Fannie Mae Program

Conforming and High Balance Loan Amounts

Transactions with an Application Dated On or After June 1, 2026

Fixed

Primary Residence					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2]	***Credit Score***
Purchase	1	97%[1,4,6,7]	97%[1,4,5,6,7]	Refer to the Loan Limits topic	Per DU
		95%[1,4]	95%[5]		
	2-4 [8]	95% [1,8]	95% [1,8]		
	2	85%[1]	85%		
	3-4	75%[5]	75%		
Limited Cash-Out	1	97%[1,4,6,7]	97%[1,4,5,6,7]		
		95%[1,4]	95%		
	2-4 [8]	95% [1,8]	95% [1,8]		
	2	85%[1]	85%		
	3-4	75%	75%		
Cash-Out	1	80%	80%		
	2-4	75%	75%		
Second Home [3]					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2]	***Credit Score***
Purchase	1	90%[1,4]	90%	Refer to the Loan Limits topic	Per DU
Limited Cash-Out	1	90%[1,4]	90%		
Cash-Out	1	75%	75%		
Investment (Non-Owner Occupied) [3]					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2]	***Credit Score***
Purchase	1	85%[1,4]	85%[1]	Refer to the Loan Limits topic	Per DU
	2-4	75%	75%		
Limited Cash-Out	1-4	75%[4]	75%		
Cash-Out	1	75% [4]	75%		
	2-4	70%	70%		

Refer to pg. 2 for the Manufactured Housing LTV matrix

Footnotes:

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
2. Minimum loan amount $60,000.
3. Second home/investment transactions are subject to additional requirements when the borrower has multiple financed properties. Refer to Financed Properties topic for details.
4. Florida Condominium Projects: Loans with an application dated **prior to August 3, 2026** have specific requirements; refer to the Loan Application Dated Prior To August 3, 2026 topic for details
5. Up to 105% CLTV allowed when using a Community Second. Program must be currently approved with Homebridge. A list of Homebridge approved DPA programs can be found under Working with Us on the Homebridge Wholesale website.
6. Purchase transactions: Must be first time home buyer. Refinance transactions: Current loan must be owned by Fannie Mae. Refer to the 95.01%-97% LTV topic for detailed requirements.
7. 95.01% to 97% LTV is **ineligible** (maximum 95% LTV) as follows:
   - High balance loan amounts, and
   - Transactions with non-occupant co-borrowers regardless of loan amount, and
   - ARM transactions
8. **95% LTV eligible with conforming loan amounts only; high balance ineligible**
   ARMs are temporarily unavailable

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Manufactured Housing
Fixed Rate Only [3]

Owner-Occupied Primary Residence					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount [2]***	***Credit Score***
Purchase & Limited Cash-out Refinance	1 [4]	95% [1]	95%	Refer to the Loan Limits topic	Per DU
Cash-Out	1	65%	65%	Refer to the Loan Limits topic	Per DU
Second Home					
Purchase & Limited Cash-out Refinance	1	90% [1]	90%	Refer to the Loan Limits topic	Per DU

Footnotes:

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
2. Minimum loan amount $60,000
3. Manufactured homes limited to fixed rate only
4. **Transactions with an appraisal completed under UAD 3.6 ONLY**: 1-4 units eligible

Refer to the Manufactured Home section for complete manufactured home requirements

2026 Maximum Loan Limits

2026 Conforming Loan Limits		
Units	**Contiguous States**	**Alaska, Hawaii**
One	$832,750	$1,249,125
Two	$1,066,250	$1,599,375
Three	$1,288,800	$1,933,200
Four	$1,601,750	$2,402,625
2026 High-Cost Area Loan Limits*		
Units	**Contiguous States**	**Hawaii**
One	$1,249,125	$1,299,500
Two	$1,599,375	$1,663,600
Three	$1,933,200	$2,010,950
Four	$2,402,625	$2,499,100

*Actual loan limits for certain high-cost counties **may be lower** than the maximum amount listed above

Alaska does not have high-cost areas in 2026; the applicable conforming limit applies

To view the 2026 loan limits by county click here: FHFA 2026 Loan Limits

Topic	Guideline
4506-C	• Signed 4506-C required prior to loan closing for both personal and business tax returns (if applicable) • Tax transcripts are **not** required **NOTE**: At underwriter discretion transcripts may be required in certain circumstances (e.g. handwritten paystubs, borrower employed by family member, etc.) • Homebridge will order transcripts at random for quality control purposes **Wage Earners** • W-2 transcripts for the previous one or two years, as applicable, required **Self-Employed** • Transcripts for both personal and business tax returns (if applicable) required
95.01%-97% LTV	Purchase and rate/term refinance eligible as follows: • Property is a 1-unit primary residence • Fixed rate only with a 15, 20, or 30 year loan term; ARMs ineligible • DU "Approve/Eligible" is received • **Conforming loan amounts only** • Maximum 97% LTV/CLTV/HCLTV. CLTV may only exceed 97% if the second lien is a Community Second (maximum 105% CLTV) • 35% mortgage insurance coverage • Standard minimum borrower contribution requirements apply (purchase transactions) • **Purchase Transactions:** At least one borrower is a first time home buyer and will occupy the subject property (first time homebuyer defined as a borrower who has not had an ownership interest, sole or joint, in a residential property in the previous 3 years) NOTE: Homeownership education is required when **ALL** borrowers are first-time homebuyers. At least one borrower on the transaction must complete a course. See below for details • **Refinance transactions** require documentation that the loan is currently owned by Fannie Mae (e.g. screen shot from Fannie Mae's KnowYourOptions website, documentation from loan servicer, etc.) • Loan meets all other Homebridge guidelines • **Homeownership Education/Counseling:** Homeownership education/counseling is required on purchase transactions when the LTV/CLTV/HCLTV exceeds 95% **AND all** borrowers are first time homebuyers. Refer to the Homeownership Education and Counseling topic for requirements
Age of Documents	• All credit, income and asset documentation must be the lesser of the expiration date noted on DU Findings or ≤ 4 months from the Note date except as follows: • Appraisal documents (original appraisal, 1004D/Completion Report/value acceptance must be ≤ 4 months from the Note date. Refer to the Appraisal Updates topic for complete age of appraisal, 1004D/Completion Report details - If the effective date of the original **desktop appraisal** is ≤ four months from the date of the Note, a new appraisal is required • Properties located in a FEMA declared disaster area have specific requirements. Refer to the Homebridge **FEMA Disaster Declaration Reference Guide**, located under the **Miscellaneous** section on the Working With Us page for details on the requirements if the property is in a declared disaster area

Appraisal

Overview

Fannie Mae's Uniform Appraisal Dataset (UAD) 3.6 is replacing UAD 2.6.

UAD 2.6 requires multiple appraisal forms (e.g. 1004, 1004D, 1007, 1073, etc.) while UAD 3.6 utilizes **one** single, dynamic form, the **Uniform Residential Appraisal Report, (URAR). The URAR** is applicable to **all** property (SFR, units, condo, etc.) **and** inspection types.

Homebridge will accept appraisals completed using either UAD 2.6 or UAD 3.6.

- **UAD 2.6**:
  - Appraisals completed using legacy **UAD 2.6 continue to require all applicable FNMA forms referenced within these guidelines** (e.g. 1004, 1004D, 1073, etc.)
- **UAD 3.6**:
  - Appraisals completed using **UAD 3.6**, the appraiser will complete the appraisal using the new URAR, which incorporates all forms utilized in UAD 2.6 except for the **Completion Report** and the **Restricted Appraisal Update Report which are separate reports.**
    - The **Completion Report replaces** legacy FNMA Form 1004D (**Appraisal Update and/or Completion Report**) and is used when an appraisal was completed "subject to" repairs/alterations or to verify new construction has been completed.
    - The **Restricted Appraisal Update Report replaces** the ***Summary Appraisal Update Report*** **section** of legacy FNMA Form 1004D and is used when the original appraisal is more than four months and less than 12 months old as of the Note date.

General Requirements

- Fannie Mae requires properties be appraised within the 12 months prior to the Note date
- DU determines the level of appraisal on owner-occupied properties. If a reduced appraisal recommendation is received from DU **it must be on the final DU Finding**. Refer to the Appraisal- Waiver topic or Appraisal – Desktop topic (as applicable) for eligibility and requirements.
- Appraisals must be Uniform Appraisal Data (UAD 2.6 **or** UAD 3.6) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).
- A Fannie Mae **Submission Summary Report** (SSR) is required on all appraisals.
  - **Transactions secured by a 1-unit property:** The appraisal will be sent to the Homebridge Appraisal Department for review, and an additional valuation product may be required, when either of the following is present:
    - The CU score on the SSR is > 3, **OR**
    - An "Over Valuation" flag is present regardless of the CU score
  - **Transactions secured by 2-4 unit property and transactions without a CU score**: The appraisal is acceptable subject to Homebridge underwriter review.
- If an applicable law, regulation or Homebridge policy requires more than one appraisal be obtained, the single most accurate appraisal must be used for underwriting and submission to the Uniform Collateral Data Portal
- A full appraisal must provide legible interior and exterior photos.
  - The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.
  - The interior photos, at minimum, must include:
    - Kitchen, (free-standing stove/range or refrigerator not required)
    - Main living area,
    - All bathrooms,
    - Examples of physical deterioration, if present,
    - Examples of any recent updates, if present (i.e. remodel, renovation, restoration)

Appraisal (cont.)

General Requirements (cont.)

- 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
  - Net or gross adjustments made to the comparable sales by the appraiser must be market based (i.e. the appraiser must analyze the market for competitive properties and provide appropriate market based adjustments without regard to "rule-of-thumb"/arbitrary limits on the size of the adjustment. Properties used as a comparable sale must be similar enough to the subject property to be considered a competitive property.
  - Comparable sales adjustments deemed excessive by the underwriter must be addressed.
- **New Construction Comparables**: New construction comparable sales 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 New Hampshire, Maine, and Vermont only) no further action is required.
  - If the comparable sales were supplied by the builder and are not all obtained from a MLS, MRIS, MRED, NTREIS, or from an independent source (New Hampshire, Maine, and Vermont 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 to comparables for new construction:
    - One of the comparable sales must be **outside** the project the subject property is located and be from the MLS or public source (public source Maine/New Hampshire/Vermont only).
    - Two of the comparable sales must be from sources other than the subject property builder.
    - In the event there are no closed sales inside the new subject project/subdivision due to the subject property being one of the first to sell, the appraiser may use 2 pending sales in the subject property project/subdivision, in lieu of one closed sale. If the appraiser uses 2 pending sales in lieu of a closed sale, **the appraiser must also use at least 3 closed comparable sales from projects/subdivisions outside of the subject property's project/subdivision.**

    NOTE: The appraiser is allowed to provide more than 3 comparable sales to support the property value.
- The appraisal must identify and address properties located within a declining market.
- **Modular/Prefabricated homes**: The appraiser must address the marketability of the property

Appraisal (cont.)

- **Manufactured Homes**
  - The appraisal must be completed on Fannie Mae Form 1004C for appraisals completed in UAD 2.6 **only**; N/A for appraisals completed using UAD 3.6 and the appraiser must address the marketability of the property. Refer to the Appraisals - Manufactured Housing topic for additional appraisal requirements for manufactured housing
- Homebridge requires properties to be, at minimum, in average condition. Additionally, the following applies:
  - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing
  - Any broken glass that is a health hazard must be removed and the opening closed.
- Properties that do not meet the "average condition" requirement may be eligible for an Escrow holdback. Holdback/repair escrows are subject to Homebridge approval. If approved, the appraiser must confirm the work completed will bring the property up to average condition. Refer to the Escrow Holdbacks topic for more details
- Appraisal transfers are considered on a case-by-case basis subject to Homebridge management review and approval. If approved, a Desk Review, obtained by the Homebridge Appraisal Review Dept. is required.
- Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review

Re-Using an Appraisal on a Subsequent Transaction: Eligible subject to the following:

- The new (subsequent) transaction is a rate/term transaction (cash-out **ineligible**), **and**
- The original appraisal must meet the following requirements:
  - The age of the appraisal must less than 12 months before the Note date of the subsequent transaction,
  - If the appraisal report is greater than four months from the Note date of the subsequent transaction, an appraisal update is required, **and**
- The property cannot have undergone any significant remodeling, renovation, or deterioration to the extent that the improvement or deterioration of the property would materially affect the market value of the subject property**, and**
- The borrower and Homebridge must be on the original and subsequent transaction

Appraisal (cont.)

Appraisal Updates

General Requirements

- The original appraisal effective date must be ≤ 4 months from the Note date
- If the effective date of the appraisal is **more than** four months but **less than** 12 months from the Note date an appraisal update is required (Fannie Mae Form 1004D in UAD 2.6 **or** the Restricted Appraisal Update Report in UAD 3.6), as applicable.
  - The appraisal update (1004D/ Restricted Appraisal Update Report) must be completed within the four months **prior to** the Note date
  - If the effective date of the original appraisal is more than 12 months old from the Note date **OR** the 1004D/ Restricted Appraisal Update Report is not completed within the 4 months prior to the Note date, **a new appraisal is required**

NOTE: The above requirements apply to both proposed and existing construction

If:	Then:
• The effective date of the original appraisal is > 4 months but < 12 months from the Note date	• An appraisal update (FNMA Form 1004D or Restricted Appraisal Update Report) as applicable, is required • The 1004D/ Restricted Appraisal Update Report must be completed within the 4 months **prior to** the Note date
• The 1004D/ Restricted Appraisal Update Report indicates the property value **has** declined	• A new appraisal is required
• The 1004D/ Restricted Appraisal Update Report indicates the property value **has not** declined	• The original appraisal is acceptable, and no additional appraisal documentation required
• The 1004D/ Restricted Appraisal Update Report was not completed within the 4 months prior to the Note date	• A new appraisal is required
• The effective date of the original appraisal is > 12 months from the Note date, **with or without** a 1004D/ Restricted Appraisal Update Report	• A new appraisal is required

1004D/Restricted Appraisal Update Report Requirements

- Fannie Mae prefers the original appraiser completes the 1004D or Restricted Appraisal Update Report, as applicable. If the original appraiser is unavailable, a substitute appraiser may complete the 1004D/ Restricted Appraisal Update Report subject to the following:
  - The substitute appraiser must review the original appraisal report and provide an opinion about whether the original appraiser's opinion of market value was reasonable on the date of the original appraisal report, **and**
  - The loan file must include a note as to why the original appraiser was not used

Appraisal - Desktop	DU may offer the option for a desktop appraisal (FNMA Form 1004 for appraisals completed in UAD 2.6; **N/A** for appraisals completed in UAD 3.6 when the transaction has the following criteria **NOTE:** The Desktop option is **not** guaranteed even if the below criteria is met **Desktop Appraisal Eligibility** • Purchase transactions only, • 1-unit primary residence (including those with an ADU and units in a PUD) • LTV ≤ 90% (see Note below) • An "Approve/Eligible" recommendation must be received from DU, and • The casefile must include the complete subject property address **NOTE:** If a desktop appraisal is offered and obtained, the loan remains eligible as long as the loan amount does not increase and all other requirements continue to be met, even if the LTV exceeds 90% due to the value returned by the desktop appraisal **Ineligible for a Desktop Appraisal** Transactions with any of the following characteristics are ineligible for a desktop appraisal: • Limited cash-out (rate/term) or cash-out refinance transactions • Second home and investment properties • 2-4 unit properties • Construction-to-perm • HomeReady or HomeStyle • Condo and manufactured homes • Community seconds with a subsidized sales price, a community land trust, or other properties with resale price restrictions **NOTE**: Resale restrictions related to borrower age or income are eligible **Desktop Appraisal Requirements** • The desktop appraisal is based on information obtained from: - The buyer/seller's agent, the homeowner, builder, appraiser files. The appraiser must verify the information from a disinterested source, and - A third-party data source (MLS listing, tax assessment records, virtual street views, satellite images, etc.) • The appraiser cannot make any guarantees, express or implied, regarding the accuracy of the data • The appraiser is required to provide a floor plan, that includes interior walls, for the subject property
Appraisal - Hybrid	**Hybrid Appraisal Eligibility** A hybrid appraisal completed using FNMA Form 1004 Hybrid Appraisal Report or FNMA Form 1073 Hybrid – Individual Condominium Unit Appraisal Report for appraisals completed in UAD 2.6 **only**; **N/A** for appraisals completed using UAD 3.6 is eligible when **all** of following preconditions are met, **and are met in the following sequence:** 1. DU determines the loan is eligible for value acceptance + property data 2. Homebridge obtains the value acceptance + property data 3. The property data confirms the property type is acceptable and that the property is not ineligible (see **Ineligible Transactions** list below) 4. The loan loses eligibility in DU for a value acceptance + property data due to a change in qualifying loan characteristics 5. Homebridge will condition the Broker to obtain a hybrid appraisal Refer to the Appraisal: Value Acceptance + Property Data topic for details **Eligible Transactions for Hybrid Appraisal** • **Appraisals Completed in UAD 2.6**: Existing 1-unit properties, including condos or a unit in a PUD • **Appraisals Completed in UAD 3.6:** Existing 1-unit properties, including those with an ADU(s) and units in a condo or PUD • Primary residence, second home, or investment property • Properties under construction • Existing properties with incomplete construction • Community land trusts or properties with resale price restrictions, including casefiles using the affordable LTV feature • Texas 50(a)(6) loans • Purchase, rate/term, or cash-out eligible

Appraisal – Hybrid (cont.)	**Ineligible Transactions for Hybrid Appraisal** • 2-4 unit properties • Manufactured homes • Proposed construction and construction-to-perm loans • DU casefiles that receive an ineligible recommendation **Hybrid Appraisal Requirements** • The hybrid appraisal is based on data collection of the interior and exterior of the property by: - A vetted and trained third-party (e.g. real estate agent, insurance/home inspector, appraiser trainee, etc.) • The appraiser relies on the data collected (and additional sources if needed) to identify property characteristics and condition when completing the appraisal • The hybrid appraisal requires the same exhibits as a traditional appraisal with the inclusion of a floor plan • The Homebridge underwriter will review the hybrid appraisal to ensure requirements are met

Appraisal – Manufactured Housing	• The appraiser must have experience appraising manufactured homes and be knowledgeable of the local manufactured home market, the manufactured home construction process, and have access to the appropriate data sources to render an opinion of value. Refer to the Sources of Manufactured Housing Data topic below
	• The appraisal must be completed on Fannie Mae Form 1004C for appraisals completed in UAD 2.6 **only**; N/A for appraisals completed using UAD 3.6 and the appraiser must address the marketability of the property
	• **Purchase transactions**: The appraiser must be provided the following:
	  - A copy of the executed sales contract for the both the manufactured home **and** the land
	  - A copy of the manufacturer's invoice if the manufactured home is new
	• The value must be based solely on the real property consisting of the manufactured home, site improvements, and land on which the home is built. Value **canno**t be given to items such as insurance, warranties, furniture, etc.
	• **Existing Construction: The** appraiser must provide photo(s) of the HUD Data Plate **OR** the HUD Certification Label(s) for each section of the home
	• **New Construction:** The appraiser must provide photos of both the HUD Data Plate **AND** the HUD Certification Label(s) for each section of the home (both required)
	• **Manufactured Home:** The appraiser must provide **a minimum of (2) two comparable sales of similar** manufactured homes (e.g. multi-width with multi-width). The following also applies to comparables:
	  - Site-built housing or a different type of factory-built housing may be used for the third comparable (see **NOTE** below for UAD 3.6 third comparable sale requirement) if needed however an explanation of why it was used must be provided along with the appropriate adjustments
	  - The appraiser cannot create comparable sales by combining vacant land sales with the contract purchase price of the manufactured home
	NOTE: Transactions where the appraisal was completed in UAD 3.6 and it is a 2-4 unit or multi-story manufactured home the following applies (N/A to UAD 2.6 which only allows 1-unit single story homes):
	• **2-4 Units:** The appraisal must include either a 2-4 unit site-built home or a different type of 2-4 unit factory built home as the third comparable sale
	• **Multi-Story:** The appraisal must include either a multi-story site-built home or a different type of multi-story factory built home as the third comparable sale
	• **2-4 units and multi-story must have been constructed on or after September 16, 2024 or not eligible**
	• Fannie Mae requires **both the cost approach and well-developed sales comparison approach** to determine the value on manufactured homes
	• The appraisal must indicate whether or not the site is compatible with the neighborhood, and must comment on the conformity of the manufactured home to other manufactured homes in the neighborhood
	• The property site must be conforming and acceptable in the neighborhood and must have competitive utilities, street improvements, adequate vehicular access, etc. The appraiser must address any items that either enhance or detract from the marketability of the property and comment if the site has any adverse conditions or is not typical for the area.
	• The home must be permanently connected to a septic tank or sewage system
	• The home must be permanently connected to other utilities in accordance with local and state requirements
	Newly Constructed Manufactured Housing Appraisal Requirements
	• The appraisal for new manufactured homes that have not been affixed to the land or not yet constructed is based on either the plans and specifications or an existing model home.
	• If information such as the dealer invoice, HUD Data plate and Certification Label numbers are not yet available, the appraiser may appraise the property subject to receipt of all required information.

Appraisal - Manufactured Housing (cont.)	• A certification of completion, preferably completed by the original appraiser, must be obtained prior to loan closing. Additionally, the certification of completion must: - Verify and state that the improvements were completed, and all other requirements and conditions of the appraisal have been satisfied, - Include previously unavailable information, including as summary of the appraiser's analysis of any previously unavailable dealer invoice, and - Include photographs of the completed improvements attached to the permanent foundation **Sources of Manufactured Housing Data** Sources such as an MLS and public records are acceptable for some data however Fannie Mae requires the use of additional data sources to develop a well-supported and well-documented appraisal. Additional acceptable data sources are: • Manufactured home dealers, • Construction companies/builders experienced in the installation of manufactured homes, • The NADA Manufactured Housing Appraisal Guide, • The Marshall & Swifts Residential Cost Handbook
Appraisal – Reconsideration of Value	A borrower may request a Reconsideration of Value (ROV) by completing the **Notice of Right to Request a Reconsideration of Value** disclosure that Homebridge will provide with disclosure documents. **Only (1) one ROV is permitted per appraisal.** **Requesting an ROV** The borrower initiated ROV must include the following: • Borrower(s) name, • Property address, • Effective date of the appraisal, • Appraiser's name, • Identification and description of unsupported, inaccurate, or deficient areas in the appraisal, • Additional data, information, and comparable properties (not to exceed five), and the related data sources (e.g. MLS listing number), and • An explanation of why the new data supports the ROV **Homebridge Responsibilities** Upon receipt of the ROV request, Homebridge will: • Confirm an appraisal review was completed by an Underwriter, • Confirm the loan has not closed/funded (ROVs **are not** permitted on closed/funded loans) • Designate an Underwriter or other appraisal subject matter expert to review the ROV request, • Validate that the request from the borrower contains sufficient details prior to sending the request to the appraiser, and • Obtain the necessary information from the borrower if the ROV request is unclear or requires additional information Once Homebridge receives the result from the appraiser, Homebridge will communicate the result to the borrower

Appraisal – Value Acceptance	DU may offer a value acceptance the following applies: • The initial DU Findings indicate a value acceptance is eligible. If at any time prior to loan funding the value acceptance eligibility is removed from any subsequent DU Findings report an appraisal will be required. **NOTE:** The value acceptance option must be offered on the **final DU Findings report** and that Findings report must be retained in the loan file • If an appraisal is obtained, the value acceptance is **no longer eligible** • An "Approve/Eligible" recommendation **must** be received from DU **Eligible for the Value Acceptance Option** The following are eligible for the value acceptance option: • 1-unit properties including condominiums • Maximum LTV as follows: - **Purchase Transactions**: o Primary residence and second home: Maximum 90% LTV/CLTV - **Limited Cash-out (rate/term) Refinance Transactions**: o Primary residence and second home rate/term refi: Maximum 90% LTV/CLTV o Investment property: Maximum 75% LTV/CLTV - **Cash-out Refinance Transactions** o Primary residence cash-out refi: Maximum 70% LTV/CLTV o Second home and investment cash-out refi: Maximum 60% LTV/CLTV **Ineligible for the Value Acceptance Option** The following are **ineligible** for a value acceptance **regardless** of DU Findings: • 2-4 unit properties, • Leaseholds, • Loans where the value of the purchase price or estimated value provided to DU is ≥ $1,000,000 • Property currently listed for sale • Community land trust **or** other properties with resale **price** restrictions; properties where the resale restriction is related to borrower **age or income are eligible** • A transaction where an appraisal for the subject property has already been uploaded to the Fannie Mae portal, • Texas Section 50(a)(6) transactions • Purchase transactions involving an investment property • Transactions using a gift of equity • Transactions where rental income from the subject property is used to qualify • Manufactured home • Construction-to-perm or proposed construction • Transactions where an appraisal is required by law **OR** the MI provider requires an appraisal

Appraisal – Value Acceptance Plus Property Data

DU may offer a value acceptance + property data option. The value acceptance + property data requires an interior and exterior visual observation of the property.

- The initial DU Findings indicate a value acceptance + property data is eligible. If at any time prior to loan funding the value acceptance + property data eligibility is removed from any subsequent DU Findings report a hybrid appraisal may be eligible (see Appraisal – Hybrid topic for requirements) **OR** a desktop or full appraisal may be obtained as specified by DU
- The value acceptance + property data option must be offered on the **final DU Findings report** and cannot be more than 4 months old from the Note date
- If an appraisal is obtained, the value acceptance + property data is **no longer eligible**

Property Data Collection

- Property data collection consists of a visual observation of the interior and exterior of the subject property
  - The data collection must meet Fannie Mae **Property Data Standards** and include photos and a floor plan
- Property data collection is completed by trained and vetted property data collector. The data collector cannot have any interest in or ties to the transaction
- Property data collection is valid for 12 months from date of collection and must be performed prior to the Note date
- See **Property Data Collection with Needed Repairs or Completion Verification** topic for additional details on property condition

Value Acceptance + Property Data Eligibility

- 1-unit properties
- Maximum LTV as follows:
  - **Purchase Transactions**:
    - Primary residence and second home: Maximum LTV up to program limits
    - Primary residence and second home **with Community Second**: Maximum 97%/105% LTV/CLTV
  - **Limited Cash-out (rate/term) Refinance Transactions**:
    - Primary residence and second home rate/term refi: Maximum 90% LTV/CLTV
    - Investment property: Maximum 75% LTV/CLTV
  - **Cash-out Refinance Transactions**
    - Primary residence cash-out refi: Maximum 70% LTV/CLTV
    - Second home and investment cash-out refi: Maximum 60% LTV/CLTV

Ineligible for Value Acceptance + Property Data

Refer to the Ineligible for the Value Acceptance Option topic for ineligible transactions

Property Data Collection with Needed Repairs or Completion Verification

The Homebridge underwriter will review the data collection report and photo exhibits for the following:

- There are no safety, soundness, or structural integrity issues
- There are no significant incomplete construction or renovation items, and
- The property meets Fannie Mae's property eligibility requirements

In the event it is determined repairs are required to bring the property up to Fannie Mae eligibility standards, the following is required to document repairs have been completed:

- A borrower attestation letter confirming the completion of the repairs. The letter must include:
  - The borrower's name,
  - The property address,
  - Certification that the alteration or repair was satisfactorily completed,
  - Date,
  - Borrower's signature,
  - Exhibits that visually verify the completed work (e.g. photos, video, etc.), **AND**
  - **One or more** of the following:
    - A signature of the qualified professional,
    - A professionally prepared report, or
    - Paid invoices for the alterations or repairs

Appraisal Management Companies (AMC)

The appraisal **must be** requested from the AMC assigned by Homebridge which is **based on the state where the property is located.** The chart below identifies the applicable AMC by property location.

AMC	Subject Property Location
Class Valuation	Alabama, Alaska, Arkansas, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Mississippi, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin, Wyoming
Fastapp Appraisal Management	Connecticut, Delaware, Kansas, Louisiana, Maine, Maryland, Massachusetts, Missouri, Nebraska, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, Washington D.C.
Golden State	Arizona, California, Nevada (see **Important Note** below for exception) **Important Note:** Golden State **does not** support the following appraisal types: • Fannie Mae Value Acceptance + Property Data, or • Fannie Mae Hybrid If one of the above appraisal options have been offered and accepted on the transaction **and** the property is located in AZ, CA, or NV**, the appraisal must be ordered from Class Valuation**
Nationwide Appraisal Network (NAN) A Stewart Valuation Intelligence Company	Florida, Georgia, North Carolina, South Carolina

To view the state map on the Homebridge website, click here: Broker Resources

Assets

Asset documentation per DU

- All funds used to close the transaction must be disclosed on the 1003 and input into DU.
- **Earnest Money Deposit (EMD):**
  - EMD funds do **not** require sourcing if the borrower is **not** required to meet Fannie Mae's minimum contribution requirement (MCR) and the underwriter does not need to consider the funds in the asset evaluation. Evidence the settlement agent received the EMD **is required** as detailed below. Transactions that **do not** require a borrower MCR:
    - 1-unit primary residence regardless of LTV
    - 2-4 unit primary and the LTV is ≤ 80%
    - 1-unit second home and the LTV is ≤ 80%
  - ***Documenting Settlement Agent Received EMD Funds***: Acceptable evidence the settlement agent received the EMD funds are as follows:
    - Borrower's cancelled check, or
    - Evidence the funds were wired to the settlement agent's account, or
    - Written verification from the settlement agent
  - EMD funds **are** required to be sourced when the transaction requires the borrower to meet the MCR. Transactions that **require** a borrower MCR:
    - 2-4 unit primary and the LTV is > 80%,
    - 1-unit second home and the LTV is > 80%
    - 1-4 unit investment transactions regardless of LTV

  NOTES: Transactions that require a borrower MCR, a copy of the canceled deposit check is acceptable to document the source of the EMD funds.

  Two months' bank statements, all pages, covering the period up to and including the date the earnest money check cleared the bank are required.

  Virtual currency **is not** eligible to be used for the earnest money deposit

Assets (cont.)

- The borrower must provide evidence of sufficient assets to cover the down payment, closing costs, prepaids and reserve requirements. Acceptable evidence:
  - **Purchase Transactions**: Two months' bank or financial statements, all pages (covering most recent 60 days of activity). If the account information is reported on a quarterly basis, the most recent quarterly statement required. Truncated account numbers (statements that only display the last 4 digits of the borrower's account number) are acceptable
  - **Refinance Transactions**: One month bank or financial statements, all pages (covering most recent 30 days activity). If the account information is reported on a quarterly basis, the most recent quarterly statement required. Truncated account numbers (statements that only display the last 4 digits of the borrower's account number) are acceptable

  Refinance Transactions Only: Documentation of assets **not** required if funds to close are ≤ $500
- Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:
  - The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation:
    - Letter from the bank confirming borrower is an authorized signer, or
    - Online documentation that confirms borrower is an authorized signer

    NOTE: Use of business funds when the borrower does not own a significant percentage of the business will be at underwriter discretion (e.g. borrower has a 10% ownership interest and is using a significant amount of the business funds for down payment/closing costs)
  - A cash flow analysis, based on 3 months' business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash flow analysis:
    - Must indicate that the average running balance in the account for the previous 3 months stayed the same or was better, **and**
    - The amount of funds used for the transaction must not deplete the account i.e. the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal
- Stocks, Bonds and Mutual Funds
  - Stocks, bonds and mutual funds (including retirement accounts) may be used at 100% of the asset value for the calculation of reserves.
  - If used for down payment and/or closing costs, proof of liquidation is not required when the combined asset value is at least **20% more** than the funds needed for closing.
- Cash on hand, unsecured borrowed funds, unverified funds are ineligible sources for assets.
- Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement, issued by the insurance company, is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated.
- Real estate commissions earned by a borrower who is a licensed real estate agent are eligible for down payment/closing costs when purchasing a property. The CD must reflect the commission earned and the credit toward the transaction
- Proceeds from the sale of personal assets are an acceptable source of funds for the down payment, closing costs, and reserves provided the individual purchasing the asset(s) is **not** a party to the transaction (seller, realtor, broker/lender, etc.) Document the following:
  - The borrower's ownership of the asset for all asset types that are titled assets (e.g. car title)
  - The value of the asset if the proceeds represent more than 50% of the total monthly qualifying income. The value must be determined by an independent reputable source.
  - The **lesser of** the estimated value (as determined by the independent source) **OR** the actual sales price is used when determining the amount of funds for the transaction

  Example: If a vehicle is determined to have a value of $10,000 by the independent source and the sales price of the vehicle is $12,000, $10,000 can be added to the borrower's available funds **even if the sale has already occurred**)
  - The transfer of ownership of the asset as documented by either a bill of sale or a statement from the purchaser
  - The borrower's receipt of the sale proceeds. Acceptable documentation includes deposit slips, bank statements, copies of the purchaser's canceled check or an equivalent payment source

Assets (cont.)

- Proceeds from the sale of a currently owned property are eligible for down payment and closing costs. The final CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. The final CD is **not required** to be fully executed.

  NOTE: When the borrower's employer assumes responsibility for paying off the existing mortgage as part of a relocation plan, a copy of the executed buy-out agreement is required to document the source of funds. A copy of the sales contract or listing agreement is **not** considered an acceptable source of verification of proceeds from the sale
- Credit card reward points are eligible for down payment, closing costs, and to meet reserve requirements
  - The rewards points must be converted to cash prior to loan closing
  - If the cash from converting the reward points is deposited into the borrower's account and is considered a large deposit (detailed below) the borrower must provide documentation to show the source of the large deposit was from the conversion of credit card reward points
- Large deposits are defined by Fannie Mae as a single deposit where any **unsourced** portion of the deposit exceeds 50% of the total monthly qualifying income for the loan. If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. 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.
- Large unsourced deposits must be explained and verified including virtual currency
  - Requirements for documenting large deposits are as follows:
    - **Refinance transactions**: Large deposits are not required to be sourced and explained however, at underwriter discretion, explanation and sourcing may be necessary as Fannie Mae requires any payment on borrowed funds be included in the DTI ratios.
    - **Purchase transactions**: If the funds from a large deposit are needed for the down payment, closing costs or reserves on the transaction documentation must be provided that the funds are from an acceptable source. Any undocumented large deposit will be deducted from the amount of verified funds and the reduced asset amount will be used for qualification
    - A large deposit may be from virtual currency that was exchanged into U.S. dollars. Documentation verifying the funds originated from the borrower's virtual currency account is required

  Examples:

  1. The borrower has a monthly income of $4,000 and a bank account with a balance of $20,000. A deposit of $3,000 was made but $2,500 of the deposit is documented as the borrower's tax refund (sourced).

     In this example only the $500 is considered "unsourced" ($3000 total deposit minus $2500 tax refund) and is included in the large deposit calculation.

     The unsourced $500.00 is only 12.5% of the borrower's monthly income therefore it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire $20,000 balance in the borrower's bank account may be used for underwriting purposes.
  2. The same borrower has a deposit of $3,000 but only $500 is documented as the borrower's tax refund (sourced) leaving $2,500 has unsourced.

     In this example the unsourced $2,500 is 63% of the borrower's $4,000 monthly income which does meet the definition of a large deposit.

     The unsourced $2,500 must be deducted from the borrower's $20,000 bank account balance leaving $17,500 that may be used for underwriting purposes.
  3. The same borrower has 3 separate unsourced deposits of $1800 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than $2,000 (50% of $4,000) however at underwriter discretion sourcing/documentation may be required.

Assets (cont.)	• Verification of assets from foreign sources: - Funds that a borrower (either a U.S. or non-U.S. citizen) has deposited into a U.S. depository institution are acceptable provided all of the following requirements are met: - Documentation of the transfer of funds from the borrower's country of origin is provided, and - It can be established that the funds belonged to the borrower before the date of transfer, and - The source of all funds used for closing can be verified following the same requirements for U.S. citizens. • Virtual currency aka digital/cryptocurrency (e.g. Bitcoin, Ethereum, etc.) is eligible for down payment, closing costs, and reserves subject to the following: - Documentation is provided of the exchange into U.S. dollars and the funds have been deposited into a U.S. or state regulated financial institution, and - The funds are verified in U.S. dollars prior to loan closing **NOTE**: Assets used to establish continuance for certain income types cannot be in the form of virtual currency
Assumptions	Not allowed
AUS	DU "Approve/Eligible" Finding required. Manual underwriting is **ineligible**
Available Markets	• All 50 states • Guam, Puerto Rico and the Virgin Islands are ineligible.
Borrowers - Eligible	• A natural person, • U.S. citizens • Revocable inter vivos trust that meets Fannie Mae guidelines • **Non-U.S. Citizens**: **All loans delivered to Fannie Mae require Homebridge to rep and warrant the borrower is legally present in the U.S.** with the exception of **Deferred Action for Childhood Arrivals (DACA**) status borrowers, who are **eligible** subject to meeting the requirements in this topic. Lawful permanent or lawful non-permanent resident aliens are eligible subject to the following: - The borrower must have a valid social security number **OR** individual taxpayer identification number (ITIN), **AND** - Have a current, unexpired EAD **OR** other documentation showing immigration status is current/unexpired (e.g. Green Card, work visa, etc.), **AND** - The borrower meets all other standard employment and income requirements required by DU - If additional information is required to determine legal status, the Homebridge Underwriter will determine on a case-by-case basis the additional documentation requirements - Non-permanent resident alien borrowers who provide a visa, Homebridge will determine visa eligibility. Refer to the Visa Eligibility for Non-Citizens (Non-Permanent Resident Aliens) document on the Homebridge website for visa eligibility and documentation requirements **NOTE:** Visa **not required if current, unexpired EAD provided** • All borrowers are required to have a valid social security **OR** Individual Taxpayer Identification Number (ITIN) and meet legal residency documentation requirements
Borrowers – Ineligible	• Foreign Nationals • Borrowers with diplomatic immunity • Borrowers without a social security number, ITIN, or a number that cannot be validated with the SSA • Borrowers previously convicted a mortgage fraud

Borrower Types	

- **Co-Borrower:**
  - An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt,
  - Signs all loan documents,
  - Income, assets and liabilities are used for loan qualification.
- **Non-Occupant Co-Borrower**:
  - An individual, who applies with the applicant, is liable for the debt, may or may not take title to the property, and does not live in the property.
  - Signs all loan documents
  - The income, assets and liabilities of the non-occupant co-borrower on a primary residence transaction are considered in the DTI calculation.
  - Transactions with a non-occupant co-borrower are limited to a maximum 95% LTV/CLTV or the applicable maximum LTV for ARM transactions.
- **Co-Signer:**
  - An individual who has no ownership interest in the property but is liable for the debt.
  - The co-signer signs all loan documents except co-signer does **not** sign the Mortgage/Deed of Trust.
  - Income, assets, and liabilities are used for qualification.
  - Cannot have an interest in the transaction (seller, builder, real estate broker, etc.)

    NOTE: If the co-signer will not be occupying the subject property maximum 95% LTV/CLTV or the applicable maximum LTV for ARM transactions
- **Non-Borrowing/Non-Purchasing Spouse:**
  - Generally, has no ownership interest in the property and is not liable for the debt.
  - In community property/marital rights states the non-borrowing spouse **does have** an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law

    NOTE: Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin
- **Life Estate:**
  - Properties held in a life estate are eligible **subject to Homebridge management review and approval.** The following applies:
    - When title to a property is held as a life estate, it is a form of joint ownership where two parties have an interest in the property
      - The holder of the life estate (aka life tenant) has the right of current possession of the property
      - The remainderman/remaindermen:
        - Has an irrevocable, vested and alienable interest in the subject property, and
        - Will receive full ownership of the subject property upon the death of the life tenant
    - At least one of the life tenants must be a borrower on the loan
    - One (or more) remainderman/remaindermen may also be co-borrowers
    - Both parties, the life tenant and the remainderman/remaindermen, must sign the security instrument to convey their respective interests in the property

      NOTE: While life estates are acceptable, the following are **not** considered life estates and **are not eligible:**
      - The named successors do not have vested and irrevocable property rights in the subject property (e.g. lady bird deeds) or
      - The current holder of the property can before their own death, transfer full ownership of the subject property to a third party without the approval or consent of any contingent beneficiaries (e.g. transfer on death deeds)

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 (1004D for appraisals completed in UAD 2.6, or the Completion Report for appraisals completed using UAD 3.6) or acceptable completion alternative 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.

Contingent Liabilities	• **Business Debt** - Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business. - Business debt does **not** need to be considered as part of the borrower's individual recurring monthly debt when: - The account does not have a history of delinquency, **and** - Documentation is provided that the debt was paid from the borrower's business funds (e.g. 12 months cancelled business checks), **and** - The cash-flow analysis of the business took payment of the obligation into consideration. - Business debt **must be** considered as part of the borrower's individual recurring debt obligation if: - Documentation of payment from the business funds **cannot** be provided, **or** - If documentation is provided that the payments are coming from the business, but the cash flow analysis of the business does **not** reflect the payments (e.g. an interest expense, including taxes and insurance if applicable, equal to or greater than the amount of interest that would be reasonably expected given the amount of financing shown on the credit report and the age of loan) If evidence is **not** found in the cash flow analysis, it is reasonable to assume that the expense has not been accounted for, **or** - There is history of delinquency on the account the debt must be considered as part of the borrower's individual recurring debt obligation • **Co-Signed Debt - Mortgage** - Co-signed mortgage debt is **not required** to be included in the borrower's DTI calculation 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), **and** - The borrower is not using rental income from the property to qualify **NOTE**: Even if the mortgage debt qualifies for the exclusion, the property must be included in the number of financed properties count if applicable (second home/investment transaction; refer to the Financed Properties topic for details) - Co-signed mortgage debt must **be included** in the borrower's DTI calculation 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, **or** - The borrower is using rental income from the property to qualify Refer to the Credit – Installment/Revolving topic for non-mortgage debt paid by others
Conversion of Principal Residence or Pending Sale	• **Pending Sale**: - If the borrower is purchasing a new primary residence, and the current primary residence is pending sale but will not close prior to the new transaction, the borrower's PITIA payment on their current residence may be omitted when qualifying the borrower if **all** of the following are provided: - A copy of the fully executed sales contract is provided, **and** - Written verification provided by the closing attorney or escrow confirming all financing contingencies have been cleared. • **Conversion to Second Home**: - The borrower is qualified using the PITIA payments for both properties - Reserves required in accordance to the Reserves - Multiple Financed Properties topic of this guide • **Conversion to Investment Property:** - Must follow standard Income-Rental and Reserves – Multiple Financed Properties topic of this guide
Credit History	• Tradeline requirements per DU Findings. **NOTE:** Authorized user tradelines are considered by DU. No additional review required unless indicated on the DU Findings. Review to the Debts Paid by Others: Non-Mortgage Debt topic for requirements on when the debt may be excluded from a borrowers DTI calculation

Credit - Installment/ Revolving

All debts will be run through DU to ensure accurate DU Findings.

- **Installment Debt**
  - Installment debt is considered as a recurring monthly debt obligation and included in the borrower's long-term debt when there are more than 10 months payments remaining.
  - Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations.

    NOTE: Lease payments for automobiles must be considered a recurring monthly debt obligation and included in the DTI calculation regardless of the number of months remaining on the lease.

    Exception:

    On a case-by-case basis **subject to Homebridge management review and approval,** an automobile lease payment may be excluded from the DTI calculation as follows:
    - There are ≤ 10 payments remaining, **and**
    - The borrower can provide a reasonable explanation as to why the leased vehicle will not be replaced
      - ✓ **Unacceptable Explanation**: "We no longer need the vehicle and will just use the other vehicle(s) we have"
      - ✓ **Acceptable Explanation: "**I now have the use of a company car that I did not previously have". The Homebridge underwriter must be able to verify the borrower's explanation to exclude the lease payment from the DTI
- **Revolving Debt**
  - Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following:
    - If the monthly payment is not included on the credit report, the underwriter will use the greater of $10 or 5% of the outstanding balance to determine the monthly payment
    - If the revolving account is to be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. 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 CD.
- **30 Day Charge Accounts**
  - Open 30-day charge accounts require sufficient assets to pay off the debt in order to be excluded from the debt ratio
- **Debts Paid by Others:**
  - **Mortgage Debt**
    - When the borrower is obligated on mortgage debt but is **not** the party actually repaying the debt, the full monthly housing PITIA payment may be excluded from the DTI calculation when:
      - The party making the payments is obligated on the mortgage debt,
      - There are no delinquencies in the most recent 12 months, and
      - The borrower is not using rental income from the applicable property to qualify
  - **Non-Mortgage Debt**
    - When the borrower is obligated on non-mortgage debt (e.g. installment loans, revolving, lease payments, student loans, lease payments, alimony, child support, etc.) but is **not** making the payment the debt may be excluded from the DTI calculation when the requirements under **Excluding Debt from DTI** topic below. The debt **may not** be excluded if the party paying the debt is an interested party to the transaction
    - The party making the payment is not required to be obligated on the debt.
  - **Mortgage <u>and</u> Non-Mortgage Debt: Excluding Debt from DTI**
    - In order to exclude mortgage debt, or non-mortgage debt (including when the borrower is an authorized user on a revolving account) the following is required:
      - 12 months cancelled checks or bank statements from the other party who is making the payments are required to document 12 months 0x30 pay history. **If there are any delinquencies the payment may not be excluded.**

Credit - Installment/ Revolving (cont.)

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

  All student loan payments, whether deferred, in forbearance, or in repayment must be included in the DTI calculation

  Payment Included on Credit Report:
  - If the payment is included on the credit report, the payment on the credit report will be used for qualifying (including income-driven payments)

  NOTE: If documentation is provided that indicates a different payment amount than what is on the credit report (i.e. the most recent student loan statement) the correct monthly payment amount may be used. The documentation supporting the correctly monthly payment must be retained in the loan file. A credit supplement may be obtained to reflect the correct monthly payment but is **not** required.

  Payment Not Included on Credit Report:
  - If the payment is not included on the credit report, or the credit report indicates $0, **one of the following two options must be used** to calculate the qualifying monthly payment:
    1. 1% of the outstanding loan balance (even if the amount is lower than the actual fully amortizing payment), **OR**
    2. A fully amortizing payment using the documented loan repayment terms
- **Student Loans – Income Based Repayment (IBR)**
  - A $0 payment may be used when:
    - It is listed as $0 on the credit report (a credit supplement that documents the $0 payment is acceptable), **OR**
    - A letter from student loan servicer is obtained stating the payment is $0
- **Child Support/Separate Maintenance Payments**
  - Child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or other legal document must be included in the borrower's monthly debt obligations if they will continue for > 10 months.
  - Voluntary payments are **not required** to be considered in the DTI calculation.
  - A copy of the divorce decree, separation agreement, court order, etc. must be obtained and retained in the loan file

Credit - Installment/ Revolving (cont.)	• **Alimony Payments** Alimony payments that are required to be paid due to a divorce decree, separation agreement or other legal document may be treated using one of the two following options: - The monthly payment may be deducted from the borrower's monthly qualifying income and the adjusted income figure is entered as the income amount in DU, **or** - The monthly payment may be included in the borrower's DTI calculation **NOTE:** If reducing the borrower's monthly income by the alimony payment, the amount of the alimony obligation is entered in DU as a negative amount under "Income Type" In the event the borrower also receives alimony income, this amount is combined with the amount of the alimony payment and entered as a net amount - A copy of the divorce decree, separation agreement, court order, etc. must be obtained and retained in the loan file • **IRS Tax Payment Plans: Approved and Pending Approval** - **Payment Plans Currently Approved**: Borrowers in a valid installment payment plan approved by the IRS are eligible subject to the following: - There is no indication a **Notice of Federal Tax Lien** has been filed in the county where the subject property is located, **and** - A copy of the approved IRS installment agreement that details the repayment terms, including the monthly payment amount **and** the total amount due is provided, **and** - Evidence the borrower is **current** on the payments associated with the tax installment plan is required. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and the date of the next payment amount owed and the due date - **Payment Plans Pending Approval:** Borrowers with an installment plan pending IRS approval are eligible subject to: - There is no indication a **Notice of Federal Tax Lien** has been filed in the county where the subject property is located, **and** - A copy of the application for the installment agreement that details the terms of repayment, including the monthly payment amount **and** the total amount due - In **both** approved **and** pending approval cases: - If any of the above requirements are not met, the outstanding balance must be paid in full - If the borrower is not paying off the amount owed in full, the payment must be included in the DTI calculation **REMINDER**: If a tax lien **has been filed the lien must be paid off prior to close**

Credit Report/Scores	• Credit score is per DU Findings • All borrowers are required to have a credit score and must meet the minimum credit score requirement provided by DU unless the borrowers meet all the requirements under the Non-Traditional Credit topics of these guidelines • Homebridge will accept a credit report, in the broker's name, from any Fannie Mae acceptable credit vendor. The credit report **must contain trended credit data**. **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 is required for all borrowers. • If a borrower does not have sufficient credit to establish a credit score a non-traditional credit profile must be established. A tri-merged credit report is required to confirm the borrower does not have a credit score. If a credit score cannot be provided the credit report must accurately reflect the borrower(s) personal information (social security number, current address, etc.) • The representative credit score is determined as follows: - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. - If there are two (2) valid scores, the lower of the two is used - If there is one (1) valid score, that score is used The representative score for the loan is the lowest representative score for all borrowers. • The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 90 days, specifically **stating the name of the creditor(s)** and the result of the inquiry/inquiries (i.e. was new credit obtained or not). Examples of acceptable/unacceptable responses below: - **Acceptable Response**: "The inquiry/inquiries by Bank of America, Wells Fargo, etc. did not result in additional credit" - **Unacceptable Response**: "We did not obtain any additional credit as a result of the credit inquiry/inquiries listed on our credit report" (unacceptable since name of creditors **not** listed) • The credit report cannot be older than 4 months at time of funding or the expiration date received from DU, whichever is less. • Borrowers with a credit score, but the only tradeline(s) are medical tradelines, the loan will receive an "out of scope" finding which will require a manual underwrite. These transactions will be ineligible with Homebridge as Homebridge does not offer manual underwrites on Fannie Mae transactions
Credit Report/ Scores Non-Traditional Credit: Credit Requirements **Applies when:** **No Borrower has a credit score OR** **Borrower with credit score is contributing ≤ 50% of qualifying income**	**The following applies to non-traditional credit sources and there are no exceptions to these requirements:** • 0x30 in the previous 12 months on the housing payment, **and** • Only one (1) account (excluding the housing payment) can have a 30 day delinquency in the past 12 months, **and** • No collections (other than medical collections) or judgments have been filed in the past 24 months, **and** • Judgments and outstanding liens must be paid off prior to or at closing, **and** • Collections and charge-offs of non-mortgage accounts subject to DU Findings • **Homeownership Education/Counseling:** Homeownership education/counseling is only required when borrowers on the loan **do not** have at least one credit account or one installment account reporting on their credit report. Refer to the Homeownership Education and Counseling topic for requirements

Credit Report/Scores Non-Traditional Credit: Eligible Non-Traditional Credit Sources

Applies when:

No Borrower has a credit score OR Borrower with credit score is contributing ≤ 50% of qualifying income

The chart below identifies the minimum number of non-traditional credit sources:

No Borrower has a Credit Score	One Borrower has a Credit Score
Each borrower must have a minimum of two (2) non-traditional credit sources documented for the most recent 12 months **NOTE**: One of the non-traditional credit sources **must include** a housing payment. If no borrower on the loan has a housing payment history the loan is ineligible. Borrowers living "rent-free" are ineligible	If the borrower **with the credit score** contributes: • **> 50%** of the income used for qualifying then **no non-traditional credit sources are required for the borrower(s) without a credit score** • **≤ 50%** of the income used for qualifying then the borrower(s) without a credit score must have a minimum of **two (2**) non-traditional credit sources **NOTE**: Housing may be provided by either the borrower with the credit score or without. The housing requirement must be met or the loan is ineligible Borrowers living "rent-free" are **ineligible**

The types of credit references that can be used to develop a non- traditional credit history are those that require the borrower to make periodic payments on a regular basis with intervals that are no longer than every three months.

The following sources are eligible:

- Rental housing payments (paid to landlord or management company or detailed on credit report; refer to the Standards for Documenting topic for documentation requirements),
- Privately held mortgage payments not reported to credit bureau such as contract for deed payments or other similar arrangements, provided the payments are related to the borrower's residence
- Real estate tax payments made on a primary residence regardless of payment frequency (applies to property owned free and clear)
- Utility bills (gas, water, telephone, television/cable, internet serves, etc.) Ineligible if included in the borrower's rental payment,
- Cell phone payments,
- Medical insurance coverage (excluding payroll deductions),
- Car insurance payments,
- Life insurance policy payments (excluding payroll deductions),
- Payment of renter's insurance,
- Payments on medical bills,
- Payments for childcare,
- Payment of school tuition,
- Rental payments for durable goods (e.g. car rental, etc.),
- Payments to local stores (e.g. department, furniture, appliance stores),
- A private loan obtained from an individual provided the repayment terms can be documented in a written agreement,
- Checking/savings account or voluntary payments made to a payroll savings plan or contributions to a stock purchase plan provided there was an increasing balance as a result of the deposits made over the most recent 12 months (contributions must have been made no less than quarterly),
- Wire remittance statements demonstrating a consistent amount of funds sent over the most recent 12-months.

Credit Report/Scores Non-Traditional Credit: No Borrower has a Credit Score	Transactions involving borrowers without established traditional credit (no credit score for any borrower) are eligible subject to the following: • **No Borrower has a Credit Score and at Least One Borrower has a Minimum of One Credit or Installment Account:** - When no borrower on the transaction has a credit score but one borrower has a minimum of one credit account or installment account reporting on their credit report **standard Fannie Mae eligibility requirements apply;** there are no unique restrictions. A DU "Approve/Eligible" finding is required • **No Borrower has a Credit Score and No Borrower has a Credit Account or Installment Account:** - If no borrower on the transaction has a credit score or a credit account or installment account reported on their credit report the following applies: - Primary residence 1-4 unit properties (1-unit manufactured home eligible) and all borrowers will occupy the property - Purchase and rate/term transactions - Fixed rate only - Conforming loan amounts only; no high balance - An "Approve/Eligible" is received from DU - Borrowers must have a minimum of two (2) non-traditional credit sources, one of which must be a housing history**.** Borrowers without a 12-month documented housing history, including borrowers living "rent free", are **ineligible.** The payment history for the non-traditional credit must be for the most recent 12-months. Refer to the Eligible Non-Traditional Credit Sources topic for acceptable sources. - Housing history requirements - The borrower's housing payment history must be documented for the most recent 12 months. Refer to the Non-Traditional Credit: Standards for Documenting topic for acceptable documentation and exceptions. • If all borrowers on the loan are using non-traditional credit to qualify and no borrower has at least one credit account or installment account reported on their credit report, at least **one** of the borrowers must complete a pre-purchase homeownership education course prior to loan closing and provide documentation of completion. Refer to the Homeownership Education and Counseling topic for requirements. • Refer to the Mortgage Insurance topic for MI eligibility
Credit Report/Scores Non-Traditional Credit: One Borrower has a Credit Score	Transactions involving a borrower(s) with traditional credit (has a credit score) and borrower(s) with non-traditional credit (no credit score) are eligible subject to the following: • An "Approve/Eligible" is received from DU, **and** • If the borrower **with traditional credit** is contributing **> 50%** of the qualifying income, non-traditional credit sources are **not required** for the other borrower(s) on the loan. Follow DU Findings for housing history requirements. Transaction must meet all other requirements detailed above, **OR** • If the borrower **with traditional credit** (has a credit score) is contributing **50% or less** of the qualifying income the following **also** applies in addition to the above: - A 12-month documented housing history is required (no exceptions), **and** - A minimum 12-month payment history for, at minimum, one additional non-traditional credit source. Refer to the Eligible Non-Traditional Credit Sources topic and to the Non-Traditional Credit Requirements topic for additional information

Credit Report/Scores Non-Traditional Credit: Standards for Documenting and Number of Sources –

No Borrower has a Credit Score

Documenting Housing History

- The borrower's housing history must be documented as follows:
  - A credit report (must contain 12 months history and payment history), **or**
  - Cancelled checks, bank statements, copies of money orders, etc. and must clearly indicate the payee and the amount being paid, **or**
  - Direct verification of the payment of rent from the landlord (individual or professional management company) including payments made on a privately held mortgage.
- The 12 month housing history requirements and number of additional non-traditional credit sources, based on how housing history requirement is met, are detailed below:

Requirements		
One borrower on the loan **must have** a documented 12-month housing history (borrowers without a housing history, including borrowers living rent free, are **ineligible**)		
Borrowers NOT Jointly Obligated on Lease or Unrated Mortgage		
IF:	**THEN:**	
	Housing	**Number of Other Non-Traditional Credit Sources**
One borrower has a 12 month documented housing history:	• The housing history requirement for the loan **has been met** • The other borrower Is **not** required to document housing history	• **One (1) additional** non-traditional credit source is required for the borrower **with the housing history** • The **other** borrower must have **(2) non-traditional credit sources**
OR		
Borrowers ARE Jointly Obligated on Lease or Unrated Mortgage		
IF:	**THEN:**	
	Housing	**Number of Other Non-Traditional Credit Sources**
The borrowers live together with **no** joint non-traditional credit source:	The housing history has been satisfied for **both borrowers**	**One (1) additional** non-traditional credit source is required for **each** borrower
The borrowers are living together **and** have a **joint** non-traditional credit source:	The housing history has been satisfied for **both borrowers**	The joint account satisfies the (1) additional non-traditional credit source for **both borrowers**

The borrower's additional non-traditional credit sources may document the payment history utilizing several options as follows:

1. Directly from the creditor (Option 1 on following page), **or**
2. Directly from the borrower (Option 2 on following page), **or**
3. By obtaining a nontraditional credit report from a consumer reporting agency that includes the housing history and the additional credit source(s).

(topic continued on next page)

Credit Report/Scores Non-Traditional Credit: Standards for Documenting and Number of Sources – **No Borrower has a Credit Score** (cont.)	DU will make the determination when the below documentation must be obtained. **Option 1: Documenting Individual Credit References Obtained from the Creditor** Individual credit references (excludes housing payment history – see the Documenting Housing History topic above for housing requirements) obtained directly from the creditor must include all of the following: • The creditor's name, • The name of the individual providing the information • The date the account was opened, • The amount of highest credit, • The current status of the account, • The required payment amount, • The unpaid balance, and • The payment history (for a minimum of the previous 12 months) The payment history **must be stated in "number of times past due" format** (0x30, 0x60, etc.) Fannie Mae will **not** accept statements such as "current", "satisfactory" or "pays as agreed" **Option 2: Documenting Payment History Obtained from the Borrower** Documentation obtained directly from the borrower is subject to the following: • The terms of the debt repayment or contract must clearly be stated, and • 12-months cancelled checks or copies of the bills marked "paid" for the most recent consecutive 12 months. **Option 3: Non-Traditional Credit Report** The non-traditional credit report must: • Include the information detailed on page 12 for borrowers with insufficient credit, **and** • The borrower's housing history for a minimum of 12 months, **and** A minimum of one additional non-traditional eligible credit source. Refer to the Eligible Non-Traditional Credit Sources topic for details.

Credit Report/Scores Non-Traditional Credit: Standards for Documenting and Number of Sources –

Borrower with Credit Score is Contributing ≤ 50% of Qualifying Income

Documenting Housing History

- The borrower's housing history must be documented as follows:
  - A credit report (must contain 12 months history and payment history), **or**
  - Cancelled checks, bank statements, copies of money orders, etc. and must clearly indicate the payee and the amount being paid, **or**
  - Direct verification of the payment of rent from the landlord (individual or professional management company) including payments made on a privately held mortgage.
- The 12 month housing history requirements and number of additional non-traditional credit sources, based on how housing history requirement is met, are detailed below:

Requirements		
One borrower on the loan **must have** a documented 12-month housing history (borrowers without a housing history, including borrowers living rent free, are **ineligible**)		
Borrowers NOT Jointly Obligated on Lease or Unrated Mortgage		
IF:	**THEN:**	
	Housing	**Number of Other Non-Traditional Credit Sources**
The borrower **with the credit score** has the documented housing history:	• The housing history requirement for the loan **has been met** • The borrower without the credit score is **not** required to document housing history	The borrower without the credit score must have **(2) non-traditional credit sources**
The borrower **without a credit score** (the non-traditional credit borrower) has the documented housing history:	The housing history requirement for the loan **has been met**	**One (1)** additional non-traditional credit source is required for the borrower **without the credit score**
OR		
Borrowers ARE Jointly Obligated on Lease or Unrated Mortgage		
IF:	**THEN:**	
	Housing	**Number of Other Non-Traditional Credit Sources**
The borrowers live together with **no** joint non-traditional credit source:	The housing history has been satisfied for **both borrowers**	**One (1) additional** non-traditional credit source is required **for the borrower without the credit score**
The borrowers are living together **and** have a **joint** non-traditional credit source:	The housing history has been satisfied for **both borrowers**	The joint account satisfies the (1) additional non-traditional credit source for **the borrower without a credit score**

The borrower's additional non-traditional credit sources may document the payment history utilizing several options as follows:

1. Directly from the creditor (Option 1 below), **or**
2. Directly from the borrower (Option 2 below), **or**
3. By obtaining a nontraditional credit report from a consumer reporting agency that includes the housing history and the additional credit source(s).

(topic cont. on next page)

Credit Report/Scores Non-Traditional Credit: Standards for Documenting and Number of Sources – **Borrower with Credit Score is Contributing ≤ 50% of Qualifying Income (cont.)**	**Option 1: Documenting Individual Credit References Obtained from the Creditor** Individual credit references (excludes housing payment history – see the Documenting Housing History topic above for housing requirements) obtained directly from the creditor must include all of the following: • The creditor's name, • The name of the individual providing the information • The date the account was opened, • The amount of highest credit, • The current status of the account, • The required payment amount, • The unpaid balance, and • The payment history (for a minimum of the previous 12 months) The payment history must be stated in "number of times past due" format (0x30, 0x60, etc.) Fannie Mae will **not** accept statements such as "current", "satisfactory" or "pays as agreed" **Option 2: Documenting Payment History Obtained from the Borrower** Documentation obtained directly from the borrower is subject to the following: • The terms of the debt repayment or contract must clearly be stated, and • 12-months cancelled checks or copies of the bills marked "paid" for the most recent consecutive 12 months. **Option 3: Non-Traditional Credit Report** The non-traditional credit report must: • Include the information detailed on page 12 for borrowers with insufficient credit, **and** • The borrower's housing history for a minimum of 12 months, **and** A minimum of one additional non-traditional eligible credit source. Refer to the Eligible Non-Traditional Credit Sources topic for details.
Deed / Resale Restrictions **This section is not applicable to shared equity transactions; refer to the Shared Equity topic for shared equity requirements**	**Resale Restriction Eligibility** • Properties with one of the following types of resale restrictions (or combination of below) are eligible: - Income limits, - Age-related requirements - Employment-related requirements - Occupancy requirements, and - First time home buyer requirements • The source and terms of the resale restrictions must be included in the public land records so that the are readily identifiable in a routine title search • If the resale restriction(s) survive foreclosure, the resale restriction(s) **cannot impair the servicer's ability to foreclose on the restricted property** • **Massachusetts ONLY:** The state of Massachusetts requires the use of an Affordable Housing Restriction document for loans subject to resale restrictions. **Resale Restriction Duration** The following policies regarding the duration of the resale restrictions are acceptable: • The restrictions terminate automatically upon foreclosure (or the expiration of any applicable redemption period), **or** • They terminate upon the recordation of a deed-in-lieu of foreclosure, **or** • When the resale restrictions survive foreclosure FNMA **does not** limit the length of time the resale restriction(s) may remain in place on the property (cont. on next page)

Deed / Resale Restrictions (cont.)

This section is not applicable to shared equity transactions; refer to the Shared Equity topic for shared equity requirements

Resale Restriction Loan Eligibility Requirements

Criteria	Requirements
Loan Eligibility	Fixed rate
Borrower Eligibility	The borrower must meet all applicable deed restriction criteria (i.e. income, age, etc.) • If income limit requirements are imposed by both the resale restriction(s) and the terms of the mortgage, the more restrictive requirement applies • Age related restrictions generally apply to the unit occupant and frequently only apply to **one occupant** of the property to be 55 years of age or older **NOTE**: In this instance, the borrower could be younger than 55 provided there is a unit occupant that is 55 years old or older. The occupant that is 55+ **can be** a non-borrower household member **OR** a renter in the case of an investment property
Property Type	• 1 unit SFR, PUD, condo • 2-units • Manufactured homes in a condo or PUD project provided they meet the applicable project review requirements • Primary residence, second home, and investment eligible

Appraisal Requirements

- **Resale Restrictions with Automatic Termination:** The following applies to resale restriction automatically terminate upon foreclosure (or the expiration of any applicable redemption period) **OR** the recording of a deed-in-lieu of foreclosure:
  - The appraisal should reflect the market value of the property **without** resale restrictions, **and**
  - The Homebridge underwriter must ensure both the borrower and appraiser are aware of the resale restrictions and that the appraiser included the following statement in the appraisal report:

    "*This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure*"

- **Resale Restrictions Survive Foreclosure: The** following applies when the resale restrictions **remain in place** after a foreclosure **OR** deed-in-lieu:
  - The appraisal must reflect the impact the restrictions have on the value and be supported by comparable sales with similar restrictions
  - The appraisal must also note the existence of the resale restrictions and comment on any impact the resale restrictions have on the property's value and marketability

Derogatory Credit

Bankruptcy

Derogatory Event	Waiting Period	Extenuating Circumstances
Chapter 7 or 11 BK	• 4 years from discharge to the disbursement date of the new loan	• 2 years from discharge date The maximum LTV is the lesser of 90% LTV or the maximum LTV allowed for the program
Chapter 13 BK	• 2 years from discharge date to the disbursement date of the new loan, **or** • 4 years from dismissal date to the disbursement date of the new loan	• 2 years from dismissal The maximum LTV is the lesser of 90% LTV or the maximum LTV allowed for the program
Multiple BK Filings*	• 5 years if more than one filing in the previous 7 years	• 3 years from discharge/dismissal

* NOTE: Two or more borrowers with individual bankruptcies are not cumulative and are not considered multiple bankruptcies (e.g. the borrower has a bankruptcy and the co-borrower has a bankruptcy, FNMA does not consider this multiple BKs)

- Extenuating circumstances are considered isolated events that are beyond the borrower's control that result in a sudden, significant and prolonged reduction in income or a large increase in the borrower's financial obligations (e.g. death of a borrower, layoff, serious illness, divorce, etc.)
  - Acceptable documentation to support extenuating circumstances and that illustrate factors that contributed to the borrower's inability to resolve the problem is required (e.g. copy of divorce decree, layoff notice, death certificate, medical bills, tax returns, property listing agreements, etc.).
  - Additionally, a letter of explanation from the borrower explaining the relevance of the documentation is required.

  NOTE: An "Approve/Eligible" Finding is still required even when considering extenuating circumstances; manual underwriting is not allowed on Agency loans.
- If mortgage debt was fully discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was fully discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied.

Consumer Credit Counseling

Follow DU Findings

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.

Garnishments

All garnishments with more than ten (10) months remaining must be included in the borrower's DTI calculation as recurring debt. Garnishments are not required to be paid off.

Judgments

Open judgments and all outstanding liens appearing on the Public Records section of the credit report must be paid off prior to or at closing. Documentation of sufficient funds to satisfy these obligations must be obtained.

Mortgage Charge-offs

If the charge-off account was a mortgage a 4 year waiting period (2 years with extenuating circumstances) applies. Refer to the Deed-In-Lieu/Pre-Foreclosure topic for requirements

Tax Liens

Must be paid prior to closing

Derogatory Credit (cont.)	**Collections/Charge-offs/Judgments** The following applies to collection and charge-off accounts (**excluding** medical collection accounts; medical collection accounts **are excluded** from the below requirements): • Past-due accounts (that have not gone to collection) must be brought current. • **One Unit Owner-Occupied Primary Residence**: - The borrower is not required to pay off outstanding collections or charge-offs regardless of the amount. • **Two-to-Four Unit Owner-Occupied Primary Residence and Second Home** - If the combined total of collections and charge-offs accounts is greater than $5,000, the accounts must be paid in full prior to or at closing • **Investment Property** - Individual accounts greater than or equal to $250.00 or, if the combined balance of all accounts is greater than $1000.00, the accounts must be paid in full prior to or at closing. **NOTE**: At underwriter discretion payoff of collection/charge-off accounts may be required. **Foreclosure** A previous foreclosure is subject to the following: • A 7 year waiting period, measured from completion date to the disbursement date of the new loan, is required • A 3 year waiting period with documented extenuating circumstances*. The following also applies: - Maximum LTV/CLTV is the lesser of 90% or the program maximum - Borrower must be purchasing a primary residence, or - A limited cash-out refinance is permitted on all property types subject to eligibility requirements. • If mortgage debt was discharged through the bankruptcy, even if there was a subsequent completed foreclosure action to reclaim the property, bankruptcy waiting periods may be applied, not foreclosure waiting periods if documentation is provided to verify the mortgage was discharged in the bankruptcy. If documentation cannot be provided, the greater of the applicable bankruptcy or foreclosure waiting period is applied. **Deed-in-Lieu/Pre-Foreclosure (Short Sale/Short Pay-off)** A previous deed-in-lieu (short sale/short pay-off) is subject to the following: • A 4 year waiting period, measured from event end date to new loan disbursement date is required. • A 2 year waiting period is eligible with documented acceptable extenuating circumstances*. **NOTE:** Disbursement date is defined as the date the loan funds are disbursed for the subject mortgage. The disbursement date may occur on or after the Note date. *Extenuating Circumstances An extenuating circumstance is defined by Fannie Mae as a non-recurring event that was beyond the borrower's control that resulted in a sudden, significant and prolonged significant reduction in income (e.g. job loss, divorce, serious illness, etc.) or a catastrophic increase in financial obligations (e.g. large medical bills). An extenuating circumstance must be fully documented. Copies of any paperwork substantiating the event such as divorce decree, job layoff notice, severance papers, medical bills, etc. must be provided. Additionally copies of any documents substantiating the borrower's inability to resolve the problems resulting from the event such as insurance claims, unemployment paperwork, listing agreements, tax returns (covering the period of the event; before, during and immediately after) etc., are required. A letter of explanation from the borrower, explaining the event and documentation provided is also required.

Derogatory Credit (cont.)	**Disputed Accounts** Disputed accounts are subject to DU Findings. • When an "Approve/Eligible" is received **and** the DU message indicates **no further action** required no documentation is required • When an "Approve/Eligible" is received **and** the DU message indicates the disputed account must be researched to determine if the account belongs to the borrower the underwriter must research and document their findings. - If upon research the underwriter determines the account **does not** belong to the borrower **no further action required.** An updated credit report is **not required** - If the underwriter determines the account **does** belong to the borrower the loan is **ineligible** as Fannie Mae requires a manual underwrite and Homebridge does not offer manual underwriting on conventional loans **NOTE**: If any finding other than an "Approve/Eligible" is received the loan is also ineligible as Fannie Mae requires a manual underwrite **Re-Established Credit Requirements** After a foreclosure, bankruptcy, deed-in-lieu, or pre-foreclosure borrowers are required to have re-established good traditional credit. Re-established credit is met if **all** of the following are met: • The above detailed waiting periods and related additional requirements are met • The loan receives an "Approve/Eligible" Finding from DU • The borrower has established new traditional credit (non-traditional credit is **not** acceptable)
Down Payment Assistance (Community Seconds)	**General Requirements** • If using a Community Second, **the program must currently be approved by Homebridge**; refer to the Approved DPA/Community Seconds Program list located under Working With Us on the Homebridge website at www.homebridgewholesale.com for eligible programs. • Fannie Mae minimum borrower contribution requirements apply; refer to the Gift Funds topic for borrower contribution requirements • The interest rate for the community second must be fixed and may not be more than 2% higher than the initial Note rate of the first mortgage • Any topics not addressed, Fannie Mae community seconds requirements must be met **Repayment of the Community Second** • The repayment terms of the second must be structured in a way acceptable to Fannie Mae which includes: - Requiring fully amortizing, equal monthly payments, **or** - Deferring payments for a period of time before changing to fully amortizing, equal monthly payments - If deferred 5 or more years, the payment is **not** included in the DTI, - If deferred < 5 years include the payment in the DTI, **or** - Deferring payments over the entire term, unless the loan is paid off or the property is sold before the maturity date of the mortgage, **or** - Forgiving the debt over time • If the second is provided by the borrower's employer, the employer may include terms that require full repayment if the borrower's employment terminates (voluntarily or involuntarily) before the maturity date of the mortgage • The second cannot provide for negative amortization, however if negative amortization occurs due to a deferred payment the negative amortization is acceptable provided: - The amount of the scheduled monthly deferred interest for any calendar month within the initial 5 years may never exceed the scheduled monthly principal payment of the **first mortgage** for the same month, **and** - Interest is accrued on a simple-interest basis at a fixed rate, **and** - The accrued interest is fully deferred until: - The sale or transfer of the property, - The loan is refinanced, or the first mortgage is paid in full, or - Declaration of an event of default under the second Note or the security instrument (see ***Example*** on next page)

Down Payment Assistance (Community Seconds) (cont.)

Example:

In this example, the loan is eligible as the amount of deferred accrued interest for July on the second is less than the scheduled principal payment for the first for the same month:

Note Date: May First Payment Date: July	First Mortgage	Community Second
UPB	$150,000	$30,000
Interest Rate	5%	7%
Maximum Accrued, Deferred Interest – July	N/A	$175 ($30K @ 7% / 12)
Scheduled Principal Payment - July	$180.23	N/A

DTI

DTI is per DU

NOTE: Cash-out transactions with a DTI > 45%, DU will require 6 months reserves

Refer to the Mortgage Insurance topic for information if DTI > 45%

Included in the DTI Calculation

The borrower's total monthly obligation includes the following:

- The housing payment (**mortgage or rent**) for each borrower's **primary** residence:
  - If subject loan is the borrower's primary residence, use the PITIA and qualifying payment amount
  - If there is a non-occupant co-borrower use the PITIA mortgage payment **or rental** payment. See **Rental Payment Documentation** below for acceptable documentation of rental payment
  - If the subject loan is a second home or investment property, use the PITIA mortgage payment **or rental payment**. See **Rental Payment Documentation** below for acceptable documentation of rental payment
- The qualifying payment if the subject loan is for a second home or investment property
- The monthly payment on installment debt and other mortgage debt with > 10 months payments remaining **OR,** if ≤ 10 months payments remaining, **AND** the debt significantly impacts the borrower's ability to meet credit obligations
- Monthly payments on installment debt secured by virtual currency,
- Any debt secured by virtual currency,
- Lease payments regardless of length remaining
- Monthly alimony, child support or maintenance payments > 10 months
- Monthly payments for other recurring monthly obligations, and
- Any net loss from a rental property

Refer to the Credit: Installment/Revolving topic for additional details

Rental Payment Documentation

The following examples are acceptable documentation to verify rental payment:

- Six (6) months canceled checks (or equivalent payment source), or
- Six (6) months bank statements clearly showing the rental payment consistently made to an organization or individual, or
- Direct verification of rent from a management company or landlord, or
- A copy of the current, fully executed lease agreement and two (2) months canceled checks (or equivalent) supporting the rental payment amount. Rental payment on the lease must be reflected in U.S. dollars (**cannot** be listed as virtual currency)

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; however the payment history for the debt prior to its assignment must be reviewed.

Employment	• **Wage Earner Borrowers**: - A two year employment history is generally required for both wage earner and self-employed borrowers. - Borrowers with less than 24 months employment history may be considered if the Homebridge underwriter can document positive employment factors that reasonably offset the shorter income history - Borrowers with multiple employment sources at the same time (including self-employment) must meet the requirements for the specific income type and the following: o A 2-year history for each income source is recommended, however a shorter period of time may be acceptable (but no less than 12 months) if other positive employment factors that reasonably offset the shorter income history can be documented o When the borrower's employment history includes different employers, in no instance may the borrower have any gap in employment greater than one month in the most recent 12-month period, unless the employment is considered seasonal income. **NOTE**: If one of the income sources is self-employment (> 25% ownership) self-employed documentation and eligibility requirements apply - Employment gaps during the most recent 12 months will require Homebridge underwriter review of the borrower's current employment to ensure it is likely to continue - Borrowers who change jobs frequently, but continue to earn consistent and predictable income, are considered to have a reliable flow of income for qualifying • **Self-Employed Borrowers:** - Self-employed borrowers with 12-24 months history of self-employment may be eligible subject to Homebridge management review and the following: - The most recent signed personal **and** business federal tax returns reflect a full year (12 months) of self-employment income **from the current business** - The receipt of income at the same or greater level in a field that provides the same products or services as the current business **or** an occupation with similar responsibilities as the current business must be documented - The borrower's level of experience and the amount of business debt will be considered **Employment Verification: Wage Earner and Self -Employed Borrowers** • **Wage Earners**: A verbal verification of employment (VVOE) is required within 10 business days prior to the Note date for wage earner borrowers. This includes borrower with Schedule K-1 income and the borrower has < 25% ownership interest. Additionally: - A current paystub with YTD income and most recent W-2s are required for wage earners. • **Self-Employed:** A verbal verification of employment (VVOE) is required within 120 calendar days prior to the Note date for self-employed borrowers. Additionally: - Self-employed borrowers require verification of the business by a third party source (e.g. CPA, **or** Federal Tax ID Certificate, **or** Business License, etc.). Self- employed borrowers are individuals who have 25% or greater ownership interest in a business (partnership, S Corp, or corporation) or 100% ownership for a sole proprietorship. • **Active Duty Military**: A military Leave and Earnings Statement, dated within 120 calendar days prior to the Note date, is acceptable for active duty military in lieu of a VVOE • Employment and income commencing after the Note date; refer to the Employment Offers or Contracts topic for requirements
Escrow Holdbacks	Homebridge offers the Home Fixer-Repair Escrow Option Program which allows escrow holdbacks subject to the following: • Repairs cannot affect the safety or habitability of the property • Repair work is limited to a maximum of $5,000 • An estimate from a licensed contractor or qualified professional is required, detailing all repairs • Homebridge will hold 1.5 times of the repair estimate. Borrowers using their own funds to establish the escrow holdback account must have sufficient documented assets to cover the down payment, closing costs and escrow holdback funds. • All repairs must be completed within 14 calendar days of closing and the final inspection must be completed within 72 hours of completion. **NOTE**: Properties that do not meet the "average condition" appraisal requirement may be eligible for an Escrow holdback. If an escrow holdback is approved, the appraiser must confirm the work completed will bring the property up to average condition.

Escrow/Impound Account	• > 80% LTV required unless prohibited by state law; CA loans ≥ 90% LTV • ≤ 80% LTV not required; refer to rate sheet for pricing adjustment **Reminder**: If flood insurance is required, escrow/impounds are required **regardless of LTV;** escrows **cannot** be waived
Financed Properties	• **Owner-occupied properties**: Unlimited • **Second Home and Investment (conforming and high balance loan amounts)**: Maximum of 10 residential properties may be financed including the borrower's principal residence (see Calculating the Reserve Requirement for Multiple Financed Properties topic. The following applies when the borrower has multiple financed properties: - Purchase, rate/term and cash-out transactions eligible. - Additional reserve requirements apply: - **1-4 additional financed properties**: 2% of the aggregate unpaid principal balance - **5-6 additional financed properties**: 4% of the aggregate unpaid principal balance - **7-10 additional financed properties**: 6% of the aggregate unpaid principal balance - The applicable percentage is applied to the aggregate outstanding UPB for all mortgages and HELOCS on the other financed properties • Homebridge limits its exposure to a maximum of 4 loans per borrower. **Determining the Number of Financed Properties** The number of financed properties is cumulative for all borrowers (jointly owned are only counted **once**) and the count includes the actual number of properties that are financed not the number of mortgages on the property or the number of mortgages sold to Fannie Mae. • When determining the number of financed properties the following is **included**: - All 1-4 unit residential properties where the borrower is **personally obligated** on the loan (even if the monthly housing expense is excluded from the DTI due to the debt being paid by another party; see the Contingent Liabilities Co-Signed Debt – Mortgage for details), **and** - The borrower's principal residence if it is financed • Properties owned in the name of an LLC are **not included** in the calculation **unless the borrower is personally obligated on the loan.** • The following property types are **not included** in the calculation **even when the borrower is personally obligated on the mortgage:** - Commercial real estate, - Multifamily property consisting of 5 or more units, - Ownership in a timeshare, - Ownership of a vacant lot (residential or commercial, or - Ownership of a manufactured home on a leasehold estate not titled as real property **Calculating the Reserve Requirement for Multiple Financed Properties** The borrower's primary residence and the subject property are **not** included in the additional reserve calculations. The reserve requirement is determined using the aggregate UPB of the remaining financed properties. ***Not Included when Calculating Reserves:*** The following are **not** included when calculating the additional reserves required: • The borrower's primary residence, • The subject property, • Property that are sold or pending sale, or • Accounts that will be paid by closing ***Included when Calculating Reserves*** • Any financed property owned by the borrower (excluding those listed under Not Included When Calculating Reserves topic) that the borrower is personally obligated on the mortgage

Gift Funds

- Gift funds, from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements, for both conforming and high balance loan amounts, as long as the borrower meets the minimum contribution requirements detailed below.

LTV/CLTV	Property Type	Minimum Contribution from Borrower Own Funds
≥ 80.01% MI company guidelines apply	1-unit primary residence	A minimum contribution from borrower's own funds not required. All funds may be a gift.
	2-4 units, second home	5% borrower contribution required*. Gifts may be used after the borrower own funds contribution is met.
≤ 80%	1-4 unit primary, second home	Not required. All funds may come from a gift.

* When a gift from an acceptable donor, who has lived with the borrower for the previous 12 months, is being pooled with the borrower's funds for the down payment, the gift is considered the borrower's own funds and may be used to satisfy the borrower contribution requirement as long as both parties will continue to occupy the subject property as their primary residence. A certification, signed by the donor, confirming they have lived with the borrower for the prior 12 months **and** will occupy the subject property is **required**. Additionally, documentation that confirms the history of shared residency (e.g. driver's license, bill, etc.) must be provided (donor/borrower address must match)

- Gift funds are not allowed on investment transactions
- Gift funds/gift of equity acceptable donors are as follows:
  - A relative, defined as the borrower's spouse, child, or other dependent, or by any other individual related to the borrower by blood marriage, adoption or legal guardianship, or
  - A non-relative that shares a familial relationship with the borrower is defined as a domestic partner (or relative of the domestic partner), an individual engaged to marry the borrower, former relative, or godparent.

  NOTE: Gift funds from the seller of the property are eligible if the seller is an acceptable donor, per the above, **AND** the seller of the property is **not** affiliated with any other interested part to the transaction
- Gift funds, sourced from an estate of an acceptable donor **or** a trust established by an acceptable donor, are eligible. The gift letter must be signed by the donor **and** list the name of the trust or the estate account
- Funds provided by a donor who is on the purchase agreement and on title, but is not obligated on the loan, (title-only individuals) are acceptable **and** are not **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 (including borrower's parent who is the seller/buyer's agent and giving commission earned or other cash gift to the borrower for down payment)
- 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, and relationship to the borrower, and
  - Include a statement by the donor that no repayment of the gift funds is expected.

  NOTE: If the gift funds are from an estate or trust established by an acceptable donor, the gift letter must also list the name of the trust or estate account
- The transfer of the gift funds must be documented. Acceptable documentation includes:
  - Copy of the donor's cancelled check and the borrower's deposit slip
  - Copy of the donor's withdrawal slip and the borrower's deposit slip
  - Copy of the donor's check to the closing agent, or
  - The settlement statement showing receipt of the donor's check, or
  - Evidence of the electronic transfer of funds from the donor's account to the borrower's account or to the closing agent
- 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 on primary residence and second home purchase transactions.
- A gift letter must be provided (refer to gift funds above for gift letter requirements).
- The CD must indicate "gift of equity".
- If the above requirements are met, the gift of equity is not subject to the IPC requirements. The donor of the gift of equity is not considered an interested party

  NOTE: A gift of equity from the seller of the property is eligible if the seller is an acceptable donor, **AND** the seller of the property is **not** affiliated with any other interested party to the transaction

Homeownership Education and Housing Counseling	Homeownership education or housing counseling applies to the following transactions: • Purchase transactions with an LTV/CLTV/HCLTV > 95% **AND all** borrowers are first time homebuyers • Borrowers without a credit score and do not have either at least one credit account or an installment account reported on their credit report. In this case, at least one borrower must complete homeownership education prior to loan closing The following options are available to satisfy FNMA's homeownership education or housing counseling requirement **Homeownership Education** • Homeownership education may be provided by any third-party provider. The provider's content must be aligned with one of the following: - The National Industry Standards (NIS) for Homeownership Education and Counseling, **OR** - HUD **NOTE: Fannie** Mae offers HomeView, a certificate course for first time home buyers, which satisfies the education requirement • The education may be in-person, via the internet, telephone, or a hybrid format **NOTE:** In lieu of homeownership education the borrower may elect to complete housing counseling (see below for updated requirements) • The Homebridge underwriter is responsible to confirm the course content is aligned with NIS or HUD standards • A copy of the course completion certificate must be provided and will be retained in the loan file **Homeownership Counseling** • Housing counseling must be provided by a HUD-approved agency and meet HUD standards - HUD-approved agencies include affiliated agencies participating in a HUD program through a HUD-approved intermediary or State Housing Finance Agency - The below links are provided to assist in located a HUD-approved housing counseling agency o Nationally HUD-Approved Housing Counseling Agencies o Find a local housing counselor by zip code: Consumer Financial Protection Bureau • Housing counseling, completed prior to loan closing, satisfies FNMA's homeownership education requirement. - A copy of the certificate of course/counseling completion must be retained in the loan file **Supplemental Consumer Information Form (FNMA/FHLMC Form 1103)** • The ***Homeownership Education and Housing Counseling*** section of Form 1103, **Supplemental Consumer Information Form** must be completed for all transactions where the borrower was required to complete homeownership education **or** counseling (i.e. form 1103 must be completed for borrowers who chose to complete an education course **and** for borrowers who chose to complete counseling)
Income	**Income documentation is determined by DU; at underwriter discretion, additional documentation may be required.** **Employment-Related Income** Fannie Mae identifies two types of base income; fixed base income and variable base income. Base income is received on a regular basis that is independent of additional earnings such as overtime or bonuses. • **Fixed Base Income:** A set salary or fixed hourly rate with guaranteed minimum hours. These hours may have minor variances from pay period to pay period which does not alone preclude the borrower's income from being considered fixed base income • **Variable Base Income:** A fixed hourly rate with fluctuating hours, or an hourly rate that varies **Fixed Base Income** • The most recent paystub with YTD earnings, dated no more than 30 days prior to the loan application date, • The most recent W-2, • A minimum history of receipt is not required • Verification of continuance is not required unless the underwriter has reason to believe the income may not continue **NOTE:** The borrower's qualifying income must be consistent with YTD base earnings. If YTD income does not reflect at least 30 days of earnings the Homebridge underwriter must confirm qualifying income is consistent with the prior year's earnings (cont. on next page)

Income (cont.)

Employment Related Income (cont.)

Variable Base Income

- The most recent paystub with YTD earnings, dated no more than 30 days prior to the loan application date,
- The most recent W-2 is required,
- A minimum 12 month history of receiving variable income is required, and
- Verification of continuance is not required unless the underwriter has reason to believe the income may not continue
- Qualifying income is calculated using one of the two methods below:

  Method One - Average Income: Income is calculated using the historical trend

  - **Stable or Increasing Income**: Income is calculated using YTD and previous year's earnings. The calculation must include a minimum of 12 months' income
  - **Decreasing:** The Homebridge underwriter will confirm the current income level has stabilized after the decline; otherwise the income is not eligible for qualifying. The income is calculated using the YTD income divided by the months elapsed in the current year.

  Method Two: Average Hours: The average monthly hours (based on the most recent 12 months) are multiplied by the current fixed hourly rate

  NOTE: When a documented, non-recurring event outside the borrower's control temporarily prevented them from earning income, the Homebridge underwriter may exclude that period from the income calculation

Bonus, Commission, Overtime, and Tip Income

- The most recent paystub, and
- 2-years W-2s

  NOTE: If tip income is not reported by the employer, 2-years personal tax returns that includes IRS Form 4137 **Social Security and Medicare Tax on Unreported Tip Income** may be provided in lieu of a W-2
- A minimum 2-year history of receipt is generally required, however income received for a minimum of 12 months to 2 years is acceptable if there are positive factors to reasonably offset the shorter income history
- Verification of continuance is not required unless the underwriter has reason to believe the income may not continue
- **Qualifying income is determined as follows:**
  - The Homebridge underwriter will determine the income frequency (e.g. weekly, biweekly, monthly, etc.) when calculating the income amount. Once determined, the monthly YTD income amount is compared to the earnings from the previous years. The qualifying income is then calculated based on the historical income trend.
    - **Stable or Increasing Income:** The average income amount is calculated using YTD and previous year's earnings, divided by the number of months included in the YTD paystub and W-2s. The calculation must include a minimum of 12 months' income
    - **Decreasing Income:** The Homebridge underwriter will confirm the current income level has stabilized after the decline; otherwise the income is not eligible for qualifying. The income is calculated using the YTD income divided by the months elapsed since the income stabilized.
  - **Bonus income example for accurate calculation of income trend**: If a borrower receives an annual bonus on March 31st of each year, the bonus income must be annualized (divided by 12) to determine the appropriate monthly bonus amount. The supporting documentation must support the income used for qualifying.

  NOTE: When a documented, non-recurring event outside the borrower's control temporarily prevented them from earning income, the Homebridge underwriter may exclude that period from the income calculation

Automobile Allowance

The full amount of the automobile allowance is added to the borrower's monthly income. The following is required:

- A most recent paystub,
- The most recent W-2
- A minimum 12 month history is required
- Verification of continuance is not required unless the underwriter has reason to believe the income may not continue

Income (cont.)

Employment Related Income (cont.)

Borrowers Employed by Family Members or Interested Party

Income is eligible for qualifying when, in addition to the standard income requirements, the following requirements are met:

- The borrower has been employed by the business for a minimum of 12 months **prior to** the application date
- Copies of the most recent year's signed federal income tax returns that reflect the borrower has < 25% ownership in the business owned by the family member or interested party must be provided. If borrower has ≥ 25% ownership, the borrower must be qualified as self-employed
- The qualifying income must be consistent with the most recent year's earnings, documented with a W-2 or tax returns

Employment Offers or Contracts

Income from new employment may be considered when qualifying the borrower subject to **Homebridge management review and approval.**

Paystub Provided Prior to Loan Funding: The paystub must provide sufficient information to support the qualifying income based on the offer/contract

- A copy of the signed employment offer/contract is provided which clearly identifies the employer, the borrower as the employee, the terms of employment, position, type and rate of pay and start date
- Acceptance of the offer/contract may be demonstrated through a signed agreement, written confirmation (email) or other verifiable means
- The borrower cannot be employed by a family member or any interested party to the transaction
- If the borrower will not start employment until after the loan Note date, in lieu of a VVOE, Homebridge will verify the terms of the offer letter directly with the employer
- The qualifying income is the monthly income amount in the offer letter
- Verification of continuance is not required unless the underwriter has reason to believe the income may not continue

Paystub Not Provided Prior to Loan Funding:

- Transaction must be a 1-unit, owner-occupied purchase
- The borrower must be scheduled to begin employment no earlier than 30 days prior to the Note date **OR** no later than 90 days after the Note date
- The borrower cannot be employed by a family member or any interested party to the transaction
- The borrower will be qualified upon fixed based income and the qualifying income is the monthly income amount in the offer letter
- A copy of the offer/contract for employment, signed by the employer/union* and the borrower, is required and must include the following:
  - The employer's name,
  - The borrower's name,
  - The terms of employment, including position, type and rate of pay, and the borrower's start date
  - The employment cannot have any contingencies. If any conditions to the employment exist they must be cleared prior to loan closing,

  ***NOTE:** The union may provide the executed employment offer or contract for future employment if the borrower is a union member who works short-term job assignments (skilled construction worker, longshoreman, etc.)
- Acceptance of the offer/contract may be demonstrated through a signed agreement, written confirmation (email) or other verifiable means
- If the borrower will not start employment until after the loan Note date, in lieu of a VVOE, Homebridge will verify the terms of the offer letter directly with the employer
- In addition to the reserves required by DU the borrower must have reserves to cover PITIA payments for the subject property for 6 months **OR** current income sufficient to cover the monthly liabilities included in the DTI ratio, including the PITIA for the subject property for the number of months between the Note date and the employment start date, **plus 1** month.
- Verification of continuance is not required unless the underwriter has reason to believe the income may not continue

Income (cont.)

Employment Related Income (cont.)

Military Income

- The most recent Leave and Earnings Statement (LES) dated within 120 days of the Note must be provided.
- History of receipt is determined as follows:
  - **Active Duty:** There is no set minimum history requirement when using as qualifying income
  - **National Guard/Reserves:** A minimum 12-month history required
- Military borrowers may receive pay in addition to their base pay which may include flight or hazard pay, rations, clothing allowance, quarters allowance, proficiency pay, etc.
  - The Homebridge underwriter must review allowance income a service member receives based on their location or the nature of their job duties
  - This additional allowance income may be included in qualifying income provided there is no indication the income amount will be lowered, in which case the lower amount must be used for qualifying, or discontinued altogether

Parsonage Allowance

The full amount of the parsonage allowance is added to the borrower's monthly income. The following applies:

- A most recent paystub,
- The most recent W-2
- A minimum 12 month history is required
- Verification of continuance is not required unless the underwriter has reason to believe the income may not continue

Pay Raises

Future pay raises from the borrower's current employer may be included as qualifying income subject to the following:

- The income is fixed base only
- Purchase or rate/term refinance only
- The increase will take effect no later than 60 days after the Note date
- The increase must be fully verified with the employer using FNMA Form 1005, Request for Verification of Employment or other documentation obtained directly from the employer that provides the terms of the future pay increase
- Borrower cannot be employed by a family member or interested party to the transaction

Seasonal Income

Seasonal income may be used for qualifying income as follows:

- A 2-year history of receipt required
- Document history with:
  - The most recent paystub, **and**
  - 2-years' W-2s

  NOTE: Seasonal unemployment compensation is only eligible if it can be documented, is clearly associated with seasonal layoffs, is expected to recur, and is reported on the borrower's tax returns.
- Verification of continuance is **not required** unless the Homebridge underwriter has reason to believe the income may not continue
- Qualifying income is calculated using the average income amount using the YTD income, when present, and the previous 2 years earnings

Self-Employment as a Secondary/Separate Source of Income (or Loss)

When the Homebridge underwriter becomes aware the borrower or co-borrower has self-employment income (e.g. tax returns were provided, etc.) and that income is derived from self-employment that is a secondary or separate source of income, the following applies:

- If that self-employment income **is not** being used for qualifying, the self-employment income (or loss) **is not** required to be evaluated or documented.
- Any business debt on which the borrower is personally obligated must be included in the total monthly obligations when calculating the DTI ratio

Income (cont.)

Employment Related Income (cont.)

Temporary Leave Income

Temporary leave from a job is generally initiated by the borrower (e.g. maternity/parental leave, short-term medical disability, etc.). Borrowers on temporary leave may or may not be paid during their leave from work.

NOTE: Mandatory leave initiated by an employer, such as a furlough or layoff is **not** considered a temporary leave regardless of an expected return to work date and temporary leave guidance **does not** apply.

- Income from a borrower on temporary leave is eligible subject to specific requirements that include:
  - The borrower's employment and income history must meet FNMA requirements
  - The borrower must provide written confirmation of their intent to return to work
  - Documentation must be provided from the borrower or employer of the borrower's agreed upon date of return to work (e.g. email between borrower/employer, computer printout from the employer's system of record)
  - There can be **no evidence** or information from the borrower's employer indicating that the borrower **does not** have the right to return to work after the leave period
  - Documentation must be provided (by the borrower, borrower's employer, third-party employment verification vendor) that verifies the following:
    - The amount and duration of the borrower's temporary leave income
    - The amount of the regular employment income the borrower received **prior to** the temporary leave (i.e. base pay, commissions, bonus, etc.)
- **Calculation** of income is as follows:
  - If the borrower **will** return to work as of the first loan payment date, the borrower's regular employment income may be used for qualifying
  - If the borrower **will not** return to work as of the first loan payment date, the **lesser of** the borrower's temporary leave income (if any) **or** the regular employment income is used for qualifying.
  - If the borrower's temporary leave income is less than the regular employment income, the temporary leave income may be supplemented with available liquid financial reserves when calculated per FNMA requirements
    - **Supplemental income amount** = Available liquid reserves divided by the number of months of supplemental income
      - Available liquid reserves: Subtract any funds needed to complete the transaction (down payment, closing costs, any required debt payoff, escrows, and reserves) from the total verified liquid asset amount
      - Number of months of supplemental income: The number of months from the first loan payment date to the date the borrower will begin receiving their regular employment income, rounded up to the next whole number
    - **Total qualifying income** = Supplemental income (as determined above) **plus** the temporary leave income

    NOTE: The total qualifying income of the supplemental income plus temporary leave income cannot exceed the borrower's regular employment income
- Continuance of income is determined by income type (i.e. base, bonus/commission, military, seasonal, etc.)

Income (cont.)

Self-Employed Borrower Income

- **Length of Self Employment:** Refer to the Employment topic for length of self-employment requirements
- **Tax Returns/Verification of Income**
  - Copy of the most recent 2-years signed federal individual and business tax returns including all schedules, **or**
  - IRS issued transcripts for the borrower's most recent 2-year's individual and business federal tax returns
  - DU will issue a message permitting 1-year of personal and business tax returns when the following is applies:
    - The business has been in existence for a **minimum of 5 years** (as reflected on the 1003) measured from business start date to DU casefile date, and
    - The borrower has had a minimum of 25% or more ownership in the business **for 5 consecutive years:**
      - **Partnerships, S-Corps, and Corporations:** The federal income tax return for the business must support the information reflected on the loan application. If the business was in existence prior to the borrower having 25% or more ownership for at least 5-years consecutively, documentation must be provided the borrower has had 25% or more ownership for at least 5-years consecutively.
      - **Sole Proprietorships:** The individual federal tax return and any other documentation or information received must support the information reflected on the loan application for the number of years the business has been in existence
  - All businesses are assessed separately for the 5-year in existence benchmark and the number of years of personal and federal income tax returns
  - The Homebridge underwriter will complete a cash flow analysis which will be retained in the loan file

    NOTE: Alternative documentation to establish 5-years existence of the business may be provided as long as it clearly identifies the specific business and is supported by the most recent year tax returns. The documentation must be obtained from a reliable source (e.g. IRS issued employer identification number confirmation letter, business license, articles of incorporation or partnership agreements)
  - When 2 years of signed individual federal tax returns are provided, the requirement for business tax returns may be waived if:
    - The borrower is using personal funds to pay down payment and closing costs and satisfy applicable reserve requirements, and
    - The borrower has been self-employed in the same business for at least 5-years, and
    - The borrower's individual tax returns show an increase in self-employment income over the past 2-years from the respective business
- **Profit and Loss Statements**
  - A year-to-date Profit & Loss (P&L) statement and balance sheet may be required, at underwriter discretion, if more than a calendar quarter has elapsed since date of most recent calendar or fiscal-year end tax return was filed by the borrower (borrower prepared is acceptable).
- **Self-Employed Income or Loss from a Sole Proprietorship Reported on Schedule C**
  - Schedule C will be reviewed to determine whether the income reported is recurring or non-recurring
  - Non-recurring income must be **deducted** in the cash-flow analysis, including any exclusion for meals and entertainment expenses reported on Schedule C
  - Recurring items claimed by the borrower on Schedule C must be added back to the cash-flow analysis. The following recurring items must be added back:
  - Depreciation,
  - Business use of home,
  - Amortization, and
  - Casualty losses Depletion

Income (cont.)

Self-Employed Borrower Income (cont.)

- **Self-Employed Income or Loss from S Corp or LLC Reported on Schedule K-1: Borrower has 25% or More Ownership:**
  - When the borrower has **25% or more** ownership interest in the business, the following applies:
    - Only the borrower's proportionate share of the earnings reflected on Schedule K-1 is used when calculating the borrower's income.
    - The income on Schedule K-1 is **only eligible** if documentation is provided that confirms:
      - The income was actually distributed to the borrower and is consistent with the level of business income being used to qualify, **or**
      - The business has adequate liquidity to support the withdrawal of earnings

Other Sources of Income

DU determines the documentation, verification and continuation requirements.

For other sources of income not addressed below, refer to the Fannie Mae Selling Guide Section B3-3.4 for complete requirements

- **Alimony/Child Support/Equalization Payments/Separate Maintenance:**
  - Income must continue for a minimum of three (3) years from the application date. The Homebridge Underwriter is responsible for checking for limitations on the continuance of the income (e.g. age of children for whom support is being paid, or the duration over which alimony is required to be paid). Acceptable documentation to confirm continuance:
    - Divorce decree or separation agreement (if divorce not finalized), **or**
    - Any other type of written legal agreement or court decree describing the payment terms, **or**
    - Documentation that verifies any applicable state law that mandates alimony, child support, equalization payments, or separate maintenance payments

    NOTE: Fannie Mae **does not allow** voluntary or proposed alimony/child support to be included in the income calculations. This restriction includes income from a borrower who is separated but **does not have** a separation agreement specifying alimony or child support payments.
  - Receipt of the income must be documented for the most recent six (6) months. Document with bank statements, deposit slips, electronic receipt of payments etc. The payment history must demonstrate the stability of the income (i.e. receipt of full, regular, and timely payments)

    NOTE: Lump sum equalization payments **are not** considered a steady source of income.
  - The full amount of **child support** income may be used for qualifying without documentation that the income is non-taxable
- **Foster-Care:** Foster care income is eligible subject to the following:
  - Obtain evidence of the payment amount(s) using letters of verification from the state/county sponsored organization(s) providing the income, **and**
  - Document receipt for the most recent 12 or 24 months (see income history below) using bank statements, canceled checks, or electronic receipt of payments
  - A 2-year history of providing foster-care services is generally required; < 2-years is acceptable if:
    - The borrower can document a minimum 12 month history of providing foster-care, and
    - The income is not more than 30% of the total gross income used for qualifying
  - Verification of continuance is not required unless the Homebridge underwriter has reason to believe the income may not continue
  - **Eligible qualifying income is determined as follows:**
    - **Stable or Increasing:** Eligible income is calculated using the average income amount for the most recent 12 or 24 months based on the history of receipt
    - **Decreasing**: Eligible Income is calculated using the average income for the most recent 12-months

Income (cont.)

- **Public Assistance:** Public assistance income is eligible and must be documented as follows:
  - Obtain documentation from the public agency providing the assistance that includes the amount, frequency, and duration of the benefit payments
  - Evidence of receipt of at least one payment on or before the first payment due date is required
  - No minimum history of receipt is required
  - **The income must continue for a minimum of 3 years from the application date**
  - The documented monthly income is used for qualifying
- **Rental Income**: Refer to the Income - Rental topic for requirements when using rental income for qualifying
- **Restricted Stock Units/Restricted Stock:** Eligible as a source of income as follows:
  - The restricted stock is vested **and** been distributed to the borrower without restriction
  - **Performance-Based Awards**:
    - A minimum 24 month history of receipt of restricted stock income from the **current employer** is generally required
      - Restricted stock income received 12 to 24 months from the **current employer** may be considered as acceptable income if there are positive factors that offset the shorter income history (e.g. future vesting equal to or greater than previous vesting that will continue for at least 24 months or restricted stock income received for the previous 5 years from **any** employer)
  - **Time-Based Awards:**
    - A minimum 12 months history of receipt of restricted stock income from the current employer is required
    - Three (3) years continuance from the application date of the income must be documented **if the receipt of income was a one-time event**. Continuance **not required** to be documented if the income was awarded in multiple consecutive years

    NOTE: Sign-on bonuses received in the form of restricted stock that vest over any length of time **cannot** be considered as qualifying income
  - **Documentation** of the following must be provided:
    - Evidence the stock is publicly traded,
    - The current vesting schedule reflecting past and future vesting,
    - The brokerage or bank statement showing receipt of the previous year(s) distribution and, at a minimum, the number of vested shares or the cash equivalent
    - The borrower's recent paystub showing receipt of the income, and
    - The borrower's W-2s covering the most recent 2-year period
  - **Income Calculation**:
    - Calculation of income for the restricted stock varies depending on whether the income is received in the form of shares or cash and the length of time the borrower has received the compensation
    - **Income Paid in Shares:**
      - The 200 day moving average of share price **multiplied by** the total number of distributed vested shares (pre-tax) in the most recent 24 months **divided by** 24 months is used to calculate the income
    - **Income Paid in Cash:**
      - The total cash distributed (pre-tax) equal to the total value of vested shares in the most recent 24 months **divided by** 24 months is used to calculate the income

    NOTE: If the income has been received from 12-23 months, **the actual number of months the borrower has received the income instead of 24 months is used to calculate the income**
- **Retirement, Pension and Government/Personal/Insurance Annuity Income**: Eligible subject to the following:
  - Document current receipt of the income with at least one of the following:
    - A statement from the organization(s) providing the income,
    - Copy of the retirement award letter or benefit statement,
    - Copy of signed tax returns,
    - Copy of financial/bank statements,
    - W-2 or 1099

    NOTE: If the income from an annuity or pension account will begin on or before the first payment date of the new loan, document the income with a benefit statement from the organization providing the income. The statement must specify the income type, amount, and frequency of the payment and include confirmation of the initial start date of the payment from the annuity or pension

Income (cont.)

- **Retirement, Pension and Government/Personal/Insurance Annuity Income**: (cont.)
  - **Receipt of Income:** History of receipt is subject to the following:
    - **Fixed Distribution or Fixed Payment:** No minimum history of receipt is required
    - **Variable Distribution:** A minimum 12 month history of receipt is required
  - **Insurance/Personal Annuity or Retirement Account Distribution:** The income must have an expected continuance of three (3) years from the application date
  - **Distributions or Fixed Payment from a Pension:** If the documentation used to support the monthly income amount does not reference the required three (3) year continuance from the application date, alternative documentation may be provided, including, but not limited to, an applicable written agreement, the respective government program associated with the distribution, or information required by law or regulation related to the distribution.

    NOTE: Eligible retirement account balances (from 401(k), IRA, or Keogh) may be combined for the purpose of determining whether the 3 year continuance requirement is met. The borrower must have unrestricted access to the accounts without penalty.
  - **The income used for qualifying is subject to the following:**
    - **Fixed Distribution or Fixed Payment:** The documented monthly payment amount is used for qualifying
    - **Variable Distribution:** An average of the income received for the most recent 12 months is used for qualifying
- **Schedule K-1 Income: Borrower has Less Than 25% Ownership:** The following applies to borrowers who have **less than 25%** ownership of a partnership, S corporation or an LLC. Schedule K-1 income is subject to the following:
  - The borrower must provide the most recent two (2) years of signed individual tax returns **and** Schedule K-1

    NOTE: If only rental income is reported on Schedule K-1 the following required:
    - **One (1) year** signed, individual tax returns, **and**
    - Schedule K-1
  - A minimum 2 year history of receipt is required.
  - Continuance is not required to be verified unless the Homebridge underwriter has reason to believe it may not continue
  - **Transactions with an Application Dated On or After December 2, 2026:** A VVOE will be completed by Homebridge **(not required** if only rental income is reported on the K-1)
  - The income on Schedule K-1 is **only eligible** if documentation is provided that confirms:
    - The income was actually distributed to the borrower and is consistent with the level of business income being used to qualify, **or**
    - The business has adequate liquidity to support the withdrawal of earnings
  - Only the borrower's proportionate share of the earnings reflected on Schedule K-1 is used when calculating the borrower's income.

    NOTE: If the borrower provides business tax returns, the Underwriter is not required to analyze the viability of the business
  - If the borrower has a 2-year history of receiving "guaranteed payments to the partner" from a partnership or LLC, these payments may be added to the borrower's cash flow

    NOTE: If the borrower has recently acquired nominal ownership in a professional services partnership (e.g. medical practice, law firm) after having an established employment history with the partnership, the 2-year requirement may be waived and the borrower's guaranteed compensation may be used. Documentation must be provided evidencing the borrower's partnership agreement and current YTD income.

Income (cont.)

- **Section 8 Income:** Section 8 income is eligible as follows:
  - Documentation of the payment amount from the public agency issuing the monthly voucher required
  - The borrower must receive at least one payment on or before the first payment due date
  - Section 8 income is **non-taxable** so the Homebridge underwriter will develop an adjusted gross income for the borrower
  - Fannie Mae **does not require** the income to have been received for a specific amount of time **or** for the income to continue for any specific period of time
- **Social Security Income:** SS income (retirement, long term disability, supplemental security income) is an eligible source of income subject to the following:
  - Documentation requirements are determined on the type of benefit and whether the benefits received are from the borrower's **own account or** from **another person's account**

Type of Benefit	Benefit from Borrower's Own Account	Benefit from Another Person's Account *
Retirement And Long Term Disability	• SSA Award Letter, • SSA 1099 Form, • Most recent signed tax returns or tax transcripts, **or** • Proof of current receipt. There is **no** minimum history of receipt requirement • No continuance documentation required	• SSA Award Letter, **and** • Proof of current receipt. There is no minimum history of receipt requirement, **and** • Minimum 3 year continuance from the application date is required **NOTE:** Confirmation of 3 year continuance does not require documentation that provides a defined expiration date and can be assessed by verifying the SSA's requirements related to the specific benefit(s) being paid. ***Example***: If the SSA ties receipt of the benefits to the beneficiary's age, confirmation of 3 year continuance can be met by verifying the beneficiary's age supports that benefit(s) will continue for at least 3 years from the date of application.
Survivor	N/A	
Supplemental Security Income	• SSA Award Letter, **and** • Proof of current receipt	N/A

  - **The monthly income amount as documented above may be used for qualifying**
  - 15% of the social security income may be considered non-taxable and grossed-up **without** documentation being provided. Calculate as follows:

    Example:
    - Benefit amount: $1,500
    - Nontaxable amount: $1,500 x 15% = $225
    - Gross-up amount: $225 x 25% = $56 (rounded to the nearest dollar)
    - $1,500 + $56 = $1556 eligible qualifying income

    NOTE: If more than 15% of the income is grossed-up then documentation must be provided that supports the additional income (>15%) is non-taxable

***** Examples of how a borrower might draw Social Security benefits from another person's account/work record and use the income for qualifying:

- ✓ A borrower may be eligible for benefits from a spouse, ex-spouse or dependent parents (benefit is paid to the borrower on behalf of the spouse, etc.), or
- ✓ A borrower may use Social Security income received by a dependent (a minor or disabled dependent
- ✓ If joint tax returns/tax transcripts include income that is not associated with a borrower on the loan, additional documentation supporting the amount of income from the SSA being used for qualifying is required (e.g. SSA-1099)

Income (cont.)

- **Tax Deductible Income:**
  - Tax deductible income (e.g. tip income, overtime, childcare credit income, etc.)**, is not considered tax-exempt and may not be grossed up**
- **Trust Income:** Income generated from a trust is eligible subject to:
  - One or more of the following is provided to confirm the amount, frequency, type of income being received, **and** the date the trust was created is required
    - A copy of the trust agreement,
    - A trustee's statement (A borrower who is also a trustee **may not** provide the trustee's statement),
    - The trust's federal income tax returns, or
    - A letter from an accountant or attorney who reviewed the trust documents, when the above documents are not available OR when the borrower is the trustee
  - **Continuance Requirement: Continuance** is determined by the type of income received from the trust. For example:
    - If the income from the trust is derived from rental income, 3-year continuance not required
    - If the income from the trust is a fixed payment derived from a depleting asset, 3-year continuance from the application date is required
  - If any assets from the trust are being used for down payment, closing costs, or reserves those assets **must be subtracted from the total amount before determining if the trust income** meets the above continuance requirements
  - Trusts created within the 12 months prior to the loan application date, funded by the borrower's eligible employment-related assets, may be used as stable income but must meet the income calculation and all other FNMA employment-related assets as qualifying Income requirements

Calculating Income and Documentation Requirements	
Fixed Payments	**Variable Payments**
• The fixed payment amount, from the applicable documentation provided, converted to a monthly amount, is used as the qualifying income • Document current receipt with one month's bank statement or equivalent documentation • **A minimum of 12 months' history of receipt required.** If 12 months' history cannot be documented the trust documentation must reflect all of the following: - Fixed payments, **and** - The borrower is not the grantor of the trust, **and** - At least one payment has been received by the borrower prior to loan closing	• Income is calculated per FNMA variable income requirements • A minimum 24 month history of trust income required documented with copies of **borrower's** signed federal tax returns for the most recent 2-years **OR** copies of the **trust's** federal income tax returns for the most recent 2-years, **and** • Current receipt of trust income with one month's bank statement or other equivalent documentation **NOTE:** Income received for 12 to 24 months may be considered acceptable when other positive factors are present that reasonably offset a shorter income history. **The Homebridge underwriter must document the positive factors in the loan file**

Income (cont.)	• **Unemployment Income:** Unemployment income is acceptable qualifying income under specific conditions (e.g. associated with seasonal income, in conjunction with employment offers or contracts). If eligible, the following is required: - A 2-year history of receipt is required, - Document receipt with 2-years signed personal federal tax returns - Verification of continuance is not required unless the Homebridge underwriter has reason to believe the income may not continue - Eligible qualifying income is determined as follows: - **Stable or Increasing:** Eligible income is calculated using the average of the most recent 2-years tax returns - **Decreasing**: Income calculated using the average income amount from the most recent year tax return • **VA Benefits Income:** Income from VA benefits income is eligible subject to the following: - Document the amount and terms of the income with **one or more** of the following: - A statement from the VA organization providing the income, - A copy of the award letter or benefit statement, - A copy of the financial or bank account statement, - A copy of the signed federal income tax return, or - IRS form 1099 - Evidence the borrower has received at least **one payment** on or before the first payment due date - No minimum history of receipt required - The income must have an expected continuance of three (3) years from the application date **NOTE**: Verification of continuance **not** required for VA retirement **or** long-term disability benefits - The amount of income documented above may be used as qualifying income **NOTE: Education benefits are not eligible to be used for qualifying income as the benefit is offset by education expenses** • **Virtual Currency:** Income paid in the form of virtual currency is **not eligible** for qualifying • **Voluntary Deductions:** Voluntary deductions and union dues identified on the borrower's paystub **do not** need to be deducted from the borrower's income
Income - Rental	**Calculating Monthly Qualifying Rental Income (or Loss)** Rental income must be calculated for each rental property. The amount of rental income that may be used to qualify may be restricted depending on whether the borrower currently has a housing payment and has a history of receiving rental income A housing payment is the total monthly expense amount the borrower(s) is currently making for the primary residence occupied by the borrower(s) A housing payment can only include: • The rental housing payment, • PITIA payment and/or leasehold payment for mortgaged properties, or • Property taxes and/or leasehold payments for non-mortgaged properties

Income – Rental (cont.)

Calculating Monthly Qualifying Rental Income (or Loss) (cont.)

If not otherwise documented as one of the borrower's existing liabilities, Homebridge must document the borrower's housing payment. Documentation may include, but is not limited to:

- Direct verification of rent from a management company,
- Bank statements reflecting a payment to an organization or individual,
- Cancelled checks or equivalent, or
- Evidence of property taxes paid

The table below provides restrictions on the amount of rental income that may be used for qualifying purposes based on various borrower and rental income scenarios

SUBJECT PROPERTY			
Property Type	**Current Primary Housing Payment**	**Property Management Experience**	**Restrictions on Rental Income Used to Qualify**
2-4 Unit Primary Residence	Yes	Yes	No restrictions
		No	Rental income used in qualifying may not exceed the PITIA
	No	N/A	No rental income can be used in qualifying
1-4 Unit Investment Property	Yes	Yes	No restrictions
		No	Rental income can only be used to offset the PITIA of the related property
	No	N/A	No rental income can be used in qualifying
NON-SUBJECT PROPERTY			
Property Type	**Current Primary Housing Payment**	**Property Management Experience**	**Restrictions on Rental Income Used to Qualify**
2-4 Unit Primary Residence	Yes	Yes	No restrictions
		No	Rental income used in qualifying may not exceed the PITIA
1-4 Unit Investment Property - new or newly placed in service (includes departing residence)	Yes	Yes	No restrictions
		No	Rental income can only be used to offset the PITIA of the related property
	No	N/A	No rental income can be used in qualifying
1-4 Unit Investment Property – existing rental (one year of receiving rental income)	Yes	Yes	No restrictions
	No		

NOTE: Homebridge FTHB policy continues to apply to borrowers who are currently renting and have a documented history of property management experience; refer to the FTHB Purchasing Investment Property Rental Income Eligibility topic for details

Income – Rental (cont.)

Method for Calculating the Income

The method for calculating rental income (or loss) for qualifying purposes is dependent upon the documentation that is being used (i.e. Schedule E or current fully executed lease agreement).

The table below provides examples of different methods.

If the supporting document is:	And the property was in service:	Homebridge will:
federal tax returns, Schedule E	for a full or partial year	average the annual rental income or loss over 12 months
A current fully executed lease agreement supporting monthly rental amount, and federal tax returns, including Schedule E	Less than the full year, and the borrower qualifies for a documented exception to use a lease agreement to support monthly rental income	Average the rental income (or loss) over the number of months the borrower used the property as a rental unit

Schedule E

When Schedule E is used to calculate qualifying rental income, Homebridge will add back any listed depreciation, interest, homeowners' association dues, taxes, or insurances expenses to the borrower's cash flow.

NOTE: Non-recurring property expenses may be added back if acceptable supporting documentation provided

Lease Agreements

- When using current lease agreements, calculate the rental income by multiplying the gross rent(s) by 75%.
- When using lease agreements, the lease agreement must be supported by:
  - Form 1007 or Form 1025, as applicable (required for appraisals completed in UAD 2.6 **only**; **N/A** for appraisals completed using UAD 3.6), O**R**
  - Evidence the terms of the lease have gone into effect. Acceptable evidence includes:
    - Two (2) months consecutive bank statements or electronic transfers of rental payments for the existing lease agreements, **OR**
    - Copies of the security deposit and the first month's rent check with proof of deposit for newly executed lease agreements

Documentation Required to Establish Property Management Experience

One of the following must be provided to establish the borrower has the required amount of experience of property management:

1. The borrower's most recent signed federal income tax return, including Schedules 1 and E. Schedule E should reflect rental income received for any property and Fair Rental Days of 365
2. If the property has been owned for at least one year, but there are less than 365 Fair Rental Days on Schedule E:
   - A current signed lease agreement may be used to supplement the federal income tax return, **or**
   - Two years of the most recent federal income tax returns, reflecting rental income received, may be obtained to document the property was in service for the full year (e.g. a short-term rental income for more than one year, but the fair rental days are less than 365 in each year).
3. A current signed lease may be used to supplement a federal income tax return if the property was out of service for any time period in the prior year. Schedule E must support this by reflecting a reduced number of days in use and related repair costs. Form 1007 or 1025 must support the income reflected on the lease

Homebridge must document the borrower has at least a 1-year history of receiving rental income as outlined in the Rental Income from Property Other Investment Property (not the subject) topic

Income – Rental (cont.)

Documenting Rental Income

Rental Income on 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.

Rental Income from Subject Property

Rental income generated from the **subject** property requires the appraiser to provide:

- Single-Family Comparable Rent Schedule (Form 1007* for appraisals completed in UAD 2.6 **only**; **N/A** for appraisals completed using UAD 3.6) for 1-unit property,

  ***NOTE:** Form 1007 is only required for appraisals completed in UAD 2.6 **and** when rental income is being used for qualification; **N/A** for appraisals completed using UAD 3.6, **or**
- Small Residential Income Property Appraisal Report (Form 1025 for appraisals completed in UAD 2.6 **only**; **N/A** for appraisals completed using UAD 3.6) as applicable for 2-4 unit properties.

Documenting Rental Income from Subject Property		
Borrower has History of Receiving Rental Income from the Subject Property	**Transaction Type**	**Documentation Required**
Yes	**Refinance**	• Form 1007 **or** Form 1025, as applicable, for appraisals completed in UAD 2.6 **only**; **N/A** for appraisals completed using UAD 3.6, **and** • Borrower's most recent year signed federal income tax returns, including Schedule 1 and Schedule E, **or** • Copies of current lease agreement(s) if borrower can document qualifying exception Refer to the Partial Rental History or No Rental History topic for qualifying exceptions.
No	**Purchase**	• Form 1007 or Form 1025, as applicable for appraisals completed in UAD 2.6 **only**; **N/A** for appraisals completed using UAD 3.6, **and** copies of the current lease agreement(s) if transferred to the borrower • If the property is not currently rented, or existing lease(s) not being transferred to borrower, lease agreement(s) not applicable and the market rent determined on form 1007 or Form 1025, as applicable, for appraisals completed in UAD 2.6 **only**; **N/A** for appraisals completed using UAD 3.6 • If there is a lease/leases that are being transferred to the borrower, the underwriter must review to ensure there are no provisions that could affect Homebridge's first lien position
No	**Refinance**	Form 1007 or Form 1025, as applicable, for appraisals completed in UAD 2.6 **only**; **N/A** for appraisals completed using UAD 3.6 **and** copies of the current lease agreement(s)

Rental Income from an ADU on the Subject Property

Rental income from an existing ADU is eligible for qualifying subject to the following:

- Subject property must be a 1-unit primary residence
- Purchase or rate/term refinance transactions only; cash-out i**neligible**
- Rental income from only **one** ADU allowed
- Qualifying rental income from the ADU is limited to 30% of the total qualifying income
- All other rental income and ADU requirements apply

Income – Rental

Rental Income from Other Investment Property (not the subject)

- Rental income (monthly gross and net) generated from **other** investment property currently owned by the borrower (e.g. SFR, units or commercial property) must be documented with:
  - The borrower's most recent signed personal tax returns and all related schedules (Schedule 1 and Schedule E), **or**
  - The most recent signed federal, business tax return for a partnership or S corp. that includes IRS Form 8825 (Rental Real Estate Income and Expenses of a Partnership or an S Corporation)
  - When rental properties are reported on both personal and business returns, **both** personal and business tax returns required

  NOTE: For rental income reported on Schedule E of personal returns, copies of the current lease agreement(s) may be substituted if the borrower can document a qualifying exception (see Partial Rental History or No Rental History topic below)
- When ordinary income is also reported on the K-1, along with IRS Form 8825 rental income, all standard documentation requirements for self-employed and K-1 income apply.

Partial Rental History or No Rental History on Tax Returns (Schedule E Only)

- Borrowers with partial rental history or no rental history (e.g. purchase transaction, refinance when property acquired subsequent to filing the most recent tax return, major renovation to the property so rental income was interrupted, previous primary residence converted into investment property) including the subject and other rental property are subject to the following.
  - If it can be documented, per the requirements outlined in the table below, that the rental property was not in service the previous tax year, or was in service only a portion of the previous tax year, the qualifying rental income may be determined by:
    - Using Schedule E income and expenses, and annualizing the income (or loss) calculation, **or**
    - Using the fully executed lease agreement(s) to determine the gross rental income to be used in the net rental income (or loss) calculation.

If:	Then:
The property was acquired or placed into service **during** the most recent tax filing year	• The underwriter must confirm the purchase date using the CD or other documentation, **and** • Fair Rental Days on Schedule E of the most recently filed tax return must confirm partial year rental income
The property was acquired or placed into service **subsequent to** the most recent tax filing year	• The underwriter must confirm the purchase date using the CD or other documentation, if appliable, and • Schedule E or the most recently filed tax return must confirm no rental expenses for this property
The rental property was acquired prior to the most recent filing year, but was out of service for an extended period	• Schedule E will reflect the costs for renovation/ rehab expenses. Additional documentation may be required to support the reno expenses and support the amount of time the property was out of service. • The Fair Rental Days fields on Schedule E will confirm the number of days that the rental unit was in service, which must support the unit being out of service for all or a portion of the year.
Homebridge determines that some other situation warrants an exception to use a lease agreement	Homebridge must provide an explanation and justification in the loan file

Income – Rental (cont.)

Treatment of the Rental Income or Loss

The treatment of rental income/loss varies depending on the occupancy as detailed below:

Property that is the Borrower's Principal Residence

- The monthly qualifying rental income is added to the borrower's total monthly income. The income is not netted against the PITIA of the property.
- The full amount of the PITIA payment is included in the borrower's total monthly obligations when calculating DTI.

Property that is not the Borrower's Principal Residence

- If the monthly qualifying rental income minus the full PITIA is positive, it is added to the borrower's total monthly income (subject to the limits in Calculating Monthly Qualifying Rental Income (or Loss))
- If the monthly qualifying rental income minus the full PITIA is negative, the net rental loss must be added to the borrower's total monthly obligations.
- The full PITIA for the rental property is factored into the amount of the net rental income/loss so it **should not** be included in the borrower's monthly obligation
- The full monthly payment for the borrower's primary residence (full PITIA or the monthly rent) must be included in the borrower's monthly obligation

  NOTE: If a borrower owns multiple rental properties, the rental income for all non-subject properties is first calculated for each property, then aggregated. The aggregate total of the income (or loss) is then added to the borrower's total monthly income or included in their monthly obligations, as applicable

Rental Property Reported through a Partnership or S Corp

- If gross rents and related expenses are reported through a partnership or S corporation, then any rental income (or loss) will be evaluated as self-employment income regardless of the borrower's percentage of ownership interest or whether the borrower is personally obligated on the mortgage debt.
- If the related property is reported on the most recent federal **business** tax return and it's clear the business is responsible for the payment, the full PITIA can be excluded from the DTI calculation

  NOTE: When rental property is reported through a partnership or an S corp, but the borrower is personally obligated on the mortgage, the property must be included in the count of financed properties and is subject to the requirements for multiple financed properties (refer to the Financed Properties topic for requirements)

Reporting of Gross Monthly Rent - Subject Property

- Fannie Mae requires the gross monthly rent to be documented and reported to FNMA **for all** 2-4 primary residence properties and for all investment properties. **even if the borrower is not using any rental income from the subject property to qualify.** The borrower may provide one of the following sources (listed in order of preference) which Homebridge will retain in the loan file:
  - The appraisal for a 1-unit investment property or 2-4 unit property or single family comparable rent schedule (Form 1007 (for appraisals completed in UAD 2.6 **only**; **N/A** for appraisals completed using UAD 3.6) provided neither the appraisal or Form 1007 are dated > 12 months prior to the Note date
  - If the property is not currently rented, Homebridge may use the opinion of market rents provided by the appraiser, **OR**
  - If an appraisal or Form 1007 (for appraisals completed in UAD 2.6 **only**; **N/A** for appraisals completed using UAD 3.6) are not required for the transaction, Homebridge may use either a signed lease provided by the borrower or may obtain a statement from the borrower of the gross monthly rent being charged (or to be charged) for the property. The rental amounts must be stated separately for each unit in a 2-4 unit property. The disclosure from the borrower must be in the form of one of the following:
    - A written statement, **or**
    - An addition to Form 1003

NOTES:

1. If the borrower is using rental income from the subject property to qualify for the loan, all of the standard rental income requirements apply when documenting and calculating the rental income.
2. **The above requirements do not apply to other real estate owned**

FTHB Purchasing Investment Property Rental Income Eligibility	**First Time Homebuyer Purchasing Investment Property** • First time homebuyers purchasing an investment property and the property is **NOT** located in one of the areas listed below there is no restriction to the use of rental income for qualifying; Fannie Mae DU Findings apply • First time homebuyers purchasing an investment property **AND** the property is located in one of the areas listed below are subject to restrictions on the use of rental income for qualifying as detailed under ***First Time Homebuyer Purchasing Investment Property Rental Income Eligibility*** section (see below) - **New York**: The property is located in one of the 5 boroughs of New York City: - Bronx, - Brooklyn (Kings county), - Manhattan, - Queens, or - Staten Island (Richmond county), **OR** - **California**: The property is located in one of the following California counties: - Alameda, - Contra Costa, - Fresno, - Los Angeles, - Riverside, - San Diego, or - Santa Clara **NOTE**: Properties located in New York or California that are **not** in one of the boroughs or counties listed above, the use of rental income for qualifying is not restricted; Fannie Mae DU Findings apply **First Time Homebuyer Purchasing Investment Property Rental Income Eligibility** • If the property is **NOT** listed in one of the areas listed above, there are **no** restrictions; Fannie Mae DU Findings apply • If the property **IS** located in one of the areas listed above **AND** the borrower is a first time homebuyer **AND** is purchasing an investment property, the following applies to the use of rental income for qualifying: - 1-unit: No rental income may be used for qualifying - 2-units: Income from 1- unit may be used - 3-units: Income from 2-units may be used - 4-units: Income from 3-units may be used **NOTE:** First time homebuyer defined as at least one borrower responds “No” to question m under Section VIII DECLARATIONS on the 1003: “Have you had an ownership interest in a property in the last 3 years?”
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

Interested Party Contributions

Interested party contributions (IPCs) are contributions made by third parties with a vested interest in the transaction. These funds are used to cover costs that are typically the buyer's responsibility. IPCs may include financing or sales concessions, as described below. IPCs **may not** be used to make the borrower's down payment, meet reserve requirements, or to meet the minimum borrower contribution requirements.

Interested Parties

Interested parties to the transaction include, but are not limited to:

- The property seller,
- The builder/developer,
- The real estate agent or broker,
- Any affiliate of the above, or
- Any party that can benefit from the sale of the property at the highest price and influence the sales price or real estate transaction

NOTES: FNMA defines an affiliation as one that exists when there is direct common ownership or control by the lender over the interested party, by the interested party over the lender or by a third party over both

A lender or employer is **not** considered an interested party unless it is the property seller or is affiliated with the property seller **or** another interested party to the transaction

Eligible Financing/Sales Concessions

IPCs can be either financing concessions or sales concessions and include:

- Funds paid directly from the interested party to the borrower
- Funds that flow from an interested party through a third-party organization, including nonprofit entities, to the borrower,
- Funds provided to the transaction on the borrower's behalf from an interested party, (includes third party organization and nonprofit agency),
- Funds donated to a third party who provides the funds to pay some or all of the closing costs for the transaction

Financing Concessions

Financing concessions are financial contributions towards the loan transaction from interested parties. Financing concessions are acceptable when they are contributed towards:

- Borrower closing costs, including prepaids, or
- Borrower homeowners' association (HOA) assessments covering any period after the settlement date (limited to a maximum of 12 months)

Maximum Financing Concessions

Financing concessions are calculated using the lower of the sales price or appraised value (not the loan amount) of the subject transaction.

Typical fees and/or closing costs paid by a seller in accordance with local custom, known as common and customary fees or costs, **are not** subject to Fannie Mae maximum financing concessions.

Financing concessions that exceed the maximum limits in the chart below are considered sales concessions and must be deducted from the property's sales price. As a result, the maximum LTV/CLTV ratios must be recalculated using the reduced sales price or appraised value. Additionally, financing concessions must be equal to or less than the sum of the borrower's closing costs. Any amount exceeding the borrower's closing costs must be treated as a sales concession (see Sales Concessions topic)

Occupancy Type	LTV/CLTV	Maximum Allowable Contribution
Primary Residence or Second Home	> 90%	3%
	75.01% - 90%	6%
	75% or less	9%
Investment Property	All	2%

Sales Concessions

Sales concessions are IPCs that take the form of non-realty items and may be paid prior to or at closing of the transaction. They include, but are not limited to:

- Contributions such as cash/cash-like gifts,
- Furniture, automobiles, decorator allowances, moving costs, and other giveaways,
- Lender incentives from a lender who is, or is affiliated with an interest party,

(cont. on next page)

Interested Party Contributions (cont.)	**Sales Concessions** (cont.) • Rebates, such as realtor rebates, which are not credited towards the transaction, • Financing concessions that exceed the maximum financing concessions • Sales concessions must be deducted from the property's sales price and the lower of the reduced sales price or appraised value must be used to calculate LTV/CLTV ratios for underwriting and eligibility purposes **Interested Party Contribution Exclusions** The following are **not** considered IPCs and are not subject to the requirements described in this topic • A lender credit derived from premium pricing, even if the lender is an interested party to the transaction • Gift funds or gift of equity from a seller who is also an acceptable donor provided that: - The donor is not a builder, or another interested party, and has no affiliation with any other interested party to the transaction, and - All requirements pertaining to gift funds and gift of equity from an acceptable donor (see Gift Funds and Gift of Equity topics) • A legitimate pro-rated real estate tax credit in places where real estate taxes are paid in arrears, **and** • Fees for standby commitments **Undisclosed IPCs** Mortgages with undisclosed IPCs are **not eligible.** Examples of undisclosed IPCs include, but are not limited to moving expenses, payment of various fees on the borrower's behalf, silent second mortgages held by the property seller, and other contributions that are given to the borrower outside of closing and are not disclosed on the settlement statement **Temporary Buydowns** If the borrower is utilizing a temporary buydown and the subsidy is funded by an interested party or a lender affiliated with one, the cost of that subsidy must be included in the IPC calculation. The temporary interest rate buydown subsidy cost must meet the allowable maximum financing concession limitations. Refer to the Temporary Buydown topic for buydown requirements. **Payment Abatements** Payment abatements are **not eligible**, even if disclosed on the settlement statement. This prohibition applies when an interested party funds the abatement directly and/or through another entity (e.g. a non-profit payment assistance program) **NOTE:** The payment of HOA fees is not considered an abatement unless the payment of the fee extends for more than 12 months. **Paying HOA fees for 12 months or less is considered an interested party contribution.**
Investment and 2-4 Unit Property Requirements	• Investment property transactions and 2-4 unit properties (all occupancy types) regardless of whether or not income is used to qualify, must contain **one** of the following documents at closing: - If the property is vacant, verification from the appraiser that all units are currently vacant (can be noted on the appraisal report), **or** - If the property has any tenants, verification from the title company that they will not have a "Tenants in Possession" exception in the title policy. Specific verification from the title company is required; the title company must provide in writing documentation that they will not have a "tenants in possession" exception, **or** - Rights of lawful parties in possession, as long as such rights do not include the right of first refusal to purchase the property. No rights of parties in possession, including the term of a tenant's lease, may have a duration of more than two (2) years. - A copy of the lease documentation that specifically indicates one of the following: - The lease is subordinate to any mortgage, or - Any tenant's right to purchase the property or any rights that could affect Homebridge's interest have been formally waived by all tenants of the property.

LDP/GSA and Mortgage Fraud	• **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.
Manufactured Housing: Overview	• Fannie Mae defines a manufactured home as any dwelling unit built on a permanent chassis and attached to a permanent foundation system. • The manufactured home and the land on which it is situated must be titled as real property **and** the borrower must own the land • Homebridge follows Fannie Mae guidelines for manufactured housing unless otherwise noted in these guidelines. To view Fannie Mae's complete manufactured housing requirements refer to the Manufactured Housing topics in the Fannie Mae Selling Guide
Manufactured Housing: General Terms	**HUD Certification Label (aka HUD label, seal or tag)** A 2"x4" metal plate affixed to the **exterior** of each transportable section of the manufactured home. The plate includes the HUD certification label number which evidences compliance with the Federal Manufactured Home Construction and Safety Standards. Information from the HUD Certification Label is included in the appraisal report if available. If not available a letter of label verification, obtained from the Institute for Building Technology and Safety is required. **Institute for Building Technology and Safety** A letter of label verification must be obtained from The Institute for Building Technology and Safety if the HUD Certification Label is missing from the manufactured home **HUD Data Plate (aka Compliance Certificate)** A paper label mounted **inside** the manufactured home that includes the manufacturer's name, trade/model name, year manufactured, serial number, a list of the Certification Label number(s). Information from data plate is included on the appraisal report **Engineer's Certification for Manufactured Housing Foundation:** A certification the home's permanent foundation is in compliance with the Permanent Foundations Guide for Manufactured Housing (PFGMH) **New Manufactured Home** A home that is purchased directly from a retailer or a developer and has never been occupied and has never been affixed to a permanent foundation on another site **HUD Codes** – Regulations Applicable to Manufactured Homes • Federal Manufactured Home Construction and Safety Standards (MHCSS 24 CFR Part 3280) • Manufactured Home Procedural and Enforcement Regulations (24 CFR Part 3282) • Model Manufactured Home Installation Standards (MIS 24 CFR Part 3285/3286)

Manufactured Housing: Eligibility

Manufactured homes are subject to all of the following:

- The home must be built in compliance with the Federal Manufactured Home Construction and Safety Standards that were established June 15, 1976, as amended and in force at the time the home is manufactured **and** any additional requirements that are found in HUD regulations at 24 C.F.R. Part 3280.
  - **Existing Construction**: Compliance must be evidenced as follows:
    - T**he presence of at least one of the following for each section of the home:**
      - **A HUD Data Plate, OR**
      - **The HUD Certification Label (aka the HUD "seal" or "tag")**
    - If neither of the above are available, an alternative to the HUD Certification Label is a verification letter that provides the same information which may be available from one of the following:
      - The Institute for Building Technology and Safety (IBTS), **or**
      - The In-Plant Primary Inspection Agency (IPIA), **or**
      - The manufacturer of the manufactured home

    NOTE: If the original or alternative documentation cannot be provided the loan is ineligible
  - **New Construction**: Compliance must be evidenced as follows:
    - T**he presence of both of the following for each section of the home:**
      - **A HUD Data Plate, AND**
      - **The HUD Certification Label (aka the HUD "seal" or "tag")**

    NOTE: If the documentation cannot be provided the loan is ineligible
- The unit must **not** have been previously installed or occupied at any other site or location, except from the manufacturer or the dealer's lot as a new unit
- **Transactions with an appraisal completed using UAD 2.6:** The manufactured home must be a 1-unit multi-wide dwelling legally classified as real property
- **Transactions with an appraisal completed using UAD 3.6 ONLY:**
  - 1-4 unit multi-wide dwelling legally classified as real property
  - Multi-wide, multi-story manufactured home

  IMPORTANT NOTE: 2-4 unit and multi-story manufactured homes must have been constructed on or after September 16, 2024 or not eligible

Manufactured Home Eligibility*		
Manufactured Home Type	**FNMA UAD 2.6**	**FNMA UAD 3.6***
2-4 unit	No	Yes*
Multi-story	No	Yes*

***Eligible only when constructed on or after September 16, 2024**

- Primary residence or second home eligible
- The Manufactured home must be a minimum of 20 feet wide
- The towing hitch, wheels, and axles must be removed and the unit must have assumed the characteristics of site-built housing
- The borrower must own the land the home sits on in fee simple; homes on leasehold estates are **ineligible**.
- The home may be located either on an individual lot or in a project development
- Site preparation must be completed prior to the delivery of the home
- The home must be attached to a permanent foundation as required by the manufacturer and the foundation must be appropriate for the soil conditions and meet local and state codes
- The home must be permanently connected to a sewage system or septic tank and to other utilities in accordance with state and local requirements
- The home must be located on one of the following:
  - Publicly dedicated and maintained street, or
  - A community owned and maintained street, or
  - A privately owned and maintained street

  NOTE: If a privately owned street there must be adequate access for vehicles and adequate and legally enforceable vehicle access and maintenance agreement
- If an existing home has incomplete items, defects or needed repairs that affect safety, soundness, or the structural integrity the repairs must be completed prior to loan closing

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Manufactured Housing: Eligibility (cont.)

- Manufactured homes with an addition or structural modification are eligible if:
  - Evidence is provided that an inspection by a state agency to approve the modifications has been completed (in states which require such inspections), **OR**
  - The property must be inspected by a licensed professional engineer certifying the addition or structural changes were completed in accordance with the HUD Manufactured Construction Safety Standards.

  NOTE: In either instance, a copy of the inspection report must be included in the loan file
- The purchase, conveyance, and financing (or refinancing) of the land and manufactured home must be evidenced and secured by a single valid and enforceable Note and first lien mortgage/deed of trust/security deed that is recorded in the land records if allowed by applicable state law. If applicable state law does not allow for a single lien for the land and the home documentation of the loan **for the land** on the mortgage/deed of trust/security deed and a real property lien **on the home** evidenced on the certificate of title other document is acceptable.

Ineligible

The following are **ineligible** with Homebridge:

- An investment property secured by a manufactured home
- A home moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site.
- A manufactured home located on a leasehold estate
- A single wide manufactured home
- A manufactured home located in a condominium project
- A manufactured home located in a senior community
- Transactions involving trade equity or traded manufactured homes
- Transactions involving payoff of land contract
- Construction to perm if the foundation not complete and home not fully installed prior to loan documents

Manufactured Housing: Loan Amount Purchase Transactions

- The sales price of the manufactured home may include bona fide and documented transportation, site preparation, and dwelling installation at the site. Any personal property items purchased in conjunction with the home must be deducted from the sales price; personal property items cannot be financed in the mortgage.
- In addition to the cost of the home and the land, the loan amount may also include:
  - The financing of borrower paid mortgage insurance premiums, and
  - The cost of bona fide and documented transportation, site preparation, and dwelling installation at the site

Manufactured Housing: Loan Amount Limited Refinance Transactions

The loan amount may include the financing of closing costs (including prepaid expenses)

Manufactured Housing: Down Payment Requirements

Down payment requirements, using borrower's own funds, are as follows:

LTV/CLTV	Property Type	Minimum Contribution from Borrower Own Funds
≥ 80.01% MI company guidelines apply	1-unit primary residence	A minimum contribution from borrower's own funds **not required**. All funds may be a gift.
	Second home	5% borrower contribution required*. Gifts may be used after the borrower own funds contribution is met.
≤ 80%	1-unit primary, second home	**Not required**. All funds may come from a gift.

* If the borrower receives a gift from a relative or domestic partner who has lived with the borrower for the previous 12 months, or from a fiancé or fiancée, the gift is considered the borrower's own funds and may be used to satisfy the borrower contribution requirement as loan as both parties will occupy the subject property as their primary residence.

- Gift funds, from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements, for both conforming and high balance loan amounts, as long as the borrower meets the minimum contribution requirements detailed above. Refer to the Gift Funds topic for complete gift funds requirements.

Manufactured Housing: **Purchase Transactions LTV/CLTV Ratios**	A purchase transaction may be used to finance the purchase of the manufactured home or the manufactured home and the land. The land may be previously owned by the borrower, either owned free and clear or subject to a mortgage that will be paid off with the proceeds of the new purchase money loan. The borrower does **not** receive any cash back on a purchase transaction **New Manufactured Home** The LTV/CLTV for a newly built manufactured home is based on the **lower of**: • The sales price of the manufactured home **plus**: - The lowest sales price at which the land was sold during that 12 month period if the land was purchased in the 12 months prior to the loan application date, **or** - The current appraised value of the land if the land was purchase more than 12 months prior to the loan application date **OR** • The "as completed" appraised value of the manufactured home and land **Existing Manufactured Home** The LTV/CLTV for a manufactured home that already exists on its foundation will be based on the **lower of**: • The sales price of the home and the land, **or** • The current appraised value of the home and the land, **or** • If the home was built in the 12 months prior to the loan application date, the lowest price at which the home was previously sold during that 12 month period **plus** the **lower of**: - The current appraised value of the land, **or** - The lowest price at which the land was sold during that 12 month period (if applicable)
Manufactured Housing: **Limited Cash-out Refinance Transactions LTV/CLTV Ratios**	A limited cash-out (rate/term) refinance involves the payoff of an existing mortgage secured by the manufactured home and the land (or existing liens if the home and land were encumbered by separate liens). Proceeds of the new loan may be used to: • Payoff the outstanding principal balance of the first lien secured by the home and land or liens if home and land encumbered by separate liens • Payoff of the outstanding principal balance of an existing subordinate lien if the lien was used to purchase the home and/or the land • Finance closing costs (including prepaid expenses) • The maximum LTV/CLTV is based on the **lower of**: - The current appraised value of the home and land, **or** - If the home was owned by the borrower for < 12 months from the loan application date **and**: - **Separate Liens**: If the home and land are secured by **separate liens**, the lowest price at which the home was previously sold during that 12-month period **plus** the **lower of** the current appraised value of the land, OR the lowest sales price at which the land was sold during the previous 12-months (if applicable) - **Single Lien:** If the home and land are secured by a **single lien,** the lowest price the home and land were previously sold during that 12-month period
Manufactured Housing: **Cash-out Transactions LTV/CLTV Ratios**	• A cash-out transaction involves the payoff of an existing first lien or liens if home and land encumbered by separate liens **or** allows the borrower to obtain a mortgage on a property without an existing lien and take equity out of the property that may be used for any purpose. • **To be eligible for a cash-out transaction the borrower must have owned both the home and the land for a minimum of 12 months prior to the date of the loan application.** • The maximum LTV/CLTV is based on the current appraised value of the home **and** land

Manufactured Housing: Required Documentation	• **HUD Certification Label**: Verification of the HUD Certification Label: If the Certification Label is not attached to the manufactured home, an alternative to the HUD Certification Label is a verification letter that provides the same information which must be provided from one of the following: - The Institute for Building Technology and Safety (IBTS), **or** - The In-Plant Primary Inspection Agency (IPIA), **or** - The manufacturer of the manufactured home **AND** • **HUD Data Plate**: Information as detailed in the appraisal topic **must be** included in the appraisal report **AND** • **Inspection Report – Required only when an Addition/Alteration made to Home:** If an addition or alteration has been made to the original manufactured home one of the following is required: - Evidence is provided that an inspection by a state agency to approve the modifications has been completed (in states which require such inspections), **OR** - The property must be inspected by a licensed professional engineer certifying the addition or structural changes were completed in accordance with the HUD Manufactured Construction Safety Standards. **NOTE**: In either instance, a copy of the inspection report must be included in the loan file. **AND** (as applicable) • **Manufactured Home Installed on or after October 20, 2008**: - An Engineers Certification completed by a licensed engineer stating the home was attached to the permanent foundation in accordance with the manufacturer's requirements and the foundation meets all manufacturer and state/local requirements, **OR** - A copy of the Certification of Installation or comparable state specific form **OR** • **Manufactured Home Installed prior to October 20, 2008:** - An Engineers Certification completed by a licensed engineer stating the home was attached to the permanent foundation in accordance with the manufacturer's requirements and the foundation meets all manufacturer and state/local requirements

Manufactured Housing: Legal/Closing Provisions	The loan must be secured by both the manufactured home and the land on which it sits and must be legally classified as real property under applicable state law. The owner of the home must own both the home and the land. The following also applies: **ALTA Endorsement** An American Land Title Association (ALTA) Endorsement 7, 7.1 or 7.2 or other endorsement allowing the home to be treated as real property is required and must be included in the loan file. **Closing Instructions** The following applies to closing instructions: • Closing instructions must be provided to the closing agent that instruct the agent to obtain the required documentation evidencing the home is affixed to a permanent foundation on the land; the certification of completion completed by the appraiser may also be evidence • If the home is located in a state that exempts the home from certificate of title requirements, • In states that allow for the elimination of the certificate of title, the closing instructions must instruct the closing agent to perform all necessary procedures to: - Assure the certificate of title to the manufactured home is properly retired, and - Provide the lender with documentation for the loan file **Closing Protection Letter (CPL)** An insured CPL is required for each mortgage securing the manufactured home. If an insured CPL is not available it must be documented in the loan file **Certificate of Title** Evidence of the surrender of the certificate of title, or evidence that no certificate was issued is required. **NOTE:** If applicable state law does not allow the surrender of the certificate of title, the lien must be indicated on the certificate **Uniform Commercial Code (UCC)** If state law requires a UCC filing in order to perfect a security interest in the home, the filing is required. **Affidavit of Affixture** The Affidavit of Affixture is the document that changes the manufactured home for personal to real property. An Affidavit of Affixture must be signed by the borrower and Homebridge indicating their intent the manufactured home be a permanent part of the real property securing the mortgage. The Affidavit must be notarized and recorded and a copy **must be** included in the loan file. Loans without the Affidavit are **ineligible** **NOTE:** If the manufactured home was previously converted from personal property to real property in accordance with applicable law, **FNMA does not** require the Affidavit **unless** applicable law requires a new Affidavit **Limited Power of Attorney** A Manufactured Housing Limited Power of Attorney signed by the borrower is required for any post-close items pertaining to the conversion of the home from personal to real property. Any post-closing documents must be included in the loan file. **Security Instrument and Manufactured Home Rider** The security instrument must: • Indicate that the manufactured home is an improvement to the land and an immovable fixture or similar language that the manufactured home will be treated as real property under applicable state law, **and** • Include a comprehensive description of the home and the land in the property section or on a separate, attached addendum. The description must include: • The serial number or VIN (required for each unit), • Make, • Model, • Size, and • Any other information required by applicable law to definitely identify the home. **Chattel Lien** Transactions with a chattel lien on the home and a mortgage lien on the property are **ineligible.** Must ensure chattel lien(s) have been removed (if applicable)

Mortgage Insurance

- Loans with > 80% LTV, mortgage insurance is required and are subject to MI guidelines. **The more restrictive of Homebridge or MI company guidelines apply**. Links to review individual MI Company guidelines are provided below.
- DTI > 45%: Specific overlays apply and vary by MI company. Overlays are detailed on the Homebridge MI Comparison chart located on the Homebridge website under "Reference Guides – General" on the Working with Us page.
- Eligible MI products:
  - Borrower paid mortgage insurance (BPMI). Monthly or single premiums are eligible.
  - Lender paid mortgage insurance (LPMI). Single premium only.
- Eligible MI options:
  - Financed MI eligible for BPMI single premium
  - Non-refundable
  - Refundable (eligible with BPMI single premium only)
  - Renewal type: Level/constant
- Homebridge approved MI companies are:
  - Arch
  - Essent
  - Enact
  - MGIC
  - National MI
  - Radian
- **Non-traditional credit with DU "Approve/Eligible"**
  - Mortgage insurance must be obtained from one of the following MI providers:
    - Essent,
    - Enact, or
    - Radian
- **Manufactured housing: MI** must be obtained from Radian
- Mortgage insurance coverage is determined by LTV and loan term as detailed below.

Required MI Coverage				
	LTV			
Loan Term	**80.01-85%**	**85.01 - 90%**	**90.01-95%***	**95.01%-97%****
25/30 year	12%	25%	30%	35%
10***/15/20 year	6%	12%	25%	35%

*ARMs – maximum 90% LTV

** > 95% - see 95.01%-97% LTV topic for restrictions

***10 year term ineligible with 95.01%-97% LTV

Mortgage Insurance – New York

New York state statute supersedes Fannie Mae standard requirements for calculating the LTV used for determining the need for mortgage insurance. The following applies to loans secured by properties in New York:

Calculating the LTV to Determine if MI Required

- The **appraised value is always used** to calculate the LTV ratio to determine whether or not mortgage insurance is required. If MI required determine coverage as outlined below.

Determining the Required Amount of MI Coverage

- If mortgage insurance is required the **lesser of** the **appraised value or the sales price** is used to calculate the LTV ratio that determines the amount/percentage of mortgage insurance coverage required (see Required MI Coverage chart above for required coverage amounts by LTV/Loan Term)

Mortgage/Rental History

- Per DU Findings however the mortgage/rental rating cannot have any ≥ 60 day lates in the previous 12 months

  NOTES: If DU allows any delinquencies a satisfactory explanation of the delinquency is required and is subject to underwriter review and acceptance

  Timeshares are **not** considered mortgage debt by Fannie Mae and are not subject to mortgage history requirements. Fannie Mae considers timeshares to be installment debt.
- The credit report must reflect the most recent 12 months activity
- Mortgage must be current at time of application
- Copies of rent checks are required to document rental payment history subject to DU Findings. In lieu of rent checks, at the underwriter's discretion the following may be acceptable:
  - A direct verification of rent (VOR) provided by a professional management company, or
  - Copies of money orders

Forbearance Plan Policy

The policy below applies to the subject property and to any other real estate mortgage loan where the borrower is in a forbearance plan,

Subject Property Lien (Loan being Refinanced) and is Current

If the borrower is current **and** has not missed a payment, the loan is **eligible**

Other REO OR Subordinating Second Lien and is Current

- The loan is eligible if the borrower is current **and** has never missed a payment, **and**
- Written evidence, **provided directly from the servicer**, confirming the forbearance plan has been withdrawn, closed or cancelled prior to the closing of the new subject loan required.

  NOTE: Documentation must be obtained for loans in a forbearance plan **and** for loans where borrower inquired about forbearance and the servicer flags the inquiry

Subject Property, Subordinating Second Lien, AND Other REO NOT Current/Missed Payment AND Loan is Brought Current (Reinstatement)

- If the borrower has brought the loan current (aka reinstatement), **using their own funds**, the loan is eligible subject to:
  - The funds used to bring the loan current must be the borrower's **own funds and** must be **sourced and seasoned, and**
  - The borrower **cannot** have entered into a forbearance repayment plan or loan modification agreement, **and**
  - Proceeds from a refinance cannot be used to bring the loan current or, if cash-out, to reinstate the mortgage on other REO, **and**
  - The payoff cannot include any deferred or missed payments
  - **Other REO or Subordinating Second ONLY**: Written evidence must be provided **directly from the servicer** confirming that the forbearance plan has been with withdrawn or otherwise close out/canceled prior to closing of our new Homebridge loan

Subject Property AND Other REO NOT Current/Missed Payment AND Borrower in Forbearance Repayment Plan, Loan Modification, Payment Deferral, or Other Loss Mitigation Solution

- The following applies to loans in a repayment plan, had a loan modification, payment deferral or any other loss mitigation solution.
  - The loan is eligible if the borrower has made three (3) on-time payments per the applicable agreement
  - When the above requirement is met for the existing mortgage being refinanced, the new loan amount may include the full amount required to satisfy the existing mortgage

NOTE: The borrower is only required to have made the three (3) consecutive payments; completion of the applicable plan is not required

Non-Arm's Length or Identity of Interest Transactions	• A non-arm's length transaction is a purchase transaction where the is a relationship or business affiliation between the buyer and seller of the property • Non-arm's length transactions are eligible for re-sale properties on all occupancy types. • When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-arm's length transactions on new construction properties are ineligible if the property is a second home or investment. • An identity of interest transaction involves parties who are not related and do not have close personal ties, however they have a strong interest in the transaction. Identity of interest transactions are eligible on owner-occupied transactions, however additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.
Occupancy	• 1-4 unit owner-occupied primary residence - A borrower who is a service member and is unable to occupy the property, as required by the security instrument, because they are currently on active duty, are eligible subject to the following: - A copy of the borrower's military orders must be obtained, and - The military orders must indicate the borrower will be absent from the subject primary residence property as of the date the owner-occupancy must be established as required by the security instrument (generally 60 days from loan closing) • 1 -unit second home. Property must be occupied by the borrower for some portion of the year and be suitable for year-round occupancy. Additionally, the property cannot be subject to any agreements that give a management firm control over the property, be a timeshare or a rental property. **NOTE**: Second home properties where rental income is received are eligible as long as the rental income is **not used** for qualifying **and** all other second home property requirements are met • 1-4 unit investment (non-owner occupied). Investment ineligible when secured by manufactured home
Power of Attorney	A durable Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions **only** subject to all of the following: • Must be specific to the transaction • Must include the borrower name, property address and loan amount • The POA must be fully executed and notarized • The borrower must sign the application and disclosures • Homebridge to review and approve prior to loan closing • The POA must be recorded along with the mortgage. **NOTE: A POA is ineligible on a cash-out transaction, no exceptions**
Prepayment Penalty	Not permitted
Products	• **Fixed Rate**: 10, 15, 20, 25, and 30 yr (10 year conforming loan amounts only and ≤ 95% LTV) - A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 temporary buydown feature eligible on fixed rate purchase transactions; refer to the Temporary Buydown topic for complete eligibility requirements • **ARMs** (**temporarily unavailable**) **Reminders:** • **97% LTV eligible for fixed rate only with 15, 20, or 30 year loan term** • **Manufactured home transactions: Fixed rate only**

Properties – Eligible	• **Single family residence** • **2-4 units** • **PUDs** (attached/detached) • **Condominium** (attached/detached), Fannie Mae warrantable **NOTE: New, attached condo projects are not eligible** • **Leaseholds Estates** meeting all Fannie Mae requirements outlined in section **B2-3-03 Special Property Eligibility and Underwriting Considerations: Leasehold Estates** of the Fannie Mae Seller Guide including Fannie Mae's first-lien enforceability. The lease must extend a minimum of 5 years beyond mortgage maturity. • **Community Land Trusts**: Community land trusts (CLT) are typically run by a government entity or nonprofit organization to provide homeownership opportunities for qualified borrowers with low to moderate income. The CLT owns the land and grants rights to the borrower to purchase a home on the land using affordably priced long-term ground lease. CLTs generally limit future sales of the home based on income levels. - Community land trusts **that meet all Fannie Mae requirements are eligible**. 1-2 unit primary residence only - The following applies to manufactured homes: - Manufactured home in a PUD project requires an **existing** PERS approval o The Homebridge Underwriter is responsible to confirm the project has an **existing** PERS approval with the Homebridge Condo Dept. **NOTE:** Manufactured home in condo project is **not eligible** - As of the loan application date, the manufactured home must be affixed to a permanent foundation, and - Unless it has already been converted, the lessor must have initiated the conversion to real property - All other Homebridge manufactured home requirements apply - The ground lease must extend a minimum of five (5) years beyond the mortgage maturity **NOTE:** Land trusts, where the borrower is the beneficiary of the land trust (therefore **not** a community land trust), are **not eligible**. • **Modular/prefabricated properties** 1-unit only. Factory built but **not** built on a permanent chassis; built on site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems. • **Multi-wide** (double/triple) **manufactured home** that is a minimum of 20 feet wide. Owner-occupied 1-unit primary residence and second home only. Manufactured home **ineligible** on leasehold estates **and** transactions where **none of the borrowers have a credit score.** **NOTE: Manufactured home transactions with an appraisal completed using UAD 3.6 ONLY:** - 1-4 unit multi-wide dwelling legally classified as real property, or - Multi-story manufactured home, **AND** - **2-4 unit and multi-story manufactured homes must have been constructed on or after September 16, 2024 or not eligible** • **Group Home**: A group home is a residential structure utilized for occupancy by persons with disabilities, irrespective of familial relationship; they are **not** considered a boarding house. Fannie Mae allows group homes to be submitted under all occupancy types, depending on the occupancy status of the borrower(s) - If a group home transaction is structured as a second home, the transaction is eligible as long as any income received **is not used for qualifying AND all other Fannie Mae requirements for second homes, including occupancy, are met** - A group home transaction that is structured as an investment property is eligible including when it is currently leased or will be leased to a business entity. **All borrowers must be individuals.**

Properties – Eligible Condominiums

The eligibility of project review types that will be accepted by Fannie Mae is determined by loan application date as outlined on the following two pages.

(Refer to Loan Applications Dated On or After August 3, 2026 **for project review eligibility requirements** specific to loans with an application dated o**n or after August 3, 2026**)

Project Review Eligibility: Loan Applications Dated Prior To August 3, 2026

The following review types/approvals are eligible:

- **Full Review** with Fannie Mae Condo Project Manager (CPM) completed by Homebridge. The project review must be completed within 180 days prior to the Note date

  NOTE: CPM status of "Unavailable" and new attached projects are not eligible
- **PERS Review:** Projects with an **existing** Fannie Mae unexpired PERS approval are eligible. Documentation of the PERS approval must be included in the loan file
- **Limited Reviews**: A limited review, completed by Homebridge, is eligible for established projects subject to Fannie Mae guidelines. When a Limited Review is performed, the following LTV restrictions apply (**all states except Florida;** see : Florida Specific below for requirements)
  - Owner occupied maximum LTV 90%
  - Second home and investment maximum LTV 75%

  NOTE: Limited Reviews require the Homebridge underwriter to confirm with the Homebridge Condo Dept. that the project status is not "unavailable" in CPM
- **Florida Specific**
  - New condo projects require PERS approval
  - Full Review eligible for **established** projects, **or**
  - Limited Review for established condo project eligible as follows:
    - Maximum 75%/90% LTV/CLTV for owner-occupied
    - Maximum 70%/75% LTV/CLTV for second home and investment

  Refer to the Properties – Eligible Florida Condo Projects topic for additional FL requirements
- **FHA Project Approval**: Established projects with an FHA approval are eligible

Transactions Secured by a Condominium and Value Acceptance/Value Acceptance + Property Data Offer Accepted

When DU offers a Value Acceptance or Value Acceptance + Property Data and it is accepted a Limited Review is required to verify project eligibility requirements have been met

Project Review Waiver

A project review is **not required** by FNMA on the project types/transactions listed below, however specific requirements continue to apply. (refer to the Project Review Waiver Requirements topic below for details):

- **FNMA to FNMA Rate/Term Refinance:** Maximum LTV is 80% (the CLTV may be higher)
- **Units in a Two to Ten Unit Project:** Review waiver eligible for both new and established projects. **NOTE:** Projects with **5 to 10 units cannot** be part of a master association or larger development
- **Detached Condo Units**: Review waiver eligible for both new and established projects. Detached units share no adjoining walks, ceilings, floors, or other architectural elements (e.g. breezeways, garages, etc.) with any neighboring unit.

  NOTE: Site condos (the owner owns both the unit and the land on which the unit was built) are considered a detached condo.
- **Unit in a PUD Project:** Review waiver eligible for new and established PUD projects except for PUD projects consisting of manufactured homes subject to a community land trust, deed restriction, ground lease, or shared equity agreement.

Project Review Waiver Requirements

In **addition to the requirements stated above**, when a project review is waived, Fannie Mae still requires Homebridge to ensure the project meets the following Fannie Mae requirements, **as applicable:**

- All property/project eligibility requirements have been met
- The project **cannot** be in Condo Project Manager (CPM) with an "Unavailable" status
- The project is not an ineligible project type as defined by FNMA
- Priority of common expense assessments,
- When an appraisal is obtained, it must meet all applicable appraisal requirements
- Insurance requirements are met,
- The project is not terminating and is not involved in insolvency proceedings,
- There are no unaddressed critical repairs outstanding or projects with evacuation orders if the transaction is a FNMA to FNMA limited cash-out (rate/term) refinance

Properties – Eligible Condominiums (cont.)

Project Review Eligibility: Loan Applications Dated On or After August 3, 2026:

(Refer to Loan Applications Dated PRIOR TO August 3, 2026 **for project review eligibility requirements** specific to loans with an application dated **prior to** August 3, 2026)

The following review types/approvals are eligible:

- **Full Review** with Fannie Mae Condo Project Manager (CPM) completed by Homebridge. The project review must be completed within 180 days prior to the Note date

  NOTE: CPM status of "Unavailable" and new attached projects are ineligible
- **PERS Review:** Projects with **existing** Fannie Mae unexpired PERS approval are eligible. Documentation of the PERS approval must be included in the loan file
- **FHA Project Approval**: Established projects with an FHA approval are eligible

Transactions Secured by a Condominium and Value Acceptance/Value Acceptance + Property Data Offer Accepted

When DU offers a Value Acceptance or Value Acceptance + Property Data and it is accepted a **Full Review** is required to verify project eligibility requirements have been met

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A project review is **not required** by FNMA on the project types/transactions listed below, however specific requirements continue to apply. (refer to the Project Review Waiver Requirements topic below for details):

- **FNMA to FNMA Rate/Term Refinance:** Maximum LTV is 80% (the CLTV may be higher)
- **Units in a Two to Ten Unit Project:** Review waiver eligible for both new and established projects.

  NOTE: Projects with **5 to 10 units cannot** be part of a master association or larger development
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  NOTE: Site condos (the owner owns both the unit and the land on which the unit was built) are considered a detached condo.
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Project Review Waiver Requirements

In **addition to the requirements stated above**, when a project review is waived, Fannie Mae still requires Homebridge to ensure the project meets the following Fannie Mae requirements, **as applicable:**

- All property eligibility requirements have been met
- The project **cannot** be in Condo Project Manager (CPM) with an "Unavailable" status
- The project is not an ineligible project type as defined by FNMA
- Priority of common expense assessments,
- When an appraisal is obtained, it must meet all applicable appraisal requirements
- Insurance requirements,
- The project is not terminating and is not involved in insolvency proceedings,
- There are no unaddressed critical repairs outstanding or projects with evacuation orders if the loan is a FNMA to FNMA limited cash-out (rate/term) refinance

Properties – Eligible Condominiums (cont.)

Litigation/Pre-Litigation Activity

Projects where the HOA (or developer if not turned over to the HOA) is a party to litigation, arbitration, mediation or other dispute are only eligible provided the litigation meets one or more of the following:

- The litigation amount is known, the insurance company has committed to providing defense, and the litigation amount is covered by the insurance policy,
- The litigation/arbitration involves non-monetary neighbor disputes regarding the rights of enjoyment,
- The HOA is the plaintiff in the litigation but it can be determined that the matter is minor in nature with insignificant impact to the financial status of the condo project
- The reasonably anticipated or known damages and legal expenses are not expected to exceed 10% of the project's funded reserves
- The HOA is seeking recovery of funds for issues that have already been remediated/repaired/replaced and there is no anticipated material adverse impact to the HOA if funds are not recovered
- Litigation concerning localized damage to a unit in the project that does not impact the overall safety, structural soundness, habitability, or functional use of the project, or
- The HOA is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA assessments

Projects in Need of Critical Repairs

Fannie Mae defines projects in need of critical repairs as those needing repairs or replacements that significantly impact the safety, soundness, structural integrity, habitability of the project's building(s), or the financial viability or marketability of the project.

Projects in need of critical repairs **are ineligible** until the repairs required to remediate the issue has been completed and documented accordingly.

Critical repairs include conditions such as:

- Material deficiencies, which if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year,
- Any mold, water intrusions or potentially damaging leaks to the project's building(s),
- Advanced physical deterioration,
- Any project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications specific to structural safety, soundness, and habitability, or
- Any unfunded repairs costing more than $10,000 per unit that should be undertaken within the next 12 months (**does not** include repairs made by the unit owner or repairs funded through a special assessment)

  Examples of items that will be considered when assessing a project for any required critical repairs include, but are not limited to the following:

  - Sea walls,
  - Elevators,
  - Waterproofing,
  - Stairwells,
  - Balconies,
  - Foundation,
  - Electrical systems,
  - Parking structures, and
  - Other load-bearing structures

  NOTE: If damage or deferred maintenance is isolated to one or just a few units and the damage/deferred maintenance **does not** affect the overall safety, soundness, structural integrity, or habitability of the project these requirements do not apply

Routine Repairs

The below repairs are considered routine repairs and **are not** considered critical:

- Repairs that are preventive in nature or are part of normal capital replacements (e.g. items focused on keeping the project fully functioning and serviceable), **and**
- Repairs that are completed within the project's normal operating budget or through special assessments that are within Fannie Mae guidelines.

Projects Under Evacuation Orders

Projects under an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s) **are ineligible** until the unsafe condition has been remediated and the building(s) is deemed safe for occupancy.

Properties – Eligible Condominiums (cont.)

Special Assessments

Special assessments may be current or planned. Homebridge will review project documentation for the following:

- What is the purpose of the special assessment, **and**
- When was the special assessment approved and was it planned (i.e. approved by the unit owners, but not yet initiated by the board) **OR** already being executed, **and**
- What was the original amount of special assessment and what is the remaining amount to be collected, **and**
- When is the expected date the special assessment will be paid in full

If the special assessment is associated with a critical repair and the issue has not been remediated the project is ineligible.

Project Review Requirements

The following applies to all loans secured by a condo in projects **with five (5) or more attached units**, **regardless of the type of project review or project review waiver** (Refer to the Project Review Waiver topic for waiver eligibility requirements). The following applies:

- The project review must define critical repairs, material deficiencies, and significant deferred maintenance, including defining routine repairs that are not considered critical
- **Full Reviews or Limited Reviews (Limited Reviews only eligible for loan applications dated prior to August, 3, 2026)** that identify any of the below, Homebridge will determine the documentation is required (refer to the Documentation Requirements below for details)
  - That critical repairs are needed, **and/or**
  - Evacuation orders are in effect, **and/or**
  - There are any regulatory actions required
- **Full Reviews** completed by Homebridge on projects that have had structural and/or mechanical inspections completed within 3 years of the previous project review completed by Homebridge, **and** a structural and/or mechanical inspection report was included as a requirement of that initial (previous) review, **copies of the structural and/or mechanical inspection reports will be required.** The report/inspection cannot indicate any of the following:
  - That critical repairs are needed, **and/or**
  - Evacuation orders are in effect, **and/or**
  - There are any regulatory actions required
- If the inspection report(s) indicates there are unaddressed critical repairs, the project is **ineligible** until the required repairs have been completed and documented accordingly.

Documentation Requirements

Documentation that may be required for Homebridge to determine if the project meets Fannie Mae requirements include, but are not limited to:

- HOA board meeting minutes,
- Engineering report(s),
- Structural and/or mechanical inspection reports,
- Reserve studies,
- A list of necessary repairs provided by the HOA or the project's management company,
- A list of special assessments provided by the HOA or the project's management company, and
- Other substantially similar documentation

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 - Ineligible	• Non-warrantable condominiums • New, attached condo projects without an existing FNMA PERS approval (**all** states) • **New** attached condo projects • Condominiums < 450 square feet • Cooperative projects • Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) • Unique properties • Bed and breakfast properties • Boarding houses • Properties in Hawaii located in lava zones 1 or 2. • Agricultural-type properties, farms, orchards, ranches • Properties zoned for agricultural use • Rural property > 10 acres • Commercial property • An investment property secured by a manufactured home • Single wide manufactured/mobile homes • Manufactured home: - Located on a leasehold estate - Located in a condo project - Located in senior projects - Involving trade equity or traded manufactured home - Moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site **Transactions with an Application Dated <u>on or after</u> September 18, 2023:** • Condo projects in need of critical repairs, including material deficiencies and significant deferred maintenance • Condo projects under an evacuation order • Condo projects with a special assessment(s) that is due to critical required repairs • Projects with an "Unavailable" status in CPM
Property Acquired at Auction	If the subject property is purchased at auction, the combination of the buyer's premium and the winning bid may be used to calculate the final sales price. The lesser of the final sales price or appraised value is used to determine the LTV/CLTV **NOTE:** The amount of the buyer's premium should be common and customary for a typical auction transaction.
Property Flips	Eligible subject to underwriter review. • Property flips are subject to: - Appraisal must support any value increases. Additional documentation may be required and a desk review or second appraisal may be required at underwriter discretion. - Borrower must have excellent credit history, employment history, savings pattern, etc.
Property with an Accessory Dwelling Unit (ADU)	**Transactions with an Appraisal Completed in UAD 2.6** **Refer to the Transactions with an Appraisal Completed in UAD 3.6 for ADU requirements** **Accessory Dwelling Units (ADU)** **Overview** An ADU is defined as an additional living area independent of the primary dwelling that has been added to, created within or detached from a primary 1-unit dwelling. The ADU must provide for living, sleeping, cooking, and bathroom facilities and be located on the same parcel as the primary 1-unit dwelling. The ADU may be site built or factory built (i.e. manufactured). ADUs include, but are not limited to: • A living area over a garage or in a basement, a small addition to the primary dwelling, a manufactured home that is real property, etc. **NOTE:** If the ADU is a manufactured home it must meet the manufactured home requirements stated in this guideline **and** the primary dwelling must be site-built (cont. on next page)

Property with an Accessory Dwelling Unit (ADU) (cont.)

Transactions with an Appraisal Completed in UAD 2.6 (cont.)

Accessory Dwelling Unit (ADU) cont.

The following applies to ADUs:

- The primary unit must be a 1-unit SFR; ineligible with a 2-4 unit property. The appraiser determines the eligibility based on the appraiser's analysis of the characteristics of the property.
- The ADU must be smaller in size than the primary dwelling
- The ADU must have all of the following separate features:
  - Means of ingress/egress. The ADU may include access to the primary dwelling, however it is **not considered** an ADU if it can **only** be accessed through the primary dwelling or the ADU area is open to the primary dwelling with no expectation of privacy
  - A kitchen, that contains at minimum, cabinets, countertops, sink with running water, and a stove or stove hookup (hotplates, microwaves, etc. **not** acceptable) An independent second kitchen alone does not constitute an ADU and the removal of a stove does not change the ADU classification
  - A sleeping area,
  - Bathroom facilities and bathing area

Rental Income from an ADU on the Subject Property

Rental income from an existing ADU is eligible for qualifying subject to the following:

- Subject property must be a 1-unit primary residence
- Purchase or rate/term refinance transactions only; cash-out i**neligible**
- Rental income from only **one** ADU allowed
- Qualifying rental income from the ADU is limited to 30% of the total qualifying income
- All other rental income and ADU requirements apply

Legal ADU Appraisal Requirements

- The appraisal must indicate the improvements are typical for the market, **and**
- The appraiser must describe the unit and analyze any effect the accessory unit has on the value or marketability of the subject property, **and**
- An aged, closed sale is acceptable as a comparable and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability, **and**
- There is only **one (1) accessory unit;** multiple accessory units are **ineligible.**

Illegal ADU Appraisal Requirements

If the ADU is not allowed under zoning (not allowed in any circumstance) the property is eligible subject to the following additional conditions:

- 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 two (2) comparable properties that have the same illegal use, **OR**
- If recent sales are not available, a minimum of three (3) closed sales with the same illegal use are acceptable, **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, **and**
- There is only one (1) accessory unit; multiple accessory units are ineligible.

Property with an Accessory Dwelling Unit (ADU)

Transactions with an Appraisal Completed in UAD 3.6

Refer to the Transactions with an Appraisal Completed in UAD 2.6 for ADU requirements

Accessory Dwelling Units (ADU)

Overview

An ADU is defined as an additional living area independent of the primary dwelling that has been added to, created within or detached from a primary residence. The ADU must provide for living, sleeping, cooking, and bathroom facilities and be located on the same parcel as the primary 1-3 unit dwelling. The ADU may be site built or factory built (i.e. manufactured).

ADUs include, but are not limited to:

- A living area over a garage or in a basement, a small addition to the primary dwelling, a manufactured home that is real property, etc.

  NOTE: If the ADU is a manufactured home it must meet the manufactured home requirements stated in this guideline

ADUs are eligible for site built **and** manufactured homes as follows:

- **One-Unit Primary Residence:** Up to three (3) ADUs allowed
- **Two-Unit Primary Residence:** Up to two (2) ADUs allowed
- **Three-Unit Primary Residence**: One ADU allowed

NOTES:

1. The number of dwelling units can never exceed 4 (primary residence **plus** ADUs)
2. An ADU **is not** allowed when the primary residence is a 4-unit property

ADU Eligibility (Site Built and Manufactured Home)		
Primary Residence: Allowable Number of ADUs	**FNMA UAD 2.6**	**FNMA UAD 3.6**
1 unit + 1 ADU	Yes	Yes
1 unit + 2 ADUs	No	Yes
1 unit + 3 ADUs	No	Yes
1 unit + 4 or more ADUs	**Ineligible**	
2 units + 1 ADU	No	Yes
2 units + 2 ADUs	No	Yes
2 units + 3 or more ADUs	**Ineligible**	
3 units + 1 ADU	No	Yes
3 units + 2 or more ADUs	**Ineligible**	
4 units + any ADU	**Ineligible**	

- The appraiser determines the eligibility based on the appraiser's analysis of the characteristics of the property.
- The ADU must be smaller in size than the primary dwelling
- The ADU must have all of the following separate features:
  - Means of ingress/egress. The ADU may include access to the primary dwelling, however it is **not considered** an ADU if it can **only** be accessed through the primary dwelling or the ADU area is open to the primary dwelling with no expectation of privacy
  - A kitchen, that contains at minimum, cabinets, countertops, sink with running water, and a stove or stove hookup (hotplates, microwaves, etc. **not** acceptable) An independent second kitchen alone does not constitute an ADU and the removal of a stove does not change the ADU classification
  - A sleeping area,
  - Bathroom facilities and bathing area

(cont. on next page)

Property with an Accessory Dwelling Unit (ADU) cont.	**Transactions with an Appraisal Completed in UAD 3.6** **Accessory Dwelling Unit (ADU)** cont. **Rental Income from an ADU on the Subject Property** Rental income from an existing ADU is eligible for qualifying subject to the following: • Subject property must be a 1-unit primary residence • Purchase or rate/term refinance transactions only; cash-out i**neligible** • Rental income from only **one** ADU allowed • Qualifying rental income from the ADU is limited to 30% of the total qualifying income • All other rental income and ADU requirements apply **Legal ADU Appraisal Requirements** • The appraisal must indicate the improvements are typical for the market, **and** • The appraiser must describe the unit and analyze any effect the accessory unit has on the value or marketability of the subject property, **and** • An aged, closed sale is acceptable as a comparable and an active listing or under contract sale will qualify as a supplemental exhibit to show marketability **Illegal ADU Appraisal Requirements** If the ADU is not allowed under zoning (not allowed in any circumstance) the property is eligible subject to the following additional conditions: • 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 two (2) comparable properties that have the same illegal use, **OR** • If recent sales are not available, a minimum of three (3) closed sales with the same illegal use are acceptable, **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	If the appraiser identifies an addition that does not have the required permits the following is required: • 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 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). **NOTE:** In cases where the illegal conversion would be considered an accessory unit (living space, bathroom **and** kitchen) the conversion is subject to the guidelines under the "Illegal Accessory Unit" topic above.

Property with Solar Panels

Ownership

Solar power ownership or financing structures include:

- Borrower-owned panels,
- Leasing Agreements,
- Separately financed solar panels (the panels serve as collateral for debt distinct from any existing mortgage) or
- Power Purchase Agreements (PPA)

Requirements

- Title cannot reflect any liens related to the ownership or maintenance of the solar panels that will result in a lien superior to Homebridge
- 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. financed and collateralized or 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 must meet all of Fannie Mae requirements
- Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be repossessed in the event of default on the associated financing
- Requirements vary by the type of financing and collateralization or if subject to a PPA:
  - Solar panels that are financed and collateralized and the panels are collateral for separate debt used to purchase the panels **but are a fixture to the property** due to a Uniform Commercial Code (UCC) fixture filing the following applies:
    - Homebridge will review the credit and title report, appraisal and or UCC fixture filing, promissory note and security agreement that reflect the terms of the secured loan
    - The debt is included in the DTI,
    - The solar panels are considered in the value of the property **as long as** the solar panels cannot be repossessed for default,
    - The solar panels are included in other debt secured by the real estate in the CLTV calculation (because of the UCC filing). If the UCC filing is in the land records as a priority senior lien to the mortgage, **it must be subordinated**,

    OR

  - Solar panels are financed and collateralized and the panels are collateral **for separate non-mortgage debt** used to purchase the panels but **do not** appear on the title report,
    - Documentation to confirm the terms of the secured loan (credit report, title, UCC financing statement, promissory note or related security agreement) must be provided
    - The debt is included in the DTI,
    - The solar panels cannot have any contributory value to the property
    - The panels are not included in the LTV calculation,
    - The debt is not included in the CLTV calculation (the panels are considered personal property not affixed to the home)

    OR

  - Solar panels that are leased or owned under a PPA are subject to:
    - A copy of the lease or PPA must be provided
    - The solar panels cannot be included in the appraised value,
    - The value of the solar panels is not included in the LTV, even if a precautionary UCC filing is recorded, because the documented lease or PPA status takes priority
    - The value of the solar panels is not included in other debt secured by real estate in the CLTV calculation because the documented lease or PPA status takes priority
    - The property must maintain access to an alternate source of electric power that meets community standards.

Property with Solar Panels (cont.)

- **The monthly lease payment must be included in the debt-to-income (DTI) ratio calculation, 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 <u>be excluded</u> 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 **or** verification that the owner of the solar panels **is not named loss payee** (or named insured) on the property owner's property insurance policy; **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

Uniform Commercial Code (UCC)

- A UCC financing statement that covers personal property and is not intended as a "fixture filing" must be filed in the office identified in the applicable state's adopted version of the UCC
- A "fixture filing" is a UCC-1 financing statement authorized and made in accordance with the UCC adopted in the state where the property is located. A fixture filing:
  - Covers property that is, or will be, affixed to improvements such as real property
  - If contains both a description of the collateral that is/will be affixed to the property and a description of the property
  - Is filed in the same office that mortgages are recorded
  - Filed in the land records provides notice to third parties, including title insurance companies, of the existence and perfection of a security interest in the fixture
  - If properly filed, the security interest in the described fixture, **has priority over the lien of a subsequently recorded mortgage**

PACE/HERO Financing

If the solar panels are financed with a PACE/HERO loan the transaction is ineligible unless the PACE/HERO financing is paid in full prior to or at closing

Purchase Transactions	• Fannie Mae requires the proceeds from a purchase transaction be used to: - Finance the acquisition of the subject property - Finance the acquisition and rehabilitation of the subject property - Convert an interim construction loan or term note into permanent financing, or - Pay off the outstanding balance on the installment land contract or contract for deed • Proceeds from the transaction may not be used to give the borrower cash back other than: - An amount representing reimbursement for the borrower's overpayment of fees and charges, including refunds that may be required in accordance with certain federal laws or regulations. The settlement statement must clearly indicate the refund, and the loan file must include documentation to support the amount and reason for the refund, and - A legitimate prorated real estate tax credit in locales where real estate taxes are paid in arrears **NOTE: If** the borrower receives cash back for a permissible purpose as noted above, Homebridge must confirm the minimum borrower contribution requirements associated with the associated mortgage product, if any, have been met. Reimbursements or refunds permitted above may be applied as a principal curtailment. A prorated real estate tax credit is not an interested party contribution, and it cannot be considered when determining if the borrower has sufficient assets for the transaction **EXCEPTION:** When the CD indicates an escrow account has been established and includes the portion of real estate taxes owed by the property seller for the period they have owned the property, a prorated real estate tax credit from the property seller may offset all or a portion of the funds needed for the escrow account
Refinance Transactions	**Rate/Term Refinance**: • Properties listed for sale must be taken off the market on or before the disbursement date of the new loan **and** borrower must provide written confirmation of their intent to occupy the property (primary residences only require intent to occupy property confirmation) • A rate/term refinance transaction will have a seasoning requirement if a cash-out refinance was completed on the subject property within the previous 30 days - A 30 day seasoning requirement applies measured from the Note date of the cash-out transaction to the application date of the rate/term refinance • The rate/term transaction is being used to obtain a new first mortgage secured by the same property to: - Pay off an existing 1st mortgage (including an existing HELOC in first lien position), - Pay off an existing construction loan and documented construction cost overruns that were incurred outside of the interim construction financing for two-closing construction-to-permanent loans (these construction cost overruns must be paid directly to the builder at closing), **or** - Pay off an installment land contract that was executed more than 12 months before the date of the loan application • At least one borrower on the new loan must be an owner (on title) of the subject property at the time of initial application **except** as follows: - The borrower acquired the property through an inheritance or was legally awarded the property (e.g. through a divorce, separation, or dissolution of a domestic partnership), **OR** - The property was previously owned by an inter vivos revocable trust an the borrower is the primary beneficiary of the trust - The borrower is currently financially obligated on the loan being paid off but not on the title. This includes loans where the property is currently owned by an LLC this majority owned or controlled by the borrower(s). Ownership must be transferred into the name of the individual borrower(s) - The borrower is paying off an installment land contract that was executed more than 12 months before the date of the loan application • Maximum cash back to the borrower (or any other party) cannot exceed, in aggregate, the **greater of** 1% of the UPB of the new loan or $2,000 **NOTE:** The borrower may be refunded overpayment of fees or changes due to federal or state laws/regulations and this is not included in the cash-back limitation provided the CD clearly identifies the refund, and documentation is included in the loan file that supports the amount and reason for the refund. • **Construction-to-Perm Two-Closing Transactions:** The payoff of a construction loan, **plus documented** construction cost overruns, may be included in the new loan amount on a rate/term refinance. **The construction cost overruns must be paid directly to the builder at loan closing**

Refinance Transactions

Rate/Term Refinance (cont.)

Cash-Out Refinance: Properties listed for sale in the 6 months prior to the disbursement date must be taken off the market on or before the disbursement date of the new loan.

- Cash-out transactions require a minimum of 12 months seasoning (12 months **from the Note date of previous transaction to Note date of the new loan**) except as follows:
  - Delayed financing guidelines are met (refer to the Delayed Financing topic), or
  - The borrower inherited or was legally awarded the property (divorce, separation or dissolution of domestic partnership)
  - At least one borrower must have been on title for a minimum of six (6) months prior to the disbursement date of the new loan

  NOTE: Property ownership held in an LLC is eligible to meet the 6 month **title seasoning** requirement if the borrower was 100% owner or a majority-owner of the LLC. The property **must be taken out of the LLC prior to disbursement of the new loan funds**
- **Delayed Financing**
  - Borrowers who purchased the subject property within the past six months (purchase date to disbursement date of the new loan) are eligible for a cash-out refinance when no financing was obtained for the purchase transaction and **all** of the following requirements are met:
    - The borrower must have initially purchased the property as one of the following:
      - A natural person,
      - An eligible inter vivos revocable trust, where the borrower established that trust and is the beneficiary of the trust, or
      - An LLC or partnership in which the borrower(s) have 100% ownership (individual or joint); **and**
    - The new loan amount cannot exceed the actual documented amount of the borrower's initial investment to purchase the property plus the financing of closing costs, prepaid fees, and points (subject to the maximum LTV/CLTV ratios for a cash-out transaction based on the current appraised value); **and**
    - The purchase transaction was an arms-length transaction; **and**
    - The CD from the original transaction is required to confirm that there was no mortgage financing used to obtain the property; **and**
    - The source of the funds used to purchase the property can be documented (i.e. bank statements, personal loan documents, HELOC against another property) and were the borrower's own funds; **and**

      NOTE: If gift funds were used to purchase the property, they may not be reimbursed with the proceeds from the new loan.
    - The preliminary title documentation must not indicate any existing liens on the subject property. If the source of the funds to acquire the property was an unsecured loan or secured by an asset other than a subject property (e.g. HELOC), the CD for the refinance transaction must reflect that **all** cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property; **and**
    - An "Approve/Eligible" Finding from DU is required and the transaction must meet all other cash-out eligibility requirements

Financing Real Estate Taxes – the following applies when real estate taxes are financed:

- **Limited Cash-Out (Rate/Term) Refinance:**
  - **Non-delinquent (≤ 60 days past due) Property Taxes**: Non-delinquent property taxes may be included in the loan amount on a rate/term refinance transaction subject to:
    - The property taxes must be paid in full through the transaction, and
    - The property tax payment must be paid directly to the taxing authority through closing; the borrower cannot receive any funds required to pay the property tax
  - **Delinquent (> 60 days past due) Property Taxes**: Ineligible for a rate/term refinance; must be a cash-out transaction (see below for requirements)

    NOTE: Sixty days is counted from the tax delinquent date on the tax bill, **not** from the tax due date
- **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.**

Refinance Transactions: Cash-out to Payoff Student Loans	A cash-out refinance obtained specifically to pay off student loan debt is eligible subject to **all** of the following: • At least one student loan must be paid off in full with the proceeds from the loan, **and** • The cash-out loan proceeds must be paid directly to the student loan servicer, **and** • The borrower must be personally obligated on the student loan being paid through the transaction, **and** • Maximum cash back to the borrower cannot exceed the **greater of** 1% of the UPB of the new loan or $2,000, **and** • The property cannot be listed for sale at time of disbursement, **and** • Payoff of taxes is ineligible unless an escrow account is established, **and** • Payoff of delinquent taxes is **ineligible** Standard cash-out LTV/CLTV ratios apply. The LLPA applied to cash-out transactions will be **waived** when **all** of the above stated requirements are met. **NOTE:** Proceeds from the cash-out to payoff student loans transaction may only be used to pay off student loan(s) and the first lien/subordinate lien used to purchase the property. If proceeds from the transaction are used to pay down/off any **non-mortgage debt** the transaction will be considered a standard cash-out and the LLPA will be applied
Rent-Related Credits	**Rent Credit with Option to Purchase** Rent credit with an option to purchase is the portion of rental/lease payments paid by the borrower that can be credited towards the down payment or minimum borrower contribution under a documented rental or purchase agreement. • The borrower is not required to make a minimum borrower contribution from their own funds for the rental/lease payments to be credited toward the down payment • The rent credit is not considered an interested party contribution **Calculating the Rent Credit** The rent credit from the seller for the down payment is determined by calculating the difference between the market rent and the actual rent paid by the borrower. • The market rent is determined by the appraiser in the appraisal of the subject property, and • The credit may be no more than the difference between the market rent and the actual rent paid **Documentation Requirements** The following documentation is required: • A copy of the rental/lease with an option to purchase agreement that evidences the following: - An original term of at least 12 months, - The total number of months of the agreement, - The monthly rental amount, and - The amount of the monthly rent credit • Copies of the borrower's canceled checks, bank statements, money order receipts or other reasonable methods evidencing the rental payments over the term of the agreement. The documentation must clearly indicate the payee and the amount being paid • The appraisal of the subject property reflecting the market rent amount **Loans with an Application Dated on or after October 7, 2024: Rent-Back Credit** A rent-back credit is money paid by the seller of the property to the borrower (buyer) for allowing the seller to remain in the subject property for a specified period of time after closing. Rent-back credits **are not** an eligible source of funds for closing costs, down payment, or to satisfy reserve requirements when qualifying the borrower and **cannot** be used when qualifying the borrower. **NOTE:** If the property is the borrower's principal residence, the borrower must meet FNMA's occupancy requirements which requires the borrower to occupy the property within 60 days

Reserves	• Reserves are per DU Findings • When the borrower has multiple financed properties, refer to the Financed Properties topic for detailed information on determining the amount of reserves required. **Acceptable Sources of Reserves**: • Checking/savings accounts, • Investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts • Vested amount in retirement accounts, and • Cash value of a vested life insurance policy **Unacceptable Sources of Reserves** • Cash-out proceeds from a cash-out refinance transaction on the subject property • Interested party contributions, • Personal unsecured loans, • Rent-back credit, • Stock options and non-vested restricted stock • Stock held in an unlisted corporation, • Funds that have not been vested, • Funds that cannot be withdrawn under circumstances other than the account owner's retirement, employment termination, or death.
Sales Contract: Electronic Signatures	A sales/purchase contract that was signed by the buyer using an electronic signature is acceptable subject to the following: • The electronic sales/purchase contract process was managed by a licensed real estate broker, **and** • The electronic sales/purchase contract complies with all Fannie Mae requirements, **and** • The electronic sales/purchase contract is true, complete, accurate and duly signed by all parties, **and** • Any affidavits or other documents that require notarization associated with the electronic/purchase contract are paper documents executed with a traditional handwritten ink signature and were notarized using a traditional notary seal
Seller Contributions	Refer to the Interested Party Contributions topic for seller contribution limits
Shared Equity Transactions	**General Requirements** Shared equity preserves affordable homeownership opportunities by allowing borrowers to purchase homes at below-market prices. In exchange, borrowers agree to sell the property only to other income-qualified buyers and at a restricted sales price. The following shared equity programs are **eligible**: • Community land trusts • Income and resale price restrictions Shared equity transactions must meet all Fannie Mae requirements detailed in the FNMA Selling Guide Section **B5-5.3-01** Shared equity loans where the borrower is required to submit to arbitration to resolve disputes with the shared equity program are **not eligible unless:** • The mandatory arbitration provision provides, or is amended to provide, that in the event of a transfer or sale of the loan the mandatory arbitration clause **immediately and automatically becomes null and void and cannot be reinstated.** (cont. on next page)

Shared Equity Transactions (cont.)

Shared Equity Transaction Eligibility

Criteria	Community Land Trusts	Income and Resale Price Restrictions
Eligible Shared Equity Providers	Shared equity providers must comply with Community Seconds requirement. The following flexibilities are allowed: • Legal entities that are owned exclusively by a nonprofit organization are also considered eligible shared equity providers (e.g. an LLC wholly owned by a nonprofit organization is considered an eligible shared equity provider) Shared equity providers **are not** considered interested parties to the transaction	
Eligible Borrowers	Borrowers must meet the specific eligibility criteria established by the program (e.g. income restrictions, resale price of the property, etc.) **NOTE:** If income limit requirements are in place for both the shared equity provider and the first mortgage, **the more restrictive requirement applies**	
Eligible Loans	Purchase and refinance transactions	
Eligible Property and Occupancy Types	• 1 or 2-unit primary residence **NOTE:** Manufactured homes are **only eligible** if they are located in a FNMA approved condo or PUD project • The leasehold estate created by the community land trust ground lease must constitute real property under applicable law • Improvements owned by the lessee may be held in fee simple or as a unit in a detached or attached* condo (*__attached condo must be in a FNMA approved project__)	1 or 2-unit primary residence
Counseling Requirements	The shared equity provider must comply with the provisions of the Model Ground Lease relating to counseling the prospective borrowers	The shared equity provider must have an established procedure that requires the borrowers to complete counseling or similar equivalent (see **"NOTE**" below). Counseling must advise borrowers on: • The specific terms of the income and resale price restrictions • The calculation that will be used to determine the maximum resale price **Purchase Transactions**: Counseling must be completed at least 30 days prior to loan closing on any purchase transaction **NOTE:** Examples of acceptable counseling or similar equivalent include, but are not limited to: • One-on-one counseling specific to the transaction, • A program summary document in plain language, • An attorney review of the program with the homebuyer
Underwriting Considerations	Any recurring monthly fees or expenses associated with the shared equity program **must be included** in the monthly housing expense when qualifying the borrower	

Shared Equity Transactions (cont.)

LTV Calculation Requirements

- **Affordable LTV Calculation: Resale Restrictions that Terminate at Foreclosure:**
  - When the resale restriction(s) terminate automatically upon foreclosure (or the expiration of any applicable redemption period) **OR** the recording of a deed-in-lieu of foreclosure:
    - The sales price typically is **not** a reliable indicator of market value for the property because the sales price does not include the subsidy from the shared equity provider.
    - The appraised value is more indicative of the actual value of the property in the event of a foreclosure or acceptance of a deed-in-lieu of foreclosure (disregarding factors that may affect value after origination and prior to foreclosure)
  - When the resale restrictions terminate at foreclosure or acceptance of deed-in-lieu of foreclosure Homebridge will use the "**Affordable LTV**" calculation to determine the LTV, CLTV, and HCLTV ratios
    - **Affordable LTV Calculation**
      - The LTV/CLTV/HCLTV is determined by dividing the loan amount by the appraised value of the property

    NOTE: The LTV **is not** determined by using the lesser of the sales price or the appraised value

    Example:

    - Appraised value: $200,000
    - Shared equity program subsidy amount: $40,000
    - Subsidized sales price: $160,000
    - First mortgage loan amount: $160,000
    - Affordable LTV: 80%

      (first loan amount divided by the appraised value)
  - When using the Affordable LTV calculation, use the appraised value to determine the following:
    - Minimum down payment, and
    - The borrower contribution, if applicable, that must be made from the borrower's own funds, and
    - The level of mortgage insurance required
- **LTV Calculation: Resale Restrictions that Survive Foreclosure:**
  - When the resale restriction(s) survive foreclosure or deed-in-lieu the LTV is determined as follows:
    - The **lesser of**:
      - The sales price, **or**
      - The appraised value of the property

    NOTE: This LTV calculation does not apply to loans secured by community land trust properties since CLTs require the resale restrictions to automatically terminate upon foreclosure, at the expiration of any applicable redemption period, or acceptance of a deed-in-lieu of foreclosure

Appraisal Requirements

- **Community Land Trust:**
  - FNMA appraisal requirements described in **Section B4-1.4-06** of the FNMA Seller Guide apply to properties located in a community land trust

Shared Equity Transactions (cont.)	• **Income and Resale Price Restrictions:** - **Resale Restrictions with Automatic Termination:** The following applies to resale restriction automatically terminate upon foreclosure (or the expiration of any applicable redemption period) **or** the recording of a deed-in-lieu of foreclosure: - The appraisal should reflect the market value of the property **without** resale restrictions, **and** - The Homebridge underwriter must ensure both the borrower and appraiser are aware of the resale restrictions and that the appraiser included the following statement in the appraisal report: "*This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure*" - **Resale Restrictions Survive Foreclosure:** The following applies when the resale restrictions **remain in place** after a foreclosure or deed-in-lieu: - The appraisal must reflect the impact the restrictions have on the value and be supported by comparable sales with similar restrictions • The appraisal must also note the existence of the resale restrictions and comment on any impact the resale restrictions have on the property's value and marketability
Subordinate Financing	• Eligible subject to the CLTV limits on the matrix located on pages 1 and 2. Max CLTV is 105% for a fixed rate owner-occupied property with a Community Second. • 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 (with the exception of employer subordinate financing that has deferred payments) - 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 - Subordinate financing that has a prepayment penalty • If using a Community Second, program must be currently approved by Homebridge. Refer to the Approved DPA/Community Program list located under Working With Us on the Homebridge website at www.homebridgewholesale.com for eligible programs. All Fannie Mae Community Seconds requirements must be met. • PACE/HERO financing is ineligible subordinate financing

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:

- Fixed rate purchase transactions **only**
- 1-4 unit primary residence and 1-unit second home; investment and manufactured homes **ineligible**
- **Buydowns may be funded by one of the following:**
  - Seller,
  - Realtor - Selling Agent (aka Buyer's Agent) **or** Listing Agent (aka Seller's Agent), or
  - Lender

  NOTE: Buydowns **may only be funded by one party**; funding of the buydown cannot be split between parties
- Interested party contribution limits apply
- Buydowns are qualified at the Note rate
- A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 buydown available
- Buydown funds are deposited into an escrow account and the Servicer will disburse funds from the escrow account each month to make the full mortgage payment

Example of a 2/1 Buydown

- Initial Note Rate: 5%
- First Year: Interest rate is 3% (2% lower than initial)
- Second Year: Interest rate is 4% (1% lower than initial)
- Third Year: The initial Note rate of 5% is in place for the remainder of the loan term

Example of a 3/2/1 Buydown

- Initial Note Rate: 5%
- First Year: Interest rate is 2% (3% lower than initial)
- Second Year: Interest rate is 3% (2% lower than initial)
- Third Year: Interest rate is 4% (1% lower than initial
- Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

Example of a 1/1/1 Buydown:

The Interest rate is 1% below the Note rate for the first 3-years of the loan

- Initial Note Rate: 5%
- First Year: Interest rate is 4% (1% lower than initial)
- Second Year: Interest rate is 4% (1% lower than initial)
- Third Year: Interest rate is 4% (1% lower than initial
- Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

Temporary Buydown Eligible Transactions Quick Reference Guide	
Transaction Types	**Eligible**
Fixed rate	Yes
ARM	No
Primary residence (1-4 units)/Second Home	Yes
Investment	No
Purchase transactions	Yes
Refinance transactions	No
Manufactured	Yes
Texas Equity	No

Texas Section 50(a)(6) (Texas Equity)	A Texas Section 50(a)(6) loan (aka Texas Home Equity) is a cash-out refinance. A current Texas equity loan may be refinanced as a rate/term refinance subject to specific requirements. See requirements specific to a Texas Equity Being Refinanced as a Rate/Term Transaction topic. The following applies: • Cash-out refinance • Owner-occupied primary residence classified as a homestead under Texas law • All borrowers must reside in the home • Non-occupant co-borrowers are not allowed • Maximum 80% LTV/CLTV • Subordinate financing not allowed (all liens must be paid in full by refinance transaction) • 1-unit single family residence, PUD or condo • "Approve/Eligible" DU Finding required • Maximum of 10 acres, no exceptions. Land that is taxed as agricultural is eligible **NOTE**: The borrower cannot obtain an agricultural designation **after** they have originated a Texas equity loan (state of Texas restriction) • Maximum 2% fee limitation for all closing costs, fees and charges. The following are excluded from the limitation: - Prepaid and bona fide discount points (discount points eligible if borrowers sign an "Election to Pay Discount Points" affidavit at closing), - 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 • **Notice Concerning Extension of Credit** required (aka "12 Day Disclosure"): - Borrower and non-borrowing spouse (if applicable) must sign the Notice Concerning Extension of Credit, - The loan cannot close until 12 days after the Notice was signed. • A survey is required • Loan must close at the closing agent's office; it cannot close at the borrower's home • Borrower must receive a copy of the final 1003 along with the CD for review a minimum of 24 hours prior to closing • All married parties, regardless if on the loan or not, must sign the Deed of Trust and Notice of Right to Cancel as Texas is a community property state • Borrower(s) cannot sign early (i.e. cannot sign before the date of the closing package). • Deed of Trust: Trustee must be completed on the Security Instrument (must be a Texas resident and is typically an attorney) • Property taxes are due yearly in December. Tax Certificates are generally provided. School, city, county and MUD taxes are common • Waiting periods: - The loan cannot close until the Notice Concerning Extensions of Credit (12 Day Disclosure) has been signed and received by Homebridge for 12 days. - The loan cannot close until 24 hours after the borrower(s) have signed the final CD Settlement Statement and the final 1003. - There is a 12 months seasoning requirement. The loan cannot close until a minimum of 12 months have passed after the closing of the previous loan. • There is a 3 day right of rescission period • Fixed rate only; ARMs ineligible

Texas Section 50(a)(6) (Texas Equity) (cont.)	**Texas Equity Being Refinanced as a Rate/Term Transaction** The following are specific requirements for a current Texas equity loan being refinanced as rate/term: • A minimum of one (1) year has passed since the home equity loan closed • Rate/term refinances are also limited to 80% CLTV • The borrower **cannot receive any cash at close** • The borrower must sign the Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan **within 3-days of loan application and a minimum of 12 calendar days prior to loan closing** (a new application will be required if Notice not signed within 3 days of application) **NOTE:** The state of Texas does not have a specific seasoning requirement for the refinance of a rate/term transaction; Fannie Mae requirements apply.
Transactions – Eligible	• Purchase • Limited cash-out refinance (rate/term) • Cash-out refinance
Transactions – Ineligible	• Any transaction without a DU "Approval/Eligible" Finding • Manual underwrites • High balance transactions with an LTV > 95% • Transactions with a non-occupant co-borrower with an LTV > 95% • Interest-only • Fannie Mae HomePath Renovation • Non-arm's length transaction that involves new construction and the loan is secured by a second home or investment property • Refinance transactions where the property was listed for sale at time of loan disbursement. • 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 • Transaction with CA HERO program subordinate financing • Transactions that involve a property with a property tax deferral • Land trusts (i.e. **non**-community land trusts). Community land trusts are eligible