

Elite Access (Non-QM)



A division of Homebridge Financial Services, Inc.

8/30/24

Program Overview

- Elite Access is a Non-QM program offering Full Doc, Alt Doc, which includes Bank Statement, Asset **Utilization**, 1099 Only, Investor Cash Flow, and P&L Only 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) is available for investment properties only; the borrower is qualified on the debt service coverage ratio of the subject property
- Asset **Utilization** qualifies borrowers on their liquid assets or assets that can be liquidated without restriction and is eligible for primary residence and second home purchase and rate/term refinance transactions
- 1099 Only is available for independent contractors receiving a 1099 at year-end or borrowers receiving commission income
- P&L Only is available for self-employed borrowers with a minimum of 2-years self-employment; allows for 12 months unaudited P&L

- Purchase, rate/term, and cash-out available
- Eligible in all states
 - ✓ New York transactions must pass the NY Subprime test, if applicable
 - ✓ New York CEMA transactions **eligible** for refinance transactions;
ineligible on purchase transactions
- 1-4 unit primary residence, 1-unit second home, and 1-4 unit investment properties eligible (ICF is available for investment property **only**)
- Maximum DTI: 50%, **no exceptions** (DTI N/A Investor Cash Flow and Asset Qualifier)
- Minimum loan amount \$125,000 (ICF minimum \$100,000)
- Minimum 660 FICO (ICF minimum 700)
- Maximum loan amount \$3,000,000

- Cash-out transactions are subject to the following:
 - ✓ Cash-out limitations include the amount of cash-in-hand to the borrower **PLUS** the payoff of any non-mortgage debt **PLUS** any funds used to pay off unseasoned subordinate liens on the subject property
- Cash-Out (all options excluding Asset Qualifier):
 - ✓ **LTV ≤ 60%**: Unlimited cash-out
 - ✓ **LTV > 60%**: Maximum cash-out \$1,000,000

NOTE: Cash-out **not eligible** on Asset Qualifier option

- Residual income required as follows:
 - ✓ All Options (excluding ICF): \$1,500

NOTE: Investor Cash Flow: Residual income **does not** apply
- Refinance transactions **do not** have a seasoning requirement
- Cash-out transactions require a 5% LTV reduction as follows:
 - ✓ The property was purchased **or** refinanced in the previous 6 months (measured from Note date to Note date), or
 - ✓ The property was listed for sale in the 6 months prior to the application date
- Properties located in a declining market, as identified by the appraiser, **AND** the LTV is > 65% a 5% LTV reduction is required

- Interest-only (IO) feature:
 - ✓ Available on all documentation options with a 30 year loan term
 - ✓ Loan amount ≤ \$2,000,000 maximum 80% LTV
 - ✓ Loan amounts > \$2,000,000 to \$2,500,000 maximum 75% LTV
 - ✓ Loan amounts > \$2,500,000 maximum 70% LTV
 - ✓ **ICF ONLY:** Minimum 1.00 DSCR required
 - ✓ **IO ineligible** on first time home buyer transactions

- Borrower(s) required to sign Borrower Affidavit – Full Doc, Bank Statement, Investor Cash Flow, Asset Qualifier, 1099 Only, P&L Only as applicable. Homebridge to complete and provide with loan docs

- Available Products:
 - ✓ Fixed rate with 30 year loan term; qualify at the Note rate
 - ✓ Fixed rate interest-only option available with 30 year loan term

LTV/CLTV/FICO/Loan Amount Matrices

Full Doc							
(1 or 2-Years Paystub/W-2 or 1 or 2-Years Tax Returns; Asset Distribution⁸)							
1-4 Unit Primary Residence, 1-Unit Second Home, 1-4 Unit Investment							
Purchase and Rate/Term Refinance				Cash-Out Refinance ^{4,8}			
\$1,500,000 ^{1,2,3}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO	LTV ^{2,3,5,6,7}	LTV ^{6,7}	LTV ^{6,7}	FICO	LTV ⁶	LTV ⁶	LTV ⁶
740	85%	80%	80%	740	80%	80%	80%
720	85%	80%	80%	720	80%	80%	80%
700	80%	80%	80%	700	80%	80%	80%
680	80%	80%	75%	680	75%	75%	75%
660	70%	70%	70%	660	70%	70%	70%
\$2,000,000 ^{1,2,3}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO	LTV ^{6,7}	LTV ^{6,7}	LTV ^{6,7}	FICO	LTV ^{6,7}	LTV ^{6,7}	LTV ^{6,7}
740	80%	80%	80%	740	80%	80%	80%
720	80%	80%	80%	720	80%	80%	80%
700	80%	80%	80%	700	80%	80%	80%
680	80%	80%	75%	680	75%	75%	75%
660	70%	70%	70%	660	70%	70%	70%
\$2,500,000 ^{1,2,3}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO	LTV ^{6,7}	LTV ^{6,7}	LTV ^{6,7}	FICO	LTV ^{6,7}	LTV ^{6,7}	LTV ^{6,7}
740	80%	80%	80%	740	80%	80%	80%
720	80%	80%	80%	720	80%	80%	80%
700	80%	80%	80%	700	80%	80%	80%
680	80%	80%	75%	680	75%	75%	75%
660	70%	70%	70%	660	70%	70%	70%
\$3,000,000 ^{1,2,3}							
	Owner-Occupied	Second Home	Investment		Owner-Occupied	Second Home	Investment
FICO	LTV ^{6,7}	LTV ^{6,7}	LTV ^{6,7}	FICO	LTV ^{6,7}	LTV ^{6,7}	LTV ^{6,7}
740	75%	75%	75%	740	75%	75%	75%
720	75%	75%	75%	720	75%	75%	75%
700	75%	75%	75%	700	75%	75%	75%
680	75%	75%	75%	680	75%	75%	75%

LTV/CLTV/FICO/Loan Amount Matrices

Alt-Doc			
(Bank Statement, 1099 Only, and P&L Only⁷)			
1-4 Unit Primary, 1-Unit Second Home, 1-4 Unit Investment			
Purchase and Rate/Term Refinance		Cash-Out Refinance ⁴	
\$1,500,000 ^{1,2,3}			
	Owner-Occupied	Second Home	Investment
FICO	LTV ^{2,3,5,6,7,8}	LTV ^{6,7,8}	LTV ^{6,7,8}
740	85%	80%	80%
720	85%	80%	80%
700 ⁷	80%	80%	80%
680 ⁷	80%	80%	75%
660	70%	70%	70%
\$2,000,000 ^{1,2,3}			
	Owner-Occupied	Second Home	Investment
FICO	LTV ^{6,7,8}	LTV ^{6,7,8}	LTV ^{6,7,8}
740	80%	80%	80%
720	80%	80%	80%
700 ⁷	80%	80%	80%
680 ⁷	80%	80%	75%
660	70%	70%	70%
\$2,500,000 ^{1,2,3}			
	Owner-Occupied	Second Home	Investment
FICO	LTV ^{6,7,8}	LTV ^{6,7,8}	LTV ^{6,7,8}
740	80%	80%	80%
720	80%	80%	80%
700 ⁷	80%	80%	80%
680 ⁷	80%	80%	75%
660	70%	70%	70%
\$3,000,000 ^{1,2,3}			
	Owner-Occupied	Second Home	Investment
FICO	LTV ^{6,8}	LTV ^{6,8}	LTV ^{6,8}
740	75%	75%	75%
720	75%	75%	75%
700	75%	75%	75%
680	75%	75%	75%
\$3,000,000 ^{1,2,3}			
	Owner-Occupied	Second Home	Investment
FICO	LTV ^{6,8}	LTV ^{6,8}	LTV ^{6,8}
740	75%	75%	75%
720	75%	75%	75%
700	75%	75%	75%
680	70%	70%	70%

LTV/CLTV/FICO/Loan Amount Matrices

Alt-Doc (Asset Utilization)		
1-4 Unit Primary and 1-Unit Second Home		
Purchase and Rate/Term Refinance ³		
\$1,500,000 ¹		
	Owner Occupied	Second Home ²
FICO	LTV ⁴	LTV ⁴
740	80%	80%
720	80%	80%
700	80%	80%
680	80%	80%
660	70%	70%
\$2,000,000 ¹		
	Owner Occupied	Second Home ²
FICO	LTV ⁴	LTV ⁴
740	80%	80%
720	80%	80%
700	80%	80%
680	80%	80%
660	70%	70%
\$2,500,000 ^{1,2}		
	Owner Occupied	Second Home ²
FICO	LTV ^{2,4}	LTV ⁴
740	80%	80%
720	80%	80%
700	80%	80%
680	80%	80%
\$3,000,000 ^{1,2}		
	Owner Occupied	Second Home ²
FICO	LTV ^{2,4}	LTV ⁴
740	75%	75%
720	75%	75%
700	75%	75%
680	75%	75%

LTV/CLTV/FICO/Loan Amount Matrices

INVESTOR CASH FLOW							
1-4 Unit Investment Property							
INVESTMENT PROPERTY Minimum DSCR 1.00				INVESTMENT PROPERTY Minimum DSCR .80 ^{5,7}			
\$1,500,000^{1,2}				\$1,500,000^{1,5}			
	Purchase	Rate/Refi	Cash-Out ³		Purchase	Rate/Refi	Cash-Out ³
FICO	LTV ^{2,4,6,7,8}	LTV ^{2,4,6,7,8}	LTV ^{2,6,7,8}	FICO ⁷	LTV ^{6,7,8}	LTV ^{6,7,8}	LTV ^{6,8}
740	80%	80%	75%	740	75%	75%	70%
720	80%	80%	75%	720	75%	75%	70%
700	80%	80%	75%	700	N/A	N/A	N/A
\$2,000,000¹				\$2,000,000			
	Purchase	Rate/Refi	Cash-Out ³		Purchase	Rate/Refi	Cash-Out
FICO	LTV ^{6,7,8}	LTV ^{6,7,8}	LTV ^{6,7,8}	FICO	LTV	LTV	LTV
740	75%	75%	65%	740	N/A	N/A	N/A
720	75%	75%	65%	720	N/A	N/A	N/A
700	75%	75%	65%	700	N/A	N/A	N/A
\$2,500,000¹				\$2,500,000			
	Purchase	Rate/Refi	Cash-Out ³		Purchase	Rate/Refi	Cash-Out
FICO	LTV ^{6,8}	LTV ^{6,8}	LTV ⁸	FICO	LTV	LTV	LTV
740	70%	70%	65%	740	N/A	N/A	N/A
720	70%	70%	65%	720	N/A	N/A	N/A
700	70%	70%	65%	700	N/A	N/A	N/A
\$3,000,000¹				\$3,000,000			
	Purchase	Rate/Refi	Cash Out ³		Purchase	Rate/Refi	Cash-Out
FICO	LTV ^{6,8}	LTV ^{6,8}	LTV ⁸	FICO	LTV	LTV	LTV
740	70%	70%	65%	740	N/A	N/A	N/A
720	70%	70%	65%	720	N/A	N/A	N/A
700	70%	70%	65%	700	N/A	N/A	N/A

- Homebridge requires the individuals preparing P&Ls, expense ratio letters, etc. and/or who are validating self-employment businesses on the Full Doc or Alt-Doc options, as applicable, to have one of the following designations:
 - ✓ Certified Public Accountant (CPA),
 - ✓ Enrolled Agent (EA), or
 - ✓ California Tax Education Council (CTEC), or
 - ✓ Chartered Tax Advisor (CTA)
- NOTE:** Only individuals with the above licenses/designations are considered acceptable. All tax preparers are required to have a Preparer Tax Identification Number (PTIN) **however preparers with only a PTIN and without one of above designations are not acceptable**

■ Borrower Eligibility

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

■ Income Documentation

- ✓ Wage Earner/Salaried Borrowers
 - ❖ Pay stub covering 30 calendar days with YTD earnings dated no earlier than 30 calendar days prior to initial loan application
 - ❖ Most recent 1 or 2 year's W-2s
- ✓ 1 or 2 year's W-2s (W-2 transcripts eligible in lieu of W-2s if W-2s not available)

■ Self-Employed Borrowers

- ✓ One or two year's personal and/or business tax returns (as applicable) with all schedules (refer to guides for complete details and requirements)
- ✓ Year-end or YTD P&L and balance sheet for businesses used for qualifying
- ✓ Interim financials acceptable (see guides)

✓ **Salaried Borrowers with Bonus/OT Income**

- A pay stub covering a minimum of 1 months' YTD earnings, **and**
- W-2s for most recent 2 years, **and**
- W-2 transcripts for most recent 2 years, **and**
- Income is average based on 2-years receipt from **current** employer; it **cannot** be combined with bonus income received from previous employer

NOTE: 1-2 years history of receipt considered with additional favorable factors on a case-by-case basis subject to Homebridge management review/approval

✓ **Salaried Borrowers with Commission Income:**

- Eligible for borrowers who receive > 25% of annual income from commission
- A pay stub covering a minimum of 1 months' YTD earnings, **and**
- W-2s for most recent 2 years, **and**
- Tax returns for most recent 2 years (**transcripts not acceptable in lieu of tax returns**)

NOTE: 1-2 years history of receipt considered on a case-by-case basis if documentation provided it is likely to continue

- **Other Income Types:** Refer to guidelines for eligibility
- **Asset Distribution:** Income from regular distributions from retirement and non-retirement accounts eligible. Refer to guides for complete requirements

- Bank statement option is available for self-employed borrowers with 25% or more ownership interest in a business
- 12 or 24 months personal or business bank statements eligible and statements from multiple accounts acceptable; the same calculation method must be applied
- Two (2) year self-employment history is generally required however 1-2 year self-employment history considered on a case-by-case basis. Borrowers with less than 2-years self-employment will be underwritten using 12 months bank statements

■ **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
- ✓ If the borrower does not utilize separate business and personal accounts, the accounts are considered comingled **and will be treated as a business account** when determining qualifying income.

NOTE: Qualifying income will be calculated using one of the methods eligible for business bank statements (see slides 16 and 17)

■ **Business Bank Statements**

- ✓ 12 or 24 month history requirement for a single business
- ✓ Multiple businesses may be used to qualify provided each business is verified separately and the income is documented; the same calculation method must be applied
- ✓ The borrower(s) combined must own 25% or more of the business to use business bank statements
- ✓ Three methods are available for documenting income:
 - **Method One: Uniform Expense Ratio**
 - ❖ Multiply eligible deposits received by 50%
 - ❖ 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 addition information required

➤ **Method Two: Profit and Loss Statement**

- ❖ A P&L is provided by a CPA/EA/CTEC/CTA for the most recent 12 or 24 months as applicable. The P&L must cover the same 12 or 24 month period as the bank statements provided
- ❖ 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/CTEC/CTA is provided that indicates the business expense ratio based on the most recent year's tax return
- ❖ The expense ratio is multiplied by the business' total deposits over 12 or 24 shown on the bank statements. That figure will be deducted from the total deposits. The net deposits are multiplied by the borrower's pro-rata ownership percentage and divide by 12 or 24 as applicable

NOTES: The CPA/EA/CTEC/CTA letter **cannot** include any disclaimers as to the accuracy of the information

**P&L/Expense ratio letter must be prepared by a CPA/EA/CTEC/CTA;
individuals with only a PTIN are not allowed**

- The following applies to both personal and business bank statement options:
 - ✓ **Non-Sufficient Funds (NSF):** Excessive NSFs require a written explanation from the borrower. The following applies:
 - 12 months bank statements:
 - ❖ Maximum 3 NSF **instances*** in the past 12 months
 - ❖ 4 or more NSF **instances*** in past 12 months, loan is **ineligible**
 - 24 months bank statements:
 - ❖ Maximum 3 NSF **instances*** in the most recent 12 months, and
 - ❖ If > 3 NSF **instances*** in months 13 to 24 months, a detailed explanation from the borrower is required
 - ✓ **Income Trend:** Bank statements should show a stable or increasing trend. Declining and/or irregular trend will require a detailed LOE from the borrower.

*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”

- 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 49 for requirements
- Qualify on the debt service coverage ratio (DSCR) of the subject property
- Minimum DSCR determined by LTV/Loan Amount/FICO score and range from 1.00 to 0.80; refer to the ICF guidelines for complete details
- DSCR 0.80 to < 1.00 the following applies:
 - ✓ **Purchase and Rate/Term:** Minimum 720 FICO and maximum 75% LTV
 - ✓ **Cash-Out:** Minimum 720 FICO and maximum 70% LTV
- LTV > 70% prepayment penalty is required. If prepay not eligible in the property state, a minimum 1.00 DSCR required

- First time home buyers (**all** borrowers are FT HB) **ineligible**
 - ✓ Transactions involving a FT HB and a non-FT HB considered on case-by-case basis with Homebridge management review and approval
- At least one borrower must have a documented 12 month history of owning and managing rental properties (**see exception on next slide**)
 - ✓ 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

- 12-month history of owning and managing rental property may be waived subject to:
 - ✓ Borrower must currently own a primary residence, **and**
 - ✓ Purchase transaction only, **and**
 - ✓ Maximum 75% LTV, **and**
 - ✓ Minimum 12 months reserves, **and**
 - ✓ Minimum 1.00 DSCR based on a 30 year amortizing payment, **and**
 - ✓ 0x30 in previous 12 months on all housing trade lines as of loan application date, **and**
 - ✓ No mortgage forbearance with a missed payment in the most recent 12 months prior to the application date
 - ✓ At underwriter discretion request a motivation letter or other documentation to establish the loan as a business purpose loan

NOTE: The above requirements apply to **all** borrowers on the transaction. In the event all borrowers do not meet all the requirements, additional documentation will be required to confirm the transaction is a business purpose loan

- Acceptable documentation of 12 month management history includes leases or CPA/EA/CTEC/CTA letter confirming management history
- Borrower may own up to 15 financed properties, including subject; > 15 ineligible
- Reserves not required on **other** financed property

- The debt service coverage ratio (DSCR) is:
 - ✓ The *gross rent* **divided by** the qualifying **PITIA** payment on the subject property which **equals** the DSCR
 - Calculation Example of DSCR using PITIA:***
 - Gross Rent: \$2,000
 - PITIA (subject): \$1750
 - Calculation: \$2,000 divided by \$1750 = 1.143 DSCR
 - ✓ Calculating the DSCR on interest-only transactions:
 - Eligible if the LTV is $\leq 75\%$, minimum 700 FICO, maximum \$2,000,000 loan amount
 - The gross rent **divided by** the qualifying **ITIA** payment on the subject property

■ **Determination of Rents**

✓ **Purchase transactions** use 100% of the **lesser of:**

- The current rent (if currently rented, leases must be provided), **OR**
- Market rent as determined by the appraiser if unit not currently leased

✓ **Refinance transactions** use 100% of the **lesser of:**

- Current rent (if currently rented, leases must be provided), **OR**
- 100% of the market rent as determined by the appraiser, if vacant

- ❖ If the property is leased for more than the appraiser's opinion of market rents, the lease amount may be used provided it will continue for at least 6 months after the Note date and the timely receipt of the 2 months rents due prior to the application are documented

■ **Determination of Rents (cont.)**

✓ **Refinance Transactions (cont.)**

- If the property is leased for more than the appraiser's opinion of market rents:
 - ❖ The lease amount may be used up to 125% of market rents provided the lease continues for 6 months, **and**
 - ❖ Three months of timely rent payments have been received

- 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

NOTE: The increased rent **may not** exceed the appraiser's opinion of market rent for the unit(s)

- If the property is subject to an at-will tenancy without a written lease agreement, a signed letter from the borrower, detailing the terms of the agreement, including the tenants name, address, amount of monthly rent, is acceptable. Documentation confirming receipt of rents within 60 days of the Note date required

- The Asset **Utilization** option allows borrower to be qualified based on their liquid assets or assets that may be liquidated without restriction. ATR and HPML requirements apply
- Asset **Utilization** is available for purchase and rate/term transactions **only; cash-out ineligible**
- Maximum 80% LTV
- Minimum 660 credit score required
- Primary residence and second home **only**; ineligible on investment properties
- Significant derogatory credit event requires 5 years seasoning
- Total post-closing assets must cover the sum of:
 - ✓ 100% of the loan amount **plus** 60 months of total debt service (subject PITIA or rental properties PITIA not included) **plus** 60 months of net loss on rental properties **plus** required reserves
- Income and employment **not** verified and DTI not calculated; debt service is considered

- Six months bank/asset statements for the most recent consecutive 6 months must be provided; seasoning of assets **not required**
- **Asset balances must be verified within 10 days of the Note date**
- Eligible assets include:
 - ✓ Cash and cash equivalents at 100% of face value
 - ✓ Marketable securities at 100% minus any outstanding margin loans, if applicable
 - ✓ Retirement accounts are eligible subject to the following:
 - Eligible at 80% of the balance if borrower **not** of retirement age (< 59 ½ yrs old)
 - Eligible at 100% of the balance if borrower **is of** retirement age (≥ 59 ½ yrs old)
 - Borrower must have the ability to access the funds
 - ✓ Joint accounts shared with parties who are not on the loan application are eligible using the borrower's proportionate share of the account funds. If no percentage of ownership listed, it is assumed the account is divided evenly among the account holders

- Documentation of the liquidation of funds needed for down payment and closing costs, and the ending balance is required
- Ineligible assets include:
 - ✓ Business funds when used to satisfy reserve requirements (eligible for funds to close only)
 - ✓ Non-liquid assets (automobiles, artwork, business net worth, etc.)
 - ✓ Face value of life insurance
 - ✓ Unvested restricted stock
 - ✓ Stock options unless exercised
 - ✓ Securities that are not publicly traded
 - ✓ Cryptocurrency with the exception of bitcoin
 - ✓ Unseasoned foreign assets

- Gift funds are eligible for down payment and closing costs on purchase transactions after 10% borrower own funds requirement met
- Gift funds may **not** be used:
 - ✓ As an eligible asset to meet Asset Utilization requirements
 - ✓ To meet reserve requirements
- Gift of equity not allowed

- The 1099 Only option is available for borrowers who are an independent contractor and receive a 1099 at year-end **or** receive income from commission
- One or two years 1099s may be provided.
 - ✓ The 1099(s) must cover a complete calendar year
- The borrower's primary income source (> 50% of qualifying income) must be 1099 income minus the applicable expense ratio
- The 1099 income must be recurring i.e. income that is part of the borrower's normal and recurring income stream
- 1099s issued to an entity, instead of the borrower, the borrower must have **100% ownership** in the entity, documented by a CPA/EA/CTEC/CTA
- Income from a co-borrower who does not utilize 1099s is eligible to supplement the 1099 income

- Other income sources eligible to supplement 1099 income (see guidelines for complete details) but the 1099 income must be the borrower's primary source of income (> 50%)
- Two (2) year's employment history must be verified by one of the following:
 - ✓ Written VOE, or
 - ✓ CPA/EA/CTEC/CTA letter, or
 - ✓ Documentation determined acceptable by Homebridge based on the borrower's circumstances
- YTD income must be documented within 120 calendar days of the Note date by one the following:
 - ✓ A paystub or check(s) showing YTD income, **OR**
 - ✓ Bank statements showing receipt of YTD income

- Transcripts for the number of years of 1099s submitted required
- There are three (3) income calculation methods:
 - ✓ **Method One: Uniform Expense Ratio**
 - Eligible gross receipts are multiplied by 25%
 - ✓ **Method Two: Profit and Loss**
 - A CPA/EA/CTEC/CTA prepared P&L covering the same time period as the 1099s required
 - If the gross income of the 1099s support a minimum of 90% of the gross income listed on the P&L the net income on the P&L is used for qualifying
 - If 2 years 1099s are provided and the gross income shows a declining trend a P&L covering the most recent calendar year must be provided and used for qualifying

✓ **Method Three: CPA Letter for Expense Ratio**

- A CPA/EA/CTEC/CTA prepared letter stating the borrower's expense ratio based on the borrower's most recent year's tax return. The letter **cannot** contain any exculpatory language
- The expense ratio is multiplied by the gross income shown on the 1099(s) used for qualification. That figure is subtracted from the gross income listed on the 1099(s) and the resulting number is used to qualify, averaged over the number of months of income provided
- If 2-years 1099s provided, and the gross income shows a declining trend, the income will be calculated using the most recent year's 1099 only minus the stated expense ratio

NOTE: For all income calculation methods, the income must be reasonable for the borrower's line of work

- P&L Only is available for self-employed borrowers with a minimum of 2-years self-employment
- Minimum 660 credit score
- Maximum 85% LTV
 - ✓ Credit score < 720 maximum 75% LTV
- The most recent 12-month unaudited P&L required
 - ✓ The P&L **end date** must be ≤ 90 calendar days prior to the Note date
- Borrower's tax returns/P&Ls must be prepared by a CPA/EA/CTEC/CTA; **self-employed borrowers who complete and file their own tax returns/P&Ls are not eligible**
- Borrower must have ≥ 50% ownership in the business

- Borrower(s) ownership interest must be documented by one of the following:
 - ✓ Certified Public Accountant (CPA), **or**
 - ✓ IRS Enrolled Agent (EA), **or**
 - ✓ California Tax Education Council (CTEC), **or**
 - ✓ Charter Tax Advisor (CTA), **or**
 - ✓ Operating Agreement

- Qualifying income is the **lower of**:
 - ✓ The income based on the 12 unaudited P&L, **OR**
 - ✓ The monthly income disclosed on the initial, signed 1003

- The net income is calculated from the P&L(s) based on the borrower(s) percentage of ownership (e.g. if the borrower(s) have 65% ownership interest, the qualifying income is the net income calculated using the P&L(s) multiplied by 65%)

- The borrower's most recent 12 month unaudited P&L must be provided and the **end date** must be ≤ 90 calendar days prior to the Note date
- P&L **must be prepared by an independent third party** (borrower prepared are **not allowed**). Additionally, the preparer of the P&L must have completed/filed the borrower's most recent business tax returns Acceptable individuals include:
 - ✓ Certified Public Accountant (CPA), or
 - ✓ Enrolled Agent (EA), or
 - ✓ California Tax Education Council, registered, or
 - ✓ Charter Tax Advisor (CTA)

NOTE: P&L must be prepared by a CPA/EA/CTEC/CTA; individuals with only a PTIN are not allowed

- A copy of the CPA, CTEC, CTA's active license must be included in the loan file. A screen shot from the [IRS EA website](#), validating the enrolled agent credentials is acceptable documentation to include in the loan file
- The P&L must be signed by **both** the borrowers(s) with an ownership interest **AND** the preparer (non-owner borrowers are **not** required to sign)

- The CPA/EA/CTEC/CTA must confirm, in writing, **one** of the following:
 - ✓ They have reviewed working papers provided by the borrower and certify, based on this review, the P&L represents an accurate summary of the business cash flow and applicable cash expenses. The CPA/EA/CTEC/CTA must also confirm that they have prepared the most recent year of business tax returns, **OR**
 - ✓ They prepared the prior two years of tax returns for the borrower's business, that they prepared the P&L and the P&L represent an accurate summary of the business cash flow and the applicable cash expenses
- A letter detailing the nature of the business, signed and dated by the borrower, is required

- Reserves are required; refer to slide 49 for details
- A minimum \$1500 residual income required
- Gift funds are eligible
- Gift of equity not allowed
- Maximum 100% payment shock. Payment shock applies to all borrowers (FTHBs and non-FTHBS) as follows:
 - ✓ Non-First Time Home Buyers:
 - Primary residence purchase and refinance transactions, and
 - Second home/investment refinance transactions
 - ✓ First Time Home Buyers:
 - Primary residence purchase transactions

- Eligible borrowers on the Elite 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. FTHB requirements apply when **ALL** borrowers are FTHBs (see guides)
 - 1-4 unit primary residence transactions only; 2nd home/investment ineligible
 - A 12 month documented rental history of 0x30
 - 7 year seasoning applies to any derogatory credit
 - Borrowers living rent free* **OR** that cannot document a 12 month housing history are **ineligible** (*see Exception for FTHB rent-free borrowers on next slide)
 - Maximum 300% payment shock unless the DTI is $\leq 36\%$ (see guides for payment shock calculation requirements) **excluding** P&L Only option
 - **P&L Only option:** Maximum 100% payment shock applies to both FTHBs **AND** non-FTHBs.

NOTE: FTHBs **ineligible** on ICF option **and** ineligible for interest-only feature

- ✓ Exception to FTHBs living rent-free:
 - FTHBs currently living rent free are eligible subject to the following:
 - ❖ Exception eligible on Full Doc, Bank Statement, 1099 Only and P&L Only options; exception **not eligible** on ICF and Asset Qualifier
 - ❖ 1-4 unit primary residence **only**
 - ❖ Rent-free period must be the months directly preceding or during the loan application process
 - ❖ The rent-free period must have been consecutive and not exceed 12 months
 - ❖ An acceptable written explanation for living rent-free
 - ❖ Maximum 45% DTI
 - ❖ Minimum 6 months reserves
 - ❖ 10% minimum borrower own funds contribution required
 - ❖ Payment shock requirements **do not** apply
- ✓ Permanent Resident Aliens (see guides for eligibility)
- ✓ Non-Permanent Resident Aliens (see guides for eligibility)
- ✓ Non-Occupant Co-Borrowers (N/A ICF option). Specific restrictions apply; refer to guidelines

- Title may be held as follows:
 - ✓ Fee Simple
 - ✓ An Inter Vivos Revocable Trust (subject to FNMA requirements)
 - ✓ An LLC subject to specific requirements and Homebridge management review and approval; refer to the Elite Access guidelines for complete requirements

- SFR and PUDs (attached/detached)
- 2-4 unit primary residence
- 1-4 unit investment property
- Condominiums FNMA/FHLMC warrantable (attached/detached)
 - ✓ Homebridge will provide financing to a maximum of 5% of the units in a condo project (applies to both warrantable and non-warrantable projects)
- Non-warrantable Condominiums (refer to guides for eligibility and complete requirements)
- Properties with leased solar panels are eligible subject to meeting Fannie Mae guidelines
- Properties with an accessory dwelling unit (ADU) that meet Fannie Mae/Freddie Mac requirements
- Rural properties eligible for primary residence and second home transactions only
- Acreage: Maximum 15 acres

- **Assets:** The borrower must have sufficient liquid assets available for down payment, closing costs, and reserves
 - ✓ Minimum of 2 months most recent bank/asset statements (all pages) or most recent quarterly statement
 - ✓ Additional months may be required at underwriter discretion
 - ✓ See Assets section of the guidelines for eligible asset types and requirements

- **Tradelines:**
 - ✓ 3 tradelines with a 12 month credit history, **OR**
 - ✓ 2 tradelines with a 24 month credit history

NOTE: If the borrower's spouse is the only co-borrower on the loan, only one borrower is required to meet the above minimum tradelines requirements

 - ✓ Tradelines must reflect an acceptable payment history
 - ✓ Tradelines for closed accounts are eligible to satisfy requirements as long as the payment is acceptable

- **Mortgage/Rental History:** The following applies to all mortgages/rental payment history and to all borrowers:
 - ✓ 0x30 in the previous 12 months except as noted below:
 - **Full and Alt-Doc Options:** 1x30 in previous 12 months; maximum 80% LTV
 - **ICF Option:** 1x30 in previous 12 months; maximum 75% LTV
 - ❖ **Purchase Transactions:** Payment history requirements only apply to the borrower's primary residence
 - ❖ **Refinance Transactions:** Payment history requirements only apply to the borrower's primary residence **and** the subject property
 - ❖ **ICF transaction with < 660 credit score and/or the loan amount is < \$150,000 a payment history for all properties is required regardless of transaction type**
- **Rent Free – Investor Cash Flow:** Borrowers living rent-free but have a 12 month mortgage history on an investment property, the investment property payment history may be used to satisfy the mortgage history requirement

- **Property Owned Free and Clear:** Borrower must provide documentation that the TIA payments on the property are current

REMINDER: Payment shock requirements apply:

- ❖ **FTHBs:** Maximum 300% payment shock unless the DTI is $\leq 36\%$ (see guides for payment shock calculation requirements) excluding P&L Only option
- ❖ **ALL Borrowers: P&L Only option:** Maximum 100% payment shock applies to both FTHBs AND non-FTHBs. See guides for complete details

- 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)
 - ✓ Pre-foreclosure including Notice of Default or Lis Pendens where the borrower **is currently delinquent** (NOD is not considered a significant derogatory credit event if payments are current)
 - ✓ Forbearance (see next slide)
 - ✓ Modification, regardless of seasoning, the following applies
 - Minimum 720 credit score required, and
 - The borrower cannot have had any additional credit event following the modification

NOTE: Any derogatory credit not listed above that is on the borrower's credit report in the previous 12 months requires an LOE from the borrower

- **All derogatory credit events must be completed prior to the application date and borrowers must meet reestablished credit requirements (see guides)**
- A 4-year waiting period is required for all significant derogatory credit measured from event completion/dismissal/discharge date to the application date (**Asset Qualifier requires 5-year waiting period**)
- **Mortgage Tradeline(s) in Forbearance:**
 - ✓ If all payments made on time, with no missed payments during the forbearance period, and account(s) reinstated prior to application, no waiting period
 - ✓ If any missed payments on any account, the account(s) with missed payments must have been reinstated and 3 monthly on-time payments have been made after the forbearance period and prior to application date
 - ✓ If a minimum of 3 on-time payments cannot be documented the loan is ineligible
- **Non-Mortgage Account(s) in Forbearance:**
 - ✓ Borrowers with non-mortgage account(s) in forbearance, the account may remain in forbearance, however the payment must be included in the DTI calculation

- Financed properties
 - ✓ 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 (excluding ICF; **subordinate financing ineligible** on ICF)
 - ✓ Subordinate financing must be institutional; seller subordinate financing **not allowed**
- 1-Unit SFRs with a legal accessory unit are eligible subject to the ADU meeting FNMA requirements.
 - ✓ Rental income from the ADU may be used for qualifying (see guides for details)

- Gift funds, from a relative (see guides for details), are eligible on all options for down payment and closing costs. Gift funds **cannot** be used to satisfy reserve requirements
 - ✓ **Gift Fund Requirements** (see guides for complete requirements)
 - Gift funds eligible on purchase transactions only
 - **Owner-Occupied Properties:** No minimum borrower contribution required; all funds may come from a gift
 - **Second Home & Investment Properties:** A minimum 10% borrower own funds required prior to gift fund eligibility
- Gift of equity **ineligible**

- Reserve requirements apply to all documentation options

Reserve Requirements	
Loan Amount	Required Reserves*
\$125,000 to \$1,000,000	3 months PITIA
\$1,000,001 to \$1,500,000	6 months PITIA
\$1,500,001 to \$3,000,000	9 months PITIA
Rate/Term Refi and \leq 65% LTV	Minimum reserves not required
ICF Landlord History Waiver	Minimum 12 months PITIA
First Time Home Buyer Living Rent Free	Minimum 6 months PITIA

***NOTES:**

- PITIA includes (as applicable): Principal and interest, real estate taxes, homeowner's insurance, ground rents, special assessments, HOA fees, payments for subordinate financing
- ICF Transactions ONLY:** When the Interest-only feature is used to calculate the DSCR, the applicable reserve requirement is based on the ITIA payment. Reminder: > 75% LTV requires the borrower to be qualified using the full PITIA payment
- FTHBs living **rent free** require a minimum of 6 months reserves

- Cash-Out Proceeds for Reserves Eligibility**

- ✓ Cash-out proceeds are eligible to satisfy reserve requirements
- ✓ Gift funds may not be used to satisfy reserve requirements

- Residual income requirement applies to all documentation options (**excluding** ICF):
 - ✓ All transactions require \$1,500 minimum residual income
- **Investor Cash Flow:**
 - ✓ Residual income requirements do **not** apply

- Appraisal requirements are determined as follows:

Appraisal Requirements	
Loan Amount	Requirement
≤ \$2,000,000	One (1) full appraisal
> \$2,000,000	Two (2) full appraisals
HPML Transaction and involves a Property Flip	Two (2) full appraisals

- When 2 appraisals are required, and neither are a transferred appraisal, the lower of the two appraisals is used to determine value
- **Secondary Valuation Options**
 - ✓ Fannie Mae Collateral Underwriter **or** Freddie Mac Loan Collateral Advisor (LCA) certification with a score of 2.5 or lower, **OR**
 - ✓ **A Desk Review:** Obtained from Clear Capital Collateral Desktop Analysis (CDA), **OR**
 - ✓ **A Field Review:** The field review cannot be prepared by the same appraisal company as the initial appraisal, but may be ordered through the same appraisal management company (AMC)

- **Reviewing the Secondary Valuation:**
 - ✓ Greater than the appraised value: The LTV is based on the initial appraisal
 - ✓ **Lower than** the appraised value but **within a 10% tolerance**: The LTV is based on the initial appraisal
 - ✓ **Lower than** the appraised value by **> 10%**: A third valuation report is required (see Additional Valuation topic below for details)
- **Additional Valuation (if required)** If the secondary valuation is lower than the appraised value by **> 10%** one of the following is required:
 - ✓ **A Field Review:** If a **Desk Review** was the secondary valuation, a Field Review is required and must be within a 10% tolerance. The LTV/HCLTV is based on the original appraisal
 - ✓ **A Second Full Appraisal:**
 - When a second full appraisal is obtained the value must be **within the 10%** tolerance of the original appraisal. The lower of the two appraisals is used to determine the LTV/HCLTV
 - When a second full appraisal is obtained and the value is **more than 10% below** the initial appraised value, the second full appraisal will be used to determine the LTV/HCLTV **and** a new secondary valuation product must be obtained

IMPORTANT: A maximum of 2 supporting valuations is allowed for any appraisal

- **Purchase Transactions:** The value is the lesser of:
 - ✓ The purchase price (minus concessions or excess contributions), **or**
 - ✓ The appraised value

- **Rate/Term Refinance Transactions:**
 - ✓ **Properties owned < 12 months** as of application date:
 - The current appraised value may be used to determine the LTV/CLTV provided the value is supported by the appraisal and the CDA (CDA variance must be $\leq 10\%$)
 - If the value is **not** supported, the LTV/CLTV is based on **lesser of** the purchase price **plus** documented costs of improvements **OR** the current appraised value
 - ✓ **Properties owned 12 months or more** the LTV/CLTV is based on the current appraised value

■ **Cash-Out Refinance Transactions:**

- ✓ **Properties owned < 6 months** (Note date to Note date) the LTV/CLTV is based on the **lesser of** the original purchase price **plus** improvements **OR** the current appraised value
 - Documentation of improvements required, and
 - The final Closing Disclosure from the purchase transaction must be provided to document original purchase price
- ✓ **Properties owned ≥ 6 months to < 12 months** as of the application date:
 - The current appraised value may be used to determine the LTV/CLTV provided the value is supported by the appraisal and the CDA (CDA variance must be ≤ 10%).
 - If the value is **not** supported, the LTV/CLTV is based on **lesser of** the purchase price **plus** documented cost of improvements **or** the current appraised value
- ✓ **Properties owned 12 months or more** the LTV/CLTV is based on the appraised value

- **Transferred Appraisals:** Eligible subject to the following for each appraisal:
 - ✓ The transferred appraisal must meet all Homebridge requirements for transferred appraisals, **and**
 - ✓ A CDA for each appraisal, is required with a variance between 0% and positive 10% (inclusive)

Prepayment Penalty

- **All Documentation Options:** A prepayment option (prepay not required) is available on investment property transactions in the following states **only**:

- Alabama
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- Florida
- Georgia
- Hawaii
- Idaho
- Illinois*
- Indiana
- Iowa
- Kentucky
- Louisiana
- Maine
- Maryland
- Massachusetts
- Missouri
- Montana
- Nebraska
- Nevada
- New Hampshire
- New Jersey*
- New York
- North Carolina
- North Dakota
- Oklahoma
- Oregon
- Pennsylvania*
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Vermont
- Virginia
- Washington
- Washington D.C.
- Wisconsin
- Wyoming

*State Specific Limitations	
Illinois	Prepayment penalty only allowed when transaction closing in an LLC and the APR is \leq 8%
New Jersey	Prepayment penalty only allowed when transaction closing in an LLC
Pennsylvania	Prepayment penalty only allowed on 1-2 unit properties and minimum loan amount of \$312,159

Prepayment Penalty (cont.)

- If a state is not listed (see previous slide), a prepay is **not** available.
- **ICF Option:**
 - ✓ DSCR 0.80 to < 1.00 **AND** LTV is > 70%: A minimum 1 year prepayment penalty is **REQUIRED**
 - ✓ If the state is **not** listed, a DSCR < 1.00 is **NOT** eligible and a minimum 1.00 DSCR **REQUIRED**
- If the prepayment option is exercised, the following prepayment periods are eligible:
 - ✓ 1, 2, 3, 4, or 5 years
- The prepayment penalty applies when:
 - ✓ There is a full prepayment, **or**
 - ✓ Any payment within the preceding 12 months exceeds 20% of the original principal loan amount
- The prepayment charge will be 6 months of interest on the amount prepaid within a 12 month period that exceeds 20% of the original principal loan amount

Refer to the Elite Access (Non-QM) guidelines, posted on the Products and Guidelines page of the [Homebridge Wholesale](#), website for complete details and requirements