

**Non-QM: EZ Flex+ Program (01/27/22)**

(Applicable to Wholesale Channel only)

**Program Summary:**

Transaction types	Purchase / Rate and Term / Cash out Refinance		
Occupancy	Primary Residence / Second Home / Investment Property		
Minimum Loan Amount	\$100,000		
Maximum Loan Amount	Tier 1: \$2,500,000 Tier 2: \$1,500,000		
Minimum Required FICO	580		
Maximum DTI	50% (FICO 580-659 - DTI allowed up to 45%)		
Housing Payment History	Tier 1: 1X30 late allowed in prior 12 months Tier 2: 2X30 late allowed in prior 12 months		
Income Documentation type	Borrower must have 2 years employment history. Full Income Documentation (24 months): <ul style="list-style-type: none"> <li>• Wage earner:                             <ul style="list-style-type: none"> <li>◦ Most recent paystub (covering 30-day period) including year-to-date earnings and 2 years W2 OR,</li> <li>◦ VOE in lieu of W2/pay stubs is acceptable if the borrower has been on current job for 2 years and income verified by W2 transcript OR,</li> <li>◦ VOE through electronic verification such as work number</li> </ul> </li> <li>• Self employed:                             <ul style="list-style-type: none"> <li>◦ Most recent 2 years personal/business tax returns</li> </ul> </li> </ul> Bank Statement Documentation (24 months): <ul style="list-style-type: none"> <li>• Self employed: 24 months personal / business bank statements</li> </ul> Note: - 12 months income documentation is acceptable subject to additional price adjustment.		
Waiting Period Requirement		Tier 1	Tier 2
	Chapter 7 Bankruptcy	36 months	24 months
	Chapter 13 Bankruptcy	36 months	24 months
	Housing Event (Foreclosure/DIL/Short Sale)	36 months	24 months

**Product code**

Occupancy	Product Code	Product Name	Occupancy	Product Code	Product Name
Primary Residence / Second Home	SUNNPM0313	Non-QM EZ FLEX+ Tier 1	Primary Residence / Second Home	SUNNPM0320	Non-QM EZ FLEX+Tier 2
	SUNNPM0314	Non-QM EZ FLEX+: 5 Yr PPP		Investment Property	SUNNPM0321
Investment Property	SUNNPM0315	Non-QM EZ FLEX+ Tier 1: 4 Yr PPP	SUNNPM0322		Non-QM EZ FLEX+ Tier 2: 4 Yr PPP
	SUNNPM0316	Non-QM EZ FLEX+ Tier 1: 3 Yr PPP	SUNNPM0323		Non-QM EZ FLEX+ Tier 2: 3 Yr PPP
	SUNNPM0317	Non-QM EZ FLEX+ Tier 1: 2 Yr PPP	SUNNPM0324		Non-QM EZ FLEX+ Tier 2: 2 Yr PPP
	SUNNPM0318	Non-QM EZ FLEX+ Tier 1: 1 Yr PPP	SUNNPM0325		Non-QM EZ FLEX+ Tier 2: 1 Yr PPP
	SUNNPM0319	Non-QM EZ FLEX+ Tier 1: No PPP	SUNNPM0326		Non-QM EZ FLEX+ Tier 2: No PPP

**Loan Purpose**

- Purchase
- Rate and Term Refinance\*
- Cash Out Refinance\*Cash back to borrower may not exceed the lower of 2% of loan amount or \$2,000.

#### Occupancy

- Primary Residence (1-4 units)
- Second Home (1 unit only)
- Investment Property (1-4 units)

#### Eligible State

- AL, AR, AZ, CA, CO, CT, DE, FL, HI, ID, IL, IN, KS, LA, MD, ME, MI, MN, MO, MT, NC, ND, NE, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, WA, WI, WY and DC

#### Amortization Term

##### Fixed:

- 15 year Self Amortization
- 30 year - 10 year I/O or 30 year self amortization

##### ARM:

- 5/6m- 10 year I/O or 30 year self amortization
- 7/6m – 10 year I/O or 30 year self amortization

Interest Only feature is available with 10 years I/O period with 30 years or 40 years amortization terms. The loan must amortize over the remaining term after the Interest Only period.

#### Prepayment Penalty

- Applicable on investment properties only.
- Term of prepayment penalty are up to 5 years (as per each state law)
  - 6 months of interest on the amount prepaid that exceeds 20% of the original principal loan amount (Unless otherwise restricted by State law)Note: Prepayment penalty is not allowed in the state of IL (loans vested to individuals), KS, MI, MN, NJ (loans vested to individuals), NM, OH, PA (if loan amount is less than \$278,204) and RI.

#### Eligible Properties

- Attached / Detached SFRs
- 2-4 unit property
- PUD
- Warrantable Condo
- Townhomes
- Non-Warrantable Condo property (Check eligibility criteria)
- Mixed use property

#### Eligible Borrowers

- U.S. Citizens
- Permanent Resident Aliens
- Non-Permanent Resident Alien

#### Compliance

- Escrows required for taxes and insurance
- Total Points and Fees must be less than 5%
- Compliance with all applicable Federal and State regulations
- Fully documented ability-to-repay
- Section 32 or state high cost loan is not allowed

#### Minimum Loan Amount

- \$100,000

#### Maximum Loan Amount

- Tier 1: \$2,500,000
- Tier 2: \$1,500,000

**Minimum FICO Required**

- 580 (Additional price hit applicable for FICO < 640)
- For Interest Only transaction – 680
- For First time homebuyer – 680
- A valid Decision Credit score requires at least one (1) borrower to have a minimum of two (2) credit scores. Use the lower of two (2) or middle of (3) credit scores generated to determine the Decision Credit score.
- For loan with multiple borrowers:
  - Full Doc/Bank Statement/ 1099 income Qualification: The borrower with the higher monthly income is considered the primary borrower and their credit score can be used as the Decision Credit Score. When both borrowers are self-employed and jointly own the business, use the lowest Decision Score amongst the borrowers

**Maximum DTI Ratios**

- 50%
- FICO 580-659 - DTI allowed up to 45%

**Minimum trade-line to establish credit history**

- Borrower must have sufficient credit history. Borrower must meet one of the following requirements below:
  - At least 3 trade lines open and reporting for a minimum of 12- months with activity in the last 12- months, or
  - At least 2 trade lines open and reporting for a minimum of 24-months with activity in the last 12- months
- An acceptable housing history not reporting on credit report may also be used as a trade-line.

**Note:**

- Trade-lines on which borrower is not obligated to make payments are not acceptable for minimum trade-line requirement.
- The following are not acceptable to be counted as a tradeline: “non-traditional” credit as defined by Fannie Mae, any liabilities in deferment status, accounts discharged through bankruptcy, authorized user accounts, charged-offs, collection accounts, foreclosures, deed in lieu of foreclosure, short sales, or pre-foreclosure sales
- “Non-traditional” credit includes Utilities (such as electricity, gas, water, telephone services, television, internet service), Cell phone payment, payment of medical bills, payment of school tuition, payment of child care, payment to local stores such as department store, furniture store, appliance store etc.

**Age of Document Requirements**

The following documents may not be more than 90 days old at closing (The Note date)

- i. Income Documents/ Paystubs
- ii. Asset Documents/ Bank statement
- iii. Credit Report
- iv. Mortgage/ Rental verification

The following documents may not be more than 120 days old at closing (The Note date)

- i. Appraisal Report
- ii. Title Commitment/ Preliminary report

**Bankruptcy and Housing Event waiting Period**

Waiting Period Matrix 1			
Tier	Chapter 7 Bankruptcy	Chapter 13 Bankruptcy	Housing Events <sup>2</sup>
Tier 1	36 months	36 months	36 months
Tier 2	24 months	24 months	24 months

**Note:**

1. Waiting period is measured from the month and year of discharge to the note date.
2. A ‘Housing Event’ is a completed foreclosure, short sale, deed in lieu or notice of default (or similar notice required under state law as an initial phase of the foreclosure process).

**Approval Type**

- Manual Underwriting (No DU loans, if loan meets agency guidelines then must direct to agency products)

**Housing Late**

- Tier 1: One 30-dayslate payment allowed in past 12 months.

- Tier 2: Two 30-days late payment allowed in past 12 months.

#### Consumer Late

- Any installment account can be no more than 30-days delinquent at time of application. Any delinquent account must either be brought current or paid off at closing.

#### Judgment / Tax Lien /Collections/Charge-Offs

- Judgment and tax Liens must be paid off. Tax liens or judgment can be paid off at closing using loan proceeds.
- Charge-offs or, non-medical collections can remain as is. Balance of 5% to be considered in DTI if total cumulative balance exceeds >\$5,000 for open collection accounts and charged-off with outstanding balance.
- Past due accounts must be brought current.

#### Residual Income

- Primary Residence & Second Home: Residual income of \$1,250 is required. \$250 is required for the first dependent and \$125 required for each additional dependent.
- A dependent is any person other than the borrower or spouse of the borrower in the household. Residual Income = Gross Monthly Income – Total Monthly Obligations

#### LTV / CLTV

Tier 1:

Credit Score	No. of Units	Minimum Loan Amount	Maximum Loan Amount	Purchase	Rate & Term	Cash-Out	Reserve Required* (in months)
700 and above	1 unit	\$100,000	\$1,000,000	90	90	80	6
		\$1,000,001	\$1,500,000	85	85	75	6
		\$1,500,001	\$2,000,000	80	80	75	12
		\$2,000,001	\$2,500,000	75	75	65	12
680-699	1 unit	\$100,000	\$1,000,000	85	85	80	6
		\$1,000,001	\$1,500,000	80	80	75	6
		\$1,500,001	\$2,000,000	80	80	70	12
		\$2,000,001	\$2,500,000	70	70	65	12
660-679	1 unit	\$100,000	\$1,000,000	85	85	75	6
		\$1,000,001	\$1,500,000	80	80	75	6
		\$1,500,001	\$2,000,000	75	75	70	12
620-659	1 unit	\$100,000	\$1,000,000	80	80	70	6
		\$1,000,001	\$1,500,000	75	75	65	6
		\$1,500,001	\$2,000,000	70	70	NA	12
580-619	1 unit	\$100,000	\$1,000,000	70	70	65	6

LTV restrictions for Second home and Investment property:

- Maximum LTV/CLTV is restricted to 80% or lower as per matrix
- Maximum LTV/CLTV on Cash-out refinance is restricted to 75% or lower as per matrix

Additional LTV restrictions:

- Maximum LTV/CLTV on 2-4 units property is restricted to 80% or lower as per matrix
- Maximum LTV/CLTV for Interest Only transaction is restricted to 75% or lower as per matrix
- Maximum LTV/CLTV is limited to 75% for TX 50(a)(6) program
- Maximum LTV/CLTV is limited to 80% for Rural property
- State Restrictions: For CT, IL, NJ and NY states: Maximum LTV/CLTV is restricted to 85% or lower as per matrix.
- For Non-Warrantable Condo:
  - Purchase and Rate & term transaction: LTV/CLTV to be reduced by 5%. Maximum allowed LTV/CLTV to be capped at 75% or lower as per matrix.
  - Cash out-refinance transaction: LTV/CLTV to be reduced by 10%.

Tier 2:

Credit Score	No. of Units	Minimum Loan Amount	Maximum Loan Amount	Purchase	Rate & Term	Cash-Out	Reserve Required* (in months)
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700 and above	1 unit	\$100,000	\$1,000,000	80	80	75	6
		\$1,000,001	\$1,500,000	80	80	75	9
680 to 699		\$100,000	\$1,000,000	75	75	70	6
		\$1,000,001	\$1,500,000	70	70	65	9
660 to 679		\$100,000	\$1,000,000	70	70	65	6
		\$1,000,001	\$1,500,000	65	65	60	9
640 to 659		\$100,000	\$1,000,000	65	65	60	12
600 to 639		\$100,000	\$1,000,000	60	60	NA	12

LTV restrictions for Second home and Investment property:

- Maximum LTV/CLTV is restricted to 75% or lower as per matrix

Additional LTV restrictions:

- Maximum LTV/CLTV on 2-4 units property is restricted to 75% or lower as per matrix
- Maximum LTV/CLTV for Interest Only transaction is restricted to 70% or lower as per matrix
- Maximum LTV/CLTV is limited to 70% for TX 50(a)(6) program
- Maximum LTV/CLTV is limited to 80% for Rural property
- For Non-Warrantable Condo:
  - Purchase and Rate & term transaction: LTV/CLTV to be reduced by 5%. Maximum allowed LTV/CLTV to be capped at 70% or lower as per matrix.
  - Cash out-refinance transaction: LTV/CLTV to be reduced by 10%.

\* Reserve requirements: Refer below matrix for reserves requirements. Reserves requirement on a loan is higher of the reserves mentioned in the following matrix and the reserves mentioned in the LTV matrix.

Parameters	Number of months (of PITIA)
Investment Property	12 months of PITIA
First Time Homebuyer	6 months of PITIA
Interest Only transaction	12 months of PITIA
Non-occupying Co-borrower	12 months of PITIA

- For Interest Only, reserves are based on qualifying PITIA.

#### Maximum Cash Out Amount

- Unlimited, No limit on cash-out amount.

#### Subordinate Financing

- Allowed up to 90% CLTV for Tier 1. For Tier 2, this is allowed up to 80%
- Must be from institutional lender.
- Must meet Fannie Mae subordinate financing guideline

#### Income Documentation

Full Income Documentation (24 Months): Borrower must have 2 years of employment history

- Wage borrower:
  - Most recent pay-stub (covering 30 day period) including year-to-date earnings (minimum 30 days YTD) & two years W2 OR,
  - VOE in lieu of W2/pay stubs is acceptable if the borrower has been on current job for 2 years and income verified by W2 transcript OR,
  - VOE through electronic verification such as The work number
- Self Employed borrower: Must be self employed for 2 years, borrower must have ownership of 25% or more in the business.
  - Most recent two years of personal/business tax returns (signed)
  - Unaudited YTD P&L along with most recent 3 months business bank statement or Audited YTD P&L statement
  - 24 months CPA audited P&L statement is required to consider higher income than tax returns.
  - YTD P&L is required if extension is filed and YTD income is required if more than one calendar quarter is passed
  - CPA letter/business license reflecting that the business is open & operational
  - Verification of existence of business within 10 calendar days of closing

Full Income Documentation (12 Months): Borrower must have 2 years of employment history

- Wage borrower:
  - Most recent pay-stub (covering 30 day period) including year-to-date earnings (minimum 30 days YTD) & one year W2 OR,
  - VOE in lieu of W2/pay stubs is acceptable if the borrower has been on current job for 2 years and income verified by W2 transcript OR,

- VOE through electronic verification such as The work number
- Self Employed borrower: Must be self-employed for 2 years, borrower must have ownership of 25% or more in the business.
  - Most recent one year of personal/business tax returns (signed)
  - Unaudited YTD P&L along with most recent 3 months business bank statement or Audited YTD P&L statement
  - 12 months CPA audited P&L statement is required to consider higher income than tax returns.
  - YTD P&L is required if extension is filed, and YTD income is required if more than one calendar quarter is passed
  - CPA letter/business license reflecting that the business is open & operational
  - Verification of existence of business within 10 calendar days of closing

#### Bank Statement (24 months) Qualification#:

- 24 months Business bank statement: Borrower must be self employed for at least 2 years in same business.
  - Borrower must have at least 50% ownership in the business.
  - Net income of the analysis of the bank statement must be multiplied by the ownership's percentage to determine the qualifying income.
  - Co-mingled bank statement is not permitted (combination of personal and business receipt & expenses on the same account)
  - Multiple business bank statement are not allowed. Intermingle or multiple business account transfer(from one to another account) is not permitted.
  - A Business narrative which need to be provided by an employee (non-relative) of the borrower's business, with knowledge and information of the operations and finances of the business. Typical positions held by this employee would include: Controller, Treasurer, V.P. Finance, Finance Manager, Accounting Manager or Human Resources Manager. This can also be provided by a third- party individual with direct knowledge of the borrower's business, such as Certified Public Accountant or an IRS Enrolled Agent, which includes details related to:
    - Description of the business/business profile
    - Location of business & associated rent (Home based or lease space including address)
    - Number of employees/contractors
    - Estimated cost of goods sold (sale of goods or services business)
    - Equipment or Trucks/Vehicles owned or leased
    - Type of client base (retail or commercial)
- Supporting Documentation Options: Option 1: Fixed Expense Ratio of 50%
  - 24 months business bank statement
  - Net income = Average acceptable deposits \* 0.50 \* percentage ownership of the borrower
  - Average acceptable deposit is: 24 months average deposits from ordinary operations of the borrower's business (excluding transfer from other accounts, extraordinary assets sales, unusual borrowing or tax refunds).
  - Qualifying income is the lower of - net income from Business/Co-mingled bank statement or, the income indicated on initial 1003. Note: For businesses operating in industries such as Construction, Manufacturing, Retail and Wholesale trade, Hospitality/Food & Beverage services, Transportation; Option 2 or, 3 must be used. However, Option 1 may be used for these businesses provided Underwriter justifies the reason for considering fixed expense ratio of 50%.

#### Option 2: CPA or Licensed Tax professional prepared Business Expense Statement

- 24 months business bank statement
- Business expense statement must be prepared by CPA or Licensed Tax professional specifying business expenses as a percentage of the gross annual sales/revenue.
- Net income = Average deposit per bank statement \* (1-expense ratio as per expense statement)\* percentage ownership of the borrower.
- Qualifying income is lower of - net income from analysis or, income indicated on initial 1003.

#### Option 3: 24 month CPA Prepared P&L

- 24 months business bank statement and 24 months CPA prepared P&L statement
- Income is considered as lesser of:
  - 24 months average net income from P&L statement
  - the income indicated on initial 1003
  - 24 months business/co-mingled bank statement analysis
    - Net income from bank statement is calculated as - Average acceptable deposits \* percentage ownership of the borrower
- P&L statement sales or, revenue must be supported by bank statement. Total deposits per bank statement minus any inconsistent deposits must be greater than or, no more than 15% below sales or, revenue reflected on P&L statement.
- Any recurring payment on the bank statement must be compared to an expense item on P&L for reasonableness. Individual/total expenses on P&L must appear reasonable for the type of business.
- 24 months Personal Bank statement
  - Borrower must be self employed for at least 2 years in same business.
  - 24 months personal bank statement
  - Two months business bank statement to verify activity to support operations and it must reflect transfers to the personal bank statement.
  - Borrower must have at least 50% ownership in the business
  - Income is considered as lesser of 24 months average income verified from personal bank statement or, 1003 initial disclosed income
  - Large deposit other than borrower's business such as rental income, income from other employment sources must be reduced in calculating the income from personal bank statement.

#1099 Income: Borrower must be self employed.

Borrower earnings from 100% commission or from independent contracts. Income can be documented by using 2 years of IRS Form 1099. Income from 1099 must be combined with YTD income from personal / business bank statement or WVOE from employer. Validated 1099 income could replace the requirement of bank statements. Year To Date income must be determined either by current year bank statements or using WVOE from employer.

- Qualifying income is calculated as - (Total gross 1099 income plus YTD income) divided by total number of applicable months \* (1-expense factor) as per below methods.
- One of the following method can be used to calculate Expense factor:
  - Expense factor as per CPA prepared Profit and Loss statement or
  - 10% expense factor
- 1099 income must be validated with 4506-T wage and income transcript
- Evidence of YTD earning must be verified from bank statement covering YTD period or WVOE from employer. WVOE or employer pay ledger is acceptable so long as borrower has been employed with employer for entirety of previous year through current YTD.

#### Bank Statement (12 months) Qualification#:

- 12 months Business bank statement: Borrower must be self-employed for at least 2 years in same business.
  - Borrower must have at least 50% ownership in the business.
  - Net income of the analysis of the bank statement must be multiplied by the ownership's percentage to determine the qualifying income.
  - Co-mingled bank statement is not permitted (combination of personal and business receipt & expenses on the same account)
  - Multiple business bank statements are not allowed. Intermingle or multiple business account transfer (from one to another account) is not permitted.
  - A Business narrative which need to be provided by an employee (non-relative) of the borrower's business, with knowledge and information of the operations and finances of the business. Typical positions held by this employee would include: Controller, Treasurer, V.P. Finance, Finance Manager, Accounting Manager or Human Resources Manager. This can also be provided by a third- party individual with direct knowledge of the borrower's business, such as Certified Public Accountant or an IRS Enrolled Agent, which includes details related to:
    - Description of the business/business profile
    - Location of business & associated rent (Home based or lease space including address)
    - Number of employees/contractors
    - Estimated cost of goods sold (sale of goods or services business)
    - Equipment or Trucks/Vehicles owned or leased
    - Type of client base (retail or commercial)
- Supporting Documentation Options: Option 1: Fixed Expense Ratio of 50%
  - 12 months business bank statement
  - Net income = Average acceptable deposits \* 0.50 \* percentage ownership of the borrower
  - Average acceptable deposit is: 12 months average deposits from ordinary operations of the borrower's business (excluding transfer from other accounts, extraordinary assets sales, unusual borrowing or tax refunds).
  - Qualifying income is the lower of - net income from Business bank statement or, the income indicated on initial 1003. Note: For businesses operating in industries such as Construction, Manufacturing, Retail and Wholesale trade, Hospitality/Food & Beverage services, Transportation; Option 2 or, 3 must be used. However, Option 1 may be used for these businesses provided Underwriter justifies the reason for considering fixed expense ratio of 50%.

#### Option 2: CPA or Licensed Tax professional prepared Business Expense Statement

- 12 months business bank statement
- Business expense statement must be prepared by CPA or Licensed Tax professional specifying business expenses as a percentage of the gross annual sales/revenue.
- Net income = Average deposit per bank statement \* (1-expense ratio as per expense statement) \* percentage ownership of the borrower.
- Qualifying income is lower of - net income from analysis or, income indicated on initial 1003.

#### Option 3: 12-month CPA Prepared P&L

- 12 months business bank statement and 12 months CPA prepared P&L statement
- Income is considered as lesser of:
  - 12 months average net income from P&L statement
  - the income indicated on initial 1003
  - 12 months business bank statement analysis
    - Net income from bank statement is calculated as - Average acceptable deposits \* percentage ownership of the borrower
- P&L statement sales or, revenue must be supported by bank statement. Total deposits per bank statement minus any inconsistent deposits must be greater than or, no more than 15% below sales or, revenue reflected on P&L statement.
- Any recurring payment on the bank statement must be compared to an expense item on P&L for reasonableness. Individual/total expenses on P&L must appear reasonable for the type of business.
- 12 months Personal Bank statement
  - Borrower must be self-employed for at least 2 years in same business.
  - 12 months personal bank statement
  - Two months business bank statement to verify activity to support operations and it must reflect transfers to the personal bank statement.
  - Borrower must have at least 50% ownership in the business
  - Income is considered as lesser of 12 months average income verified from personal bank statement or, 1003 initial disclosed income
  - Large deposit other than borrower's business such as rental income, income from other employment sources must be reduced in calculating the income from personal bank statement.

#1099 Income: Borrower must be self-employed.

Borrower earnings from 100% commission or from independent contracts. Income can be documented by using 1 year of IRS Form 1099. Income from 1099 must be combined with YTD income from personal / business bank statement or WVOE from employer. Validated 1099 income could replace the

requirement of bank statements. Year To Date income must be determined either by current year bank statements or using WVOE from employer.

- Qualifying income is calculated as - (Total gross 1099 income plus YTD income) divided by total number of applicable months \* (1-expense factor) as per below methods.
- One of the following methods can be used to calculate Expense factor:
  - Expense factor as per CPA prepared Profit and Loss statement or
  - 10% expense factor
- 1099 income must be validated with 4506-T wage and income transcript

Evidence of YTD earning must be verified from bank statement covering YTD period or WVOE from employer. WVOE or employer pay ledger is acceptable so long as borrower has been employed with employer for entirety of previous year through current YTD.

**Unacceptable Source of Funds**

- Cash-on-hand
- Sweat equity
- Gift or grant funds which must be repaid
- Down payment assistance programs
- Bridge loans
- Unsecured loans or cash advances
- Paycheck Protection Program (PPP) Loans
- Small Business Administration (SBA) Loans

**Assets**

- Most recent bank statement covering sixty (60) days period. Large deposits must be sourced. Large deposit is defined as any single deposit that exceeds 50% of total monthly qualifying income of the loan.
- Gift funds are allowed if:
  - Primary Residence & Second Home: Allowed. For LTV > 80%, at least 5% down payment from borrower is required.
  - Investment property: Gift is not allowed.
- Cash-out from Subject property transaction may be used towards reserve requirement. Borrower must have at least 2 months PITIA reserve from their own fund on the subject property.
- To use business funds, borrower must have ownership percentage of at least 50% and must be supported by borrower's cash flow analysis.
- Non-sufficient fund (NSF), negative balance or overdraft fee in bank statement are not allowed.

**Contribution by Interested Parties**

Occupancy Type	LTV	Allowed IPC
Primary Residence and Second Home	Less than 80%	6%
	≥ 80%	3%
Investment Property	All LTVs	2%

**Max. Number of Properties Financed**

- Maximum number of financed properties (residential, 1-4 units) including primary residence is limited to 10 properties. Borrowers with more than 10 financed properties may be reviewed case to case basis.
- For Second home and Investment property transaction, 2 months of additional reserves is required for each financed non-subject property except primary residence. Additional reserves is required based upon PITIA of subject property.

**Temporary Buydown**

- Not allowed

**Assumable**

- Not assumable

**Qualifying Rate**

- For ARM - Qualifying rate is higher of fully indexed rate or note rate
- For Fixed - Qualifying rate is note rate

**Appraisal Review Product**

- An Appraisal review product is required on all loan unless a Second Appraisal is required
- Following three options are available for Appraisal review product:
  - Submission Summary Report (SSR) and Fannie Mae Collateral Underwriter score of ≤ 2.5
  - An enhanced ARR from ProTeck or CDA report from Clear Capital, or ARA from Computershare

- Field review or a Second Appraisal
- If loan amount is >\$1.5M, then second appraisal is required.

#### **First Time Borrower**

- Primary residence only
- 12-months rental history required reflecting 0\*30 late. If living rent free, refer general requirement sections.
- If borrower is using gift funds, then payment shock is limited to 150%.
- Minimum credit score 680

#### **Permanent Resident Aliens**

- A non-U.S citizen authorized to live and work in the U.S on a permanent basis.
- Must provide evidence of lawful residency (copy of borrower's identification)
- Valid Green Card

#### **Non-Permanent Resident Alien**

- A non-U.S citizen authorized to live and work in the U.S on a temporary basis
- Acceptable visa types: A-1, A-2, A-3, B-1, B-2, E-1, E-2, E-3, EB-5, G-1 through G-5, H-1B, L-1, NATO, O-1, R-1, TN NAFTA. Visa must be current.
- DACA borrower is also allowed (EAD code C33)
- Max LTV/CLTV: 80%
- Full Income Docs (24 months) only, but for DACA borrowers Bank Statement (24 months) is also allowed.
- Cash-out refinance not allowed
- Gift funds are not allowed

#### **General Requirements**

- Borrower who live rent free or without a complete 12-months housing history must meet all of the following requirements:
  - Max DTI – 43%.
  - Primary Residence only.
  - Any available portion of a 12-months housing history must be paid as agreed. Note: Borrowers who sold a primary residence within the past 6-months and are currently living rent free until subject transaction closes are not considered living rent free.

#### **Rate & Term Refinance:**

- Properties listed for sale by the borrower within the past 12 months on Rate/Term transaction must be withdrawn prior to application date. Copy of expired/withdrawn listing is required.
- Payoff an installment land contract is permitted if the same is executed more than 12 months preceding the loan application date.

#### **Cash-Out Refinance:**

- Properties listed for sale within the last 6 months from application date are ineligible for cash out refinance.
- A prior cash-out within past 6 months from application date are ineligible for cash out refinance.
- The borrower must have owned the property for a minimum of six months prior to the application date.
- If the property is owned less than 12 months but greater than 6 months at the time of application, the LTV/CLTV will be based on the lesser of the original purchase price plus documented improvements, or current appraised value.
- Payoff of a land contract / contract deed is not acceptable through cash out transaction.

#### **Delayed Financing**

- Delayed financing is eligible when the property was purchased through cash transaction within 6 months of application date.
- The transaction will be considered cash-out refinance.
- Fannie Mae guideline on delayed financing to be followed.

#### **Non-occupying Co-borrower**

- Non-occupant co-borrower is allowed with 5% reduction in maximum LTV.
- Occupant borrower(s) must have a DTI ratio of 55% or less. This excludes the income/debts of non-occupant borrower(s). Combined DTI is limited to 43%.
- Cash-Out transaction not allowed
- Non-occupant income is limited to Full Income documentation only.

#### **Ineligible Property Type**

- Vacant land or land development properties
- Properties not readily accessible by roads that meet local standards
- Properties not suitable for year-round occupancy regardless of location
- Agricultural properties including: farms, ranches, orchards

- Manufactured, Mobile or Modular Homes
- Co-op/timeshare hotels
- Condotels
- Cooperative share loans
- Boarding houses or bed/breakfast properties
- Properties with zoning violations
- Dome or geodesic homes
- Assisted living facilities
- Homes on Indian reservations
- Log homes
- Fractional Ownership
- Hawaii properties located in lava zones 1 and/or 2
- Houseboats
- Properties with acreage more than 10 acres
- Properties listed for sale in past Six (6) months on cash out transaction
- Properties with ownership other than fee simple/leaseholds that do not meet FNMA Guidelines
- Properties used for cultivation, distribution, manufacture or sale of marijuana
- Rural properties meeting following criteria,
  - (i) The appraiser indicates in the neighborhood section of the report a rural location; or
  - (ii) The following two (2) conditions exist:
    - The property is located on a gravel road and
    - Two of the three comparable properties are more than 5 miles from the subject property.

**Non-Warrantable Condo: Eligibility Criteria:**

Characteristic	Exception considerations
Commercial space	Subject unit 100% residential. Commercial space in building/project < 50%. Any commercial must be "typical to the marketplace and have no negative impact on marketability. Commercial % determined by appraiser. Commercial entity cannot control HOA.
Completion status	The project or the subject's legal phase must be complete. All common elements in the project or legal phase must be 100% completed. At least 50% must be sold or under a bona-fide contract.
Delinquent HOA Dues	No more than 20% of the total units in the project may be 60 days or more past due on the payment of condominium/association fees.
Investor concentration	Investor concentration in project up to 60%. Higher percentages may be considered under the Investment Property Program when an established history of a high percentage of rental units in the condo project can be demonstrated.
HOA control	The developer may be in control of the condominium association provided the Master Agreement provides for the homeowners to take control upon either a predetermined percentage of unit sales or within a defined time period.
HOA reserves	HOA Budget must include a dedicated line-item allocation to replacement reserves of at least 8% of the budget.
Litigation	Pending litigation will not be allowed. Litigation that involves structural issues, health and safety issues or items that will impact the marketability of the project will not be accepted.
New projects	The project or the subject's legal phase along with other phases must be complete. All common areas in the project must be 100% complete. Minimum of 50% of units must be sold or under contract.
Single entity ownership	Single entity ownership in project up to 25%.