Simple Access Program

Fixed Rate and 7/1 or 10/1 ARM

The Simple Access program has four documentation options. An overview and option specific requirements are detailed on pages 4-29. General program guides begin on page 30

Full Doc, Bank Statement, and Asset Qualifier [5, 6, 9]				
1-4 Unit Primary Residence				
Transaction Type	**Credit Score**	**LTV/CLTV [1]**	**Maximum Loan Amount [2,3]**	**DTI [7]**
Purchase and Rate/Term Refinance	740	85%	$1,500,000	50
	720	80% [1]	$2,000,000 [8]	50
	700	75%[1]	$2,000,000 [8]	50
	680	70%	$2,000,000 [8]	50
	660	70%	$1,000,000	50
	660	65%	$2,000,000 [8]	50
	620 [8]	65%	$1,000,000 [8]	50
	620 [8]	60%	$2,000,000 [8]	50
Transaction Type	**Credit Score**	**LTV/CLTV**	**Maximum Loan Amount [2,3]**	**DTI [7]**
Cash-Out [4,6]	740	75%	$2,000,000 [8]	43%
	720	70%	$2,000,000 [8]	50
	700	65%	$2,000,000 [8]	50
	660	65%	$1,000,000	50
	660	60%	$2,000,000 [8]	50

Footnotes:

1. **Connecticut, New Jersey, and New York: Maximum 75% LTV**
2. New York transactions: **Owner-occupied only**: Minimum loan amount must be $1 greater than the applicable conforming loan amount for the number of units in the county where property is located
3. Minimum loan amount $100,000
4. Maximum cash-out $500,000
5. Interest-only eligible
6. Texas Section 50(a)(6) (aka Texas equity) eligible 1-unit only; Refer to the Texas Section 50(a)(6) topic for requirements
7. DTI not applicable to Asset Qualifier
8. **620-659 credit score eligible for Full Doc option ONLY**

Full Doc, Bank Statement, and Asset Qualifier [4]				
1-Unit Second Home				
Transaction Type	**Credit Score**	**LTV/CLTV**	**Maximum Loan Amount [1,2]**	**DTI [5]**
Purchase, Rate/Term and Cash-Out Refinance [3]	740	75%	$1,500,000	43
	720	70%	$1,500,000	50
	700	65%	$1,500,000	50
	680	65%	$1,000,000	50
	680	60%	$1,500,000	50

Footnotes:

1. New York transactions: **Owner-occupied only**: Minimum loan amount must be $1 greater than the applicable conforming loan amount for the number of units in the county where property is located
2. Minimum loan amount $100,000
3. Maximum cash-out $500,000
4. Interest-only eligible
5. DTI not applicable to Asset Qualifier

Full Doc, Bank Statement, Investor Cash Flow, and Asset Qualifier [4]				
1-4 Unit Investment				
Transaction Type	**Credit Score**	**LTV/CLTV**	**Maximum Loan Amount [2]**	**DTI [5]**
Purchase, Rate/Term, and Cash-Out Refinance	740	75%	$1,500,000	43
	720	70% [1]	$1,500,000	50
	700	65%	$1,500,000	50
	680	65%	$1,000,000	50
	680	60%	$1,500,000	50

Footnotes:

1. Investor Cash Flow option **only**: Non-permanent resident aliens' maximum is the lesser of 65% LTV/CLTV or the applicable LTV/CLTV for the credit score/loan amount
2. Minimum loan amount $100,000
3. Maximum cash-out $500,000
4. Interest-only eligible
5. DTI **not applicable** to Investor Cash Flow and Asset Qualifier

<table>
<tr><th colspan="2">Full Documentation Eligibility and Summary</th></tr>
<tr><th colspan="2">Full Documentation</th></tr>
<tr><td>Overview</td><td>• The Full Doc program is available for both salaried and self-employed borrowers.
• Fannie Mae guidelines apply to topics not addressed in the Full Doc Eligibility and Summary topic or the Simple Access Guidelines</td></tr>
<tr><td>Borrower’s Income Type Eligibility</td><td>• Wage earner/salaried borrowers. Generally, 2 years employment in the same line of work required however < 2 years acceptable on case-by-case if training/education in the same field is acceptable substitute.
• Self-employed borrowers (defined as an individual who has a 25% or greater ownership interest in a business). Self-employed borrower must have a minimum of 2 years self-employment. The following must be considered when analyzing self-employed borrowers:
- The stability of the income
- The location and nature of the business
- The demand for the product or service offered by the business
- The financial strength of the business, and
- The ability of the business to continue generating and distributing sufficient income that will allow the borrower to meet ATR requirements
NOTE: 1-2 years self-employment may be considered on a case-by-case basis with 2 years previous employment in the same line of work with no gaps
• A borrower who converts from W-2 to 1099 in the previous year and the filed tax returns are not available are eligible on a case-by-case basis subject to Homebridge management review and approval. The following applies
- The borrower is in the same or substantially similar role in their contractor position as they were in the W-2 employee position in the same industry, and
- A contract, stating the new terms of the borrower’s employment, is provided, and
- Two years employment in the same line of work prior to converting to 1099 must be documented.
- Two years most recent tax returns and a year-end and/or YTD P&L and balance sheet. Expenses claimed on the P&L must be reasonable for the line of work
- The new 1099 income must be greater than or equal to their previous W-2 income
- The previous 2 years W-2s (less 2106 expenses, if applicable) will be used to determine the average income for qualifying. The P&L must support the income.</td></tr>
<tr><td>4506-T/Tax Returns</td><td>• A signed 4506-T and applicable tax transcripts (W-2, 1099, 1040) covering the number of years provided
• 4506-T results must be validated against the income documentation
• Broker provided processed 4506-T results are not eligible</td></tr>
<tr><td>Assets</td><td>Refer to the Assets topic in the general guidelines section for detailed requirements</td></tr>
<tr><td>Borrowers - Eligible</td><td>Refer to the Borrowers - Eligible topic for complete list of eligible borrowers and requirements</td></tr>
<tr><td>Debt-to-Income</td><td>• Maximum 50% DTI. Refer to the Debt to Income topic in the General Underwriting section for complete requirements
• DTI cannot be rounded down to qualify
Additional DTI Requirements
• DTI > 43% to 50% requires residual income of a minimum of $1500 per month</td></tr>
</table>

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<tr><th colspan="2">Full Documentation Eligibility and Summary</th></tr>
<tr><th colspan="2">Full Documentation (cont.)</th></tr>
<tr><td>Derogatory Credit– Significant Events</td><td>
Derogatory credit events are measured from the completion date of an event to the application date of the loan. All derogatory credit events must be completed prior to the application date

Significant derogatory credit events include:

Foreclosure, Deed-in-Lieu of Foreclosure,
Short sale, short payoff,
Pre-foreclosure including Notice of Default or Lis Pendens
Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings)
Modification

Waiting Period Requirements

A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date
A 2-4 year waiting period, measured from completion/dismissal/discharge date to application date, is eligible with LTV restriction: The maximum LTV is the lesser of:
75% LTV, or
The maximum LTV allowed per the applicable program matrix
A 0-2 year waiting period, measured from completion/dismissal/discharge date to application date, is eligible with LTV restriction: The maximum LTV is the lesser of:

- 70% LTV, or

- The maximum LTV allowed per the applicable program matrix

NOTE: The 2-4 year waiting period guidance applies to any derogatory credit event that is exactly 2-years removed

Forbearance: Mortgage(s)
Borrowers with any mortgage tradeline in a forbearance plan (i.e. one or more mortgages) must meet one of the following requirements:

No Missed Payments:

- If all mortgage payments were made on time, with no missed payments during the forbearance period the loan is eligible with no waiting period, and

- Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled prior to the loan application date
Missed Payments:

- If the borrower missed any payments while in a forbearance plan, the following applies:

1-3 consecutive missed payments during forbearance:

Borrower is eligible, and
Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled, and
A minimum of three (3) monthly payments have been made on time after completion of the forbearance and prior to the loan application date

More than 3 consecutive missed payments during forbearance:

Borrower is ineligible

Forbearance: Non-Mortgage Accounts
Transactions with a non-mortgage account(s) forbearance will be considered on a case-by-case basis subject to Homebridge management review and approval
</td></tr>
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Full Documentation Eligibility and Summary	
Full Documentation (cont.)	
Documentation of Income	Income may be documented using multiple methods as described below **Borrowers who are subject to a temporary salary reduction must be able to qualify on the income most recently documented as of the loan closing date** **Wage Earner Requirements** **<u>Wage Earner/Salaried Borrower Requirements</u>** • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 60 calendar days of the Note date and support income used for qualifying), **and** • The most recent 2 years W-2s, **and** • W-2 transcripts for 2 years, **and** • Written VOE (if required to determine any variable income sources) **<u>Salaried Borrowers with Commission/Bonus or OT Income</u>** • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 60 calendar days of the Note date), **and** • W-2s for previous 2 years, **and** • W-2 transcripts for previous 2 years, **and** • **A written VOE to confirm a 2 year average and proof continuance**. Commission/bonus income received for more than 1-year but less than 2-years years may be eligible on a case-by-case basis **with Homebridge management review and approval.** Documentation that the YTD commission income received is in line with or greater than the average being used to qualify required **NOTE: Overtime income must be received for a minimum of 2-years** and requires documentation that YTD OT income is in line with or is greater than the average being used to qualify • YTD commission income must be equal to or greater than the average being used to qualify **<u>Part-Time or Second Job Income</u>** • Paystub(s) covering 30 consecutive days with YTD earnings (the most recent paystub must be dated within 60 calendar days of the Note date), **and** • The most recent 2 years W-2s, **and** • W-2 transcripts for previous 2 years**, and** • Second job/part-time income used for qualifying will be based on a 2-year average of the W-2s NOTE: Part-time/second job income considered on case-by-case basis with Homebridge management review and approval **<u>Tip/Gratuity Income</u>** • Income received from tips/gratuities may only be used for qualifying income if it has been received for the prior 2-years as evidenced on the W-2s or 1040s • The income is averaged unless declining • Current receipt of tip/gratuity income must be documented and be consistent with the tip income received for the previous 2-years

Full Documentation Eligibility and Summary	
Full Documentation (cont.)	
Documentation of Income (cont.)	**Self-Employed Borrower Requirements** There are two (2) methods for documenting self-employed income. **Method One – One Year's Tax Return** • Maximum DTI 50% • One (1) year personal and business federal tax returns, including all schedules, that cover a 12 month period of self-employment • A borrower prepared profit and loss statement/balance sheet covering the time from the end of the time the tax returns covered (a minimum 6 months' time frame required). • Income is generally calculated using the tax return and comparing it to the trend on the P&L. The income trend should be stable or positive • If the income trend is not stable or positive, two years tax returns are required. • The tax returns provided must cover a 12 month period of self-employment **NOTE:** Year-to-date or year-end profit and loss statement and balance sheet required if the Note date is greater than 2 months from the end date of the most recent tax return (if tax return on fiscal year, P&L and balance sheet requirements are based off of fiscal tax return end date). **Method Two**: - **Two Year's Tax Returns** • Two (2) years most recent tax returns, both personal and business, including all schedules. • Income is generally calculated based on a 24 month average if income is increasing and a 12 month average of the most recent year's returns if income is declining • Declining income will require an explanation and/or additional documentation from the borrower. A borrower prepared year-end and/or YTD P&L and balance sheet may also be required. **NOTE:** Year-to-date or year-end profit and loss statement and balance sheet required if the Note date is greater than 2 months from the end date of the most recent tax return (if tax return on fiscal year, P&L and balance sheet requirements are based off of fiscal tax return end date). **Use of Interim Financials to Determine Qualifying Income** • The borrower may include either year-end or year-to-date financials prepared in accordance with either Method One or Method Two (above) as part of their qualifying income. • The income will be averaged over the period of the tax returns and the P&L provided • The borrower must provide the bank statements from their business account for the period covered by the P&L and the bank statements must show deposits which: - Are part of the borrower's income stream, and - Total at least 90% of the gross receipts listed on the P&L • Regardless of the method used above, the following may be added back to the borrower's income calculation: - Depreciation - Amortization - Pension contributions directly contributed to borrower - Any expenses(s) that can be reasonably documented as one-time/non-recurring - Net operating loss carryforwards from the years prior to the tax returns provided - Business expenses for debts already included in the DTI - Business use of home - Mileage **Business Income Not Used to Qualify** The borrower is **not required** to provide corporate/partnership tax return(s) or interim financials if the income generated by the entity is not considered to qualify. The following applies: • The underwriter must ensure there are no losses from businesses that are not considered • K-1s reflecting income on the tax return(s) which are not being used to qualify and do not reflect losses are not required • K-1s and business returns (as applicable) reflecting losses on the tax return years provided must be provided

Full Documentation Eligibility and Summary	
Full Documentation (cont.)	
Documentation of Income (cont.)	**Documenting the Business** Evidence of the existence of the business for the previous 2 years. A CPA, enrolled agent (EA), or licensed tax preparer letter, or equivalent, is required to verify self-employment. The letter must include: • The name of the business, and • The borrower's percentage of ownership, and • Length of self-employment, and • That the business/borrower is in good standing • The letter **cannot include** any disclaimers as to the accuracy of the information • The letter may be addressed to Homebridge or "To Whom it May Concern" is also acceptable • **The CPA/EA/tax preparer letter cannot be older than 30 days at loan funding** **Additional Self-Employed Required Documentation Due to COVID-19** The following is required to verify current business operations are required prior to loan closing: • A letter of explanation, provided by the borrower, detailing the nature of their business and any impact to the business due to COVID-19, **AND** • The borrower's most recent 2-months' business bank statements from the months' immediately **preceding the loan application** supporting the tax returns and P&L, **OR** • The borrower's most recent 1-month business bank statement that immediately precedes funding that supports the tax returns and P&L
Employment	**Wage Earner/Salaried Borrowers** • Generally, 2 years employment in the same line of work required however < 2 years acceptable on case-by-case if training/education in the same field is acceptable substitute • Gaps in employment greater than 90 days require the borrower to provide a signed letter of explanation • Gaps in employment that are > 6 months require a signed LOE and additional documentation may be requested. The borrower must have a minimum 2-year history in the same line of work prior to the gap • Borrowers must currently be employed. Borrowers with an employment contract that is fully executed by borrower and employer, does not contain any contingencies but the borrower has not commenced employment prior to closing may be considered subject to Homebridge management review and approval • Transactions involving a borrower(s) who are subject to a furlough or salary reduction will be considered subject to Homebridge management review and approval **Self-Employed Borrowers** • Generally a 2-year history of self-employment in the same line of work is required. 1-year history to < 2-years may be considered if the borrower has a minimum 2-year previous work history in the same line of work • Gaps in employment greater than 30 days require the borrower to provide a signed LOE • Gaps in employment > 6 months require a signed LOE and a minimum 2-year history in the same line of work prior to the gap.
Gift Funds	Eligible; refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Eligible; refer to the Gift of Equity topic in the general underwriting guide for requirements

Income – Annuity	Annuity income is eligible subject to the following:
	• A copy of the annuity contract or letters from the organization providing the income is provided
	• The income must continue for a minimum of three (3) years from the closing date of the loan
	• One of the following must be provided to document receipt:
	  - The most recent years' W-2, 1099, or tax returns, **or**
	  - Twelve (12) months bank statements to document the regular deposits of the annuity income

Full Documentation Eligibility and Summary	
Full Documentation (cont.)	
Income - Automobile Allowance	Income received for an automobile allowance is eligible for qualifying subject to the following: • The income has been received for a minimum of two (2) years • Written verification from the borrower's employer **or** paystubs are required to document receipt • The borrower's employer must provide confirmation the allowance will continue • The full amount of the allowance is added to the borrower's monthly income • The full amount of the lease or loan payment is included in the borrower's liabilities.
Income - Boarder	Not eligible
Income – Capital Gains and Losses	Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. If the trend results in a gain, it may be added as effective income**. If the trend consistently shows a loss, it must be deducted from the total income.** • An average of the gain or loss for the previous 2 years, as disclosed on the borrowers 1040 Schedule D, will be used to calculate the income • When the income from this source represents a substantial portion of the borrower's income, tax returns for the previous 3 years must be reviewed (regardless of documentation type) to determine an accurate estimated average of the earnings (e.g. an asset sold during the year might be an income-producing asset, which could result in a reduction in future income) • Borrowers must have an asset base in order to use capital gains on an on-going basis. NOTE: A one-time capital gain or loss will **not** be considered as a gain or loss in determining income available to the borrower.
Income – Distributions from Non-Retirement Account	Income from regular distributions from non-retirement assets are eligible for qualifying as follows: • Two months most recent account statements (all pages) and most current year-end statement required • **A written verification** from the financial institution managing the assets is required to document: - Monthly distributions have been set-up, - The amount and frequency of distributions, and - Duration of the distributions • One month's distribution must have been received prior to closing, • Documentation must be provided that the borrower has owned the assets a minimum of 12 months with unrestricted access • Any deposits > 10% of the face value of the account based on the most recent account statement requires sourcing. • Documentation required the distribution will continue for a minimum of 3 years is required or the income is not eligible • Assets being utilized for income qualifying, and the income generated from the assets, **cannot** be used for down payment or to satisfy reserve requirements • The most recent full month's account statement prior to the closing date is required NOTE: If statements are issued quarterly, a statement(s) with updated balance(s) within 30 days of the Note date may be provided **Eligible Qualifying Balances** • Checking/Savings: 100% • Marketable Securities: 70% **Calculation Method** Any set-up distribution requires an 84 months continuance. *Example:* • Marketable Securities Account Balance: $1,000,000 • 70% of the balance eligible: $1,000,000 x 70% = $700,000 • $700,000 divided by 84 = $8,333 the maximum distribution amount eligible for qualifying

Full Documentation Eligibility and Summary	
Full Documentation (cont.)	
Income – Distribution from Retirement Accounts	Income from regular distributions from retirement accounts are eligible for qualifying subject to: • The borrower must be of retirement age (59 ½ and older), and • One month's distribution must have been received prior to closing, and • Documentation required the distribution will continue for a minimum of 3 years is required or the income is not eligible, and • 70% of the vested value to determine the qualifying balance, and • The most recent full month's account statement, prior to the closing date, is required
Income – Family Owned Business	Borrowers employed by a family member in a family owned business must provide evidence that they are not an owner of the business by providing copies of signed personal tax returns, or a copy of the corporate tax return showing ownership percentage.
Income – Fixed	Fixed income includes alimony/child support, retirement/pension, social security (including dependent's social security), temporary/permanent disability, and VA disability. Fixed income is an eligible source of income subject to the following: • Evidence of the borrower's receipt of the income and the probability the income will continue for a minimum of 3 years past the application date must be provided. - Alimony/child support income requires a copy of the final divorce decree, separation agreement, court order or voluntary payment agreement, **AND** - Evidence of receipt for the previous 6 months with cancelled checks, deposit slip, tax returns, or court order NOTE: Borrowers on temporary leave (e.g. maternity, short- term disability, etc.) will be considered on a case-by-case basis subject to Homebridge management approval. If allowed, the income will be subject to Fannie Mae's Temporary Leave Income requirements. Temporary leave policy **does not** apply to furloughed borrowers • Fixed income that is verified as non-taxable (e.g. social security, child support, alimony, etc.), may be adjusted or "grossed-up" by 125% subject to: - Only the net income will be used for determining disposable/residual income (Medicare and insurance payments are excluded), - The borrower must clearly benefit as a result of the income being grossed-up to qualify, - The borrower's net income (before being grossed-up) is sufficient to pay all debts. • Housing allowance is eligible for qualifying income subject to the following: - There is a history of the housing allowance as being a part of the salary, - Written documentation is provided from the employer stating the amount of the allowance, - Proof the allowance has been received for the most recent 12 months (non-military housing allowance **only**) - The amount of the housing allowance may be grossed up by 1.25% if 2-years tax returns are provided The following non-taxable income is ineligible to be grossed up: • Foreign earned income, • Foster care income
Income – Foster Care	Eligible for qualifying subject to: • Documentation is provided that it has been received for a minimum of 24 months • The income is received from a governmental agency • Copies of the checks or contracts/agreement from the governmental agency must be provided • The income cannot be grossed up
Income – Interest and Dividend	Interest and dividend income is eligible subject to the following: • Verified through 2 years tax returns as a stable source of income, **and** • Proof the underlying funds are still on deposit in the financial institution and/or investment portfolio account(s) is required. • Income must be proportionately reduced if funds from the account(s) are used for closing in a purchase money transaction NOTE: Income may be limited to an earnings rate of 3% if the verified earnings do not appear to be supported by current market conditions.
Income – K-1	A history of receipt is not required to utilize K-1 income **NOTE:** If the borrower recently converted to K-1 income the income is considered on a case-by-case basis subject to Homebridge management review and approval. Refer to the Borrower's Income Type Eligibility for additional details

Full Documentation Eligibility and Summary	
Full Documentation (cont.)	
Income – Military	• Income received for clothing and quarter's allowance, hardship and/or hazard may be included as stable income if there is a likelihood of continuance. • The non-taxable income received for Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS) may be grossed up 125% • Other allowances may be grossed up if documentation is provided evidencing the allowance is non-taxable
Income - Note	Note income is eligible as qualifying income subject to the following: • A complete copy of all pages of the Note that outlines the terms and conditions of repayment, • The repayment period must extend at least 3 years past the application date of the loan, • Evidence of receipt for a minimum of 12 months required (tax returns, deposit slip, cancelled checks, etc.)
Income – Rental	Rental income from investment properties owned by the borrower is eligible for qualifying income. The borrower is not required to have a history of managing rental properties. **Calculating Rental Income** Calculate rental income using one of the following methods: **Method One: Tax Returns – Schedule E** • If the borrower has a history of renting a property, rental income is reported on Schedule E of the borrower's personal tax return and may be used for qualification • When using Schedule E to calculate qualifying rental income: - **Add back** to the borrower's cash flow: - Listed depreciation - Amortization, and - Interest - **Subtract the principal and interest portion** of the payment from the figure determined above NOTE: Current property tax, property insurance and HOA dues do not require documentation - Determine the PITIA on the non-subject rental by using 1/12th of the expenses claimed on the 1040 • Receipt of rents, either in line with or greater than the "gross rents" listed on the tax returns must be verified within 30 calendar days of the Note date. **Method Two: Lease Agreement** If a lease is used to document rental income the lease must be for a minimum 12 month period. Short term leases are acceptable, **with Homebridge management review and approval**, as long as the lease is in place and covers the most recent 12 months If the short-term lease is considered acceptable the rental income will be averaged over a 12 month period. • When using current lease agreements, calculate the rental income by multiplying the gross rent(s) by 75% • Document current receipt of the rental income, **within 30 calendar days of the Note date**, with the most recent one month's check. • If the amount of the lease is considerably greater than the income listed on the tax return supporting documentation is required. An expired lease, which converted to a month-to-month is acceptable to document rental income • Purchase transactions where there is not an executed lease available the appraiser's opinion of market rent noted on the Comparable Rent Schedule, less 25% vacancy factor, may be used. T**he lower** of the lease or the appraiser's opinion of market rent must be used for qualifying **NOTE**: Rental income from a 1-unit investment property purchased by a first-time home buyer is **ineligible** for qualifying

Full Documentation Eligibility and Summary	
Full Documentation (cont.)	
Income – Rental (cont.)	**Two-to-Four Primary Residence** Rental income from a 2-4 unit primary residence is eligible from the tenant occupied units as follows: • The gross rental income, minus vacancy and maintenance factors, is eligible NOTE: The gross rental income is **not** used to offset the mortgage payment **Rental Income – Accessory Unit** Rental income from an accessory unit is eligible to use for qualifying income when the appraiser comments that the accessory unit is legal and may legally be rented. **Verification of receipt of rent within the 30 calendar days of the Note date required** • ***Purchase Transactions***: - 75% of the appraiser's opinion of market rent may be used • ***Refinance Transactions***: - The rental income must be listed on the borrower's tax return AND be supported by a lease, unless the underwriter can justify reliance on the lease alone
Income – Seasonal	Seasonal income is eligible on a case-by-case basis subject to **Homebridge management review and approval.** The following applies: • A minimum 2-year history of receipt required, • The income must be from the same job for the past 2 years
Income – Trust	Income derived from an irrevocable or revocable trust is eligible subject to all of the following: • The borrower, who is the beneficiary of the trust is also the person who established the trust, **and** • A complete copy of the trust agreement, showing the terms and conditions of the income that will be received, is provided, **or** • A Trust Certificate provided from the trust administrator that outlines the following: - Total income paid to the borrower, - The method of payment, - The duration of the trust, and - If there is any non-taxable portion • Current receipt of the income must be documented, and the income must be expected to continue for a minimum of 3 years after the date of the application
Income – Unacceptable Sources	• Income that is illegal under local, state, and/or federal law is not eligible (including income generated from marijuana dispensaries) • Educational benefits • Temporary or non-recurring income • Trailing spouse/co-applicant income • Non-reported income/undocumented income • Gift income, even if received on a regular and on-going basis, is not eligible
Income – Unemployment	Unemployment income may be considered acceptable stable income subject to: • It is received for the previous 2 years, is predictable and likely to continue (e.g. a seasonal worker) • The use of unemployment income for qualifying income requires **Homebridge management review and approval**
Income - Unreimbursed Business Expenses	If unreimbursed employee expenses do not appear on the borrower's most recent years tax returns, the unreimbursed business expenses do not need to be considered

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<tr><td>Products (cont.)</td><td><u>Fixed Rate</u>
15 and 30 year term
Qualify at the Note rate
<u>Fixed Rate: 30 Year Term with Interest-Only</u>
30 year term with 20 year amortization
Qualify using the full PITIA payment amortized over 20 years
Interest-only period is for the first 10 years of the loan; P&I payment begins in year 11
<u>7/1 and 10/1 ARM</u>
Index: 30 day average of SOFR
Caps: 2/1/5
Margin: 4.00%
Floor = Note rate
Qualify at the greater of the start rate or index plus margin, amortized over full term of the loan
<u>7/1 ARM Interest-Only</u>
Index: 30 day average of SOFR
Caps: 2/1/5
Margin: 4.00%
Floor = Note rate
Qualify at the greater of the start rate or the index plus margin amortized over 20 years
Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11
<u>10/1 ARM Interest-Only</u>
Index: 30 day average of SOFR
Caps: 2/1/5
Margin: 4.00%
Floor = Note rate
Qualify at the greater of the start rate or the index plus margin amortized over 20 years
Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11</td></tr>
<tr><td>Reserves</td><td>Required. Refer to the <u>Reserves</u> topic for requirements</td></tr>
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<tr><th colspan="2">Bank Statement Eligibility and Summary</th></tr>
<tr><th colspan="2">Bank Statement</th></tr>
<tr><td>Overview</td><td>

The Bank Statement option is available for self-employed borrowers.12 or 24 months personal or business bank statements are used to qualify borrowers
Borrowers who derive their income from investments may utilize the Bank Statement option. There must not be any evidence of significant employment income in addition to other specific requirements detailed under the “Borrower Eligibility – Income from Investments” topic below
Transactions are subject to ATR requirements
</td></tr>
<tr><td>4506-T/Tax Returns</td><td>Not required. Tax returns must not be submitted when using the Bank Statement option or the loan is ineligible for bank statement option except as follows:

A co-borrower or non-occupant co-borrower using full documentation, applicable transcripts, based on documentation used to qualify, is required so a signed 4506-T must be obtained
</td></tr>
<tr><td>Assets</td><td>Refer to the Assets topic in the general guidelines section for requirements</td></tr>
<tr><td>Borrower Eligibility</td><td>Self-Employed

Self-employed borrowers (defined as an individual who files Schedule C or corporate tax returns) with 50% or greater ownership in business
Borrower must have a minimum of two (2) years self-employment in the same business. Borrowers self-employed 1-2 years may be considered on a case-by case basis if:

The borrower was in the same line of work prior to their self-employment, and
The borrower has an additional 6 months reserves above what is required

At least one borrower must meet the above requirements.
Income from a co-borrower, who is not self-employed, is acceptable using the full documentation option. Taxable income is counted on a “gross” amount regardless of the net deposit shown on the bank statements. Non-taxable income may be grossed up 25%.
NOTE: A co-borrower subject to a salary reduction or furlough will be considered on a case-by-case basis subject to Homebridge management review and approval

1099 Contractor

Eligible with CPA confirmation the borrower is a 1099 contractor and files Schedule C or Schedule E with the IRS (personal tax returns)

If the borrower receives some W-2 income as part of the independent contractor employment, that income may be considered so long as the CPA confirms it is part of their self-employed income
Service & Tip Industry

Borrowers employed in a service/tip industry position are eligible for the Bank Statement program
Base salary is verified with current paystubs and most recent W-2
Employment is verified using traditional methods
Bank statements are used to determine qualified tips which are averaged over 12 or 24 months
Two (2) corporate reference letters are required (i.e. documentation that confirms borrower is in the service/tip industry required)
A P&L and business license are not required

Refer to the Borrowers - Eligible topic for complete list of eligible borrowers and requirements</td></tr>
<tr><td>Borrower Eligibility – Income from Investments</td><td>A borrower who receives income from their investments (i.e. trust income, distributions from partnerships where the borrower is a limited partner, rental real estate interest, dividends, etc.) and are not self-employed are eligible for the Bank Statement option subject to specific requirements. The following applies:

Any significant employment generated income must be from the co-borrower

24 months personal bank statements required to document income received

The borrower must provide documentation of the source of the income and its continuance. Acceptable documentation includes (as applicable):

Brokerage account statements documenting ownership, and/or
A copy of the trust agreement and/or trustee’s statements (as applicable), and/or

A CPA letter confirming the borrower owns the assets generating the income (e.g. a partnership) and a detailed narrative of the income stream from the borrower
</td></tr>
</table>

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<tr><td>Debt-to-Income</td><td>
Maximum 50% DTI. Refer to the Debt to Income topic in the General Underwriting section for complete requirements
DTI cannot be rounded down to qualify
Additional DTI Requirements:
DTI > 43% to 50% requires residual income of a minimum of $1500 per month
Refer to the Residual Income topic for requirements</td></tr>
<tr><td>Derogatory Credit-Significant Events</td><td>
Derogatory credit events are measured from the completion date of a event to the application date of the loan. All derogatory credit events must be completed prior to the application date
Significant derogatory credit events include:
Foreclosure, Deed-in-Lieu of Foreclosure,
Short sale, short payoff,
Pre-foreclosure including Notice of Default or Lis Pendens
Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings)
Modification
Waiting Period Requirements
A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date
A 2-4 year waiting period, measured from completion/dismissal/discharge date to application date, is eligible with LTV restriction: The maximum LTV is the lesser of:
75% LTV, or
The maximum LTV allowed per the applicable program matrix
NOTE: The 2-4 year waiting period guidance applies to any derogatory credit event that is exactly 2-years removed
Forbearance: Mortgage(s)
Borrowers with any mortgage tradeline in a forbearance plan (i.e. one or more mortgages) must meet one of the following requirements:
No Missed Payments:
- If all mortgage payments were made on time, with no missed payments during the forbearance period the loan is eligible with no waiting period, and
- Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled prior to the loan application date
Missed Payments:
- If the borrower missed any payments while in a forbearance plan, the following applies:
1-3 consecutive missed payments during forbearance:
Borrower is eligible, and
Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled, and
A minimum of three (3) monthly payments have been made on time after completion of the forbearance and prior to the loan application date
More than 3 consecutive missed payments during forbearance:
Borrower is ineligible
Forbearance: Non-Mortgage Accounts
Transactions with a non-mortgage account(s) forbearance will be considered on a case-by-case basis subject to Homebridge management review and approval</td></tr>
</table>

<table>
<tr><th colspan="2">Bank Statement Documentation Eligibility and Summary</th></tr>
<tr><th colspan="2">Bank Statement (cont.)</th></tr>
<tr><td>Documenting Business</td><td>The following is required to document the business and borrower’s self-employment:
• A CPA, EA or licensed tax preparer letter, or equivalent, is required to verify self-employment. The letter must include:
- The name of the business,
- The borrower’s percentage of ownership,
- Length of self-employment,
- That the business/borrower are active and/or in good standing as applicable per state requirements
- The letter may be addressed to Homebridge or “To Whom it May Concern” is also acceptable.
NOTE: The letter cannot include any disclaimers as to the accuracy of the information
Additional Requirements Due to COVID-19
The following is required:
• Reverification of the business operations and revenues required prior to loan closing to confirm the consistent and historic average shown on the bank statements used to qualify the borrower and, at underwriter discretion, updated bank statements may be required to support the borrower’s income stream, and
• A letter of explanation, provided by the borrower, detailing the nature of their business and any impact to the business due to COVID-19,</td></tr>
<tr><td>Documentation of Income</td><td><u>Personal Bank Statements</u>
• 12 or 24 months personal bank statements. Statements from multiple accounts are acceptable.
• Deposits are evaluated to verify they are part of the borrower’s income
NOTE: Any deposits that appear abnormal/atypical must be sourced and documented to be considered as part of the borrower’s income
• Three (3) months most recent business bank statements are required to verify the income is coming from the borrower’s business. Transfers from only one (1) business are eligible for qualifying (N/A if borrower does not utilize a separate business account; if business account not maintained, the business bank statement guidelines apply)
• Qualifying income is the total eligible deposits divided by 12 or 24, as applicable, to determine monthly income
NOTE: Transfers between personal accounts are not considered income</td></tr>
</table>

Bank Statement Documentation Eligibility and Summary	
Bank Statement (cont.)	
Documentation of Income (cont.)	**<u>Business Bank Statements</u>** • 12 or 24 months business bank statements. Statements from multiple accounts are acceptable however the same calculation method must be applied (see options below) • Transfers between business accounts are not considered deposits and therefore are **not considered income** • Any deposits that appear abnormal/atypical must be sourced and documented to be considered as part of the borrower's income **Documenting Bank Statement Income** There are 3 options for documenting business bank statement income **1. Uniform Expense Ratio** • **LTV ≤ 80%:** The underwriter multiplies the deposits received by 50% expense ratio, **OR** • **LTV 80.01% to 85%:** The underwriter multiplies the deposits received by 75% expense ratio • The above result is multiplied by the borrower's ownership percentage and divided by 12 or 24 as applicable • If the expense ratio is reasonable for the borrower's line of work, no further information is required **2. Profit and Loss Statement** • Requires a P&L provided by a CPA, EA or licensed tax preparer for the most recent 12 or 24 months as applicable • If the deposits on the business statements support a minimum of 75% of the gross receipts listed on the P&L the P&L may be used for qualifying based on the borrower's pro-rata share of ownership. The resulting income should be reasonable for the borrower's line of work. **3. CPA Letter for Expense Ratio** • A letter provided by a CPA, EA or licensed tax preparer stating the business' expense ratio based on the most recent year's tax return is required. **The letter may not include any disclaimers as to the accuracy of the information** • Multiply the expense ratio by the business' total deposits over the 12 or 24 month period shown on the bank statements. Deduct that figure from the total deposits. Multiply net deposits by the applicant's pro-rata ownership percentage and divide by 12 or 24 as applicable.

Bank Statement Documentation Eligibility and Summary	
Bank Statement (cont.)	
Documentation of Income (cont.)	The following applies to both personal and business bank statement options: • Income that is illegal under local, state, and/or federal law is **not eligible** (including income generated from marijuana dispensaries) **Co-Mingled Accounts** Co-mingled accounts (business and personal) will be treated as business accounts when determining income **Non-Sufficient Funds (NSFs)** Excessive NSFs will require a written explanation from the borrower. The following applies: • **12 Months Bank Statements**: - Maximum of three (3) **instances*** of NSFs within the past 12 months (detailed written explanation required) - Four (4) or more **instances*** of NSFs within the past 12 months**, the loan is ineligible** • **24 Months Bank Statements**: - Maximum of six (6) **instances*** within the past 24 months (detailed written explanation required) - Seven (7) or more **instances*** NSFs within the past 24 months, **the loan is ineligible** *NSF "**instances"** are defined as a time period where the account is overdrawn and subsequently brought current (i.e. funds are deposited to bring the account balance positive) One instance may have multiple NSFs during that period but all occur within the same time period prior to the account being brought current. If the account becomes overdrawn again, that is considered a second "instance" **Income Trend** Bank statements must show a stable or increasing trend. If the trend is declining and/or irregular, additional documentation may be required. **12 Months Bank Statements:** The following applies when 12 months bank statements provided: • A decline in deposits 6 months over 6 months is an acceptable variance up to 10% • A variance > 10% requires an additional 12 months bank statements; see below for requirements **24 Months Bank Statements:** The following applies when 24 months bank statements provided: • 5%-10% year-over-year decline the deposit trend is measured by calculating the percent change from year one's eligible deposits (months 13-24, previous year) to year two's eligible (months 1-12, most recent year). ***Calculation:*** Subtract year one eligible deposits from year two and divide the difference by year one's deposits to determine percentage ***Example:*** Year One Eligible Deposits: $100,000 Year Two Eligible Deposits: $80,000 $80,000 minus $100,000 divided by $100,000 = 20% - If the eligible deposits declined 5% or less use a 24 month average - If the eligible deposits declined > 5% to 10% use a 12 month average of the most recent year's eligible deposits. If Method 2 is being used to qualify the borrower, a revised P&L must be obtained which covers the most recent 12 month period • > 10% year-over-year decline, the income is ineligible
Gift Funds	Eligible; refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Eligible; refer to the Gift of Equity topic in the general underwriting guides for requirements

Bank Statement Documentation Eligibility and Summary	
Bank Statement (cont.)	

Other Income Sources (cont.)	**Rental Income – Subject Property Purchase**
	• History of managing rental property not required
	• 75% of the gross rental income may be used. Gross rental income is determined using:
	  - Market rent as determined by the appraiser, **or**
	  - If there is a valid lease use the **lesser** of:
	    - The rent stated on the lease, or
	    - Market rent.
	• If 2-4 unit primary residence, the rental income is added to the borrower's income
	• If the property is an investment property, calculate the rental income on a net basis
	Rental Income – Subject Property Refinance
	• A current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable. Properties with a history of being rented on a short term basis require Homebridge management review and approval. If approved, the income will be averaged over the most recent 12 months.
	• Documentation of receipt of one months' rental income with bank statement or cancelled check (front and back) and be **dated within 30 calendar days of the Note date**
	• 75% of the current income identified on the lease may be used
	• Rental deposits are not included in the income stream
	• If the property is a 2-4 unit primary residence, the rental income is added to the borrower's income
	• If the property is an investment property calculate the rental income on a net basis
	Rental Income – Non-Subject Property
	• A current lease is required to utilize rental income. A lease that has expired and converted to month-to-month is acceptable. Properties with a history of being rented on a short term basis require Homebridge management review and approval. If approved, the income will be averaged over the most recent 12 months
	• 75% of the current income identified on the lease minus the documented PITIA may be used for qualifying
	• Rental deposits are not included in the income stream
	• Document the most recent one (1) months' current receipt with bank statement or cancelled check (front/back)
	Rental Income – Accessory Unit
	Rental income from an accessory unit is eligible to use for qualifying income on the subject property when the appraiser comments that the accessory unit is legal and may legally be rented subject to the following:
	• ***Purchase Transactions***:
	  - The appraiser's opinion of market rent may be used
	• ***Refinance Transactions***:
	  - The rental income must be documented by a lease, **and** proof of receipt of most recent one months' rental income, **dated within 30 calendar days of the Note date**, must be provided
	Boarder Income
	Not allowed

<table>
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<tr><th colspan="2">Bank Statement (cont.)</th></tr>
<tr><td>Other Income Sources (cont.)</td><td>Additional Supplemental Income Sources
• Social security, pension, alimony/child support, second job, and asset utilization/distribution may be used for qualifying subject to the following:
- The self-employment income calculated using bank statements must be the borrower's primary income source,
- Full documentation guidelines will be used to determine documentation can eligibility
- W-2s and/or 1099s, as applicable, will be required. Tax returns should not be provided</td></tr>
<tr><td>Products</td><td><u>Fixed Rate</u>
• 15 and 30 year term
• Qualify at the Note rate
<u>Fixed Rate: 30 Year Term with Interest-Only</u>
• 30 year term with 20 year amortization
• Qualify using the full PITIA payment amortized over 20 years
• Interest-only period is for the first 10 years of the loan; P&I payment begins in year 11
<u>7/1and 10/1 ARM</u>
• Index: 30 day average of SOFR
• Caps: 2/1/5
• Margin: 4.250
• Floor = Note rate
• Qualify at the greater of start rate or the index plus margin amortized over full term of the loan
<u>7/1 ARM Interest-Only</u>
• Index: 30 day average of SOFR
• Caps: 2/1/5
• Margin: 4.250
• Floor = Note rate
• Qualify at the greater of the start rate or the index plus margin amortized over 20 years
• Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11
<u>10/1 ARM Interest-Only</u>
• Index: 30 day average of SOFR
• Caps: 2/1/5
• Margin: 4.250
• Floor = Note rate
• Qualify at the greater of the start rate or the index plus margin amortized over 20 years
• Interest-only period is for the first ten (10) years of the loan; P&I payments begin in year 11</td></tr>
<tr><td>Reserves</td><td>Required. Refer to the <u>Reserves</u> topic for requirements</td></tr>
</table>

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow	
Overview	• The Investor Cash flow option uses only rental income from the **subject investment property** to determine cash flow. • No income or employment is verified when this option is utilized; qualification is determined by the debt service coverage ratio of the subject property • Loans using the Investor Cash Flow (ICF) option are **not** subject to ATR or HPML requirements as **they are considered business purpose loans** • **At least one borrower must have a documented 12 month history of owning and managing rental properties**. See Borrower Eligibility topic below for complete requirements
4506-T/Tax Returns	N/A
Assets	Refer to the Assets topic in the general guidelines section for requirements
Borrower Eligibility	• At least one borrower must have a documented 12 month history of **owning and managing rental properties** (copy of lease, or a CPA letter stating borrower has the management history is acceptable documentation). - Ownership/management of commercial property is acceptable to satisfy the 12 month history requirement if the borrower was a majority owner of the property - The management history is **not** required to have been in the most recent 3-year period • First time home buyers (FTHB) are **not eligible** when **ALL** borrowers are a FTHB. FTHBs are defined as a borrower who has not owned a property in in the past 3 years. - A transaction involving one or more FTHB and a non-FTHB may be considered on a case-by-case basis subject to Homebridge management review and approval Refer to the Borrowers - Eligible topic for a complete list of eligible borrowers and requirements
Debt-to Income	N/A; DTI is **not** calculated. See the Debt Service Coverage Ratio topic for requirements
Debt Service Coverage Ratio (DSCR) – Definition and Minimum DSCR Requirements	DTI is not considered on the Investor Cash Flow option. Qualification is based on the DSCR of the **subject property only**. **The DSCR cannot be rounded up to qualify** **DSCR Definition** The DSCR is the gross rent divided by the qualifying PITIA on the **subject property including interest-only loans** • **Fixed rate**: Qualify at the Note rate amortized over 30 years • **7/1 or 10/1 ARM**: Qualify at the start rate amortized over 30 years • **Fixed, 7/1 or 10/1 ARM Interest-only**: Qualify at the start rate amortized over 20 **Minimum DSCR Requirements** A minimum 1.000 DSCR is required

<table>
<tr><th colspan="2">Investor Cash Flow Documentation Eligibility and Summary</th></tr>
<tr><th colspan="2">Investor Cash Flow (cont.)</th></tr>
<tr><td>Debt Service Coverage Ratio (DSCR) –
Calculating the DSCR Using Full PITIA Payment</td><td>The Determination of Rents topic below provides details for determining the rent. Once the determination has been made the gross rent is divided by the PITIA for the subject property to calculate the DSCR. Refer to Minimum DSCR Requirements topic for minimum acceptable DSCRs
Example of <u>Acceptable</u> DSCR:
• Gross Rent: $2000.00
• PITIA Subject Property: $1600
• Calculation: $2,000 divided by $1600 = 1.250
Example of <u>Unacceptable</u> DSCR
• Gross Rent: $800.00
• PITIA Subject Property: $1,000.00
• Calculation: $800.00 divided by $1,000.00 = 0.800 DSCR</td></tr>
<tr><td>Debt Service Coverage Ratio (DSCR) -
Determination of Rents</td><td>Determination of Rents
Purchase Transactions:
• 100% of the lesser of:
- Current rent (if currently rented, leases must be provided), or
- 100% of market rent as determined by the appraiser if the unit is currently vacant
NOTE: Documentation that confirms the receipt of rents within 30 days of the Note date is required to confirm property leased. Acceptable documentation includes copy of check, bank statements, etc. If receipt of rents cannot be verified the unit will be considered vacant and market rent will be utilized
Refinance Transactions:
• 100% of the lesser of:
- Current rent (if currently rented, leases must be provided), or
- 100% of market rent as determined by the appraiser if the unit is currently vacant
NOTE: If the property is leased for more than the appraiser's opinion of market rents, the lease amount may be used provided it does not exceed 110% of the appraiser's opinion of market rent.
Documentation that confirms the receipt of rents within 30 days of the Note date is required to confirm property leased. Acceptable documentation includes copy of check, bank statements, etc. If receipt of rents cannot be verified the unit will be considered vacant and market rent will be utilized
• The income from properties leased on a short-term basis may be eligible subject to Homebridge management review and approval. If approved, leases covering the most recent 12 month period must be provided and averaged to determine rental income. An expired lease which converts to month-to-month is acceptable
Multi-Year Lease
If there is a multi-year lease with a rent increase coming within 12 months that will continue for 12 months after the adjustment, the increased rent may be utilized to calculate the DSCR. The increased rent may not exceed the appraiser's opinion of market rent for the unit(s).
Rental Income – Accessory Unit
Rental income from an accessory unit is eligible when the appraiser comments that the accessory unit is legal and may legally be rented subject to the following:
• Purchase Transactions:
- The appraiser's opinion of market rent may be used
• Refinance Transactions:
- Vacant Property: The appraiser's opinion of market rent may be used when the property is vacant, OR
- Leased Property: The lesser of:
- The lease, or
- The appraiser's opinion of market rent is used
• If the property is leased documentation that confirms the receipt of rents within 30 days of the Note date is required. Acceptable documentation includes copy of check, bank statement, etc.</td></tr>
</table>

Investor Cash Flow Documentation Eligibility and Summary	
Investor Cash Flow (cont.)	

Derogatory Credit-Significant Events	Derogatory credit events are measured from the completion date of a event to the application date of the loan. **All derogatory credit events must be completed prior to the application date**
	Significant derogatory credit events include:
	• Foreclosure, Deed-in-Lieu of Foreclosure,
	• Short sale, short payoff,
	• Pre-foreclosure including Notice of Default or Lis Pendens
	• Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings)
	• Modification
	Waiting Period Requirements
	• A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date
	• A 2-4 year waiting period, measured from completion/dismissal/discharge date to application date, is eligible with LTV restriction: The maximum LTV is the **lesser of**:
	    • 75% LTV, **or**
	    • The maximum LTV allowed per the applicable program matrix
	NOTE: The 2-4 year waiting period guidance applies to any derogatory credit event that is exactly 2-years removed
	Forbearance: Mortgage(s)
	Borrowers with any mortgage tradeline in a forbearance plan (i.e. one or more mortgages) must meet **one** of the following requirements:
	• **No Missed Payments**:
	    - If **all** mortgage payments were made on time, with **no missed payments** during the forbearance period the loan is eligible with no waiting period, **and**
	    - Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled **prior to the loan application date**
	• **Missed Payments**:
	    - If the borrower missed any payments while in a forbearance plan, the following applies:
	        ▪ **1-3 consecutive missed payments during forbearance:**
	            o Borrower is eligible, **and**
	            o Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled, **and**
	            o A minimum of three (3) monthly payments have been made on time after completion of the forbearance **and prior to the loan application date**
	        ▪ **More than 3 consecutive missed payments during forbearance:**
	            o Borrower is **ineligible**
	Forbearance: Non-Mortgage Accounts
	Transactions with a non-mortgage account(s) forbearance will be considered on a case-by-case basis **subject to Homebridge management review and approval**

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<tr><th colspan="2">Investor Cash Flow (cont.)</th></tr>
<tr><td>Documentation of Income</td><td>N/A. Income is not documented on this program</td></tr>
<tr><td>Gift Funds</td><td>Eligible. Refer to the Gift Funds topic in the general underwriting guides for requirements</td></tr>
<tr><td>Gift of Equity</td><td>Eligible. Refer to the Gift of Equity topic in the general underwriting guides for requirements</td></tr>
<tr><td>Liabilities</td><td>N/A. Liabilities are not considered</td></tr>
<tr><td>Products</td><td><u>Fixed Rate</u>
15 and 30 year term
Qualify at the Note rate
<u>Fixed Rate: 30 Year Term with Interest-Only</u>
30 year term with 20 year amortization
Qualify using the full PITIA payment amortized over 20 years
Interest-only period is for the first 10 years of the loan; P&I payment begins in year 11
<u>7/1 and 10/1 ARM</u>
Index: 30 day average of SOFR
Caps: 2/1/5
Margin: 4.500
Floor = Note rate
Qualify at the start rate
<u>7/1 ARM Interest-Only</u>
Index: 30 day average of SOFR
Caps: 2/1/5
Margin: 4.500
Floor = Note rate
Qualify at the start rate amortized over 20 years
Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11
<u>10/1 ARM Interest-Only</u>
Index: 30 day average of SOFR
Caps: 2/1/5
Margin: 4.500
Floor = Note rate
Qualify at the start rate amortized over 20 years
Interest-only period is for the first ten (10) years of the loan; P&I payment begins in year 11</td></tr>
<tr><td>Reserves</td><td>Reserves are required. Refer to the Reserves topic for details</td></tr>
<tr><td>Residual Income</td><td>Not required</td></tr>
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<tr><th colspan="2">Asset Qualifier Documentation Eligibility and Summary</th></tr>
<tr><th colspan="2">Asset Qualifier</th></tr>
<tr><td>Overview</td><td>Borrowers are qualified based on their liquid assets or assets that may be liquidated without restriction. Refer to the Asset Qualification topic for details
Income and employment are not verified when this option is utilized
Loans using the Asset Qualifier option are subject to ATR or HPML requirements</td></tr>
<tr><td>4506-T/Tax Returns</td><td>N/A</td></tr>
<tr><td>Asset Qualification</td><td>Total post-closing assets must cover the sum of the following:
- 100% of the loan amount, plus
- Required reserves, plus
- 60 months of total debt service (PITIA for subject or rental properties not included), plus
- 60 months of net loss on rental properties
Refer to the Debt to Income/Debt Service topic for additional details on Debt Service</td></tr>
<tr><td>Assets – Eligible</td><td>Eligible Assets:
Cash and cash equivalents at 100% of face value
Marketable securities (excludes unvested RSUs and Stock options) – 70% (minus any outstanding margin loans, if applicable)
- If the face value of the assets to be utilized exceed the amount needed to close and/or to satisfy reserve requirements by more than 20%, no documentation of liquidation or updated balances required.
- If not, documentation of the liquidation of funds and the ending balance is required.
Cash surrender value of an annuity. Any loan secured by the annuity must be deducted from the cash value
Cash value of a vested life insurance policy – 100%
- When used for reserves, the cash value must be documented but liquidation is not required
Retirement funds:
- Borrower not at retirement age (< 59½): 60%
- Borrower is at retirement age (≥ 59½ years): 70%
- Borrowers who are not of retirement age must document that they have unrestricted access to all retirement-based funds used for down payment and closing costs and documentation of liquidation of the assets needed to close the loan is required.
NOTE: The balance of any loan secured by the asset being used for asset qualification the value of the asset must be reduced by the loan amount prior to applying the percentage above, without regard to the total amount that may be drawn
Liquidation
Documentation of the liquidation of any funds needed to close, and the end balance, is required unless addressed above.
Ineligible Assets:
Business funds (eligible for funds to close only – see requirements below)
Non-liquid assets (e.g. cars, artwork, business net worth, etc.)
Face value of life insurance policy.
Unvested restricted stock
Stock options, unless exercised
Securities that are not publicly traded</td></tr>
</table>

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier (cont.)	
Assets – Eligible (cont.)	**Business funds** may be considered an acceptable source **for funds to close** only when the borrower is self-employed subject to the following: • The borrower must have at least 51% greater interest in the business to utilize business funds and the ownership percentage must be verified. The amount of business assets that may be utilized are restricted to the percentage of ownership interest the borrower has in the business • One of the following is required: 1. A letter from the borrower stating they have access to the business funds and a cash flow analysis to document the withdrawal of funds will not negatively affect the business. The cash flow analysis must be based on: - Determine the business' monthly operating expenses based on either the most recent years tax returns **or** average the deductions on six (6) months of business bank statements, **and** - Deduct six (6) months' worth of expenses from current business balance to determine available balance and apply the borrower's ownership percentage to the result to determine eligible business assets, **OR** 2. A CPA letter must be provided to confirm withdrawal of funds will not have a negative impact on the business
Assets – Documenting	• The most recent six (6) months of statements for each account that will be utilized for asset qualification must be provided • Large deposits, defined as > 10% of the face value of the account, on the most recent statement must be sourced and documented. Any deposits that cannot be sourced will be deducted from the value of the account • **A full month's asset statement must be provided prior to closing to document account balances** NOTE: If statements are issued quarterly, a statement(s) with updated balance(s) within 30 days of the Note date may be provided
Borrower Eligibility	Refer to the Borrowers - Eligible topic for requirements
Debt-to-Income	N/A; DTI is not calculated. While the borrower's DTI is not calculated under this program, the borrower's monthly debt service is considered when qualifying determined. Refer to the Asset Qualification topic for requirements

<table>
<tr><th colspan="2">Asset Qualifier Documentation Eligibility and Summary</th></tr>
<tr><th colspan="2">Asset Qualifier (cont.)</th></tr>
<tr><td>Derogatory Credit-Significant Events</td><td>Derogatory credit events are measured from the completion date of a event to the application date of the loan. All derogatory credit events must be completed prior to the application date

Significant derogatory credit events include:

Foreclosure, Deed-in-Lieu of Foreclosure,
Short sale, short payoff,
Pre-foreclosure including Notice of Default or Lis Pendens
Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings)
Modification

Waiting Period Requirements

A 4-year waiting period is required measured from event completion/dismissal/discharge date to the application date
A 2-4 year waiting period, measured from completion/dismissal/discharge date to application date, is eligible with LTV restriction: The maximum LTV is the lesser of:
75% LTV, or
The maximum LTV allowed per the applicable program matrix

Forbearance: Mortgage(s)
Borrowers with any mortgage tradeline in a forbearance plan (i.e. one or more mortgages) must meet one of the following requirements:

No Missed Payments:

If all mortgage payments were made on time, with no missed payments during the forbearance period the loan is eligible with no waiting period, and
Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled prior to the loan application date

Missed Payments:

If the borrower missed any payments while in a forbearance plan, the following applies:

1-3 consecutive missed payments during forbearance:

Borrower is eligible, and
Documentation must be obtained confirming the forbearance plan has been withdrawn, closed, or cancelled, and
A minimum of three (3) monthly payments have been made on time after completion of the forbearance and prior to the loan application date

More than 3 consecutive missed payments during forbearance:

Borrower is ineligible

Forbearance: Non-Mortgage Accounts
Transactions with a non-mortgage account(s) forbearance will be considered on a case-by-case basis subject to Homebridge management review and approval</td></tr>
<tr><td>Documentation of Income</td><td>N/A; income is not documented. Qualification is determined by borrower’s assets</td></tr>
</table>

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier (cont.)	
Gift Funds	• Eligible for down payment and closing costs on **purchase transactions**. Gift funds may be eligible for closing costs on refinance transactions on an exception basis • Gift funds **cannot** be used to meet reserve requirements **or** as an eligible asset to meet Asset Qualifier requirements Refer to the Gift Funds topic in the general underwriting guides for requirements
Gift of Equity	Eligible. Refer to the Gift of Equity topic in the general underwriting guides for requirements
Income - Rental	Negative cash flow from rental property/properties owned by the borrower must be considered in the borrower's debt service. Positive cash flow is not considered. The following calculations must be applied to each rental property owned by the borrower • Rental income is determined on a net basis based on 75% of the payment on the lease less the PITIA to determine the impact on debt service • **Three (3) months of receipt of rental income must be documented** • If rental income cannot be documented, **the full PITIA for the property must be included in the borrower's debt service** • Net rent can never exceed $0 for determining impact **Example #1** • Rent Received: $1600 • PITIA Payment: $1500 • Calculation: $1600 x 75% = $1200 minus $1500 = -$300 (negative $300) • Added to Debt Service: $300 **Example #2** • Rent Received: $2400 • PITIA Payment: $1500 • Calculation: $2400 x 75% = $1800 minus $1500 = $300 (positive) • Added to Debt Service: $0

Asset Qualifier Documentation Eligibility and Summary	
Asset Qualifier (cont.)	
Product	**<u>Fixed Rate</u>** • 15 and 30 year term • Qualify at the Note rate **<u>Fixed Rate: 30 Year Term with Interest-Only</u>** • 30 year term with 20 year amortization • Qualify using the full PITIA payment amortized over 20 years • Interest-only period is for the first 10 years of the loan; P&I payment begins in year 11 **<u>7/1 and 10/1 ARM</u>** • Index: 30 day average of SOFR • Caps: 2/1/5 • Margin**:** 4.250 • Floor = Note rate • **Qualify at the greater of** the start rate **OR** the index plus margin amortized over the full term of the loan **<u>7/1 ARM Interest-Only</u>** • Index: 30 day average of SOFR • Caps: 2/1/5 • Margin**:** 4.250 • Floor = Note rate • Qualify at the **greater of** the start rate **or** the index plus margin **amortized over 20 years** • Interest-only period is for the first ten (10) years of the loan. P&I payment begins in year 11 **<u>10/1 ARM Interest-Only</u>** • Index: 30 day average of SOFR • Caps: 2/1/5 • Margin**:** 4.250 • Floor = Note rate • Qualify at the **greater of** the start rate **or** the index plus margin **amortized over 20 years** • Interest-only period is for the first ten (10) years of the loan. P&I payment begins in year 11
Reserves	Refer to the Reserves topic for reserve requirements
Residual Income	• A minimum of $1500 per month of residual income **is required** • The required residual income is calculated based on the qualifying assets divided over 48 months. Tax deductions should not be applied when determining residual income

<table>
<tr><th colspan="2">Simple Access Underwriting Guidelines</th></tr>
<tr><td>Simple Access Specific Forms</td><td>Homebridge will complete these forms, as applicable, and send with loan closing docs.
• Borrower Affirmation – Full Documentation. Signed by borrower(s)
• Borrower Affirmation – Bank Statement. Signed by borrower(s)
• Borrower Affirmation – Investor Cash Flow. Signed by borrower(s)
• Borrower Affirmation - Asset Qualifier. Signed by borrower(s)</td></tr>
<tr><td>Ability to Repay</td><td>• The Simple Access program is designed for loans that are not eligible under Fannie Mae/Freddie Mac guidelines
• All Full Doc, Bank Statement, and Asset Qualifier option loans must meet Ability to Repay (ATR) requirements (N/A for Investor Cash Flow option). All of the following criteria must be considered when determining if the borrower has sufficient income and assets to repay the loan.
- Current or reasonable expected income or assets,
- Current employment status,
- Monthly payment on the covered transaction,
- Monthly payment on any simultaneous loan,
- Monthly payment for mortgage-related obligations,
- Current debt obligations, alimony and child support,
- Credit history, and
- Debt-to-income ratio
• The loan file must include documentation of the borrower’s ability to repay.</td></tr>
<tr><td>Age of Documents</td><td>• Income and asset documentation must be dated no more than 60 days prior to the Note date
• The credit report cannot be more than 90 days old as of the Note date
• Appraisal documents cannot be more than 120 days old at funding. A new appraisal will be required if the original appraisal exceeds 120 days at funding; appraisal updates are not eligible.
• Title commitment cannot be more than 60 days old at funding</td></tr>
<tr><td>Appraisals</td><td>• All transactions require a new appraisal
• Appraisal requirements are as follows:
<table><tr><th colspan="2">Appraisal Requirements</th></tr><tr><th>Loan Amount</th><th>Requirement</th></tr><tr><td>≤ $1,500,000</td><td>One (1) full appraisal</td></tr><tr><td>> $1,500,000</td><td>Two (2) full appraisals</td></tr></table>
• When two appraisals are required and neither are a transferred appraisal, the lower of the two is used to determine value and there are no additional requirements
• Collateral Desktop Analysis (CDA): A CDA must be obtained on transactions where only one full appraisal is required (see exception below) or the transaction requires two appraisals and one is a transferred appraisal. The cost of the CDA is $150
• CDA Waiver: The CDA requirement may be waived when the transaction only requires one appraisal (not eligible if it is a transferred appraisal) AND the appraisal receives a Fannie Mae Collateral Underwriter (CU) Risk Score of ≤ 2.5. If the CU score is > 2.5 a CDA, meeting the requirements below, is required
NOTE: The Risk Score is provided on page 2 of the Fannie Mae Submission Summary Report (SSR)
• One Appraisal: When a waiver of the CDA requirement is not eligible a Collateral Desktop Analysis (CDA) must be obtained and the following applies.
- If the CDA is within 10% of the appraised value, the appraised value is used. If the CDA does not support the appraised value, a field review is required.
  - If the value of the field review is within 5% of the value of the appraisal the lower of the two will be used
  - If the value of the field review is outside 5% of the appraised value, another full appraisal is required</td></tr>
</table>

Appraisals	

	• **Transferred Appraisals:** Appraisal transfers **are eligible on transactions that require two appraisals and subject to the following:**
	- The transferred appraisal must meet all of Homebridge's requirements for transferred appraisals
	- A **CDA must be obtained when a transferred appraisal is utilized:**
	  - Transaction requires one appraisal follow the guidance under the CDA topic above
	  - Transaction requires two appraisals and one is a transferred appraisal, a CDA is required on the appraisal ordered by the broker (**not** the transferred appraisal)
	  - If the variance between the two appraisals is > 20%, an additional appraisal is required. The value will be based on the lowest of the three (3) appraisals
	• **Purchase Transactions**: The value is the **lesser** of:
	- The purchase price (minus concessions or excess contributions), or
	- The appraised value
	• **Refinance Transactions**:
	- If property owned < 12 months the value is the **lesser** of:
	  - The purchase price plus the documented cost of improvements since time of purchase, **or**
	  - The current appraised value
	- If property owned > 12 months: The value is the current appraised value
	• Properties flipped within 180 days of the loan application, refer to the Property Flips topic for requirements
	• The subject property must conform to the neighborhood in terms of age, design and materials used for construction. The appraiser must comment on and describe any items that might impact the marketability and make applicable adjustments based on those comments
	• Homebridge requires properties to be, at minimum, in average condition
	• All factors that negatively impact the property's condition must be considered including:
	- **Deferred Maintenance**: Considered on a case-by-case basis. "Subject to" items must be described in detail and any required work must be completed prior to closing
	- **Debris, Graffiti, or Trash**: Property with excessive amount of debris, graffiti or trash may require clean-up. When clean-up required, a Satisfactory Completion Certificate (Fannie Mae Form 1004D/Freddie Mac Form 442) and photos will be required
	- **Infestation**: Any indication of termites or other infestation, must be investigated, treated, and remedied.
	- **Roof Damage**: Any evidence of roof leaks and/or interior water damage (ceiling stains) must be addressed by the underwriter even if not identified on the appraisal. If any of these conditions exist, a roof certification must be obtained, indicating a remaining useful and physical life of at least 3 years.
	• Properties with security bars must address any safety issues prior to close. Security bars must comply with local fire codes and meet one of the following conditions:
	- There is a "quick release" on at least one window in each bedroom. The appraiser must comment on whether or not the bars meet local codes and whether or not there is a "quick release', OR
	- The appraiser must indicate that all bedrooms must have adequate egress to the exterior of the home

Appraisal (cont.)	• Properties with any of the following conditions are ineligible:
	- Boarded-up,
	- Inadequate foundation that does not meet code,
	- Any property that poses an imminent threat to the health and safety of the occupant
	- Inadequate heating (must be a permanently affixed legal heating system). Exceptions may be made on a case-by-case basis subject to Homebridge management approval
	- No water or public electricity
	- Cantilevered or properties on stilts, posts or piers,
	- Shared services for well, septic, or utilities that are private agreements,
	- Properties showing evidence of mold,
	- Environmental hazards or nuisances
	• Refer to the Properties - Ineligible topic for a complete list of ineligible properties.
	• Room additions must be permitted. Unpermitted additions are eligible on a case-by-case basis subject to Homebridge management approval. Refer to the Property with an Addition Without Permits topic for complete requirements
	Appraisal Requirements
	• The appraisal must include all of the following:
	- Street map showing the location of the subject property and all comparable sales used,
	- Exterior building sketch of the improvements indicating dimensions,
	- A floor plan sketch is required along with calculations demonstrating how the estimate for the gross living area was determined,
	- A sketch of the unit that indicates the interior perimeter unit dimensions instead of exterior building dimensions for a condo located in a condominium project,
	- Original color photographs or digital color images of the front, street and rear view of the subject property,
	NOTE: Original digital black and white photographs/pictures are permitted if the appraisal clearly documents the subject property meets Homebridge guidelines.
	- Interior photos of the subject property that include all of the following:
	  - Kitchen,
	  - All Bathrooms,
	  - The main living area,
	  - Any area with physical deterioration, and
	  - Any renovations/improvements.
	- Any other information necessary to provide an adequately supported estimate of the market value must be attached or an addendum to the report
	- An analysis of all agreements of sale, options or listing for the subject property, that are effective as of the date of the appraisal,
	- An analysis of all sales of the subject property that occurred within the 3 years prior to the effective date of the appraisal,
	- A completed Sales Comparison Approach section of the Fannie Mae 1004 Appraisal when any comparable sales used have more than one sale or transfer in the 12 months prior to the effective date of the appraisal,
	- Appraiser comments on any unfavorable conditions (e.g. adverse environmental or economic factors) and how those conditions impact the market value of the property. If such conditions exist the appraiser must include comparable sales that are similarly affected, and
	- A Certification and Statement of Limiting Conditions (Fannie Mae Form 1004B/Freddie Mac Form 439) signed by the appraiser.
	• **Full Doc and Investor Cash Flow Investment Properties:** Fannie Mae Form 1007 Single-Family Comparable Rent Schedule or Fannie Mae Form 1025 Small Residential Income Property Appraisal Report, as applicable, required

Appraisals (cont.)	**Comparable Sales**
	• Comparable sales should be located within 1 mile of the subject property in urban/suburban areas. If 2 of the 3 comparable sales used by the appraiser are > 5 miles from the subject property the property will be considered rural. The appraiser must provide an explanation for using any comparable outside the subject property neighborhood.
	• The comparable sales must represent the best market data available to support the property's estimated value and should be as similar to the subject property as possible.
	• Comparable sales for a new subdivision or condominium project require a minimum of 1 comparable sale from inside the new subdivision/ project and 1 comparable sale from outside the subdivision/project.
	• Comparable sales used must have a recent sales date, preferably within 6 months of the subject property's sale date. Any comparable sales > 6 months old require comment from the appraiser on market conditions. If necessary to use older comparable sales the appraiser must supplement them with pending sales and/or current listing in the subject property neighborhood
	• The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required:
	- A Multiple Listing Service (MLS), or
	- MRIS (www.mris.com), or
	- Midwest Real Estate Dated (MRED) (www.mredllc.com), or
	- North Texas Real Estate Information Systems, Inc. (NTREIS) at (www.ntreis.net), or
	- San Antonio Board of Realtors (www.sabor.com), or
	- GeoData at (www.geodataplus.com), or
	- Comps Inc. at (www.compsny.com).
	NOTE: Comparables from a public independent source are only eligible in the states of Maine, New Hampshire, and Vermont
	• Comparable sales used for new construction properties are subject to the following:
	- If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.
	- If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, bill board signs, website, etc.).
	- Additionally, the following applies:
	  - One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, or Comps Inc. 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.
	NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.
	• The appraisal must identify and address properties located within a declining market. If an appraisal indicates a property is in a declining market, **Homebridge management review and approval is required**
	• Land value subject to Fannie Mae guidelines. The appraiser must comment if typical for the area and current use is highest and best use
	• Maximum 5 acres
	• A new appraisal will be required when the appraisal is dated more than120 days from the funding date. **A re-certification is not allowed.**

Appraisals (cont.)	• Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review as follows: - **Appraisal Completed Prior to the Disaster:** - An interior and exterior inspection of the property is required - Inspection must be completed by a licensed third-party professional to certify the condition of the property and identify any impact to habitability or marketability - Inspection report must include photographs of the front, rear, and street view of the property, - Any damage must be repaired and a re-inspection completed - A copy of the inspection report and the inspectors license must be included in the loan file, - An appraisal update or final inspection from the appraiser must also be obtained. The appraiser must also comment on the adverse event and certify that there has been no decline in value. Any existing damage must meet the Deferred Maintenance guidance. - **Appraisal Completed After the Disaster:** - The appraiser must comment on the adverse event and any effect it had on the marketability or value of the property - Any existing damage must meet the Deferred Maintenance guidance.
Appraisal Management Companies (AMC)	Appraisal must be ordered from one of the following Homebridge approved AMCs: • ACT Appraisal Management: ACT Appraisal • AMC Settlement Services: AMC Settlement Services • Axis Management Solutions: Axis • Class Valuation (formerly Class Appraisal): Class Valuation • Golden State AMC: Golden State AMC • Mortgage Management Consulting (MMC): MMC • Nationwide Appraisal Network: Nationwide Appraisal Network • Nationwide Property & Appraisal Services: Nationwide Property & Appraisal Services • Xome (formerly Assurant): Xome

Assets	The borrower must have sufficient liquid assets available for down payment, closing costs, and reserves. • Acceptable assets include cash in the bank, stocks, bonds, IRAs, 401Ks, mutual funds or retirement accounts • Two (2) months most recent consecutive statements (all pages) or the most recent quarterly statement required to document assets required for down payment, closing costs, prepaid items and reserves. Asset statements must cover a minimum of 60 days. Refer to the Asset Qualifier topic for requirements unique to Asset Qualifier • Any significant disparity between the current account balance and the opening balance may require additional explanation. • Funds from a non-borrowing spouse who will be or is a titleholder are eligible for funds to close (**not eligible** for reserves) on primary residence and second home transactions and are **not** considered a gift. Two months asset statements required, and all other asset requirements outlined in this topic must be met • **Large or Irregular Deposits**: Defined as a single deposit where any unsourced portion of the deposit exceeds 50% of the borrower's 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. 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 • **Marketable Securities:** Stocks, bonds, and mutual funds (net of margin) that are traded on a major market exchange (NASDAQ, NYSE, AMEX) may be used for closing costs and reserves at 70% of the verified market value minus any outstanding margin loans - Documentation of the liquidation of funds and the ending balance is **required when used for closing** • **Stock options that are exercisable:** Vested stock options are eligible for down payment and closing costs if funds immediately available to the borrower. Eligible for reserves at 70% of the current market value limited to the "strike price" value. • **Vested Retirement Funds: Vested** funds are eligible as sources of funds for down payment, closing costs and reserves. The following is required: - Verification of ownership and receipt of funds from liquidation of assets when needed to complete the transaction. Funds used for reserves only **do not** require proof of liquidation - Borrowers who are not of retirement age must document that they have unrestricted access to all retirement-based funds used for down payment and closing costs and documentation of liquidation of the assets needed to close the loan is required. - Borrowers of retirement age (≥ 59 ½): 70% of the vested value may be considered to meet reserve requirements - Borrowers not of retirement age: 60% of the value may be considered to meet reserve requirements - Accounts that only allow withdrawal based on the borrower's employment termination or retirement, or death are not considered vested funds and are **not** eligible to satisfy reserve requirements • **Annuities/Cash Value of Life Insurance:** Eligible as a source of funds for closing costs/reserves using 100% of the surrender value minus any loans. • Foreign funds eligible for down payment, closing costs and reserves subject to the following: - Documentation that provides proof the funds belonged to the borrower prior to the transfer, **and** - Funds must be transferred into a U.S. bank or deposit account, **and** - Copy of the wire transfer required NOTE: On a case-by-case basis Homebridge will consider allowing foreign funds being used to satisfy reserve requirements to remain outside of the U.S. in a foreign financial institution subject to Homebridge management review and approval

Assets	• Business funds may be considered an acceptable source for down payment, closing costs and reserves when the borrower is self-employed subject to the following: - The borrower must have at least 51% greater interest in the business to utilize business funds and the ownership percentage must be verified. The amount of business assets that may be utilized are restricted to the percentage of ownership interest the borrower has in the business - One of the following is required: 1. A letter from the borrower stating they have access to the business funds and a cash flow analysis to document the withdrawal of funds will not negatively affect the business. The cash flow analysis must be based on: - Determine the business' monthly operating expenses based on either the most recent rears tax returns **or** average the deductions using average the deductions on six (6) months of business bank statements, **and** - Deduct six (6) months' worth of expenses from current business balance to determine available balance and apply the borrower's ownership percentage to the result to determine eligible business assets, **OR** 2. **A CPA/EA/licensed tax preparer letter** must be provided to confirm withdrawal of funds will not have a negative impact on the business • Cash-out proceeds from a refinance from the subject or non-subject property are eligible for closing costs. **Cash-out is not eligible to satisfy reserve requirements.** • The following sources of funds may **not** be used to meet asset requirements: - Proceeds from unsecured or personal loans - Gift funds that require full or partial repayment - Sweat equity - Cash-on-hand - Cash advances from a credit card or other revolving account - Funds from a 529 plan account - Salary/bonus advances receive against future earnings - 1031 exchange proceeds on owner-occupied or second home property - Seller funded DPA programs - Funds for closing from disaster relief loans or grants - Commission from the sale of the subject property - Assets from margin accounts - Non-vested restricted stock and/or stock options - Loan proceeds - Funds that have not been vested - Assets generated from any activity that is illegal on a local, state, and/or federal level
Assumptions	• **Fixed Rate Loans**: Assumptions not eligible • **ARM Loans**: Assumable after the fixed rate period (subject to conditions)
AUS	• Loans are **not** required to be run through an AUS • Compliance with Ability to Repay (ATR) requirements must be documented and included in the loan file along with the loan approval. Refer to the Ability to Repay topic for ATR requirements.
Available Markets	• Available in all 50 states • Properties located in one of the following states are limited to maximum 75%: - Connecticut, - New Jersey, - New York • **New York**: Loans meeting the NY Subprime Home Loan definition are **ineligible**.

Borrowers – Eligible	• **U.S. Citizens**
	NOTE: U.S. citizens currently living overseas eligible subject to certain requirements. Refer to "U.S. Citizens Currently Living Overseas" under the Credit History topic for details.
	• **Permanent Resident Aliens:** Must provide documentation to verify they are legally present in the U.S. Must be employed in the U.S. for the previous two (2) years. The following documentation is eligible to verify legal presence:
	- Alien Registration Receipt Card I-151 (Green Card)
	- Alien Registration Receipt I-551 (Resident Alien Card that does not have an expiration date on the back (i.e. Green Card)
	- Alien Registration Receipt Card I-551 that has an expiration date on the back (Conditional Resident Alien Card) accompanied by a copy of the filed INS Form I-751 (Petition to Remove Conditions on Residence)
	- Non-expired foreign passport that contains a non-expired stamp that is valid for a minimum of 3 years reading "Processed for I-551 Temporary Evidence of Lawful Admission for Permanent Residence. Valid until mm-dd-yyyy. Employment Authorized
	• **First Time Home Buyers** (borrowers who have not owned a property in the past 3 years). FTHB guidance only applies when **ALL** borrowers on the transaction are first time home buyers
	- Borrower must be able to document a rental history within the previous three (3) years with a 0x30 over a 12-month history (rental history must be most recent), **OR**
	- **Borrowers living rent-free are subject to the following:**
	  - Maximum 70% LTV
	  - Primary residence **only**
	  - Gift funds **not** allowed
	NOTE: Borrowers living rent-free are **ineligible** on the ICF option
	- **FTHB on ICF: First time home buyers not eligible.**
	• **Non-Permanent Resident Aliens –** Eligible subject to the following:
	- An eligible visa is required:
	  - E, G, H, L, P, and O series and TN
	- The borrowers must have been living and working in the USA for a minimum of two (2) years
	- An established credit history is required, and the borrower must have filed U.S. tax returns for the previous two (2) years (applies to borrowers who are using income to qualify)
	- **ICF option only:** Maximum LTV is the lesser of 65% or the applicable product
	• **Non-Occupant Co-Borrower: Full Doc/Bank Statement:** Eligible. Transactions involving a non-occupant co-borrower are subject to the following:
	Method One
	- 5% reduction of applicable LTV **and** blended income and assets eligible
	Method Two
	- No LTV reduction
	- **Front-end** ratio maximum **60%, and**
	- Blend income to determine back-end ratio and non-occupant co-borrower may contribute remaining funds to close and funds for reserves
	Refer to the Non-Occupant-Co-Borrower Asset Qualifier **topic for Asset Qualifier requirements**.

Borrowers – Eligible (cont.)	• **Non-Occupant Co-Borrower (NOCB): Asset Qualifier:** Eligible subject to the following: - NOCB must be a relative (defined as a person who is related to the primary borrower by blood, law, or marriage) - NOCB 's debt service must be included in the debt service calculation when determining qualification. - Eligible on purchase and rate/term transactions **only**; **ineligible on cash-out** - **The following methods are eligible:** **Method One**: - 5% LTV reduction required; all assets may be included, **OR** **Method Two**: - No LTV reduction. Occupant borrower must contribute 5% own funds (purchase transactions) • **Non-Occupant Co-Borrower Investor Cash Flow:** Not applicable • **Inter Vivos Trust** – Loans closing in the name of a revocable trust are eligible. Trust must meet Fannie Mae guidelines. A copy of the trust or a Trust Certificate is required when vesting in the name of the trust • **Blind Trust: Full Doc, and Bank Statement** (**ineligible** on ICF/Asset Qualifier): Blind trusts are eligible on a case-by-case basis subject to Homebridge Management approval • All borrowers are required to have social security number **NOTE: Any inconsistency in the social security number(s) reported require a signed, written explanation from the borrower**
Borrowers – Ineligible	• Borrowers with diplomatic immunity • Foreign Nationals • Land Trusts • Borrowers without a social security number or a number that cannot be validated with the SSA. • Borrowers with non-traditional credit • Life Estates • Non-revocable trusts – **no exceptions** • Guardianships • Borrowers previously convicted of mortgage fraud

Borrower – Ownership Interest	• Borrowers may hold title as follows:
	- **Fee Simple:** Vesting in the name of individual(s)
	- **Inter Vivos Trust**: Title in the name of an inter vivos revocable trust or a blind trust (blind trusts case-by-case) that meets Fannie Mae guidelines. **Requires Homebridge management review and approval**
	- **Limited Liability Corporation (LLC)** Title held in an **LLC REQUIRES HOMEBRIDGE MANAGEMENT REVIEW AND APPROVAL.** LLC eligibility requirements are as follows:
	  - Must be a domestic LLC whose holdings are limited to the subject property or the mortgage secured by the subject property. **The LLC may not own any other property**
	  - The LLC must be legal and have been formed in the same state the property is located,
	  - A maximum of four (4) members (U.S. citizens, permanent resident aliens or non-permanent resident aliens) and members must be beneficial owners of the property
	  - All members of the LLC must qualify for the loan and individually sign the Note
	  - The LLC must be a single-purpose LLC that was created to hold title to the subject property
	  - Copies of **all of the** following must be provided:
	    - Articles of Organization, **and**
	    - Operating Agreement (must provide term of the LLC and the members authorized to encumber the LLC as guarantors), **and**
	    - Unanimous Consent & Resolution to Borrow, **and**
	    - Form SS-4 with Tax ID number listed, **and**
	    - Certificate of Good Standing from the applicable Secretary of State's office, **and**
	    - Attorney Opinion Letter, attesting that the LLC meets the above requirements
	  - The Note must be signed by the borrowers in both their individual capacity and as a member and/or manager of the LLC. All members of the LLC must sign the Note as member of the LLC, in addition to any other signature requirements.
	  - The mortgage/deed of trust/security instrument must be signed by all members of the LLC in their capacity as member and/or manager of the LLC
	Note Signature Example:
	______________________________
	John Smith
	______________________________
	John Smith, as member of ABC, LLC
	Mortgage/Deed of Trust Signature Example:
	______________________________
	John Smith, as member of ABC, LLC
	REMINDER: Homebridge management review and approval REQUIRED for properties closing in the name of an LLC

Borrower – Ownership Interest (cont.)	- **Partnerships and Corporations:** Title held in the name of a partnership or corporation **REQUIRES HOMEBRIDGE MANAGEMENT REVIEW AND APPROVAL.**
	Partnership/corporation **e**ligibility requirements are as follows:
	  - The entity must be legally formed and domestic to the state where the property is located
	  - The sole purpose of the partnership/corporation must be the ownership of the subject property
	  - **The partnership/corporation cannot own any other properties**
	  - All shareholders/partners/members must be natural persons and be borrowers on the loan
	  - Copies of **all** of the following must be provided:
	    - Articles of incorporation, **and**
	    - Operating agreement, by-laws, or equivalent, **and**
	    - Share certificate reflecting the borrower(s) ownership interest
	    - Application for Employer Identification Number (IRS Form SS-4) listing the tax ID number, **and**
	    - Certificate of Good Standing from the applicable Secretary of State Office, **and**
	    - Unanimous Consent & Resolution to Borrow, **and**
	    - An attorney opinion letter, attesting that the entity meets the above requirements
	  - The Note must be signed by the borrower(s) as an individual and as a shareholder, partner, etc. of the entity
	  - The mortgage/deed of trust/security instrument is signed the shareholder/partner of the entity as their capacity of the entity (i.e. partner, shareholder, etc.)
	Note Signature Example:
	________________________________
	John Smith
	________________________________
	John Smith, as President of ABC, Inc.
	Mortgage/Deed of Trust Signature Example:
	________________________________
	John Smith, as President of ABC, Inc.
	
	REMINDER: Homebridge management review and approval REQUIRED for properties closing in the name of a partnership/corporation

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

Conversion of Principal Residence to Second Home, Investment or Pending Sale	<u>**Full Doc and Bank Statement Options**</u>
	Pending Sale
	If the borrower's current primary residence is pending sale but the transaction will not close and title transferred prior to the subject property closing, both the current **and** proposed PITIA mortgage payments must be used when qualifying the borrower
	Proceeds from the Pending Sale
	If the borrower's primary residence is pending sale but will not close prior to the subject property close, **up to 50% of the borrower's equity in their current residence may be used towards post-closing reserves subject to the following requirements:**
	• The transaction must be non-arm's length, listing the seller of the property (the borrower) as the owner individually or through an entity created for their benefit, and
	• The transaction must have a closing date listed on the contract that is within 90 days of the subject property ("on or about" date is acceptable), and
	• There cannot be any outstanding financing contingencies on the property pending sale. Any financing contingencies outlined in the purchase contract must have evidence they have been cleared, and
	• An estimated settlement statement, completed by the closing attorney or settlement agent, must be provided that documents the estimated net proceeds to the seller of the property (borrower in subject transaction)
	• The borrower must provide letter attesting to the number of outstanding liens and the amount of each lien on the property pending sale
	Conversion to Second Home
	• If the borrower wishes to convert their current primary residence to a second home the borrower **must** have a 30% equity position in their current residence, or the current residence is **ineligible** for the conversion or the subject transaction is ineligible. Acceptable evidence to document the equity position is as follows:
	  - A **full appraisal** that is no more than 6 months old**, or**
	  - Compare the unpaid principal balance to the original purchase price of the property Additional documentation may be required at underwriter discretion.
	• The current and proposed PITIA mortgage payments must be used for qualifying the borrower
	Conversion to Investment Property
	• If the borrower wishes to convert their current primary residence to an investment property, the borrower **must** have a 25% equity position in their current residence or the current residence is ineligible for the conversion or the subject transaction is ineligible. Acceptable evidence to document the equity position is as follows:
	  - A **full appraisal** that is no more than 6 months old**, or**
	  - Compare the unpaid principal balance to the original purchase price of the property.
	• If the current residence is eligible for conversion to an investment property, rental income from the converted property can be used to qualify, using 75% of the current lease **minus** the full PITIA payment. The following is required:
	  - A copy of the fully executed lease agreement that extends for a minimum of one (1) year after loan closing, and
	  - Copy of security deposit and/or first month's rent check from the tenant, and
	  - A copy of the borrower's bank statement indicating the security deposit funds and/or first month's rent have been deposited into the borrowers account

Credit History	
Credit History	• Each borrower must have a minimum of three (3) tradelines and a 24 month credit history (see "Exception" below). Authorized user accounts are **not** eligible to satisfy the tradeline requirement NOTE: Authorized user accounts may be removed and not included in the DTI/debt service if documentation is provided confirming the borrower is not making the payments on the account. **A credit supplement, showing the account has been removed, is required** • One (1) tradeline must have been active within the previous 6 months • One (1) tradeline must be seasoned for a minimum 24 months. The same tradeline may be used to satisfy the 24 month and active requirement • Tradelines may be installment or revolving NOTE: If the only co-borrower is the borrower's spouse, only one borrower is required to meet the tradeline requirement. Unmarried joint borrowers who meet two the three requirements below will be considered "spouses" when determining compliance with tradeline requirements: 1. They have resided together for a minimum of two (2) years, 2. Hold at least one (1) joint tradeline 3. Have at least one (1) joint asset account **Exception to Tradeline Requirements** A borrower who does not have 3 tradelines and/or meet the 24 month seasoning requirement or does not have an active tradeline in the last 6 months may provide alternative acceptable credit (as defined by Fannie Mae) as noted below: • One additional alternative tradeline on the credit report or a housing tradeline that is 0x30 in 12 months, OR • Two additional tradelines that are 0x30 in 12 months **U.S. Citizens Currently Living Overseas** U.S. citizens living abroad are eligible. Borrowers living overseas that do not meet the tradeline requirements noted above may use one of the options below instead **as long as one borrower has at least one credit score reporting.** **Method One – Financial Institution Letter** • A reference letter from an acceptable financial institution with whom the borrower has a deposit relationship with for a minimum of two (2) years prior to the Note date. The letter must include the following: - Institution contact information - Borrower's name and account number(s) - Type and length of the relationship with the borrower - Whether or not the borrower is in good standing Refer to Exhibit A to see the list of acceptable financial institutions **Method Two – Foreign Credit Reference Letters** • Three (3) reference letters from creditor's in the country in which the borrower is residing. The reference letters must collectively satisfy the tradeline requirements detailed above. The reference letters must be on company letterhead and include: - The company phone number, address, and website.

Credit Report/Scores	• Minimum credit score is 620; refer to the applicable matrix for credit score requirements. • **Individual Borrower's Credit Score** - Borrowers are **required** to have three (3) valid scores. An individual borrower's representative credit score is determined as follows: - Three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. • **Representative Score for Loan:** - **Full Doc and Bank Statement Options**: The representative score is **the middle score of the primary wage earner**. A borrower's documented income **cannot** be excluded when determining the primary wage earner on a loan - **Investor Cash Flow Option**: The representative credit score is the **lowest middle score** of all borrowers. - **Asset Qualifier**: The representative credit score is the **lowest middle score** unless: - A borrower is providing 75% or more of the assets for the transaction, including funds to close and reserves, in accounts that are solely in their name or held jointly with persons who are not borrowers on the loan, then that borrower's middle credit score may be used • Homebridge will accept a credit report, in the broker's name, from any Fannie Mae acceptable credit vendor. • A tri-merged credit report or Residential Mortgage Credit Report (RMCR) is required for all borrowers • If the borrower has a credit freeze, the credit freeze must be removed, and the credit information obtained • The credit report should include verification of all credit references provided on the loan application • **Any inconsistency in the social security number(s) reported require a signed, written explanation from the borrower.** • The credit report must certify the results of public record searches for each city the borrower has resided in during the last 2 years. • **Credit Inquiries: Full Doc, Bank Statement, and Asset Qualifier:** - The borrower(s) must address, in writing, **all** credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). If new credit was obtained, a verification of that debt must be provided, and the borrower must be qualified with the monthly payment. NOTE: This requirement does not apply to Investor Cash Flow however if a mortgage inquiry appears on the credit report and the borrower has limited reserves, at underwriter discretion, an LOE from the borrower may be required ***Examples:*** - ***Acceptable Response***: Chase, Wells & Bank of America credit pulled while searching for a mortgage on property located at 123 Main Street; no credit was obtained. - ***Unacceptable Response***: "We did not accept any credit for the inquiries listed on our credit report: or "We did not accept any credit from Chase, Wells & Bank of America" (neither response specifically addresses both the inquiry and disposition). • If additional debt was obtained or discovered or the borrower's income is reduced after the underwriting decision was made the following applies: - The additional debt(s) and reduced income must be applied and determined if the loan still qualifies, - If there is new subordinate debt on the subject property, the loan must be re-underwritten, and - The final loan application signed by the borrower(s) must include all income and debt verified, disclosed or identified • The credit report cannot be more than 90 days old as of the Note date

Credit Report/Scores (cont.)	**Court Ordered Assignment of Debt** • Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations if the following is provided: - Copy of the court order, **and** - Mortgage debt requires a copy of the document transferring ownership of property, **and** - If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be considered when reviewing the borrower's credit profile. **Fraud Alerts** All fraud alerts must be resolved prior to loan closing **Letter of Explanation**: Required as follows: • For all address, employment and/or name variation and/or inconsistencies. • Whenever the credit report indicates the borrower may not manage credit effectively (e.g. recently opened revolving accounts at or near account limit, and/or a delinquent payment history indicates the borrower may overly rely on credit) • For all credit inquiries within previous 120 days with an acceptable response (see above "Examples")
Debt-to-Income (DTI) Ratios – Full Doc/ Bank Statement Options and Debt Service – Asset Qualifier	**<u>Investor Cash Flow Option</u>:** DTI requirements do **not** apply; DTI **not** calculated. Refer to the Investor Cash Flow Debt Service Coverage Ratio (DSCR) topic for ICF requirements. **<u>Asset Qualifier Option:</u>** DTI requirements do **not** apply; DTI **not** calculated. Liabilities are considered in the borrower's monthly debt service when qualifying the borrower. **<u>Full Doc and Bank Statement Options:</u>** • DTI is calculated by dividing the borrower's total monthly obligations by the borrower's total monthly qualifying income. **DTI cannot be rounded down to qualify** • **Primary Residence Purchase and Rate/Term Refinance:** - Maximum 50% DTI • **Primary Residence Cash-Out, Second Home/Investment Purchase, Rate/Term and Cash-Out Refinance** - ≤ 70% LTV: Maximum 50% DTI - > 70% LTV: Maximum 43% DTI • **All Transactions: DTI > 43% to 50% requires: Residual income of $1,500 or more per month** **<u>Residual Income Requirement: Full Doc and Bank Statement</u>** Residual income may be required based on the borrower's DTI as follows: • Loans with DTI ratio ≤ 43% **no** residual income required • Loans with a DTI ratio > 43% to 50% requires a minimum of $1,500 per month residual income **<u>Residual Income Requirement: Asset Qualifier</u>** Required. Refer to the Residual Income Requirements topic for details. **<u>The following applies to Full Doc, Bank Statement, and Asset Qualifier</u>** **Alimony – Full Doc and Bank Statement** Monthly alimony may be deducted from the income rather than included in the DTI calculation when the alimony payments are tax deductible **Alimony – Asset Qualifier** Monthly alimony is included when determining borrower's monthly debt **Child Support and Separate Maintenance** Must be included in the borrower's DTI/debt service calculation. The terms of the payment must be documented with divorce decree, separation agreement, court order, etc.

Debt-to-Income (DTI) Ratios – Full Doc/Bank Statement Options and Debt Service – Asset Qualifier (cont.)	<u>**The following applies to Full Doc, Bank Statement and Asset Qualifier**</u> **Business Debt** Business debt that is reflected on the borrower's personal credit report may be excluded if: • There is no history of delinquency, • Documentation is provided the debt was paid from the business (e.g. most recent 6 months cancelled checks drawn on the business account/tax returns reflect the business expense deduction etc.), • The cash flow analysis of the business indicates the payment. NOTE: Any business debt that is seasoned < 6 months, the payment **must be included** in the DTI/debt service calculation. **Co-Signed Debt** • Co-signed debt is **not required** to be included in the borrower's DTI calculation/debt service if all of the following applies: - Documentation is provided that the borrower is not primarily responsible for payment of the debt, and - The credit report indicates no late payments on the account, and - 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower). • Co-signed debt must **be included** in the borrower's DTI calculation/debt service if: - It cannot be properly documented that the primary party obligated on the loan is making the payments, **or** - A 12 month pay history, by the primary party, cannot be established, **or** - The credit report indicates there have been late payments on the debt, **or** - Another party is making the payments but the borrower is the only party responsible for the debt **HELOCs** • The payment on the amount of the line currently being used must be included in the DTI calculation/debt service; • If there is a balance, but no payment indicated on the credit report a statement indicating the payment amount is required or 1% of the total line amount will be used • HELOCs with a zero balance, no payment calculation is required. • The applicable CLTV/HCLTV cannot be exceeded. **Installment Debt** • Installment debt must be included in the borrower's DTI calculation/debt service when there are 10 months or more payments remaining. NOTE: Lease payments must be included in the DTI/debt service **regardless of number of payments remaining** • Installment debt with < 10 months of payments remaining may be excluded, if the borrower has sufficient assets to make the remaining payments. • Installment debt may be paid off with proceeds from a cash-out refinance transactions • Installment debt may be paid down to < 10 months to exclude however the source of funds must be documented and sourced • If the payment is not listed on the credit report, documentation must be provided with the current payment. • If a payment will be changing in the very near future (i.e. an ARM or interest-only loan) the new payment must be used for the DTI calculation/debt service • Installment debt that will be paid in full prior to closing may be excluded from the DTI calculation/debt service. Documentation (credit supplement or direct verification from the creditor) must be obtained to evidence the debt has been paid in full is required and the source of funds must be documented and sourced • **Texas Equity Loans**: If the payoff of installment debt is required to qualify, the payoff must be included on the CD **and the funds must be disbursed directly to the creditor by the closing agent**

Debt-to-Income (DTI) Ratios - Full Doc/ Bank Statement Options and Debt Service – Asset Qualifier (cont.)	**<u>The following applies to Full Doc, Bank Statement, and Asset Qualifier</u>** (cont.) **Revolving** Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit. Revolving debt is subject to the following: • The minimum required payment stated on the credit report or current account statement should be used in DTI calculations/debt service. • If no payment stated on the credit report or current statement is unavailable use 5% of the current balance to determine the monthly payment; HELOCs use 1% to determine monthly payment • If the revolving account is to be paid off prior to or at closing, a monthly payment is not required to be included in the debt ratio/debt service. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio. • If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified. • If the revolving account is to be paid off at closing, the payoff must be shown on the Closing Disclosure • Texas Equity Loans: If the payoff of revolving debt is required to qualify, the payoff must be included on the CD **and the funds must be disbursed directly to the creditor by the closing agent** **Student Loans (Deferred/Forbearance or in Repayment)** Student loan payments, regardless of payment status, must be included in the DTI calculation/debt service. • If the payment is included on the credit report, use the payment indicated on the credit report • If the payment is in deferment or not listed on the credit report, use the lesser of: - 1% of the outstanding loan balance, **or** - Document the fully amortized payment **NOTE**: Accounts in forbearance are subject to review by Homebridge management **Undisclosed Debt** Undisclosed debt will require an LOE from the borrower. At underwriter discretion, documentation supporting the explanation may be required **Timeshare** Timeshare payments are considered installment loans and installment guidelines should be followed
Deed / Resale Restrictions	Considered on a case-by-case basis only with Homebridge management approval

<table>
<tr><td>Derogatory Credit</td><td>
Significant Derogatory Credit Events
A 4-year waiting period is required from the completion date of a significant derogatory credit event to the application date of the loan. Significant derogatory credit events include:

Foreclosure, Deed-in-Lieu of Foreclosure,
Short sale
Short payoff,
Bankruptcy (7,11, or 13, either dismissed or discharged, and borrowers currently in bankruptcy proceedings)
Pre-foreclosure including Notice of Default or Lis Pendens
Modification

Refer to the individual documentation options for specific requirements:
- Full Doc Derogatory Credit
- Bank Statement Derogatory Credit
- Investor Cash Flow Derogatory Credit
- Asset Qualifier Derogatory Credit
Collections/Charge-offs
Open adverse must be paid off prior to or at closing (excluding medical collections) unless the following applies:

There is an individual account with a balance of < $250, and
The aggregate balance of all outstanding accounts is < $1,000

NOTE: Medical collections, regardless of amount, may remain open
Consumer Credit Counseling
Borrowers who have participated in credit counseling are eligible.
Judgment/Tax Lien
Any outstanding judgments or tax liens may remain open subject to the following:

The borrower must be in a repayment agreement
Six (6) months documented on-time payments required
Must be included in the DTI or debt service (as applicable) or for ICF in the DSCR (if attached to subject property), and
If the judgment or tax lien is recorded against the property, it must be subordinated

Disputed Accounts
Disputed accounts identified on the credit report within the previous two (2) years are subject to the following:

Disputed account in collection and balance is ≤ 250: No action required
Account with Zero Balance and No Derogatory Information: No action required
Account with Zero Balance and Derogatory Information: Remove and obtain a new credit report: a credit supplement is not allowed
Account with a Balance and No Derogatory Information: No action required
Account with a Balance and Derogatory information: Remove and obtain a new credit report: a credit supplement is not allowed

Mortgage Modification
Borrowers with a prior mortgage modification are eligible. The modification must have been completed prior to application. Borrowers with a mortgage modification requires 0x30 in the previous 12 months on all mortgage/housing
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.
</td></tr>
<tr><td>Down Payment/ Earnest Money Deposit</td><td>

5% borrower own funds required on purchase transactions except for transactions utilizing a gift of equity. Refer to Gift of Equity topic for details
Down payment/earnest money deposits must be documented and sourced, if applicable.
Gift funds eligible after borrower own funds requirement met

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

Employment/Income	**Full Doc and Bank Statement Options** Income and employment must be considered stable. Income must also be considered likely to continue for a **minimum of 3 years** and be sufficient enough for the borrower to repay the debt. • A 2-year work history is required in the same job or same line of work. If less than 2-years employment documented training and/or education in the same field is allowed to satisfy the 2-year history requirement. • Self-employed borrowers must have been in business for at least 2 consecutive years **Gaps in Employment/Income Decline** • **Wage Earners**: Gaps in employment greater than 90 days require the borrower provide a signed letter of explanation. Gaps in employment that are > 6 months require additional documentation and a minimum 2-year history in the same line of work prior to the gap • **Self-Employed:** Gaps in employment greater than 30 days require the borrower provide a signed letter of explanation. Gaps in employment that are > 6 months require additional documentation and a minimum 2-year history in the same line of work prior to the gap • Borrowers must currently be employed • Declining income sources should be closely reviewed to determine if the income can be used for qualifying. A letter of explanation detailing the reason(s) for the decline is required. If sufficient information to support the use of the income is provided, the most recent lower income must be used for qualification. • Borrowers who are experiencing a temporary salary reduction must be able to qualify on the income documented on the most recent 30 day paystubs **Investor Cash Flow and Asset Qualifier Options** Employment and income is **not** verified
Escrow Holdbacks	Eligible on a case-by-case basis subject to Homebridge management approval
Escrow/Impound Account	Not required unless HPML. If an HPML a minimum escrow period of 5 years is required **Reminder:** Escrow account is always required if flood insurance required

Financed Properties/ Other Real Estate Owned	• No limit to the number properties owned/financed on owner-occupied primary residence transactions
	• Borrower(s) with > 15 financed properties are ineligible for a second home or investment transaction. The 15 limit is cumulative for all borrowers
	• One (1) months PITIA reserves for each financed property is required in addition to subject property reserve requirements. Refer to the Reserves topic for complete reserve requirements.
	• Homebridge limits its exposure to maximum of 4 loans per borrower and/or a maximum of $2,500,000
	Calculating 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.
	• 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, **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

Gift Funds	**Full Doc, Bank Statemen, and Investor Cash Flow:** Gift funds eligible for down payment and closing costs (gift funds **not** eligible to satisfy reserve requirements) subject to the restrictions detailed below **Asset Qualifier**: Gift funds eligible for down payment and closing costs **for purchase transactions** subject to restrictions detailed below. Gift funds for closing costs on refinance transactions considered on an exception basis. Gift funds **cannot** be used as an eligible asset to meet Asset Qualifier requirements or to meet reserve requirements **Gift Fund Eligibility** Gift funds from an immediate family member are allowed subject to the following: • **A minimum 5% borrower own funds required on purchase transactions** with the exception of transactions involving a gift of equity. Refer to the Gift of Equity topic for details • Immediate family member is defined as: - Borrower's spouse, or - Child or other dependent, or - A fiancé, fiancée, or domestic partner, or - Any other individual who is related to the borrower by blood (including cousins), marriage, adoption, or legal guardianship. NOTE: Funds from a non-borrowing spouse, who is a titleholder, will not be considered a gift • The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction. • The gift must be evidenced by a gift letter, signed by the donor and it must: - Specify the dollar amount, - Be signed by the donor and the borrower, - Specify the date the funds were transferred, - Indicate the donor(s) name, address, phone number, relationship to the borrower, and - Include a statement by the donor that no repayment of the gift funds is expected. • The transfer of the gift funds must be documented. Acceptable documentation includes: - Copy of the donor's cancelled check and the borrower's deposit slip - Copy of the donor's withdrawal slip and the borrower's deposit slip - Copy of the donor's check to the closing agent, or - The settlement statement showing receipt of the donor's check. • If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check or other official check
Gift of Equity	Eligible on all occupancy types subject to the following: • The seller is a relative of the borrower, **and** • A gift letter, meeting the guidelines under the Gift Funds topic above, is required, **and** • Owner-occupied and second home transactions **do not require 5% borrower own funds** when there is a gift of equity; **investment property transactions require the 5% borrower own funds** • The maximum LTV when using a gift of equity is **the lesser of**: - 75%, **or** - The applicable product maximum
Inspections	• Septic inspections are only required when the appraiser indicates there is evidence the septic system be failing. • Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation. • Well inspections are only required when state or local regulations require, or if there is indication the well may be contaminated.
Interest –Only:	Eligible **NOTE:** Interest-only **ineligible** on Texas Section 50(a)(6) aka Texas equity transactions

<table>
<tr><td>Interested Party Contributions</td><td>
Interested Party Contributions

Interested party contributions (IPC) include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.
IPC's must be:

Disclosed on the sales contract
Documented in the loan file
Clearly identified on the Closing Settlement Statement, and
Paid to the appropriate vendor the Title/Escrow Company or Closing Attorney

Interested party contributions are limited as follows:

<table>
<tr><th>Program Option</th><th colspan="2">Maximum Allowable Contribution</th></tr>
<tr><td rowspan="2">Full Documentation
Bank Statement
Asset Qualifier</td><td>Primary Residence
Second Home</td><td>• ≤ 75% LTV: 9%
• 75.01% to 85%* LTV: 6%
*2nd home max 75% LTV</td></tr>
<tr><td>Investment</td><td>All LTVS: 3%</td></tr>
<tr><td>Investor Cash Flow</td><td>Investment</td><td>All LTVS: 3%</td></tr>
</table>
Seller Credit/Financing Contributions
Funds from an interested third party and paid to the vendor are acceptable when they are used to:

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

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

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

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

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),
Seller,
Real Estate Listing and Selling Agent(s),
Appraiser,
AMC,
Broker,
Loan Officer,
Loan Processor,
Underwriter,
Closing Agent, and
Title Company

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.

</td></tr>
<tr><td>Mortgage Insurance</td><td>Not applicable</td></tr>
</table>

Mortgage/Rental History	• 0x30 in the previous 12 months, 0x60 in previous 24 months and 0x120 in previous 4 years in the aggregate for all mortgages and/or rental verifications. Exceptions may be considered on a case-by-case basis subject to Homebridge management review and approval • Mortgage/housing requirements apply to **all** borrowers on the loan. • Mortgage must be current for the month closing • If the mortgage/rental history is not listed on the credit report the following documentation is required: - **Rental History:** - **Professional Management Company**: A fully completed and signed verification of rent (VOR) - **Private Party**: The most recent consective12 months' cancelled checks (front and back) **and** a copy of the lease - **Mortgage History:** - **Institutional Lender**: A fully completed and signed verification of mortgage (VOM) - **Private Party:** The most recent consecutive 12 months' cancelled checks (front and back) **and** a copy of the Note **First Time Home Buyer (FTHB)** (see "Borrowers – Eligible" topic for definition). The below applies when **ALL** borrowers on the transaction are FTHB: • Borrower must be able to document a rental history within the previous three (3) years with 0x30 over a 12-month history (rental history must be most recent) • Borrowers without a rental history/living rent free are **ineligible** • **ICF Option**: First time home buyers are **ineligible.**
New York Transactions	The following applies to loans secured by properties in the state of New York: • **1-4 unit Owner-Occupied Properties**: - The minimum loan amount must be at least $1 dollar **greater than** the conforming loan amount for the number of units and the county in which the property is located (e.g. $510,400 (1-unit), $765,600 (1-unit high-cost area county **i.e. $1 more than the high balance** loan amount), $620,200 (2-units), etc.). Refer to the Fannie Mae 2020 Maximum Loan Limits list to determine the applicable loan limit for the NY county where the property is located - **Conforming loan amounts are ineligible** for owner-occupied transactions • **1-Unit Second Home and 1-4 Unit Investment**: - Eligible with minimum loan amount of $60,000 and maximum loan amounts allowed per the matrices on pages 1, 2, and 3 of these guidelines
Non-Arm's Length or Identity of Interest Transactions	Eligible but additional requirements, including an additional appraisal may be required. • Maximum 80% LTV on purchase and rate/term refinance • The borrower cannot have multiple roles in the transaction (e.g. cannot be the builder and the borrower, etc.) • The borrower must state their relationship with the seller • If the seller is a relative, the seller must document the most recent 12 month's pay history on the property's existing mortgage (if applicable) with 12 months' cancelled checks or 12 months' bank statements The following are **not** considered a non-arm's length transaction: • Spousal buyout due to divorce, • Interest buyout of an inherited property
Occupancy	• 1-4 unit owner-occupied (N/A ICF option) • 1-unit second home (N/A ICF option) The following applies: - Must be suitable for year round use, - Must be occupied by the borrower for some portion of the year, - Must be in an area typical for second home use, - The property cannot be leased/rented other than on an occasional basis, - Cannot be subject to any timeshare arrangements, rental pools, or other agreements that gives a management company control over the occupancy; the borrower must have exclusive control over the property, • 1-4 unit investment/non-owner occupied properties

Points and Fees	• Points and fees must comply with all federal and state requirements. • The maximum points and fees, paid to the broker or Homebridge, is 5%. Maximum points and fees are calculated based **on the amount financed** • Broker compensation is limited to borrower paid; **lender paid broker compensation is ineligible** on this program • If the prepayment option is exercised on the Investor Cash Flow option, the prepayment penalty is excluded from the points and fees test
Power of Attorney	Ineligible
Prepayment Penalty	**Full Doc, Bank Statement, Investor Cash Flow, and Asset Qualifier** A prepayment penalty is available for transactions secured by **investment properties only**. Available, **not required**, in the following states **only**: • California, • Florida, • New York, and • Texas If selected, the following prepayment period options available: • 1-year, • 2-years, or • 3-years **NOTE:** States not listed above, prepayment **not** available
Products	Refer to the individual program options for eligible products and qualifying requirements • Product - Full Doc • Product - Bank Statement • Product - Investor Cash Flow • Product - Asset Qualifier
Properties – Eligible	• 1-4 unit properties (attached/detached) • 1-unit second home • 1-4 unit investment property • PUDs (attached/detached) • Condominiums **Fannie Mae Warrantable** Condominiums (attached/detached). **Full Review required.** Underwriter to complete Condo/PUD Warranty form (see next page for Non-Warrantable Condo information). See next page for non-warrantable condominium eligibility • Site condos limited to projects with a **maximum of 2 units only**. If any common area (e.g. walkway, porches, decks, etc.) unit owners must have an arbitration agreement. Additionally, units must be encumbered by a condominium declaration/covenant • Mixed-use properties meeting Fannie Mae guidelines are eligible • Properties with leased solar panels are eligible subject to Fannie Mae guidelines

Properties – Eligible Non-Warrantable Condos	• **Non-Warrantable Condominiums** (attached/detached) **subject to Homebridge management review and approval. Full Review required. Maximum 65% LTV/CLTV for a non-warrantable condo.**
	• A condo project is considered non-warrantable when project features do not meet specific Fannie Mae requirements. Condo projects that are non-warrantable are eligible when the reason for the project being non-warrantable is for one of the reasons listed below. **The project can only have one feature that makes it non-warrantable; multiple features are not acceptable**:
	- **PERS Approval:** A condo project that would normally require a PERS review may be approved using a Full Review
	- **Investment not meeting Fannie Mae owner-occupancy**: An investment condo unit where the project meets the presale requirements but does not meet Fannie Mae's owner-occupancy requirement
	- **Investment – first closing**: An investment condo that will be the first closing of an investment condo unit. Fannie Mae's 70% presale requirement of owner-occupied and second homes in the project must be met.
	- **A single entity owns more units than allowed by Fannie Mae.** A single entity may own up to 20% of the units in the project (cap does not apply to the sponsor/builder in the initial marketing phase)
	- **The commercial space exceeds what is allowed by Fannie Mae**. A project comprised of 30% commercial space is acceptable provided it is common and customary for the area
	- **Project not meeting Fannie Mae pre-sale:** Projects with a 40% presale are eligible if the appraiser addresses that the average marketing time does not exceed the average marketing time for similar condo projects
	- **The project budget does not meet Fannie Mae requirements**. A project that has less than 10% of budgeted reserves may be eligible when:
	  - The project has a minimum of 20% of the annual HOA dues in reserves, **AND**
	  - No capital improvement projects are pending that would individually or collectively amount to > 10% of the annual HOA dues, **AND**
	  - The HOA must provide the most recent two (2) years financials (audited if available) and must address how they will fund future capital improvements

Properties – Ineligible	• Leasehold properties • Condominiums < 600 square feet • Detached properties < 700 square feet • Cooperative projects • Modular homes • Manufactured/mobile homes. Manufactured housing is defined as any dwelling built on a permanent chassis. **Manufactured homes are ineligible even if the towing hitch, wheels and axles have been removed.** • Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) • Condominium conversion • Properties located in Hawaii Lava Zones 1 & 2 • Log homes • Unique properties • Unimproved land • Timeshare units • Properties > 5 acres with the exception of Texas Equity transactions (max 10 acres) • Residential property zoned commercial • Agricultural-type properties e.g. farms, orchards, ranches • Income producing properties (bed and breakfast, assisted living, etc.) • Commercial property • Boarded-up properties • Properties with inadequate foundations that do not meet code • Any property that poses an imminent threat to the health and safety of the occupant • Properties with inadequate heating (must be a permanently affixed legal heating system) Exceptions may be granted on case-by-case basis • Properties with no water or public electricity • Cantilevered or properties on stilts, posts or piers, • Properties with shared services for well, septic, or utilities that are private agreements, • Properties with environmental hazards or nuisances • Properties showing evidence of mold, environmental hazards or nuisances

Property with an Accessory Unit	**Legal Accessory Unit** Eligible on 1- unit single family properties only provided the following requirements are met: • The appraisal must indicate the improvements are typical for the market. • A minimum of one (1) comparable sale with the same use is required. • The borrower must qualify for the mortgage without considering any rental income for the legal accessory unit. **Illegal Accessory Unit** Eligible on a case-by case-basis only with Homebridge management review and approval. Properties with an accessory unit does not comply with zoning may be considered subject to the following applies: • The use conforms to the subject neighborhood and market, **and** • The property is appraised based upon its current use, **and** • The appraisal must indicate that the improvements represent a use that does not comply with zoning, **and** • The appraisal must indicate that the improvements are typical for the market through an analysis of at least three (3) comparable properties that have the same illegal use, **and** • The accessory unit cannot jeopardize any future hazard insurance claim that could be filed against the property, **and** • The borrower must qualify for the mortgage without considering any rental income from the illegal accessory unit.
Property with an Addition without Permits	Eligible on a case-by-case basis only with Homebridge management review and approval. When the appraiser identifies an addition that does not have the required permits Homebridge will consider the property subject to the following requirements: • The appraiser must comment on the quality and appearance of the work, **and** • The impact the addition might have, if any, on the market value of the subject property.
Property with an Illegal Conversion	Properties with an illegal conversion (e.g. garage converted to office/bedroom, screened in porch converted to laundry room, etc.) are eligible on a case-by-case basis only subject to the "Property with an Addition Without Permits" topic requirements **unless** the illegal conversion includes the amenities to make it a self-contained living space (e.g. a garage converted to a living space that includes a bathroom **and** kitchen). In cases where the illegal conversion would be considered an accessory unit (living space, bathroom **and** kitchen) the conversion is subject to Homebridge management approval and to the guidelines under the "Illegal Accessory Unit" topic above.
Property Flips	When the property is being resold within 180 days of acquisition (measured from date seller became the legal owner to the day the purchase contract was signed by both parties of the new transaction) **and** the sales **price has increased more than 10%** the following applies: • Transaction must be arm's length, with no identity of interest between the buyer, seller, or other parties participating in the sales transaction • No pattern of previous flipping in the previous 12 months. Exceptions to ownership transfers include newly constructed properties, sales by government agencies, properties inherited or acquired through divorce, and sales by the holder of a defaulted loan. • The property must have been marketed openly and fairly through a multiple listing service, auction, documented for sale by owner, or developer marketing. • If the property is being purchased for more than 5% above the appraised value, a signed letter of acknowledgement from the borrower must be obtained. • Flip transactions must comply with HPML appraisal rules in Reg Z **Second Appraisal Requirement – HPML Transactions** A second appraisal is required when: • A > 10% increase in sales price if the seller acquired the property in the previous 90 days, **or** • A > 20% increase in the sales price if the seller acquired the property in the previous 91-180 days

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

Refinance Transactions	**All Refinance Transactions**
	The information below applies to both rate/term and cash-out refinance transactions
	• Properties currently listed for sale are ineligible.
	• Properties previously listed for sale in the 6 months prior to application, require the property to have been taken off the market and the listing cancelled **a minimum of 1 day prior to the loan application date**. The following is required:
	  - Obtain a copy of the cancelled listing agreement,
	  - Document that a search of the MLS was performed to ensure the property is not listed with a different realtor,
	  - Documentation that confirms the borrower is currently occupying the subject property (owner-occupied only), and
	  - A letter from the borrower that addresses all of the following:
	    - The borrower intends to occupy the subject property (owner-occupied only), and
	    - The reason the home was listed for sale, and
	    - An explanation for the refinance of the property
	• All refinance transactions must provide a bona fide benefit to the borrower.
	Rate/Term Refinance
	A transaction that meets one of the below criteria will qualify as a rate/term refinance transaction.
	• Rate/term refinance transactions do not have a seasoning requirement
	• Payoff of the existing first lien, including closing costs, prepaids and points
	• Payoff of a subordinate mortgage lien(s) or HELOC used in their entirety to acquire the subject property (**regardless of seasoning**),
	• Payoff of any subordinate lien or HELOC seasoned more than 6 months that have not had any draws > $5,000 in the previous 6 months
	• Properties purchased in the previous 12 months value is based on the **lesser of:**
	  - The purchase price at time of acquisition plus the documented cost of improvements **or**
	  - The current appraised value may be used
	• **Delayed Financing:** Recoupment of funds used to purchase a property with cash in the previous 6 months. The following applies:
	  - The Closing Disclosure of the cash transaction must be provided.
	  - Cash used for purchase must have been borrower's own funds and must be document. Recoupment of gift funds is considered cash-out.
	  - Maximum proceeds cannot exceed the documented cash investment plus documented cost of improvements
	  - The LTV will be calculated using the **lower of:**
	    - The purchase price, or
	    - The appraised value unless appraiser can justify the increase
	  - Recoupment of funds used for property improvements. The improvements must be documented (e.g. invoices, proof of payment with cancelled checks) and completed in the previous 6 months. Funds used for improvements must have been borrower's own funds.
	  - Cash-out cannot exceed the amount of the documented cash improvements or else the transaction will be considered cash-out. A current appraisal is required.
	  - Properties purchased in the previous 12 months value is based on the **lesser of**
	    - The purchase price at time of acquisition plus the documented cost of improvements, or
	    - The current appraised value may be used
	• Cash-back to the borrower on a rate/term refinance limited to the **lesser of**:
	  - 2% of the principal balance of the new loan, **or**
	  - $5,000.

Refinance Transactions (cont.)	**Cash-Out Transactions** A cash-out refinance is a refinance that does not meet the rate/term definition and would include a refinance where the borrower receives cash in an amount greater than the lesser of $5,000 or 2% or when an open ended subordinate lien that does not meet the rate/term seasoning requirement • Cash-out transactions require a 6 month seasoning, measured from the date the borrower took title on the loan being refinanced to the application date NOTE: Transfers from a trust, LLC etc. when the borrower is ≥ 50% owner are exempt from the 6-month waiting period provided the borrower has had ≥ 50% beneficial interest in the property for a minimum of 6 months • Properties owned free and clear are always considered a cash-out refinance. • Maximum cash-out is $500,000 • **Cash-out cannot be used to satisfy reserve requirements** • A cash-out transaction may include the following: - Payoff of the existing first mortgage, - Closing costs and prepaid items (interest, taxes, insurance), - The amount of any subordinate mortgage lien being paid off, - Any cash-in-hand to the borrower as indicated on the Closing Disclosure. • Cash-in-hand to the borrower is subject to the LTV of the subject loan at loan closing as detailed on the matrix for the applicable option **Delayed Financing** Delayed financing transactions are eligible as a rate/term refinance subject to certain requirements; refer to the Rate/Term Refinance topic for rate/term eligibility **Inherited Properties** • Inherited properties are eligible for rate/term and cash-out refinance transactions. • Properties inherited < 12 months from the date of the loan application are subject to the following: - Transaction is considered a cash-out refinance, **and** - Equity owners must be paid through settlement. A written agreement s, signed by all parties, that states the terms of the buy-out and property transfer, is required, **and** - Subject property must be out of probate and the property is vested in the borrower's name, **and** - Current appraised value is used to determine LTV. **Buying Out a Co-Owners Interest** A refinance transaction resulting from a divorce settlement and/or dissolution of a domestic partnership, and the borrower is required to buy-out the interest of the other co-owner will be considered a rate/term refinance when the following applies: • Documentation is obtained that confirms the subject property was jointly owned by the parties for a minimum of 12 months prior to the funding of the new loan, **and** • A copy of the fully executed written agreement or court approved divorce decree that details the terms of the property settlement and the proposed disbursement of the refinance proceeds, **and** • The borrower who will be acquiring sole ownership of the subject property does not receive any funds from the transaction.

Refinance Transactions (cont.)	**Continuity of Obligation** • A continuity of obligation is required on refinance transactions. Continuity of obligation is met when any of the following are present: - When at least one borrower on the existing mortgage is also a borrower on the new refinance transaction and is measured from the date of the event (such as transfer of title) to the disbursement date of the new refinance transaction, or - At least one borrower has been on title and residing in the property for a minimum of 6 months and has either paid the mortgage for the last 6 months or can demonstrate a relationship (spouse, domestic partner) with the current obligor, or - At least one borrower has recently inherited or was legally awarded the property through a divorce or separation. **Financing Real Estate Taxes –** the following applies when real estate taxes are financed: • **Limited Cash-out Refinance:** A loan is **ineligible** as a limited cash-out refinance and must be considered a cash-out transaction when: - The borrower finances the payment of real estate taxes for the subject property in the loan amount but does not establish an escrow account unless requiring an escrow account is not permitted under applicable state law or regulation - The borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount. • **Cash-out Refinance**: - A loan with financed real estate taxes that are more than 60 days delinquent is eligible as long as an escrow account is established. If an escrow account is **not** established the loan is **ineligible** unless requiring an escrow account is not permitted under applicable state law or regulation.

Reserves

Reserve requirements apply to **ALL** documentation options

Reserve Requirements	
Loan Amount	**Required Reserves**
≤ $1,000,000	6 months PITIA
> $1,000,000 to ≤ $2,000,000	9 months PITIA
Other Financed Properties*	2 months PITIA
Investor Cash Flow Option ONLY Vacant Property (includes multi-family with 1 or more vacant units)	6 months PITIA

Investor Cash Flow Option*

The ICF option allows an alternative calculations to determine the required reserves when the borrower has additional financed properties. This option is **ONLY** available for the ICF option

- **1-5 Financed Properties**: 2% of the aggregate unpaid principal balance of all outstanding mortgages, HELOCs, etc.
- **6-10 Financed Properties**: 4% of the aggregate unpaid principal balance of all outstanding mortgages, HELOCs, etc.
- **11-14 Financed Properties**: 6% of the aggregate unpaid principal balance of all outstanding mortgages, HELOCs, etc.

Properties Owned Free and Clear (calculation required for **each** property owned free and clear):

To determine the property's market value use the **greater of**:

- The assessed value, **OR**
- 125% of Zillow's value, **OR**
- If Zillow value not available an AVM may be used, **AND**
  - If the property is a 1-4 unit property **not** in an HOA multiply the value by 5% and divide by 12 and add the amount to the amount of required reserves, **OR**
  - If the property is a condominium, PUD and in an HOA multiply the value by 6% and divide by 12 and add the amount to the amount of required reserves.

Cash-Out Proceeds for Reserves

- **Full Doc, Bank Statement, and ICF Options:**
  - Cash-out proceeds are **eligible** for closing costs or for the payoff/pay down of debt
  - **Cash-out proceeds are subject to the following to meet reserve requirements:**
    - **LTV ≤ 65%: Eligible** (cash-out proceeds **may** be used to meet reserves)
    - **LTV > 65%: Ineligible** (cash-out proceeds **may not** be used to meet reserves)
- **Asset Qualifier Option**:
  - **Cash-out proceeds cannot be used to meet reserve requirements** with the exception of delayed financing where the borrower is recouping their own funds

Residual Income Requirements	• **Investor Cash Flow Option:** Residual income requirements do **not** apply
	• **Full Doc, and Bank Statement Options**:
	  - **DTI is > 43% to 50%:**
	    - A minimum of $1500 per month residual income required
	• **Asset Qualifier**:
	  - A minimum of $1500 per month **r**esidual income required. The required residual income is calculated based on the qualifying assets divided over 48 months. Tax deductions should not be applied when determining residual income

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

Subordinate Financing	Eligible as follows:
	• New or existing subordinate financing is eligible up to the maximum CLTV/HCLTV allowed.
	• If existing subordinate financing is a HELOC, the full amount of the available credit must be used to determine the HCLTV.
	• Unacceptable subordinate financing terms include:
	  - Mortgages with negative amortization
	  - Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new fist mortgage
	  - Notes that do not contain a rate of interest (i.e. a seller held second). If no interest rate a current market rate of interest must be assigned and an interest-only payment calculated
	  - Subordinate financing that has a prepayment penalty

Temporary Buydowns	Not allowed
Texas Section 50(a)(6) aka Texas Equity	Texas Section 50(a)(6) loans (Texas Equity) is a cash-out refinance transaction. A current Texas Equity loan may be refinanced as a rate/term refinance subject to specific requirements. Refer to the Texas Equity Being Refinanced as a Rate/Term Transaction topic for details. **Program Option and Product Eligibility** • Texas Equity loans are eligible on Full Doc, Bank Statement, and Asset Qualifier options; **not eligible on the Investor Cash Flow option.** • Fixed and ARM products eligible**; interest-only is not eligible** **General Requirements** • Maximum 80% LTV/CLTV • The property is the borrower's primary residence and is classified as the borrower's homestead under Texas law. • The property is a 1-unit single family residence, PUD, condo • All borrowers must occupy the property; non-occupant co-borrowers are not allowed • All borrowers must be on title • Existing subordinate financing may be resubordinated excluding a HELOC or a reverse mortgage, **which must be paid off** • Interest-only is **ineligible** • Power of attorney is **ineligible** • Loan must close in the closing agent's office (title company/attorney's office); mobile notaries are not allowed • The borrower(s) must receive a copy of the final 1003 along with the CD for review a minimum of 24 hours prior to closing • Deed of Trust: Trustee must be completed on the Security Instrument (must be a Texas resident and is typically an attorney)

Texas Section 50(a)(6) aka Texas Equity (cont.)	• All married parties, regardless if on the loan or not, must sign the Deed of Trust and Notice of Right to Cancel (Texas is a community property state)
	• Fees are limited to a maximum of 2%. The following are **excluded** from the limitation:
	- Prepaid and bona fide discount points (requires Election to Pay Discount Points affidavit)
	- Escrow reserves
	- Insurance premiums,
	- Property taxes paid at closing,
	- Per diem interest,
	- Homeowner's insurance,
	- Title insurance premium and endorsement fees,
	- Survey costs, and
	- Third party appraisal fees (appraisal management fee is not excluded)
	• A survey is required and must document the following:
	- Lot size, **and**
	- The homestead property and any adjacent land are separate parcels, **and**
	- The homestead property is separately platted and subdivided lot with full ingress/egress, **and**
	- The homestead is a separate parcel meeting acreage requirements (see Property Requirements below), **and**
	- The property is served by municipal utilities, fire, and police protection (if urban)
	• A Texas Land Title Association (standard or short form) title policy including a T42 and T42.1 endorsement required.
	• Self-employed borrowers operating a business from the subject property require a T42.1 endorsement **without exception or deletion**.
	• The title policy cannot include language that:
	- Excludes coverage for a title defect that arises because financed origination expenses are held not to be "reasonable costs necessary to refinance" or
	- Defines the "reasonable costs necessary to refinance" requirement as a "consumer credit protection" law since the standard title policy excludes coverage when lien validity is question due to a failure to comply with consumer credit protection laws
	Property Requirements
	• Property is the borrower's homestead
	• Property must be residential in nature; properties used for agricultural purposes are **not** allowed
	• Properties with an agricultural designation are eligible **with a 5% reduction to the LTV**
	• All separate structures must be included in the homestead exemption
	• Only the parcel designated as the homestead parcel may secure the loan and the market value for the LTV calculation can only be assessed on that parcel.
	• The homestead parcel, as identified on the county appraisal district records, must include ingress/egress to a properly identified public road.
	• **Urban Properties**: An urban property is defined follows:
	- Property **is** located within municipal boundaries, a municipalities extraterritorial jurisdiction, or a platted subdivision, **and**
	- Property is served by police and fire (fire may be paid or volunteer), **and**
	- Property has a minimum of **three (3)** of the following services provided by the municipality or under contract to a municipality:
	  - Electric,
	  - Natural gas
	  - Sewer,
	  - Storm Sewer,
	  - Water
	- **Maximum 10 acres**

Texas Section 50(a)(6) aka Texas Equity (cont.)	• **Rural Properties**: A rural property is defined as follows:
	- Property is **not** located within municipal boundaries or a municipalities extraterritorial jurisdiction, **OR**
	- The property **is** located within one of those areas, but it is **not** served by police or fire protection provided by the municipality/under contract with a municipality, **and**
	- Property has less than three (3) of the following services are provided by a municipality (directly or indirectly):
	  - Electric,
	  - Natural gas
	  - Sewer,
	  - Storm Sewer,
	  - Water
	- **Maximum 10 acres.** Properties that exceed 10 acres, up to the maximum of 20, must be common/customary for the area and be the highest and best use of the property
	Non-Borrowing Spouse Requirements
	A non-borrowing spouse will be required to sign all of the following documents (as applicable):
	• Notice Concerning Extension of Credit
	• Security Instrument (including any Riders)
	• Federal Truth-in-Lending Disclosure Statement
	• Right of Rescission Notice
	• Discount Point Disclosure
	• Acknowledgment of Fair Market Value
	• Premium Pricing Disclosure
	• Notice of Presentation of CD One Day Before Closing
	• Texas Home Equity Affidavit and Agreement
	• Owner's Affidavit of Compliance
	• Receipt of Copies of Documents
	• Certificate of Non-Cancellation of Loan
	Waiting Periods
	• The loan cannot close until the Notice Concerning Extensions of Credit (aka 12 Day Disclosure) has been signed and received by Homebridge for 12 calendar days. **All** property owners and spouses of property owners must sign
	• The loan cannot close until 24 hours after the borrower(s) have signed the final CD and the final 1003
	• There is a 3-day right of rescission period
	• There is a 12 month seasoning requirement. The loan cannot close until a minimum of 12 months have passed after the closing of the previous loan
	Texas Equity Being Refinanced as a Rate/Term Refinance
	• A minimum of one (1) year has passed since the home equity loan closed
	• Maximum 80% LTV/CLTV
	• The borrower cannot receive any cash at loan closing
	• The borrower must sign the Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan within three (3) business days (business days includes Saturday) of loan application and a minimum of 12 calendar days prior to loan closing. A new application will be required if the Notice not signed within three (3) business days of application

Transactions – Eligible	• Purchase - A copy of the fully executed purchase contract and all attachments/addendums are required - The lesser of the purchase price or appraised value of the subject property is used to calculate the LTV. - The borrower may not be on title prior to the loan closing. - The seller that is on title (vested owner of record) must be the individual who executes the sales contract and be on title prior to when the settlement statement and closing docs are executed. NOTE: Homebridge will allow the borrower to have a purchase contract assigned to them. The original purchase price of the subject property, per the purchase contract, will be utilized. The borrower is responsible for the payment of any assignment fees • Limited cash-out refinance (rate/term) • Cash-out refinance • Interest-only (Interest-only ineligible on Texas Equity transactions)
Transactions – Ineligible	• High cost mortgage loan • Negative amortization • Convertible ARMs • Temporary Buydowns • Balloon payments • New York 1-4 unit owner-occupied transactions with a conforming loan amount • Graduated payments • Terms > 30 years • Non-traditional credit • A refinance transaction where the property is currently listed for sale • Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after Feb. 8, 2011 and the fee collected does not directly benefit the property. • Transactions with PACE/HERO program subordinate financing

Exhibit A
Acceptable Foreign Financial Institutions

Acceptable foreign financial institutions are as follows:

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

*Denotes branch located in the U.S.