

# Simple Access Non-QM Program



11/9/20

# Program Overview



- Simple Access is a Non-QM program offering Full Doc, Bank Statement, Investor Cash Flow, and Asset Qualifier options and is designed for loans that are not eligible under Fannie Mae/Freddie Mac guidelines
- The Bank Statement option allows for 12 or 24 months business or personal bank statements. Multiple accounts are acceptable
- Investor Cash Flow (ICF) option is available for investment properties only; the borrower is qualified on the debt service coverage ratio of the subject property only
- Asset Qualifier option qualifies borrowers on their liquid assets or assets that can be liquidated without restriction
- Purchase, rate/term, and cash-out eligible
- Minimum **620** FICO

# Program Overview (cont.)



- Eligible in all states. New York primary residence transactions require loan amount to be, at minimum, \$1 greater than the applicable conforming/high cost county loan amount for the number of units where the property is located
- 1-4 unit primary residence, 1-unit second home, and 1-4 unit investment property eligible (ICF is available for investment property only)
- DTI Requirements (N/A Investor Cash Flow and Asset Qualifier)
  - ✓ **Primary Residence Purchase and Rate/Term Refinance: Maximum 50%**
  - ✓ **Primary Residence Cash-out, Second Home/Investment Purchase, Rate/Term and Cash-out Refinance:**
    - **≤ 70% LTV: Maximum 50%**
    - **> 70% LTV: Maximum 43%**
  - ✓ DTI > 43% to **50%** requires residual income of \$1,500 per month

- Minimum loan amount **\$100,000** (excluding New York; see slide 15 for NY primary residence minimum requirement)
- **Primary Residence**
  - ✓ Maximum loan amount **\$2,000,000**
- **Second Home and Investment Property**
  - ✓ Maximum loan amount **\$1,500,000**
- Cash-out up to **\$500,000**
- Interest-only only eligible on all options **(IO ineligible on Texas Equity transactions)**

- Rate/term refinance transactions do not have a seasoning requirement
- Cash-out transactions **require 6 months seasoning**
- Borrower(s) qualified based on product type (fixed rate, 7/1, or 10/1 ARM); refer to slides 6 through 14 for requirements
- Interest-only option available on all options
- Borrower(s) required to sign Borrower Affidavit – Full Doc, Bank Statement, Investor Cash Flow, and Asset Qualifier, as applicable. Homebridge to complete and provide with loan docs

## Full Documentation Option

- **7/1 LIBOR ARM** (fully amortizing 30 year term)
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin: 4.00; Floor = Note rate
  - ✓ Borrowers are qualified using the **greater of**: The start rate **or** the fully indexed rate (current index plus margin)
  
- **7/1 LIBOR ARM** with interest-only option
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin 4.00; Floor = Note rate
  - ✓ Borrowers are qualified at the **greater of**: The start rate **or** the fully indexed rate (current index plus margin) amortized over 20 years
  - ✓ Interest-only period is for the first 10 years of the loan; P&I payments begin in year 10

## Full Documentation Option (cont.)

- **10/1 LIBOR ARM** (fully amortizing 30 year term)
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin: 4.00
  - ✓ Floor = Note rate
  - ✓ Borrowers are qualified using the **greater of**:
    - The start rate **or** the fully indexed rate (current index plus margin)
  
- **10/1 LIBOR ARM** with interest-only option
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin 4.00; Floor = Note rate
  - ✓ Borrowers are qualified at the **greater of**:
    - The start rate **or** the fully indexed rate (current index plus margin) amortized over 20 years
  - ✓ Interest-only period is for the first 10 years of the loan; P&I payments begin in year 11

## Full Doc Option (cont.)

- Fixed rate with 15 or 30 year loan term; qualify at the Note rate
- Interest only option: Qualify using full PITIA amortized over 20 years

## Bank Statement and Asset Qualifier Options

- **7/1 LIBOR ARM** (fully amortizing 30 year term)
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin: 4.250; Floor = Note rate
  - ✓ Borrowers are qualified using the **greater of** the start rate or the fully indexed rate (current index plus margin)
  
- **7/1 LIBOR ARM** with interest-only option
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin 4.250; Floor = Note rate
  - ✓ Borrowers are qualified at the **greater of** the start rate or the fully indexed rate (current index plus margin) amortized over 20 years
  - ✓ Interest-only period is the first 10 years of the loan; P&I payments begin in year 11

## Bank Statement, and Asset Qualifier Options (cont.)

- **10/1 LIBOR ARM** (fully amortizing 30 year term)
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin: 4.250; Floor = Note rate
  - ✓ Borrowers are qualified using the **greater of**:
    - The start rate **or** the fully indexed rate (current index plus margin)
  
- **10/1 LIBOR ARM** with interest-only option
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin 4.250; Floor = Note rate
  - ✓ Borrowers are qualified at the **greater of**:
    - The start rate or the fully indexed rate (current index plus margin) amortized over 20 years
  - ✓ Interest-only period is the first 10 years of the loan; P&I payments begin in year 11

## Bank Statement and Asset Qualifier Options (cont.)

- Fixed rate with 15 or 30 loan term; qualify at the Note rate
- Interest only option available with 30 year loan term

## Investor Cash Flow Option

- **7/1 LIBOR ARM** (fully amortizing 30 year term)
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin: 4.500; Floor = Note rate
  - ✓ **Borrowers are qualified at the start rate**
  
- **7/1 LIBOR ARM** with interest-only option
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin 4.500; Floor = Note rate
  - ✓ **Borrowers are qualified at the start rate amortized over 20 years**
  - ✓ Interest-only period is for the first 10 years of the loan; P&I payments begin in year 11

## Investor Cash Flow Option (cont.)

- **10/1 LIBOR ARM** (fully amortizing 30 year term)
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin: 4.500
  - ✓ Floor = Note rate
  - ✓ Borrowers are qualified the start rate,
  
- **10/1 LIBOR ARM** with interest-only option
  - ✓ 30 day average of SOFR
  - ✓ 2/1/5 Caps
  - ✓ Margin 4.500
  - ✓ Floor = Note rate
  - ✓ Borrowers are qualified at the start rate amortized over 20 years
  - ✓ Interest-only period is the first 10 years of the loan; P&I payments begin in year 11

## Investor Cash Flow Option (cont.)

- Fixed rate available with 15 or 30 year loan term; qualify at Note rate
- Interest only option available with 30 year loan term
  - ✓ Qualify using full PITIA amortized over 20 years
  - ✓ Interest-only is for the first 10 years of the loan; P&I payment begins in year 11

# Full Doc/Bank Statement/Asset Qualifier Options: Primary Residence Matrix



## LTV/CLTV/FICO/Loan Amount matrix for 1-4 Unit Primary Residence

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

- Credit score 620-659 Full Documentation option **only**
- Minimum loan amount **\$100,000** (all states except NY – see below)
- Connecticut, New Jersey, and New York: Maximum 75% LTV/CLTV
- **New York primary residence owner-occupied** transactions loan amount must be \$1 greater than the conforming/high-cost loan amount as determined by county where property is located and number of units
- Maximum cash-out \$500,000
- Interest-only eligible

# Full Doc/Bank Statement/Asset Qualifier Options: Second Home Matrix



## LTV/CLTV/FICO/Loan Amount matrix for 1-Unit Second Home

Full Doc, Bank Statement, and Asset Qualifier <sup>4</sup>				
1-Unit Second Home				
Transaction Type	Credit Score	LTV/CLTV	Maximum Loan Amount <sup>1,2</sup>	DTI <sup>5</sup>
Purchase, Rate/Term and Cash-Out Refinance <sup>3</sup>	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

- Minimum loan amount **\$100,000** (all states except NY – see below)
- **New York primary residence owner-occupied** transactions loan amount must be \$1 greater than the conforming/high-cost loan amount as determined by county where property is located and number of units
- Maximum cash-out \$500,000
- Interest-only eligible

## LTV/CLTV/FICO/Loan Amount matrix for 1-4 Unit Investment Property

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

- Minimum loan amount: \$100,000
- 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
- Maximum cash-out \$500,000
- Interest-only eligible

# Full Documentation Option



- **Borrower Eligibility**

- ✓ Wage Earner/Salaried Borrowers
- ✓ Self-Employed Borrowers

- **Income Documentation**

- ✓ Wage Earner/Salaried Borrowers

- **Method One: Standard Verification**

- ❖ Pay stub covering 30 days with YTD earnings
- ❖ Most recent 2 year's W-2s
- ❖ 2 year's W-2s transcripts

- **Method Two: Simplified Verification**

- ❖ One pay stub with YTD earnings
- ❖ A written VOE that breaks out income and verifies employment, from an approved third-party vendor (e.g. The Work Number) **OR** completed by the borrower's HR dept. when the employer is a publicly traded company

**NOTE: The most recent paystub(s) must be dated within 60 calendar days of the Note date  
This requirement applies to all wage earner/salaried borrowers paystubs as required  
on slides 18 and 19**

- ✓ **Salaried Borrowers with Commission/Bonus or OT Income**
  - A pay stub covering a minimum of 1 months' YTD earnings, **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 if documentation indicates continuance likely; **overtime income requires 2-years receipt**

**NOTE: Homebridge management review and approval required for commission/bonus income received 1-2 years**

- ✓ Self-Employed Borrowers:
  - One or two years tax returns. One year tax returns requires a borrower prepared P&L; 2-years may require P&L
  - Interim financials eligible when determining income. Refer to guides for details
- ✓ Other Income Types: Refer to guidelines for eligibility

**NOTE:** Due to COVID-19 additional documentation required to document current business operations and supports the tax returns and P&L. The following required:

- A borrower prepared LOE detailing the nature of the business and any impact of COVID-19 to the business, **AND**
- Borrower's most recent 2 months business bank statements (must be from the 2 months preceding the loan application, **OR**
- Borrower's most recent 1-month business bank statement immediately preceding loan funding

# Bank Statement Option – 12 or 24 Months



- Bank statement option is available for self-employed borrowers with > 50% ownership interest in a business
- 12 or 24 months personal or business bank statements eligible and statements from multiple accounts acceptable
- Two (2) year self-employment history is generally required however 1-2 year self-employment history considered on a case-by-case basis when:
  - ✓ The borrower was in the same line of work prior to their self-employment, **and**
  - ✓ The borrower has an additional 6 months reserves
- A CPA/enrolled agent/tax preparer letter, or equivalent, is required to verify existence of the business for 2 years. The letter cannot include any disclaimers as to the accuracy of the information. **Additionally due to COVID-19 the following is required:**
  - ✓ **Business operation and revenues must be reverified; updated bank statements may be required, and**
  - ✓ **A borrower prepared LOE that details the nature of the business and any impact to the business due to COVID-19**

*Partners for the Path Ahead*

## ■ Personal Bank Statements:

- ✓ Qualifying income is divided by 12 or 24 months (as applicable) to determine monthly income
- ✓ Three (3) months most recent **business bank statements** required to verify income is coming from the borrower's business. **Transfers from only one (1) business account are eligible for qualifying**

**NOTE: N/A** if borrower does not utilize a separate business account

## ■ Business Bank Statements

- ✓ Statements from multiple accounts are acceptable; the same calculation method must be applied
- ✓ Borrowers are **not** required to be 100% owner of the business to use business bank statements
- ✓ Four methods are available for documenting income:
  - **Method One: Uniform Expense Ratio**
    - ❖ LTV ≤ 80%: Multiply deposits received by 50%
    - ❖ LTV > 80%: Multiply deposits received by 75%
    - ❖ The result obtained above is multiplied by the borrower's ownership percentage and divide by 12 or 24 (as applicable)
    - ❖ If the expense ratio is reasonable for the borrower's line of work, no additional information required

## ➤ Method Two: Profit and Loss Statement

- ❖ A P&L is provided by a CPA/EA/licensed tax preparer for the most recent 12 or 24 months as applicable
- ❖ If the deposits on the business statements support at least 75% of the gross receipts listed on the P&L the P&L may be used for qualifying the borrower using the pro-rata share of ownership

## ➤ Method Three: CPA Letter for Expense Ratio

- ❖ A CPA/EA/licensed tax preparer letter is provided that indicates the business expense ratio based on the most recent year's tax return

NOTE: The CPA letter **cannot** include any disclaimers as to the accuracy of the information

# Bank Statement Option – 12 or 24 Months



- The following applies to both personal and business bank statement options:
  - ✓ Co-Mingled Accounts: Co-mingled accounts (business and personal) will be treated as business accounts when determining income
  - ✓ Non-Sufficient Funds (NSF): Excessive NSFs require a written explanation from the borrower. The following applies:
    - 12 month bank statements:
      - ❖ Maximum **3** NSF **instances\*** in past 12 months
      - ❖ **4** or more NSF **instances\*** in past 12 months, loan is **ineligible**
    - 24 month bank statements:
      - ❖ Maximum **6** NSF **instances\*** in past 24 months
      - ❖ **7** or more NSF **instances\*** in past 24 months, loan is **ineligible**
  - ✓ Income Trend: Bank statements should show a stable or increasing trend. Declining and/or irregular trend will require additional documentation. Refer to guidelines for complete requirements

\*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”

- Borrowers who are **not** self-employed and **derive income from their investments** (trusts, distributions from a partnership, dividends, etc.) are also eligible under the bank statement program
  - ✓ Any significant employment generated must come 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:
    - Brokerage statements to document ownership, and/or
    - Copy of trust agreement and/or trustee's statements, and/or
    - CPA letter confirming borrower owns assets generating income and detailed narrative of the income stream from the borrower

- The Investor Cash Flow (ICF) option uses the rental income from the **subject property** to determine cash flow
- Income and employment are **not** verified and DTI is **not** calculated
- Loans using the ICF option are not subject to ability-to-repay or HPML requirements as they are considered business purpose loans
- Reserves required; refer to slide 43 for requirements
- Qualification is based on the debt service coverage ratio (DSCR) of the subject property
- Minimum DSCR requirements:
  - ✓ A minimum 1.000 DSCR

- Gift funds eligible after 5% borrower own funds requirement met
- First time home buyers (all borrowers are FTHB) **ineligible**
  - ✓ Transactions involving a FTHB and a non-FTHB considered on case-by case basis with Homebridge management review and approval
- At least one borrower **must have** a documented 12 month history managing rental properties
  - ✓ Ownership/management of commercial property is acceptable to satisfy the 12 month history requirement if the borrower is a majority owner of the property
  - ✓ The 12 month management history is **not** required to have been in the most recent 3-year period
- Acceptable documentation of 12 month management history includes leases or CPA letter confirming management history
- Borrower may own up to 15 financed properties, including subject; > 15 ineligible

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

***Calculation Example of DSCR using PITIA :***

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

## ■ Determination of Rents

- ✓ Purchase transactions use 100% of the lesser of:
  - Current rent (if currently rented, leases must be provided), **OR**
  - Market rent as determined by the appraiser if vacant
  - Documentation confirming receipt of rents within 30 days of the Note date is required

- ✓ Refinance transactions use 100% of the lesser of:
  - Current rent (if currently rented, leases must be provided), **OR**
  - Market rent as determined by the appraiser, if 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**

- The income from a property 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. Expired lease converting to month-to-month is allowed

- Determination of Rents (cont.)
  - ✓ If there is a multi-year lease in place and the lease includes an increase in the rent within 12 months from the Note date and that increase continues for 12 months, the higher rent may be used to calculate the DSCR
  - ✓ The increased rent **may not** exceed the appraiser's opinion of market rent for the unit(s)

- The Asset Qualifier option allows borrower to be qualified based on their liquid assets or assets that may be liquidated without restriction. ATR and HPML requirements apply
- The borrower must have total liquid assets the cover the sum of the following:
  - ✓ 100% of the loan amount, plus
  - ✓ Closing costs and prepaids, plus
  - ✓ Required reserves, plus
  - ✓ 60 months of total debt service (does **not** include PITIA for subject or rent properties), plus
  - ✓ 60 months of net loss on rental properties
- Income and employment are **not** verified
- DTI is not calculated; debt service is considered

- Eligible assets include:
  - ✓ Cash and cash equivalents at 100% of face value
  - ✓ Marketable securities (**excluding unvested** RSUs and Stock options) at 100%
  - ✓ Cash surrender value of an Annuity
  - ✓ Retirement funds:
    - Borrower not at retirement age: **60%**
    - Borrower is at retirement age (59 ½ +): **70%**
  - ✓ Cash value of a vested life insurance policy – 100%
    - When used for reserves, the cash value must be documented but liquidation is not required
- Documentation of the liquidation of funds needed for down payment and closing costs, and the ending balance is required

- Ineligible assets include:
  - ✓ Business funds (eligible for funds to close only)
  - ✓ Non-liquid assets (cars, artwork, business net worth, etc.)
  - ✓ Face value of life insurance policies
  - ✓ Unvested restricted stock
  - ✓ Stock options, unless exercised
  
- Gift funds are eligible for down payment and closing costs on purchase transactions. Gift funds may be considered for closing costs on refinance transactions on an exception basis
  
- Gift funds may **not** be used:
  - ✓ To satisfy reserve requirements, or
  - ✓ As an eligible asset to meet Asset Qualifier requirements

- Eligible borrowers on the Simple Access program include:
  - ✓ U.S. Citizens
  - ✓ First-time Home Buyers defined as a borrower who has not owned a property in the previous 3 years
  - NOTE: FTHB requirements apply when **ALL** borrowers are FTHBs (see guides). **FTHB ineligible on ICF option**
  - ✓ **Borrowers living rent free are ineligible**
  - ✓ Permanent Resident Aliens
  - ✓ Non-Permanent Resident Aliens
  - ✓ Non-Occupant Co-Borrowers (N/A ICF option). Specific requirements apply based on documentation option; refer to Simple Access guidelines

- Title may also be held in the name of:
  - ✓ An Inter Vivos Revocable Trust (subject to FNMA requirements)
  - ✓ An LLC, partnership or corporation (subject to specific requirements and Homebridge management review and approval)
  - ✓ Full Doc and Bank Statement: Blind Trust (case-by-case basis **only** subject to Homebridge management approval)

- SFR and PUDs (attached/detached)
- Condominiums-Fannie Mae warrantable (attached/detached)
- Non-warrantable Condominiums (Homebridge management review and approval required and subject to specific requirements; refer to guides)
  - ✓ **Maximum 65% LTV**
- Site Condos (**maximum of 2-units in project**)
- Mixed-Use properties meeting Fannie Mae guidelines

# General Underwriting Requirements



- Assets: The borrower must have sufficient liquid assets available for down payment, closing costs, and reserves.
    - ✓ Minimum of 2 months most recent bank statements (all pages)
    - ✓ Additional months may be required at underwriter discretion
    - ✓ See Assets section of the guidelines for requirements
  - Minimum 3 tradelines and 24 month credit history
    - ✓ One tradeline must have been active in previous 6 months
    - ✓ One tradeline must be seasoned 24 months
- NOTE: Exceptions allowed on case-by-case basis and to U.S. citizens living abroad; refer to guides for requirements

- Mortgage/Rental History: The following applies to all mortgages/rental verification and to all borrowers
    - ✓ 0x30 in the previous 12 months
    - ✓ 0x60 in previous 24 months
    - ✓ 0x120 in previous 4 years
  
  - First time home buyer must document a rental history within the previous 3 years with 0x30 over a 12 month (most recent rental period)
    - ✓ Rent-free borrowers are **ineligible**
- NOTE: First-time home buyers **ineligible** on ICF option

- **Significant derogatory credit is defined as:**
  - ✓ Foreclosure, pre-foreclosure, deed-in-lieu of foreclosure
  - ✓ Short sale, short payoff
  - ✓ Bankruptcy (7,11, or 13) either dismissed or discharged and borrowers currently in bankruptcy proceedings)
  - ✓ Modification
- **All derogatory credit events must be completed prior to the application date**

**NOTE: See slide 42 for requirements when the borrower has entered a forbearance plan**

- Significant derogatory credit requires a 4-year waiting period, measured from event completion/dismissal/discharge date to the application date, unless an LTV reduction is applied:
  - ✓ **All documentation options:** A 2-4 year waiting period, measured from event completion/dismissal/discharge date to the application date is eligible with an LTV restriction. The maximum LTV is the **lesser of:**
    - 75% LTV, **or**
    - The maximum allowed per the applicable program matrix
  - ✓ **Full Doc ONLY:** A 0-2 year waiting period, measured from event completion/dismissal/discharge date to the application date is eligible with an LTV restriction. The maximum LTV is the **lesser of:**
    - 70% LTV, **or**
    - The maximum 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

- Borrowers with **any** mortgage tradeline in a forbearance plan are subject to the following:
  - ✓ **No missed payments:**
    - There is no waiting period if all mortgage payments were made on time with no missed payments while in the forbearance plan, **and**
    - Evidence must be provided the forbearance plan has been withdrawn, closed, cancelled **prior to the loan application date**
  - ✓ **Missed payments:** If the borrower missed any payments on any mortgage 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**

- Missed Payments (continued)
  - More than 3 consecutive missed payments during forbearance:
    - ❖ Borrower is ineligible
- Borrowers with a non-mortgage account(s) in forbearance will be considered on a case-by-case basis subject to Homebridge management review and approval

- Financed property
  - ✓ Primary residence, no limit
  - ✓ Second Home/Investment: Maximum 15 (cumulative all borrowers)
- Secondary/subordinate financing is eligible up to the maximum CLTV allowed on the matrices
- Rental income from a legal accessory unit, that is legally rented, is eligible

- Gift funds, from an immediate family member, are eligible on all options for down payment and closing costs. Gift funds cannot be used to satisfy reserve requirements
  - ✓ **Primary Residence, Second home, Investment:**
    - 5% borrower own funds required (see exception below for gift of equity exception on owner-occupied and second homes)
    - Gift funds eligible after borrower own funds requirement met
- NOTE: Funds from a non-borrowing spouse, who is a titleholder, will **not** be considered a gift
- Gift of equity allowed from family member:
  - ✓ Max LTV is the lesser of 75% or applicable product maximum
  - ✓ Owner-occupied and second home transactions utilizing gift of equity **do not** require 5% borrower own funds
  - ✓ Investment transactions 5% borrower own funds **required**

# Reserves/Gifts (cont.)

- Minimum reserve requirements are as follows:

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
<b>Investor Cash Flow Option ONLY</b> 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.

- **Full Doc, Bank Statement, and ICF:**
  - ✓ Cash-out proceeds **are eligible** for the payoff/pay down of debt or for closing costs
  - ✓ Cash-out proceeds are eligible to satisfy reserve requirement options subject to the following:
    - LTV is  $\leq$  65%: **Eligible**
    - LTV is  $>$  65%: **Ineligible**
  
- **Asset Qualifier:**
  - ✓ Cash-out proceeds **may not be used** to satisfy reserve requirements with the exception of a Delayed Financing transaction where the borrower is recouping their own funds

- **Full Doc/Bank Statement:** Residual income requirements:
  - ✓ DTI > 43% to 50%:
    - **A minimum \$1,500.00 residual income required**
- **Asset Qualifier:** Residual income required
  - ✓ Residual income is calculated based on the qualifying assets divided over 48 months minus monthly obligations
  - ✓ A minimum of \$1,500 residual income required
- **Investor Cash Flow:**
  - ✓ Residual income requirements do **not** apply

- Appraisal requirements are determined as follows:

Appraisal Requirements	
Loan Amount	Requirement
≤ \$1,500,000	One (1) full appraisal
> \$1,500,000	Two (2) full appraisals

- When 2 appraisals are required, the lower of the two appraisals is used to determine value
- A Collateral Desktop Analysis (CDA) is required as follows:
  - ✓ All transactions that require one appraisal (see exception on next slide), and
  - ✓ Transactions requiring two appraisals and one of the appraisals is a transferred appraisal
- The cost of the CDA is \$150 and it must be reflected on the Loan Estimate under Section B “Services You Cannot Shop For”

- CDA Exception: The requirement to obtain a CDA may be waived subject to the following:
  - ✓ Only one appraisal is required, **and**
  - ✓ The appraisal is **not** a transferred appraisal, **and**
  - ✓ The appraisal receives a Fannie Mae Collateral Underwriter (CU) Risk Score of  $\leq 2.5$
  
- Appraisal transfers are eligible subject to specific requirements and will require a CDA. A transferred appraisal may only be used on transactions requiring two appraisals. Refer to the guidelines for complete details

- **All Documentation Options:** A prepayment option is available on investment property transactions in the following states **only**:

- ✓ California,
- ✓ Florida,
- ✓ New York, and
- ✓ Texas

**NOTE:** States not listed above, prepayment **not** available. Prepayment is an option, but **not required**

- If the prepayment option is exercised, the following prepayment periods are eligible:

- ✓ 1-year
- ✓ 2-years
- ✓ 3-years