum LTV/CLTV/HCLTV**
Primary Residence	90/90/90%
Second Home and Investment	75/75/75%
Florida Specific	
Occupancy	**Maximum LTV/CLTV/HCLTV**
Primary Residence	75/90/90%
Second Home and Investment	70/75/75%

- **Fannie Mae Project Eligibility Review Service (PERS) approval.** Project must have an **existing** Fannie Mae **unexpired** PERS approval; Homebridge **does not** obtain PERS approvals

  NOTE: Refer to the Properties – Eligible: Florida Condominium Projects topic for additional FL specific requirements

Properties – Eligible Condominiums (Warrantable)

Loan Applications Dated On or After August 3, 2026

The following review types/approvals are eligible:

- **Full Review:** A Full Review completed by Homebridge. All FNMA requirements for a Full Review must be met, or
- **Fannie Mae Project Eligibility Review Service (PERS) approval.** Project must have an **existing** Fannie Mae **unexpired** PERS approval; Homebridge **does not** obtain PERS approvals

  Refer to the Properties – Eligible: Florida Condominium Projects topic below for additional FL specific requirements

Properties – Eligible: Florida Condominium Projects

Florida condominium projects that are 3 or more stories high are subject to the following requirements:

- If the condo building is 30 years or older, **OR**
- The condo building is 25 years or older **AND** the building is within 3 miles of the coastline, **THEN:**
  - Evidence the building has completed the inspections required under Florida Senate Bill 4D (SB-4D), **AND**
  - 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

Non-Warrantable Condominiums (attached/detached).

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
  - **ITIN Borrowers: Maximum** 75% LTV
  - **Non-warrantable condos not eligible for foreign national borrowers**
- New projects must meet FNMA presale requirements as follows:
  - 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

Projects Consisting of Site Condos

Project review **not required** and are eligible subject to standard LTV/CLTV requirements

2-4 Unit Projects

A project review will not be required subject to the following:

- Priority of common expense assessments applies, and
- Standard insurance requirements are met

Non-Warrantable Condo Restrictions

- A single entity/owner cannot own more than 30% of the units
- Any commercial space must be typical to the market, have no negative impact, and comprise of 40% or less of the project space
- Investor concentration cannot exceed 70%
- No more than 25% of the total units in the project may be 60 days or more past due on their HOA/condo dues
- The borrower must have HO-6 insurance covering the replacement of items inside the unit
- If the project is located in a flood zone requiring flood insurance (per FNMA) both the subject property and the project complex must have adequate coverage
- No unit owner or any other party can have priority over the rights of the first mortgagee (e.g. right of first refusal)
- 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
- All common areas must be 100% complete
- HOA is in control of the project. On a case-by-case basis projects under builder/developer control may be considered subject to Homebridge management review and approval
- HOA reserves must be, at minimum, 10%, **no exceptions**
- Projects involved in litigation are acceptable as long as the pending lawsuit(s) is not:
  - Structural in nature,
  - Do not affect the marketability of the units
  - Potential for damages do not exceed 25% of the HOA reserves **OR** with documentation from the insurance carrier and attorney representing the HOA/insurance carrier, that states the insurance carrier has agreed to provide the defense and the HOA's insurance is sufficient to cover the litigation

Documentation Requirements

- Full Review Condo Questionnaire
- Project current annual budget
- Current balance sheet (dated within 60 days of review request)
- Established project certification
- Documentation confirming HO-6 coverage
- Documentation the master insurance policy meets FNMA requirements
- Documentation that the project meets FNMA presale requirements

Properties – Ineligible	• Acreage > 20 acres (Full, Bank Statement, 1099 Only, P&L Only, Asset Qualifier) • Acreage > 10 acres (ICF and Foreign National)/ > 2 to 10 acres, see Properties – Eligible for details • Rural property secured by an investment property • Mixed use properties • Condotels, Co-ops • Hobby/horse farms • Non-residential income producing properties • Board and care homes • Properties with deed restrictions • Manufactured and modular homes • Properties subject to oil and/or gas leases • Unique properties, log homes • Working farms, ranches, or orchards that are currently used to produce income • Agriculturally zoned properties • Properties with a condition rating of C5 or C6 • Properties in Lava Zones 1 or 2 • **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 (Exceptions to ownership transfers may include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan) • The property was marketed openly and fairly through an MLS, auction, documented FSBO, or developer • No assignments of the contract to another buyer • 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
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 **Illegal Accessory Unit** Eligible on a case-by case-basis only with Homebridge management review and approval. Properties with an accessory unit does not comply with zoning may be considered subject to the following applies: • The use conforms to the subject neighborhood and market, **and** • The property is appraised based upon its current use, **and** • The appraisal must indicate that the improvements represent a use that does not comply with zoning, **and** • The appraisal must indicate that the improvements are typical for the market through an analysis of at least three (3) comparable properties that have the same illegal use, **and** • The accessory unit cannot jeopardize any future hazard insurance claim that could be filed against the property, **and** • The borrower must qualify for the mortgage without considering any rental income from the illegal accessory unit.

Property with an Addition without Permits	Eligible on a case-by-case basis only with Homebridge management review and approval. When the appraiser identifies an addition that does not have the required permits Homebridge will consider the property subject to the following requirements: • The appraiser must comment on the quality and appearance of the work, **and** • The impact the addition might have, if any, on the market value of the subject property.
Property with an Illegal Conversion	Properties with an illegal conversion (e.g. garage converted to office/bedroom, screened in porch converted to laundry room, etc.) are eligible on a case-by-case basis only subject to the "Property with an Addition Without Permits" topic requirements **unless** the illegal conversion includes the amenities to make it a self-contained living space (e.g. a garage converted to a living space that includes a bathroom **and** kitchen). In cases where the illegal conversion would be considered an accessory unit (living space, bathroom **and** kitchen) the conversion is subject to Homebridge management approval and to the guidelines under the "Illegal Accessory Unit" topic above.
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) 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 - Has a production guarantee that compensates the borrower on a prorated basis in the event the solar panels fail to meet the energy output required for in the lease for that period. - **Payments under power purchase agreements where the payment is calculated solely based on the energy produced and used may be excluded from the DTI ratio.** - The lease or a power purchase agreement must indicate that: - Any damage that occurs as a result of installation, malfunction, manufacturing defect, or the removal of the solar panels is the responsibility of the owner of the equipment and the owner must be obligated to repair the damage and return the improvements to their original or prior condition (for example, sound and watertight conditions that are architecturally consistent with the home); and - The owner of the solar panels agrees not to be named loss payee (or named insured) on the property owner's property insurance policy covering the residential structure the panels are attached to; 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

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

- Properties listed for sale at time of loan application are ineligible. If during the loan process it is determined the property is listed for sale, the transaction is **ineligible.**
- **Properties Listed for Sale**: Properties listed for sale in the 6 months prior to loan application, require the property to have been taken off the market and the listing cancelled **a minimum of 1 day prior to the loan application date (see *Exception below for cash-out transactions without a prepayment penalty)**. The following is required:
  - 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), **and**
  - A letter from the borrower that addresses all of the following:
    - The borrower intends to occupy the subject property (owner-occupied only), and
    - The reason the home was listed for sale, and
    - An explanation for the refinance of the property

  ***Cash-Out Exception:** Cash-out transactions that **do not include a prepayment penalty,** the property must have been taken off the market and the listing removed **a minimum of three (3) months prior to the loan application date**
- All refinance transactions must provide a bona fide benefit to the borrower

Rate/Term Refinance

A transaction that meets one of the below criteria will qualify as a rate/term refinance transaction.

- Rate/term refinance transactions do not have a seasoning requirement
- Payoff of the existing first lien, including closing costs, prepaids and points
- Payoff of a subordinate mortgage lien(s) or HELOC used in their entirety to acquire the subject property (**regardless of seasoning**),
- Payoff of any subordinate lien or HELOC seasoned more than 6 months that have not had any draws > $5,000 in the previous 6 months
- **LTV/CLTV Determination:** Refer to the **Appraisals** topic for LTV determination requirements
- **Delayed Financing (aka Technical Refinance):** Recoupment of funds used to purchase a property with cash in the previous 6 months. The following applies:
  - The Closing Disclosure of the cash transaction must be provided.
  - Cash used for purchase must have been borrower's own funds and must be document. Recoupment of gift funds is considered cash-out.
  - Maximum proceeds cannot exceed the documented cash investment plus documented cost of improvements
  - The LTV will be calculated using the **lower of:**
    - The purchase price, or
    - The appraised value unless appraiser can justify the increase
  - **ITIN transactions using Delayed Financing, maximum 60% LTV**
  - Recoupment of funds used for property improvements. The improvements must be documented (e.g. invoices, proof of payment with cancelled checks) and completed in the previous 6 months. Funds used for improvements must have been borrower's own funds.
  - Cash-out cannot exceed the amount of the documented cash improvements or else the transaction will be considered cash-out. A current appraisal is required.
- Cash-back to the borrower on a rate/term refinance limited to the **lesser of**:
  - 2% of the principal balance of the new loan, **or**
  - $5,000.

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 in an amount greater than the lesser of $5,000 or 2% or when an open ended subordinate lien that does not meet the rate/term seasoning requirement

- **Properties owned for < 6 months (measured from Deed date to Note date) require a 5% LTV reduction**

  NOTES:
  1. Property ownership held in an LLC is eligible to meet the 6 month seasoning requirement if the borrower was 100% owner or a majority owner of the LLC.
  2. Property ownership in a corporation is eligible to meet the 6 month seasoning requirement

- Cash-out limitations include the following:
  - Net cash-in-hand to the borrower at closing (per the CD), **PLUS**
  - Funds used to pay off non-mortgage debt, including installment and revolving debt and mortgage debts associated with other properties owned by the borrower, **PLUS**
  - Funds used to pay off unseasoned subordinate liens on the subject property

  Example:
  - Cash-out limit is $500,000
  - Borrower is paying off $100,000 in non-mortgage debt
  - Payoff of unseasoned mortgage lien of $100,000
  - Maximum cash-in-hand to borrower is $300,000

- **Full Doc, Bank Statement, 1099 Only, P&L Only**: Cash-out subject to the following:
  - LTV ≤ 65%: Unlimited cash-out
  - LTV > 65%: Maximum cash-out $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: $500,000

- **Investor Cash Flow Foreign National:** Maximum $250,000 cash-out

- **Investor Cash Flow Investment Property Cash-Out Transactions <u>With OR Without</u> a Prepayment Penalty:**
  - **Cash-out proceeds may ONLY be used for business purposes**
  - **Cash-out proceeds <u>cannot</u> be used to pay off any consumer debt**

- **Full Doc, Bank Statement, 1099 Only, P&L Only Investment Property Cash-Out Transactions <u>With</u> a Prepayment Penalty:**
  - **Cash-out proceeds may ONLY be used for business purposes**
  - **Cash-out proceeds <u>cannot</u> be used to pay off any consumer debt**

  NOTE: Full/Alt-Doc cash-out investment transactions **<u>without</u>** a prepayment penalty **are not** considered business purpose and cash-out proceeds **are not** restricted

- **Cash-out transactions ineligible on Asset Qualifier and Full Doc loans using Asset Distributions**

- A cash-out transaction may include the following:
  - Payoff of the existing first mortgage,
  - Closing costs and prepaid items (interest, taxes, insurance),
  - The amount of any subordinate mortgage lien being paid off,
  - Any cash-in-hand to the borrower as indicated on the Closing Disclosure.

- **LTV/CLTV Determination:** Refer to 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.

Refinance Transactions (cont.)	**Delayed Financing** Delayed financing transactions are eligible as a rate/term refinance subject to certain requirements; refer to the Rate/Term Refinance topic for rate/term eligibility **Inherited Properties** • Inherited properties are eligible for rate/term and cash-out refinance transactions. • Properties inherited < 12 months from the date of the loan application are subject to the following: - Transaction is considered a cash-out refinance, and - Equity owners must be paid through settlement. A written agreement, signed by all parties, that states the terms of the buy-out and property transfer, is required, and - Subject property must be out of probate and the property is vested in the borrower's name, and - Current appraised value is used to determine LTV **Buying Out a Co-Owners Interest** A refinance transaction resulting from a divorce settlement and/or dissolution of a domestic partnership, and the borrower is required to buy out the interest of the other co-owner will be considered a rate/term refinance when the following applies: • Documentation is obtained that confirms the subject property was jointly owned by the parties for a minimum of 12 months prior to the funding of the new loan, **and** • A copy of the fully executed written agreement or court approved divorce decree that details the terms of the property settlement and the proposed disbursement of the refinance proceeds, **and** • The borrower who will be acquiring sole ownership of the subject property does not receive any funds from the transaction. **Financing Real Estate Taxes –** the following applies when real estate taxes are financed: • **Limited Cash-out Refinance**: A loan is **ineligible** as a limited cash-out refinance and must be considered a cash-out transaction when: - The borrower finances the payment of real estate taxes for the subject property in the loan amount but does not establish an escrow account unless requiring an escrow account is not permitted under applicable state law or regulation - The borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount. • **Cash-out Refinance**: - A loan with financed real estate taxes that are more than 60 days delinquent is eligible as long as an escrow account is established. If an escrow account is **not** established the loan is **ineligible** unless requiring an escrow account is not permitted under applicable state law or regulation

Reserves

Reserve requirements apply to **Full Doc, Bank Statement, ICF, 1099 Only, and P&L Only** documentation options as applicable and to **Foreign Nationals (ICF). Asset Qualifier does not have separate reserve requirements**

Reserve Requirements Full Doc, Bank Statement, 1099 Only, P&L Only, and ITIN	
Loan Amount	**Required Reserves**
≤ $1,500,000	6 months PITIA*
> $1,500,000 to ≤ $2,000,000	9 months PITIA*
> $2,000,000 to $3,500,000 **NOTE: P&L Only: Max $3,000,000 loan amount**	12 months PITIA*
Other Financed Properties	2 months of each properties PITIA* (for each additional property)

* Interest-Only Transactions: The applicable reserve requirement may be based on the ITIA payment. As a reminder, when qualifying the borrower, the full PITIA payment is utilized

Reserve Requirements Investor Cash Flow (including Foreign Nationals)	
Loan Amount	**Required Reserves**
≤ $500,000	3 months PITIA**
> $500,000 to ≤ $1,500,000	6 months PITIA**
> $1,500,000 to $2,500,000	9 months PITIA**
> $2,500,000 to $3,000,000	12 months PITIA**
620-639 Credit Score	12 months PITIA**
DSCR < 1.00	• Experienced Investor: - **Additional** 3 months PITIA** • First Time Investor: - Minimum 12 months PITIA**
Foreign National	12 months PITIA
Other Financed Properties	Not required

****NOTE:** ICF transactions using the interest-only feature to calculate the DSCR, the applicable reserve requirement is based on the ITIA payment. **As a reminder, > 75% LTV <u>requires</u> the borrower to be qualified using the full PITIA payment**

Reserves include the borrower's total cash and other assets 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 (including Asset Distributions), Bank Statement, 1099 Only, ITIN, 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	• **Investor Cash Flow Option: Residual income requirements do not apply** • **Full Doc, Bank Statement, 1099 Only, and P&L Only Options Primary Residence transactions ONLY**: - **Full Doc:** Minimum $2,000 residual income required - **Bank Statement, 1099 Only, P&L Only**: Minimum $2,500 residual income required **NOTE**: Residual income is the total gross income **minus** total monthly debt **equals** residual income • **Asset Qualifier**: - A minimum of $1300 per month **r**esidual income required. - The required residual income is calculated based on the total qualifying assets divided by 60 months **minus** total monthly debt **equals** residual income - Funds being used for down payment and/or closing costs are excluded from the residual income calculation
Seller Contributions	Refer to the Interested Party Contributions topic for seller contribution limits.
Subordinate Financing	Eligible as follows: • New or existing subordinate financing is eligible up to the maximum CLTV/HCLTV allowed. Institutional financing **only**; seller subordinate financing **ineligible** • If existing subordinate financing is a HELOC, the full amount of the available credit must be used to determine the HCLTV. • Unacceptable subordinate financing terms include: - Mortgages with negative amortization - Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new fist mortgage - Notes that do not contain a rate of interest (i.e. a seller held second). If no interest rate a current market rate of interest must be assigned and an interest-only payment calculated - Subordinate financing that has a prepayment penalty

Temporary Buydowns

Temporary buydowns allow the borrower to lower their monthly mortgage payment for a limited time through a temporary buydown of the initial interest rate.

The temporary buydown feature is subject to the following:

- Eligible on Full Doc, Bank Statement, 1099 Only, and P&L Only documentation options **only; not eligible** on Asset Qualifier, ICF, or the ITIN options)
- Fixed rate purchase transactions **only**
- 1-4 unit primary residence and 1-unit second home
- **Buydowns may be funded by one of the following:**
  - Seller,
  - Realtor - Selling Agent (aka Buyer's Agent) **or** Listing Agent (aka Seller's Agent),
- 2/1 and 1/0 buydown available
- Maximum 80% LTV
- Maximum loan amount $2,000,000
- Minimum loan amount $150,000
- **A 0x30 in the previous 12 months mortgage/rental history required**
- Ineligible on the following:
  - Investment properties
  - Transactions using the interest-only feature
  - Transactions with a non-occupant co-borrower

Example of a 2/1 Buydown

- Initial Note Rate: 7%
- First Year: Interest rate is 5% (2% lower than initial)
- Second Year: Interest rate is 6% (1% lower than initial)
- Third Year: The initial Note rate of 7% is in place for the remainder of the loan term

Eligible Transactions Quick Reference Guide	
Transaction Types	**Eligible**
Full Doc, Bank Statement, 1099 Only, P&L Only	Yes
Asset Qualifier, ICF	No
Fixed rate	Yes
ARM	No
Primary residence (1-4 units)/Second Home	Yes
Investment	No
Purchase transactions	Yes
Refinance transactions	No
Transactions using IO feature	No
Transactions with non-occupant co-borrower	No

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 Qualifier, 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 and ARM products eligible**; interest-only is not eligible** **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)

Texas Section 50(a)(6) aka Texas Equity (cont.)	• 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**. • 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**

Texas Section 50(a)(6) aka Texas Equity (cont.)

- **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

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 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. **NOTE**: Homebridge will allow the borrower to have a purchase contract assigned to them. The original purchase price of the subject property, per the purchase contract, will be utilized. The borrower is responsible for the payment of any assignment fees • Limited cash-out refinance (rate/term) • Cash-out refinance • Interest-only: - Interest-only **ineligible** on Texas Equity transactions - Foreign national borrowers **ineligible for IO feature**
Transactions – Ineligible	• Second home and investment property transactions located in the City of Baltimore • Second home and investment property transactions located in the County of Philadelphia • High cost mortgage loan • Negative amortization • Convertible ARMs • Balloon payments • Graduated payments • A refinance transaction where the property is currently listed for sale • Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after Feb. 8, 2011 and the fee collected does not directly benefit the property. • Transactions with PACE/HERO program subordinate financing

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