PRIMARY RESIDENCE – PURCHASE AND RATE/TERM REFINANCE[1]				
Property Type	**Maximum LTV**	**Maximum CLTV/HCLTV**	**Maximum Loan Amount**	**Minimum Credit Score**
1-4 Units PUD Condo Co-op	90%	90%	$3,000,000	680
	85%	85%	$3,000,000	640
	80%	80%	$2,500,000	600

PRIMARY RESIDENCE – CASH-OUT REFINANCE [2]				
Property Type	**Maximum LTV**	**Maximum CLTV/HCLTV**	**Maximum Loan Amount**	**Minimum Credit Score**
1-4 Units PUD Condo Co-op	85%	85%	$3,000,000	680
	80%	80%	$3,000,000	640
	75%	75%	$2,500,000	600

SECOND HOME – PURCHASE AND RATE/TERM REFINANCE[1]				
Property Type	**Maximum LTV**	**Maximum CLTV/HCLTV**	**Maximum Loan Amount**	**Minimum Credit Score**
1-Unit PUD Condo Co-op	90%	90%	$3,000,000	680
	85%	85%	$3,000,000	640
	80%	80%	$2,500,000	600

SECOND HOME – CASH-OUT REFINANCE [2]				
Property Type	**Maximum LTV**	**Maximum CLTV/HCLTV**	**Maximum Loan Amount**	**Minimum Credit Score**
1-Unit PUD Condo Co-op	85%	85%	$3,000,000	680
	80%	80%	$3,000,000	640
	75%	75%	$2,500,000	600

INVESTMENT – PURCHASE AND RATE/TERM REFINANCE[1]				
Property Type	**Maximum LTV**	**Maximum CLTV/HCLTV**	**Maximum Loan Amount**	**Minimum Credit Score**
1-4 Units PUD Condo Co-op	80%	80%	$3,000,000	680
	75%	75%	$3,000,000	640
	70%	70%	$2,500,000	600

INVESTMENT – CASH-OUT REFINANCE [2]				
Property Type	**Maximum LTV**	**Maximum CLTV/HCLTV**	**Maximum Loan Amount**	**Minimum Credit Score**
1-4 Units PUD Condo Co-op	75%	75%	$3,000,000	680
	70%	70%	$3,000,000	640
	65%	65%	$2,500,000	600

1. **Interest Only Loans:**
   - **Must follow Cash Out Refinance LTV maximums**

- First Time Home Buyers not allowed

2. Refer to Cash Out Refinance section for cash out limits.

PROGRAM SUMMARY

The Advantage program offers expanded eligibility guidelines including alternative income documentation for qualification and reduced seasoning on major derogatory events.

While the Advantage product is considered a Non-QM product and not subject to QM testing, loans are still subject to Federal, State and Municipal predatory testing. As such, these products may not be eligible in some states.

PRODUCTS OFFERED

Product Name	Loan Term	Interest Only Term	ARM Disclosure
Advantage 30-Year Fixed	30 years	n/a	n/a
Advantage 30-Year Fixed (10yr IO)	30 years	10 years	
Advantage 40-Year Fixed	40 years	n/a	
Advantage 40-Year Fixed (10yr IO)	40 years	10 years	
Advantage 7/6 ARM	30 years	n/a	Doc. #3384
Advantage 7/6 ARM (10yr IO)	30 years	10 years	Doc. #3395
Advantage 10/6 ARM	30 years	n/a	Doc. #3384
Advantage 10/6 ARM (10yr IO)	30 years	10 years	Doc. #3397

PREPAYMENT PENALTY

Not allowed.

HIGHER PRICED MORTGAGE LOAN (HPML)

Higher Priced Mortgage Loans are allowed. High Cost loans are not eligible.
Refer to Compliance procedures, Doc #4801 for HPML requirements.

LOAN AMOUNTS

Minimum: $100,000

Maximum: Refer to Eligibility Grids above

CASH OUT REFINANCE

The maximum cash back to borrower includes non-mortgage debt to be paid off. Maximum cash out is determined by LTV:

LTV	Max Cash Out
> 55%	$500,000
<= 55%	$750,000

MORTGAGE INSURANCE

Not required.

MINIMUM CREDIT SCORE

Refer to Eligibility Grids above.

QUALIFYING RATE AND PAYMENT

30 YEAR FIXED
Note rate amortized over 30 years

30 YEAR FIXED INTEREST ONLY
Note rate amortized over 20 years

40 YEAR FIXED
Note rate amortized over 40 years

40 YEAR FIXED INTEREST ONLY
Note rate amortized over 30 years

7/6 & 10/6 ARM AMORTIZING
Greater of Note Rate or fully-indexed rate amortized over 30 years

7/6 & 10/6 ARM INTEREST ONLY
Greater of Note Rate or fully-indexed rate amortized over 20 years

QUALIFYING RATIOS

Credit Score	Full Documentation	Alternative Documentation
680+	55%	50%
600-679	50%	50%

For qualifying debt to income ratios > 45%, borrower must meet residual income requirements per Residual Income Worksheet, Doc #3279.

RESERVES

Occupancy	Loan Amount	Required Verified PITIA Reserves [3,4]
Primary Residence	≤ $1,500,000	6 months
	$1,500,001 - $3,000,000	12 months
Second Home	All loan amounts	12 months
Investment	All loan amounts	12months

3. **Borrowers with multiple (more than 1) financed properties require the greater of nine (9) months or stated higher reserve amount above plus an additional two (2) months of reserves for each additional financed property. The two (2) months additional reserves are based on the PITI plus HOA fees of the other financed properties. For primary residence transactions, this requirement can be waived for borrowers who have a minimum of 12 months' reserves on the primary residence.**
4. **For Interest Only loans, reserves are calculated on the qualifying payment PITIA**

INTERESTED PARTY CONTRIBUTIONS [5]

Occupancy	CLTV/HCLTV	IPC Allowance
All Occupancy Types	≤ 80%	6%
	> 80%	3%

5. HOA dues are not allowed to be included in an interested party contribution

MINIMUM BORROWER CONTRIBUTION
Borrower must contribute at least 3% from their own funds, regardless of LTV/CLTV.

ELIGIBLE BORROWERS
- U.S. Citizens
- Permanent Resident Aliens
- Non-permanent Resident Aliens
- First-Time Homebuyers
  - Not allowed on investment properties
  - Interest Only not allowed

ELIGIBLE PROPERTY TYPES
- 1 to 4-unit properties
- Warrantable low, mid and high-rise condos. Condo conversions are not allowed.
- Planned unit development (PUD)
- Co-ops meeting FNMA requirements in one of the five boroughs of New York:
  - Bronx
  - Brooklyn
  - Manhattan
  - Queens
  - Staten Island
- Modular homes
- Properties with up to 20 acres (total property acreage must be included on appraisal)
  - For properties >10 to 20 acres:
    - Maximum 35% land to value
    - No income producing attributes
- Earthquake Area/Seismic Study Zone
  - Earthquake insurance is required if the appraisal report or any other document (survey or title work) indicates the subject is located on or in close proximity to a fault or seismic study area. If no mention is made regarding earthquake exposure, insurance must not be required.

INELIGIBLE PROPERTY TYPES
- Non-warrantable condos
- Manufactured housing
- Earth homes, berm homes or basement homes
- Properties with square footage < 600 feet
- Properties purchased through Auctions
- Properties located in lava zones (all zones)

NUMBER OF FINANCED PROPERTIES

A borrower may not have more than ten (10) residential properties financed including their primary residence. Joint ownership in residential real estate is considered the same as total ownership and is subject to the same restriction. Refer to the reserves section for minimum required reserves for borrower's who own more than the subject property.

APPRAISAL REQUIREMENTS

All appraisals must be reviewed by the appraisal department.

Loan Amount	Appraisal Requirement
Up to $1,500,000	One Full Appraisal
> $1,500,000	Two Full Appraisals

All loan amounts up to $1,500,000 require a secondary valuation product. The secondary valuation must be within -10% tolerance of appraised value. Acceptable products are:

- Consolidated Analytics CCA Product. Refer to *Doc. #4910, Clear Capital & Consolidated Analytics Product Requirements* for instructions on how to order the product.
- CDA or Enhanced Desk Review
- Field Review
- Second full appraisal

Please note: For all transactions, the borrower may not waive the three business day timing requirement for the receipt of a copy of the appraisal.

UNDERWRITING

All guidelines not addressed in this product description must meet the parameters documented in our *Non-Agency Underwriting Guidelines.*

- Manually underwritten. Not eligible for AUS submission.
- Fourth Party Originations are not eligible.

ASSETS

All asset guidelines not addressed in this section must meet the parameters documented in our *Non-Agency Underwriting Guidelines*

BUSINESS ASSETS

Funds from a business account (if the Borrower is the sole owner of the company and the company's CPA provides a statement indicating withdrawal of the funds will not negatively impact the business) may be used for down payment and reserves.

CRYPTO CURRENCY

Not eligible for funds to close or reserves.

GIFT FUNDS INCLUDING GIFT OF EQUITY

Gift funds can be used for down payment or to pay closing costs. The following parameters apply:

- Signed gift letter is provided, indicating:

- Donor's relationship to Borrower, (donor must be related to the Borrower);
- Donor's address, and phone number, and;
- Dollar amount of gift; and
- Certification it is an outright gift with no repayment required.

- Evidence of the donor's ability to provide funds, with 60 days' sourcing and seasoning;
- Evidence of transfer of funds such as a cancelled check or evidence of wire transfer from donor to Borrower. Documentation must also include a bank statement or other evidence from the depository institution that receives the funds;
- Borrower minimum contribution is 3% of purchase price from their own source of seasoned funds.

Gifts of equity may be given provided all of the following are met:

- Signed gift letter is provided; and
- Gift of equity is listed on the HUD-1 or Closing Disclosure.

Gift funds not permitted:

- From any donor other than a relative or Family Member of the Borrower;
- From any donor that is a party to the transaction, (other than a gift of equity from the
- seller); or
- From any donor that is a real estate builder, developer or in the business of owning, financing, or selling real estate.
- Investment properties

LARGE DEPOSITS

Any large deposit not consistent with the Borrower's employment, earnings or savings profile must be fully explained and sourced with acceptable documentation in order to be eligible for down payment, closing costs, earnest money deposit and reserves. A large deposit is considered to be any amount greater than either: one (1) month total gross income or five (5)% of the loan amount.

A signed letter of explanation from the Borrower is required in these instances and must sufficiently explain and source the funds. All funds used for these purposes must be from an acceptable source and clearly not the result of undisclosed Borrower funds, debt, or an incentive from an interested party such as a seller, real estate agent or developer.

RETIREMENT ACCOUNTS

When used as reserves, Retirement Accounts, including personal IRA and SEP-IRA accounts that are owned by the Borrower, 401(k), KEOGH, 403(b) and other IRS qualified retirement plans:

- Up to 60% of the vested amount, less any outstanding loans secured by account funds, may be counted toward Reserves, and
- Not more than 50% of the Borrower's total minimum required Reserves may be from these sources OR;
- If the borrower is of retirement age, 100% of funds may be used for reserves if the account is not also an income source.

CREDIT REQUIREMENTS

All credit guidelines not addressed in this product description must meet the parameters documented in our *Non-Agency Underwriting Guidelines*

MINIMUM TRADELINE REQUIREMENT

Each individual borrower contributing income for qualifying purposes must meet the following:

- Minimum of three tradelines required
    - At least one tradeline has been open/active in the last 12 months
    - At least one tradeline has a 24 month history (open or closed)
    - VOR can be counted as a trade line
    - Authorized user accounts are not counted towards the tradeline requirements

ALTERNATIVE CREDIT HISTORY

Not eligible.

MORTGAGE/RENT HISTORY REQUIREMENTS:

- The borrowers previous housing payment history is required. The file must contain verification of the borrower's 12 month payment history on the primary residence, any mortgage loans on a second home or investment property.
- For all occupancy types, no mortgage payment, including subordinate liens may be (to date of loan application): 0x90 in the last 12 months (NOTE: If credit contains a housing event as listed under the Derogatory Credit section, the mortgage history requirement must be met, regardless of the seasoning of the housing event.)
- Mortgage payment history - the file must contain a 12 month payment history (or since origination, whichever is less) for all mortgages including subordinate liens. Mortgage history must be verified from the credit report and other acceptable documentation, such as a Verification of Mortgage (VOM) completed by a financial institution.
- Rental payment history – if the borrower previously paid rent for their residence, then the borrowers rental housing payment history is required. Payments must be documented via an institutional Verification of Rent (VOR), or cancelled checks/bank records. A VOR from an individual or a private party landlord does not meet the requirement of verifying the borrower's prior housing payment history.
- Borrowers who have lived in a rent-free situation are ineligible. If a borrower has lived in a temporarily rent-free situation for a time period of 3 months or less, and the prior 12 months can be documented, this is acceptable. (example: borrower sold residence then lived with family rent free until a new home was available).

DEROGATORY CREDIT:

HOUSING EVENTS

Housing Events do not require a seasoning period if there is a single event, but the Housing Event must be settled at time of closing. If there are multiple events, there is a three (3) year seasoning from the date of the last Housing Event. (***NOTE***: The mortgage history requirements always take precedence over housing event seasoning.)

- Housing Event is defined as a Foreclosure, Short Sale, Deed in Lieu, Loan Modification, Notice of Default, Forbearance or 120+ Days Delinquent;

- Defaulted first and second on same property is considered one event;
- Housing Events that occur on the same property are considered a Single Housing Event. For example, Borrower's primary residence is 120+ Days DQ, then goes into Foreclosure;
- Multiple Housing Events occur when two (2) or more separate properties have Housing Events within a three (3) year period. For example, Borrower's primary residence goes into Foreclosure, as well as his or her investment property;
- Events include all occupancy types – Primary, 2nd Home & Investment Properties
- Seasoning look back is from the date of discharge or property resolution (completion date), as of the note date;
- Forbearance, or repayment plans, for any property/mortgage owned by the borrower, must be completed with all related financial obligations satisfactorily met AND at least three (3) consecutive timely payments made as of the application date of the new loan
- Modification look back commences at inception;
- Bankruptcy ("BK") is not considered a housing event and is permitted in combination with a housing event;
- Foreclosures included in bankruptcy permitted based on BK discharge date if the borrower has vacated the property; and
- Foreclosure, Short Sale, Deed in Lieu, and Loan Modification must be settled at time of closing

BANKRUPTCIES

Bankruptcies require a 12 month seasoning period:

- Chapter 7 bankruptcies – Duration since bankruptcy is calculated from the discharged or completed date to the loan application date;
- Chapter 13 bankruptcies – Duration since bankruptcy is calculated from the discharged, or dismissed or completed date to the loan application date; and
- Borrowers who are under the repayment plan of a Bankruptcy are not eligible.

COLLECTIONS, CHARGE-OFFS, JUDGMENTS & LIENS

All delinquent credit that will impact title – including delinquent taxes, judgments, charge-off accounts, tax liens and mechanics liens must be paid off prior to or at closing. Title must insure the lien position without exception. Any item secured against the subject must be paid in full.

However, collection accounts, charged-off accounts and judgments that do not impact title are not required to be paid off if the sum total of all derogatory accounts is $5,000 or less. When total exceeds $5,000, all must be paid in their entirety and all past due accounts brought current. Medical collections are allowed to remain outstanding as long as the balance is less than $10,000 in aggregate.

DELINQUENT CREDIT BELONGING TO EX-SPOUSE

Delinquent credit which belongs to an ex-spouse may be excluded from the credit evaluation when all of the following apply:

- File contains a copy of the divorce decree or separation agreement which shows the derogatory accounts belong solely to the ex-spouse;
- Late payments that have occurred after the date of the divorce or separation; and
- If debt in question is a mortgage, evidence of title transfer prior to any delinquent debt must be provided and evidence of "buyout" as part of court proceedings.

DELINQUENT CREDIT BELONGING TO CO-SIGNER

A Co-signer is considered a Borrower on the loan, and therefore delinquent credit that belongs to a cosigner must be considered when evaluating the loan.

WRITTEN EXPLANATIONS

All significant derogatory events including previous housing events and bankruptcies require a written letter of explanation from the borrower(s).

INCOME DOCUMENTATION

Income documentation is broken down into two sections, Full Documentation (2 year traditional documentation) and Alternative Documentation (1 year of income documentation). Refer to each section for requirements.

All income guidelines not addressed in this section must meet the parameters documented in our *Non-Agency Underwriting Guidelines.*

GAPS IN EMPLOYMENT

Borrower must explain, in writing, any job gaps that span one (1) month or more.
For borrower re-entering the work force after an extended absence, borrower must be employed at current job for a minimum of 6 months. A previous 2 year work history prior to the gap must be documented.

FULL INCOME DOCUMENTATION

Full Documentation requires 24 months of verified income and employment history that can reasonably be expected to continue, and verification of assets for funds to close (if applicable) and required reserves. Regardless of income source and in addition to other verification required or provided, each Borrower must sign an IRS Form 4506-C, which must be executed by the originator. Process the executed IRS Form 4506-C to obtain full tax return transcripts for the two (2) most recent years. Refer to the Non-Agency guides for all other income documentation requirements not addressed below.

COMMISSION INCOME

Commission income must be averaged over the previous two (2) years. To qualify commission income, the Borrower must provide:

- Copies of signed tax returns for the last two (2) years and most recent pay stub.

Borrowers whose commission income was received for more than one (1) year, but less than two (2) years may be considered favorably if the underwriter can:

- Document the likelihood that the income will continue and soundly rationalize accepting the commission income.

Notes:

- Unreimbursed business expenses must be subtracted from gross income;
- A commissioned Borrower is one who receives more than 25 percent of his/her annual income from commissions; and
- A tax transcript obtained directly from the IRS may be used in lieu of signed tax returns.

Qualifying Commission Income Earned for Less Than One Year.

- Commission income earned for less than one (1) year is not considered effective income.
- A Borrower's income may also qualify when the portion of earnings not attributed to commissions would be sufficient to qualify the Borrower for the mortgage.

RESTRICTED STOCK UNITS

Restricted Stock Units (RSUs) and Stock Options may only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the pay stubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of three (3) years at a similar level as prior three (3) years.

A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, and; The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule. using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve (12) months reporting at the time of application.

Additional awards must be similar to the qualifying income and awarded on a consistent basis. There must be no indication the borrower will not continue to receive future awards consistent with historical awards received.

Borrower must be currently employed by the employer that issued the historically received RSUs/stock options for the RSUs/stock options to be considered in qualifying income.

Stock must be a publicly traded stock and listed on a U.S. exchange.

Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify.

<u>OTHER INCOME</u>

401K/IRA RETIREMENT INCOME

Distributions from a retirement account, such as a 401(k), IRA, SEP or Keogh retirement account can be used as qualifying income provided there is a three (3) year continuance. Document regular and continued receipt of the income for, as verified by:

- Letters from the organizations providing the income;
- Copies of retirement award letters;
- Copies of signed federal income tax returns;
- IRS W-2 or 1099 forms; or
- Proof of current receipt.

When retirement income is paid in the form of a distribution from a 401(k), IRA, or Keogh retirement account, determine whether the income is expected to continue for at least three years after the date of the mortgage application. In addition:

- The borrower must have unrestricted access without penalty to the accounts; and
- Retirement income received from an asset-based retirement account (i.e. 401k) requires 2 months receipt of income.
- If the assets are in the form of stocks, bonds, or mutual funds, 70% of the value (remaining after any applicable costs for the subject transaction) must be used to determine the number of distributions remaining to account for the volatile nature of these assets.

MINISTER/CLERGY INCOME

Ministers and members of the clergy are generally considered self-employed unless exempted by IRS from self-employment taxes. If exempt an exception from the IRS must be provided.

Rental or housing allowance received may be considered income for qualifying the Borrower. Written documentation such as a VOE provided by the church, must be obtained showing receipt of this income. The borrower's paystub must also reflect receipt of the housing allowance. If the Borrower is newly employed, obtain a copy of the church budget (in lieu of a check) showing funds have been allocated for housing allowance. The housing allowance, although not subject to federal income taxes, is subject to self-employment taxes. Gross income on Schedule SE of the Borrower's IRS Form 1040 must including housing allowance paid.

SELF-EMPLOYED

A Borrower is considered self-employed where he or she has a 25% or more ownership interest in a business. Borrowers who are self-employed but are not using self-employment income to qualify, do not have to meet the self-employed income requirements below if the income is positive and not being used. Qualifying income must be calculated using Fannie Mae’s cash flow analysis (Form 1084) or a comparable income analysis form.

Income from self-employment must be received by the Borrower and documented for two (2) years (or more) to be used as qualifying income. The Borrower must own the business for the most recent two (2) years.

GENERAL DOCUMENTATION REQUIREMENTS FOR SELF-EMPLOYED BORROWER

- Signed, dated individual tax returns, with all applicable tax schedules for the most recent two (2) years;
- For a corporation, “S” corporation, or partnership, signed copies of Federal business income tax returns for the last two (2) years, with all applicable tax schedules; and
- Year-to-date profit and loss (P&L) statement and balance sheet (including sole-proprietorships)

ESTABLISHING EARNINGS TREND FOR A SELF-EMPLOYED BORROWER

When qualifying income, the creditor must establish the Borrower's earnings trend from the previous (2) two years using the Borrower's tax returns. If a Borrower:

- Provides quarterly tax returns, the income analysis may include income through the period covered by the tax filing; or
- Is not subject to quarterly tax returns, or does not file them, then the income shown on the P&L statement may be included in the analysis, provided the income stream based on the P&L is consistent with the previous years' earnings;
- If the P&L statements submitted for the current year show an income stream considerably greater than what is supported by the previous year's tax returns, the creditor must base the income analysis solely on the income verified through the tax returns;
- If the Borrower's earnings trend for the previous two (2) years is downward and the most recent tax return or P&L is less than the prior year's tax return, the Borrower's most recent year's tax return or P&L must be used to calculate his/her income.

ANALYZING THE FINANCIAL STRENGTH OF THE BUSINESS

The creditor must consider the business's financial strength by examining annual earnings. Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable

ALTERNATIVE INCOME DOCUMENTATION - 1 YEAR DOCUMENTATION PROGRAM

Loans that are part of the 1 Year Documentation require only 1 year of income docs versus the Full Documentation Program which requires 2 years. Originators should refer to full documentation guidelines for specifics on income requirements (i.e. rental income requires 2 years) except as stated below.

WAGE EARNERS:

- One year W2 plus most recent pay stub including year-to-date earnings (YTD must cover minimum of 30 days), and a Written Verification of Employment (if needed for the analysis of overtime, bonus or commission);
- IRS 1040s are not required unless also using other sources of income to qualify i.e. self-employment, interest/dividends, rental income, fixed income (retirement/social security/ child support/alimony;
- 4506-C W2 transcripts (If 1040 transcripts are provided, W2 transcripts are not required). In the case where taxes have been files and the wage transcripts are not available from the IRS, the IRA response to the request must reflect, “No Record Found” and be present in the loan file. Evidence of any IRS filing extensions must be present in the file.

SELF-EMPLOYED BORROWERS:

- Borrowers must be at least 25% self-employed to qualify;
- One-year personal and business tax returns (along with all schedules and K-1’s) plus a borrower prepared P&L covering time period since last tax filing;
- All Borrowers must also provide evidence that business has been in existence for at 2 least years via CPA/Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau;
- Self-employed borrower income in a licensed profession (i.e. Medical, Legal, Accounting) will be considered from a business that’s been in existence for less than 2 years, but greater than 1 year if the borrower has at least 2 years of documented previous experience in the same profession, or evidence of formal education in a related field; and
- IRS FORM 1040 personal and business 4506-C tax transcripts required for the tax return year used for qualifying

ASSET DEPLETION

This can be combined with other sources of income (i.e. rent, pension, social security etc.) and W2 income but cannot be used in conjunction with other asset-related income derived from the same source such as Interest/Dividend income, Capital Gains, etc.

Qualifying Income: Qualified Assets divided by 120 (10 year utilization draw schedule)

Qualified Assets: Net Assets (excluding any funds being used for down payment, cash to close and/or reserves) multiplied by the following percentages:

- 100% of the value of checking/savings/money market;
- 85% of the remaining value of stock/bonds/mutual funds/CDs; and

- 80% for all retirement assets regardless of age. Must meet FNMA criteria for unrestricted access.

RENTAL INCOME

Rental income from the subject property, as well as from a non-subject property, can be used as qualifying income. The Borrower must provide individual Federal income tax returns for the prior two (2) years, including Schedule E, to verify a 2-year history of property management. All properties are not required to be in service for 2 years to use rental income. Short term rental income can only be used with a 2-year history of receipt for that property on the tax returns, leases are not acceptable to document income.

The underwriting analysis may not consider rental income from any property being vacated by the Borrower, except under the circumstances described below.

Rental income shall be analyzed in the following manner:
If rental properties are acquired since the last income tax filing and not shown on Schedule E, using a current signed lease or rental agreement, the rental income is calculated by reducing gross rental amount by 25% for vacancies and maintenance and subtracting PITIA.

When the Borrower is purchasing a new property as an Owner Occupied residence, but will still retain ownership of their existing residence which is being converted to an investment property, the following requirements apply:

- Up to 75% of the rental income can be used to offset the mortgage payment (PITIA) of the property being retained and rented, if there is:
- A fully executed lease agreement AND either:
    - A copy of the tenant's check for security deposit as well as proof of deposit into the Borrower's account; or
    - The first month of rental payment as well as proof of deposit into the Borrower's account is required

Note: The requirement for a two year history of property management to use rental income applies to departure properties.

LIABILITIES

All liability guidelines not addressed in this section must meet the parameters documented in our *Non-Agency Underwriting Guidelines*

BRIDGE LOANS

Bridge loans - a payment is not required to be included in the DTI when the term of the loan balloons in 6 months or less.

STUDENT LOANS

If a monthly student loan payment is provided on the credit report, the lender may use that amount for qualifying purposes. If the credit report does not reflect the correct monthly payment, the lender may use the monthly payment that is on the student loan documentation (the most recent student loan statement) to qualify the borrower.

If the credit report does not provide a monthly payment for the student loan, or if the credit report shows $0 as the monthly payment, the lender must determine the qualifying monthly payment using one of the options below:

- If the borrower is on an income-driven payment plan, the lender may obtain student loan documentation to verify the actual monthly payment. The use of estimated income-based payments is not allowed. If the payment is $0 the borrower must qualify using the guides listed below for deferred loan/loans in forbearance/income-driven payment of $0.
- For deferred loans, loans in forbearance, or income-driven payment of $0 the lender must calculate
  - a payment equal to 2% of the outstanding student loan balance, or
  - a fully amortizing payment using the documented loan repayment terms

Student loans listed as delinquent must be brought current. If a student loan is charged off, the total will be included in the cumulative charge off balance in the last 24 months. If a student loan is placed for collection, get a copy of the repayment agreement, a copy of a canceled check and include the payment in the DTI.

TRANSACTION TYPES

PURCHASE TRANSACTIONS

- The seller must be on title for a minimum of 181 days (from the date seller takes title to date sales contract executed); and
- 12 month chain of title to ensure not a flip transaction. Property flipping schemes and other similar type transactions are not permitted.

RATE/TERM REFINANCE

- Cash to borrower may not exceed $5,000.
- Borrower must meet Continuity of Obligation guides.
- 12 month chain of title is required
- Properties listed for sale in the last six (6) months are eligible for a rate/term refinance only if the property is removed from the market prior to the application date and a motivation letter is provided.
  - Not allowed on investment properties.

CASH OUT REFINANCE

- A minimum of six (6) months must have elapsed since the most recent mortgage transaction on the subject property (either the original purchase transaction or subsequent refinance). This timeframe is measured from the note date of the previous transaction to the note date of the current transaction.
- 12 month chain of title is required.
- Properties listed for sale in the last six (6) months are not eligible for a cash out refinance transaction. This time frame is measured from the date the property was no longer listed or offered for sale to the application date of the current transaction.

DELAYED FINANCING

Borrowers who purchased the subject property within the past six months (measured from the date on which the property was purchased to the disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the following requirements are met:

- The original purchase transaction was an arms-length transaction.
- The borrower(s) may have initially purchased the property as one of the following:

- A natural person; an eligible inter vivos revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust; or
- An eligible land trust when the borrower is the beneficiary of the land trust; or an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.

The new loan amount can be no more than the actual documented amount of the borrower's initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV, CLTV, and HCLTV ratios for the cash-out transaction based on the current appraised value).

All other cash-out refinance eligibility requirements are met. Cash-out pricing is applicable. Refer to the Non-Agency guides for all documentation requirements.

CONTINUITY OF OBLIGATION

For a refinance transaction (either rate and term/limited cash-out or cash-out), there must be a continuity of obligation if there is currently an outstanding lien that will be satisfied through the refinance transaction.

An acceptable Continuity of Obligation exists when any of the following exist:

- There is at least one (1) Borrower obligated on the new loan who was also a Borrower obligated on the existing loan that is being refinanced;
- The Borrower has been on title and residing in the property for at least six (6) months and has either paid the mortgage for the last six (6) months or can demonstrate a relationship (parent, spouse, domestic partner, sibling, etc.) with the current obligor;
- The Borrower has recently inherited or was legally awarded the property (divorce, separation); or
- The existing loan being refinanced and the title have been held in the name of a natural person or a limited liability company as long as the Borrower was a member of the limited liability company prior to transfer. The loan must have been transferred out of Limited Liability Company prior to application. Transfer of ownership from a corporation to individual does not meet Continuity of Obligation.

NON-ARM'S LENGTH TRANSACTION

Non-arm's length transactions involve a personal relationship or business relationship (outside of the subject transaction) between the Borrower and any interested party to the transaction. These transactions must be fully disclosed as such and the appraiser must be informed of the non-arm's length transaction and address whether or not the market value has been affected.

A "family member" is defined as the Borrower's spouse, child, dependent, domestic partner, fiancé, fiancée, or any other individual related to the borrower by blood, marriage, adoption, or legal guardianship.

Non-arm's length transactions are considered only under the following conditions:

- Relationships are clearly disclosed with initial submission;
- Primary residence only;
- Additional risk factors are not present (i.e., distress sale, selling assets for down
- payment, etc.);
- Loans made to principals or employees of the lender or service provider cannot provide services on their own transactions (closing agent, title agent, appraiser, etc.); and

- In purchase transactions where the lender is a corporation, partnership or any other business entity, the seller must ensure that the Borrower is not one of the owners of the business entity selling the subject property.

Family transactions occur when a family member deeds the title to their home to another family member.

The following apply to family transactions:

- Relationships are clearly disclosed with initial submission;
- Primary residence only;
- Purchase contract must be provided;
- A Gift of Equity letter is required to explain the relationship and reason for the gift;
- Appraiser must note this is a non-arm's length transaction;
- Foreclosure bailouts are not allowed. Payoff statement and Verification of Mortgage (VOM) on subject required as verification;
- The HUD-1 must reflect all liens on title are paid and not all loan proceeds going to the family member; and
- Current appraised value is used for LTV purposes.

SUBORDINATE FINANCING

Subordinate financing must be provided by a financial institution. Employer seconds are not allowed.

Refer to the *Non-Agency Underwriting Guidelines* for all requirements.

TEXAS REFINANCE LOANS

All refinance loans in Texas will be evaluated against the criteria outlined in our *Non-Agency Underwriting Guidelines,* Texas Home Equity/50(a)(6) Right of Rescission section to determine whether or not they must be originated under the requirements of Section 50(a)(6) of the Texas Constitution. Loans that fall under Section 50(a)(6) are not eligible.

STATE ELIGIBILITY

Available with the following geographic restrictions:

State	Restriction
Puerto Rico	Not Eligible
Virgin Islands	Not Eligible

ADJUSTABLE RATE DETAILS

Interest Rate Adjustment Caps	7/6: Initial: 5% up/down; Subsequent: 1% up/down; Lifetime: 5% up 10/6: Initial 5% up/down, Subsequent: 1% up/down; Lifetime: 5% up
Margin	See Price Indication Sheet
Index	30 Day SOFR (Secured Overnight Financing Rate)
Interest Rate Floor	The interest rate floor is equal to the Margin
Change Dates	7/6 ARM: The first change date is the 84th payment due date. There is a new change date every 6 months thereafter.
	10/6 ARM: The first change date is the 120th payment due date. There is a new change date every 6 months thereafter.
Conversion Option	None
Assumption	Not allowed
Negative Amortization	None

CLOSING DOCUMENTATION

Closing docs may be ordered through Flagstar's Web-Based Closing Docs (WBCD) service available on Loantrac.

FIXED RATE LOANS – FULLY AMORTIZING

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Fannie Mae/Freddie Mac multi-state Fixed Rate Note, 3200-series
- Standard title commitment with all applicable endorsements

FIXED RATE LOANS – INTEREST ONLY

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Interest-Only Period Fixed Rate Note, 3200-series IO or equivalent
- Standard title commitment with all applicable endorsements

ADJUSTABLE RATE LOANS – 7/6 & 10/6 SOFR FULLY AMORTIZING

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Fannie Mae/ Freddie Mac multi-state Adjustable Rate Note, Form #3442
- Fannie Mae/Freddie Mac multi-state Adjustable Rate Rider, Form #3142
- Standard title commitment with all applicable endorsements

ADJUSTABLE RATE LOANS – 7/6 SOFR INTEREST ONLY

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Multistate Interest-Only Period Fixed/Adjustable Rate Note, Form #3442 IO or equivalent
- Multistate Interest-Only Fixed/Adjustable Rate Rider, Form #3142 IO or equivalent
- Standard title commitment with all applicable endorsements

ADJUSTABLE RATE LOANS – 10/6 SOFR INTEREST ONLY

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series
- Multistate Interest-Only Period Fixed/Adjustable Rate Note, Form #3442 IO or equivalent

- Multistate Interest-Only Fixed/Adjustable Rate Rider, Form #3142 IO or equivalent
- Standard title commitment with all applicable endorsements

IF APPLICABLE

- Fannie Mae/Freddie Mac multi-state Condo Rider, Form #3140
- Fannie Mae/Freddie Mac Multi-state PUD Rider, Form #3150
- Fannie Mae/Freddie Mac multi-state 1-4 Family Rider, Form #3170
- Fannie Mae-Freddie Mac multi-state Second Home Rider, Form #3890