Homebridge Wholesale
A division of Homebridge Financial Services, Inc.

Freddie Mac Program
Conforming and Super Conforming Loan Amounts
Fixed Rate and ARMs

Owner-Occupied Primary Residence [4,5]					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2,6]	***Credit Score***
Purchase	1	97%[1,5,6]	97%[1,5,6]	Refer to the Loan Limits Topic	Per LPA
		95%[1,3]	95%		
	2	85%[1]	85%[1]		
	3-4	80%	80%		
Limited Cash-Out	1	97%[1,5,6]	97%[1,5,6]		
		95%[1]	95%		
	2	85%[1]	85%[1]		
	3-4	80%	80%		
Cash-Out	1	80%	80%		
	2-4	75%	75%		
Second Home [3,4]					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2]	***Credit Score***
Purchase	1	90%[1]	90%[1]	Refer to the Loan Limits Topic	Per LPA
Limited Cash-Out	1	90% [1]	90%[1]		
Cash-Out	1	75%	75%		
Investment (Non-Owner Occupied) [3,4]					
Transaction Type	***Units***	***LTV***	***CLTV***	***Loan Amount*** [2]	***Credit Score***
Purchase	1	85%[1]	85%	Refer to the Loan Limits Topic	Per LPA
	2-4	75%	75%		
Limited Cash-Out	1	85%	85%		
	2-4	75%	75%		
Cash-Out	1	75%	75%		
	2-4	70%	70%		

Refer to pg. 2 for the Manufactured Housing LTV matrix

Footnotes:

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
2. Minimum loan amount $60,000.
3. Second home/investment transactions the borrower is limited to a maximum of 10 financed properties including subject. Refer to the Financed Properties topic for additional information and restrictions.
4. New condominium projects located in Florida require PERS approval. Established condominium projects in Florida with PERS approval or Full Review no LTV restrictions; projects using a Streamlined Review are subject to:
   - Primary residence: Max 75%/90% LTV/CLTV
   - Second home/Investment: Max 70%/75% LTV/CLTV
5. Purchase transactions: At least one borrower must be first time home buyer. Refinance transactions: Current loan must be owned by Freddie Mac. Refer to the 95.01%-97% LTV topic for detailed requirements.
6. 95.01% to 97% LTV is **ineligible** (maximum 95% LTV) as follows:
   - Super Conforming loan amounts
   - Transactions with non-occupant co-borrowers
   - ARM transactions

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EQUAL HOUSING OPPORTUNITY

Manufactured Housing

Owner-Occupied Primary Residence					
Transaction Type	***Units***	***LTV*** [1]	***CLTV*** [1]	***Loan Amount*** [2, 3]	***Credit Score***
Purchase and Limited Cash-Out [5]	1	95%	95%	Refer to the Loan Limits Topic	Per LPA
Cash-Out [4]	1	65%	65%	Refer to the Loan Limits Topic	Per LPA
Second Home					
Purchase and Limited Cash-Out [5]	1	85%	85%	Refer to the Loan Limits Topic	Per LPA

Footnotes:

1. Loans > 80% LTV require mortgage insurance and are subject to MI guidelines. **The more restrictive minimum credit score requirement and guidelines apply.** LTV/CLTV restrictions may also apply for properties located in adverse markets. Refer to the Mortgage Insurance topic under the Program Guidelines for additional information.
2. Minimum loan amount $60,000.
3. Maximum loan amount is the applicable conforming loan amount where the property is located; **super conforming loan amounts are ineligible for manufactured housing**
4. Cash-out transactions secured by a manufactured homes:
   - Fixed Rate: 15 or 20 year loan term eligible; 25 and 30 year loan term **ineligible**
   - ARMs: 7/6 or 10/6 ARM eligible; 5/6 ARM **ineligible**
5. Purchase and rate/term refinance transactions secured by a manufactured homes:
   - Fixed Rate: 15, 20, 25, or 30 year loan term eligible, **or**
   - ARMs: 7/6, or 10/6 ARM eligible; 5/6 ARM **ineligible**

2024 Maximum Loan Limits

2024 Conforming Loan Limits		
Units	**Contiguous States**	**Alaska, Hawaii**
One	$766,550	$1,149,825
Two	$981,500	$1,472,250
Three	$1,186,350	$1,779,525
Four	$1,474,400	$2,211,600
2024 High-Cost Area Loan Limits		
Units	**Contiguous States**	**Alaska, Hawaii**
One	$1,149,825	N/A
Two	$1,472,250	N/A
Three	$1,779,525	N/A
Four	$2,211,600	N/A

*Actual loan limits for certain high-cost counties may be **lower** than the maximum amount listed above
Alaska/Hawaii do **not have high-cost areas in 2024; the applicable conforming limit applies

To view the 2024 loan limits by county click here: FHFA 2024 Loan Limits

*****IMPORTANT NOTE REGARDING 1-UNIT CONFORMING LOAN AMOUNTS*****

Effective immediately, Homebridge is increasing the **conforming** loan limit for 1-unit properties to:

- **Contiguous States**: $802,650
- **Alaska/Hawaii**: $1,203,975

NOTE: The Note must be dated on or after November 4, 2024 **and** the first payment date must be on or after January 1, 2025

There is **no change** to conforming 2-4 unit loan amounts or to 1-4 unit high-cost county limits

Topic	Guideline
4506-C	• Signed 4506-C required prior to loan closing for both personal and business tax returns (if applicable) • Tax transcripts are **not** required NOTE: At underwriter discretion transcripts may be required in certain circumstances (e.g. handwritten paystubs, borrower employed by family member, etc.) • Homebridge will order transcripts at random for quality control purposes **Wage Earners** W-2 transcripts for the previous one or two years, as applicable, required **Self-Employed** Transcripts for both personal and business tax returns (if applicable) required
95.01%-97% LTV	Purchase and rate/term refinance eligible as follows: • Property is a 1-unit primary residence (SFR, condo, townhouse); manufactured **ineligible** • All borrowers must occupy the subject property as their primary residence • Fixed rate with a 15, 20, or 30 year loan term • LPA "Approve" is received • **Conforming loan amounts only** • Maximum 97% LTV/CLTV/HCLTV • At least one borrower must have a usable credit score • 35% mortgage insurance coverage • Standard minimum borrower contribution requirements apply (purchase transactions) • **Purchase transactions** at least one borrower is a first-time home buyer and will occupy the subject property (first time homebuyer defined as a borrower who has not had an ownership interest, sole or joint, in a residential property in the previous 3 years) NOTE: If **all** borrowers are first-time homebuyers, **homebuyer education required** by at least one borrower. This requirement may be fulfilled using Freddie Mac's free, online program CreditSmart. A copy of the completion certificate must be provided and included in the loan file. • **Refinance transactions** require documentation that the loan is currently owned by Freddie Mac (e.g. screen shot from Freddie Mac's Loan Look-Up Tool, documentation from loan servicer, etc.) • Loan meets all other Homebridge guidelines
Age of Documents	• All credit, employment, income and asset documentation must be dated within 120 days of the Note date • Preliminary title policies must be dated within 180 days of the Note date • Appraisal documents must have an effective date within 120 days from the Note date

Appraisals	• Appraisal requirement determined by LPA.
	• LPA may offer eligible transactions an ACE or ACE + PDR offer from LPA and, if accepted, the transaction does not require an appraisal when all applicable requirements are met. Refer to the ACE Offer Without PDR topic **OR** the **ACE Offer With PDR** topics, as applicable, for detailed requirements. Additionally:
	  - When an ACE or ACE + PDR offer is received from LPA the offer **must be on the final LPA Finding.**
	  - **Refinance Transactions ONLY**: If the ACE or ACE + PDR offer is accepted the Homebridge Underwriter will be responsible to review the LPA findings to ensure the estimated value was not changed in LPA for the purpose of obtaining an appraisal waiver or for more favorable mortgage terms (e.g. avoiding mortgage insurance). If the Underwriter identifies changes to the estimated value in LPA, **a full appraisal will be required.**
	• Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Freddie Mac's Appraiser Independence Requirements (AIR).
	• A Freddie Mac Submission Summary Report (SSR) is required on all appraisals.
	• **Manufactured Homes**: The appraisal must be completed on Freddie Mac Form 70B and the appraiser must address the marketability of the property. Refer to the Appraisals - Manufactured Housing topic for additional appraisal requirements for manufactured housing
	• If an applicable law, regulation or Homebridge policy requires more than one (1) appraisal be obtained, the single most accurate appraisal must be used for underwriting and submission to the Uniform Collateral Data Portal (UCDP)
	• A full appraisal must provide legible interior and exterior original photos of the subject property:
	- The exterior photos of the subject must contain photos of the front, back and street scene
	- The interior photos, at minimum, must include photos of all living areas:
	  - Kitchen, (free-standing stove/range or refrigerator not required),
	  - All main living areas, including all gathering rooms,
	  - All bathrooms,
	  - All basement areas, including finished and unfinished areas, and
	  - Additional photos, as needed of any physical deterioration, improvements, amenities, observed conditions or external influences that materially impact the market value or marketability of the subject property
	• Examples of any recent updates, if present (i.e. remodel, renovation, restoration)
	• Comparable sales photos require the front view of all properties used as comparable sales. The photos must be clear electronic images, which may include copies of MLS photographs, in lieu of original photographs
	• A minimum of 3 closed comparable sales are required. The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required:
	  - MLS, or
	  - Comps Inc., or
	  - GeoData Plus (NY only), or
	  - PropertyShark (NY only), or
	  - StreetEasy (NY only)
	NOTE: Comparables from a public independent source are only eligible in rural areas and/or in Maine, New Hampshire, and Vermont where MLS is not common

Appraisals (cont.)	• Comparable sales used for new construction properties (subdivisions, PUDs, condo projects, newly converted) are subject to the following: - If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in New Hampshire, Maine, and Vermont only) no further action is required. - If the comparable sales are not all obtained from a MLS, MRIS, MRED, NTREIS, or from an independent source (Vermont and Maine only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, bill board signs, website, etc.) - Additionally, the following applies: - One of the comparable sales must be outside the project the subject property is located in and be from an MLS, MRIS, MRED, NTREIS, SABOR, GeoData, Comps Inc. or public source (public source Maine/New Hampshire/Vermont only). - Two of the comparable sales must be from sources other than the subject property builder. - If the new development or condo project does **not** have any units under contract, all comparable sales may be from outside the development/project however the appraiser **must comment** on the marketability of the development/project and **justify/support** the use of comparable sales from outside the development/project. The appraiser may use comparable sales that are older than 12 months as long as the appraiser can justify and support such use in the appraisal report. **NOTE:** The appraiser is always allowed to provide more than three comparable sales to support the property value • The appraisal must identify and address properties located within a declining market. • The property must have legal, appropriate ingress and egress. The streets that allow access to the subject property must be maintained in a manner that generally meets community standards. The comparable sales should include street maintenance similar to the subject property. When differences exist between the ownership or maintenance of the subject property street and the comparable sale's streets, adjustments must be applied as applicable and an explanation is required and the appraisal must address the effect any differences might have on the subject property's value and marketability. **NOTE:** A private road maintenance agreement is **not** required. • Modular/Prefabricated homes: The appraiser must address the marketability of the property • Homebridge requires properties to be, at minimum, in average condition. Additionally, the following applies: - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing. - Any broken glass that is a health hazard must be removed and the opening closed. • Properties with an unpermitted addition are eligible subject to the following: - The appraiser comments in the appraisal that the addition was completed with "workmanlike quality" - The addition does not result in a change in the number of units comprising the property (e.g. a one unit converted to two unit) - If the appraiser gives the unpermitted addition value, the appraiser must demonstrate market acceptance by the use of comparable sales with similar additions and address the following in the appraisal: - Unpermitted additions are typical for the market area and a typical buyer would consider the unpermitted additional square footage to be part of the overall square footage of the property, and - The appraiser has no reason to believe the addition would not pass inspection for a permits • Appraisal transfers are considered on a case-by-case basis. • A new appraisal will be required when the appraisal is dated > 120 days from the Note date

Appraisals (cont.)	• Properties located in a FEMA Disaster Declaration area require additional appraisal review • **Verification of Completion for New/Proposed Construction: One** of the following is acceptable to document completion ○ The appraiser completes FHLMC Form 442: Appraisal Update and/or Completion Report by performing on on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion. **OR** ○ On a case-by-case basis, **with Homebridge management approval**, Homebridge will accept FHLMC Form 400: Warranty of Completion of Construction or Repairs/Alterations completed and signed by the **borrower AND builder.** • **Verification of Completion for an Existing Property:** If the appraisal was completed subject to repairs or alteration, one of the following is acceptable to document completion of repairs/alterations: ○ The appraiser completes FHLMC Form 442: Appraisal Update and/or Completion Report by performing on on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion. **OR** ○ On a case-by-case basis, **with Homebridge management approval**, Homebridge will accept FHLMC Form 400: Warranty of Completion of Construction or Repairs/Alterations completed and signed by the **borrower.** • **Freddie Appraisal Form Numbers**: - Uniform Residential Appraisal Report (Freddie Mac Form 70) - Individual Condominium Unit Appraisal Report (Freddie Mac Form 465) - Small Residential Income Property Appraisal Report (Freddie Mac Form 72) - Exterior-Only Inspection Residential Appraisal Report (Freddie Mac/Fannie Mae Form 2055) - Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Freddie Mac Form 466) - Manufactured Home Appraisal Report (Freddie Mac Form 70B) - Appraisal Update and/or Completion Report (Freddie Mac Form 442) - Warranty of Completion of Construction or Repairs/Alterations (Freddie Mac Form 400)

Appraisal – Automated Collateral Evaluation (ACE):
ACE Offer <u>Without</u> PDR Requirement
 	
Refer to the **[ACE Offer With PDR Requirement]** **topic for details when LPA returns an ACE + PDR Offer**
	If LPA issues an Automated Collateral Evaluation (ACE) offer **<u>without</u>** the requirement for a supplemental **Property Data Report (PDR)**, the following applies:
	• The last LPA Feedback Certificate must indicate:
	  - An “Accept” finding, and
	  - “Yes” for representation and warranty relief with an appraisal waiver
	• The appraisal waiver offer (ACE) is valid for 120 days. The loan must be resubmitted to LPA if the appraisal waiver offer is more than 120 days old as of the Note date to determine if the appraisal waiver is still eligible
	NOTE: If the loan criteria changes (e.g. address of the property, loan amount, loan type, occupancy, etc.) in a subsequent LPA submission, the original appraisal waiver offer may **no longer be eligible**.

Eligible for ACE (appraisal waiver) Option <u>without</u> a PDR Supplement

The following are eligible for the ACE option:

- 1-unit primary residence and second home (SFR, PUDs, condos)
  Reminder: When an ACE offer is accepted on a condo, a Limited Review is required
- Purchase, rate/term, and cash-out transactions
- Maximum LTV is determined by transaction type and occupancy:

Transaction Type	Property Type	Maximum LTV/CLTV
Purchase	Primary Residence or Second Home	80%
Rate/Term Refinance	Primary Residence or Second Home	90%
Cash-Out	Primary Residence	70%
	Second Home	60%

Ineligible for ACE (appraisal waiver) option regardless of LPA Findings:

- 2-4 units **and** investment properties
- A 1-unit property with an ADU and rental income from the ADU is being used for qualifying
- Leaseholds
- Loans where the value of the subject property provided to LPA is >$1,000,000
- Non-arm’s length transactions
- Properties subject to resale/deed restrictions (**excluding** properties with an age-related resale/deed restriction; properties with age-related restrictions **eligible)**
- Manufactured
- Construction-to-perm
- Purchase transactions involving REO properties
- Texas Section 50(a)(6) transactions
- Freddie Mac Relief Refinance Mortgage
- Properties located in a disaster impacted area,
- Transactions where, by law, an appraisal is required **OR** the MI company requires
- A transaction where an appraisal for the subject property has already been uploaded to the Freddie Mac portal
- Transactions where the Freddie Mac settlement date for the mortgage was more than 120 days from the Note date
- The sales contract/property inspection identifies adverse physical property conditions

Appraisal – Automated Collateral Evaluation (ACE):

ACE Offer With PDR Requirements

If LPA issues an Automated Collateral Evaluation (ACE) offer **with** a requirement for a supplemental **Property Data Report** (**LPA Findings will reflect ACE + PDR**) the following is required:

- The last LPA Feedback Certificate must indicate:
  - An "Accept" finding, **and**
  - "Yes" for representation and warranty relief with an appraisal waiver
- The appraisal waiver offer (ACE + PDR) is valid for 120 days. The loan must be resubmitted to LPA if the appraisal waiver offer is more than 120 days old as of the Note date to determine if the appraisal waiver is still eligible

  NOTE: If the loan criteria changes (e.g. address of the property, loan amount, loan type, occupancy, etc.) in a subsequent LPA submission, the original appraisal waiver offer may **no longer be eligible**.

Eligible for ACE (appraisal waiver) Option With a PDR Supplement

The following are eligible for the **ACE + PDR** option:

- 1-unit primary residence and second home (SFR, PUDs, condos)
  Reminder: When an ACE offer is accepted on a condo, **a Limited Review is required**
- Limited cash-out (rate/term) and cash-out transactions
- Maximum LTV is determined by transaction type and occupancy:

Transaction Type	Property Type	Maximum LTV/CLTV
Purchase	Primary Residence or Second Home	80%
Rate/Term Refinance	Primary Residence or Second Home	90%
Cash-out Refinance	Primary Residence	70%
	Second Home	60%

Ineligible for ACE + PDR Regardless of LPA Findings:

- 2-4 units and investment properties
- A 1-unit property with an ADU and rental income from the ADU is being used for qualifying
- Leaseholds
- Properties subject to resale/deed restrictions (**excluding** properties with an age-related resale/deed restriction; properties with age-related restrictions **eligible)**
- Loans where the value of the subject property provided to LPA is >$1,000,000
- Manufactured home
- Construction-to-perm
- Texas Section 50(a)(6) transactions
- Non-Arm's length transactions
- Purchase transactions involving an REO property
- Properties located in a disaster impacted area
- Transactions where, by law, an appraisal is required to be obtained
- A transaction where an appraisal for the subject property has already been uploaded to the Freddie Mac portal
- Transactions where the Freddie Mac settlement date for the mortgage was more than 120 days from the Note date
- The sales contract/property inspection identifies adverse physical property conditions (e.g. contaminated site, adverse physical property conditions, etc.)
- A lender-owned Home Possible **modified** mortgage

Property Data Report (PDR) Requirements

- The PDR must be completed by a trained property data collector, which can be an appraiser, appraiser trainee, or non-appraiser who meets specific requirements. The PDR must be ordered through an AMC
  - Freddie Mac transactions require the use of a specific AMC based upon the sales region where the subject property is located however not all AMCs will provide a PDR. Refer to the Appraisal Management Companies topic for details when an ACE + PDR offer is received
- The PDR requires an interior and exterior inspection of the property
- The Underwriter is responsible to review the PDR and ensure it includes the following:
  - A floor plan, that includes dimensions and calculations, and reflects the gross living area that includes interior walls and representation of any functional obsolescence

(cont. on next page)

Appraisal – Automated Collateral Evaluation (ACE):
ACE Offer With PDR Requirement
(cont.)
	- Photographs of the subject property that include the following:
	  - Front and rear view of the property
	  - View of the sides of the subject property that are not fully visible in the front/rear photos
	  - A street scene (both directions) identifying the location of the subject property and neighboring improvements
	  - All interior rooms (as applicable) including, but not limit to:
	    o Foyer,
	    o Kitchen,
	    o Living room,
	    o Bedroom(s)
	    o Bathrooms(s),
	    o Utility room,
	    o Laundry room,
	    o Basement (finished and unfinished areas),
	    o Attic area accessed via a permanent staircase (finished and unfinished),
	    o Interior and exterior of any permanently affixed significant outbuildings, including an accessory dwelling unit (not applicable for small sheds)
	    o Any physical deterioration, improvements, amenities, and any observed issues or external influences
	• Once the Underwriter has completed the review of the PDR the following applies if the PDR indicates there are required repairs and/or an inspection required
	  - **Required Repairs or Inspection**
	    - **Repairs:** If the PDR indicates repairs are required **one** of the following is required:
	      o The appraiser/property data collector completes FHLMC Form 442: Appraisal Update and/or Completion Report by performing on on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion.
	OR
	      o On a case-by-case basis, **with Homebridge management approval**, Homebridge will accept FHLMC Form 400: Warranty of Completion of Construction or Repairs/Alterations completed and signed by the **borrower**.
	    - **Inspection**: If the PDR indicates an inspection is required to determine if repairs are needed, a licensed professional, trained in the field of concern (e.g. structural engineer, plumber, electrician, etc.) must perform the inspection. The inspector must provide:
	      o A signed report that includes their license number stating repairs are not required, or
	      o A signed report or invoice that includes their license number stating the repair(s) have been completed and the issue is corrected, and
	      o The report must be dated prior to the loan settlement date, and
	      o A copy of the report must be retained in the loan file
	
	(cont. on next page)

Appraisal – Automated Collateral Evaluation (ACE):
ACE Offer <u>With</u> PDR Requirement
(cont.)
	- **PDR Ineligible**: Certain characteristics, if identified on the PDR, will make the ACE + PDR offering **ineligible,** and an appraisal will be required. These characteristics include:
	  - Adverse site conditions or external factors (e.g. easements, encroachments, environmental conditions, etc.)
	  - The building status is proposed,
	  - There are 0 bedrooms and/or 0 bathrooms above grade,
	  - The measured gross living area above grate is < 400 square feet
	  - External obsolescence (e.g. property adjoins a landfill, major utility, industrial or commercial site, major highway, railroad tracks, etc.)
	  - Mixed-use (i.e. altered or modified to specifically support or facilitate any non-residential or income producing use)
	Reminder: Properties with a condition rating of C5/C6 or a quality rating of Q6, the loan is not eligible for delivery to FHLMC unless the deficiencies resulting in the C5/C6/Q6 rating have been remedied

Appraisal – Desktop	Desktop appraisal eligibility is determined by LPA. Transactions with the following criteria may be eligible (desktop option is **not** guaranteed): • Purchase transaction, • 1-unit primary residence (SFR only including 1-unit property with ADU) • The LTV is ≤ 90% • The casefile includes the complete subject property address, and • An LPA “Accept” finding is received. When a desktop appraisal is offered and obtained the loan remains eligible as longs as the loan amount does not increase and all other requirements continue to be met, even if the LTV exceeds 90% due to the value returned by the desktop appraisal **NOTE**: A full appraisal may always be obtained if the borrower prefers; acceptance of the desktop option is not required If the transaction includes any of the following criteria the transaction will not be eligible for the desktop appraisal option: • Rate/term and cash-out refinance transactions, • Second home, investment properties, 2-4 unit properties, and leasehold estates • Mixed use properties • Construction-to-perm, and new construction that has not previously been occupied • Condos and manufactured homes, • Non-arm’s length transactions, • Transaction where the property seller is either a lender or government entity, • Renovation mortgages, • Properties undergoing renovations or rehabilitation • Community land trusts or other • Properties with resale restrictions excluding properties with age related restrictions which are allowed • The data sources used to develop the desktop appraisal (including the sales contract) reflect the presence of physical deficiencies, or other adverse conditions that indicate the properties condition rating of C5 or C6 or a qualify rating of Q6 The appraiser must include a floor plan, including interior walls for the subject property and the appraiser cannot make any guarantees, express or implied, regarding the accuracy of the data

Appraisal – Manufactured Housing	In addition to general appraisal requirements, the following applies to manufactured homes: • The appraiser must have experience appraising manufactured homes and be knowledgeable of the local manufactured home market, the manufactured home construction process, and have access to the appropriate data sources to render an opinion of value. Refer to the Sources of Manufactured Housing Data topic below for further details • Purchase transactions: The appraiser must be provided the following: - A copy of the executed sales contract for the both the manufactured home and the land **NOTE**: If the borrower has owned the land for ≥ 12 months the copy of the land contract is not required. - A copy of the manufacturer's invoice if the manufactured home is new • If the home was installed after October 20, 2008 the appraiser must be provided a copy of the Certification of Installation or the comparable state-specific form and any additional information the appraiser may need as part of the ordering of the completion repot or appraisal updated • The appraiser must, at minimum: - Perform a complete visual inspection of the interior and exterior areas of the home - Inspect the neighborhood - Inspect each comparable form at least the street - Research, verify, and analyze data from reliable public and/or private sources, - Develop an opinion of the market value of the manufactured home based on the sales comparison approach to value. Non-realty items such and insurance, warranties, or furniture must be excluded from the established value, - Develop a cost approach to support the sales comparison approach, - Ensure the manufacturer's serial number(s) and the HUD Certification Label number(s) on the home match the numbers on the contract for sale, manufacturer's invoice and any other documentation provided. If the numbers do not match, the appraisal report must clearly state the home is not the dwelling referenced on the contract for sale and other applicable documentation. - If the appraisal is completed prior to the home being delivered and installed on the permanent foundation, documentation must be provided that the home is complete. If a new appraisal is required, the appraiser must provide an analysis of previously unavailable information. - If the new appraisal is an appraisal update that is being used to document completion the appraiser must state that the conditions of the underlying appraisal have been satisfied. (cont. on next page)

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<tr><td>Appraisal – Manufactured Housing</td><td>
Sales Comparison Approach – Required
The following applies:

The appraiser must state the number of manufactured home sales and listings as well as the respective price ranges that were used
The appraisal must contain a minimum of 2 comparable manufactured home sales of similar configuration (i.e. multi-wide comparable for multi-wide subject) and quality If a minimum of 2 comparable sales of similar manufactured homes cannot be provided the transaction is ineligible
Site-built housing or different type of factory built housing may be used as the third comparable if the appraiser explains the reason for using the comparable, the applicable adjustments have been made and it supports the appraiser’s opinion of the value.
If the home is located in a controlled market (e.g. new subdivision) at least one comparable sale must be outside of the influence of the builder, developer or property seller. Resales within the subject subdivision may be used
The appraiser cannot combine vacant land sales with the contract purchase price of the subject home to create a comparable sale.

Cost Approach - Required
The following applies:

A cost approach is required on all manufactured homes to support the sales comparison approach
It must, at minimum, include all of the information required on Freddie Mac Appraisal form 70B and provide sufficient information and data to validate the cost figures and calculations used
The appraiser must provide a quality rating based on objective criteria
The appraiser must provide their opinion of site value supported by a summary of comparable land sales or other methods used for estimating site value.

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<tr><td>Appraisal – Reconsideration of Value</td><td>
Applications Dated On or After October 31, 2024 ONLY
A borrower may request a Reconsideration of Value (ROV) by completing the Notice of Right to Request a Reconsideration of Value disclosure that Homebridge will provide with disclosure documents. Only (1) one ROV is permitted per appraisal.
Requesting an ROV
The borrower initiated ROV must include the following:

Borrower(s) name,
Property address,
Effective date of the appraisal,
Appraiser’s name,
Identification and description of unsupported, inaccurate, or deficient areas in the appraisal,
Additional data, information, and comparable properties (not to exceed five), and the related data sources (e.g. MLS listing number), and
An explanation of why the new data supports the ROV

Homebridge Responsibilities
Upon receipt of the ROV request, Homebridge will:

Confirm an appraisal review was completed by an Underwriter,
Confirm the loan has not closed/funded (ROVs are not permitted on closed/funded loans)
Designate an Underwriter or other appraisal subject matter expert to review the ROV request,
Validate that the request from the borrower contains sufficient details prior to sending the request to the appraiser, and
Obtain the necessary information from the borrower if the ROV request is unclear or requires additional information

Once Homebridge receives the result from the appraiser, Homebridge will communicate the result to the borrower
</td></tr>
</table>

Appraisal Management Companies (AMC)	The appraisal **must be** requested from the AMC assigned by Homebridge which is based on the state where the property is located. The chart below identifies the applicable AMC by property location.

AMC	Subject Property Location
Class Valuation	Alabama, Alaska, Arkansas, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin, Wyoming
Fastapp Appraisal Management	Connecticut, Delaware, Kansas, Maine, Maryland, Massachusetts, Missouri, Nebraska, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, Washington D.C.
Golden State	Arizona, California, Nevada (see **Important Note** below for exception) **Important Note:** Golden State **does not** support the following appraisal type: • FHLMC ACE + PDR If a FHLMC ACE + PDR has been offered and accepted on the transaction **and** the property is located in AZ, CA, or NV**, the appraisal must be ordered from Class Valuation**
Nationwide Appraisal Network	Florida, Georgia, North Carolina, South Carolina

To view the state map on the Homebridge website, click here: Broker Resources

Assets	Asset documentation is per LPA Findings • All funds used to close the transaction must be disclosed on the 1003 and input into LPA • **Earnest Money Deposit (EMD):** - EMD funds do **not** require sourcing if the borrower is **not** required to meet Freddie Mac's minimum contribution requirement (MCR) and the underwriter does not need to consider the funds in the asset evaluation. Evidence the settlement agent received the EMD **is required** as detailed below. Transactions that **do not** require a borrower MCR: - 1-2 unit primary residence regardless of LTV - 3-4 unit primary and the LTV is ≤ 80% - 1-unit second home and the LTV is ≤ 80% - ***Documenting Settlement Agent Received EMD Funds***: Acceptable evidence the settlement agent received the EMD funds are as follows: - Borrower's cancelled check, or - Evidence the funds were wired to the settlement agent's account, or - Written verification from the settlement agent - EMD funds **are** required to be sourced when the transaction requires the borrower to meet the MCR. Transactions that **require** a borrower MCR: - 1-unit second home **and** the LTV is > 80% - 1-4 unit investment transactions regardless of LTV NOTE: Transactions that require a borrower MCR, a copy of the canceled deposit check is acceptable to document the source of the EMD funds. Two months bank statements, all pages, covering the period up to and including the date the earnest money check cleared the bank are required. • The borrower must provide evidence of sufficient assets to cover the down payment, closing costs, prepaids and reserve (if applicable) and all funds must be verified to ensure they are coming from eligible sources. Evidence required: - One or two months' most recent bank or financial statements, all pages as required by LPA. The statements must: - Identify the financial institution, - Identify the account owner(s) - Identify the account number (minimum acceptable ID is last four digits) - Show all transactions and the ending balance - Show period covered - Indicate any outstanding loans secured by the asset - Computer-generated statements downloaded from the internet or from the financial institution's computer system, are acceptable provided all of the above information is provided and the financial institution's name and the source is included (unless used on combination with other asset verifications containing the missing information and it clearly establishes the transaction history pertains to the same account) • If cryptocurrency is being used to satisfy funds need for the transaction (down payment, closing costs, reserves) it must be exchanged into U.S. dollars. Refer to the <u>Cryptocurrency</u> topic for complete cryptocurrency policy • A VOD is ineligible as stand-alone documentation • Refinance transactions require verification of funds to close. • If the borrower uses a credit card, cash advance, or unsecured line of credit to pay for fees associated with the loan application process (e.g. appraisal, credit report, etc.) the following is required: - A copy of the account statement showing the amount charged/advanced, **and** - Verify the borrower has sufficient funds to pay the charges/advance, **or** - Include the payment for the amount charged/advanced in the monthly DTI calculation.

Assets (cont.)	• Business funds of a self-employed borrower may be used for down payment, closing costs and/or reserve requirements subject to the following:
	  - The borrower must be listed as an owner on the account. If the borrower's name is not listed on the business account statement, documentation that the borrower is an authorized signer on the account is required. This applies to all business accounts, including sole proprietorships, when business account funds are being utilized for down payment, closing costs and/or reserves. Examples of acceptable documentation:
	    - Letter from the bank confirming borrower is an authorized signer, or
	    - Online documentation that confirms borrower is an authorized signer
	  NOTE: Use of business funds when the borrower does not own a significant percentage of the business will be at underwriter discretion (e.g. borrower has a 10% ownership interest and is using a significant amount of the business funds for down payment/closing costs).
	  - A cash flow analysis, based on 3 months business bank statements, dated within 60 days of the closing date, is required to determine the withdrawal of business funds will not have a negative impact on the business. The cash flow analysis:
	    - Must indicate that the average running balance in the account for the previous 3 months stayed the same or was better, and
	    - The amount of funds used for the transaction must not deplete the account i.e. the balance remaining in the account should not be less than half of what was in the account prior to the withdrawal
	• Cash on hand, unsecured borrowed funds, and unverified funds are ineligible sources for assets.
	• In states where real estate taxes are paid in arrears, prorated real estate tax credits may not be considered an eligible asset. The underwriter must verify the borrower has sufficient assets without relying on any anticipated tax credit except as follows:
	  - The Settlement Statement/CD indicates that an escrow account is established and includes the portion of real estate taxes owed by the property seller for the period they owned the property. In this case, a prorated tax credit from the property seller offsets that portion of the charge for the establishment of the escrow account.
	• Payout from a life insurance policy is acceptable for down payment or closing costs. A copy of the check or payout statement issued by the insurance company is required. If the cash value is being used for reserves, documentation of the cash value is required however the policy does not need to be liquidated.
	• Proceeds from the sale/refinance of a property currently owned by the borrower (including a 1031 exchange or bridge loan) are eligible for down payment and closing costs. The final CD for the existing property must be provided before or at closing to show sufficient net cash proceeds to close the purchase. If a cash-out refinance, the proceeds from the subject refinance cannot be used to satisfy reserve requirements.
	• Funds received as a wedding gift from related and/or unrelated persons are an acceptable source of funds for down payment and closing costs for the purchase of a primary residence. The following applies:
	  - Documentation the funds were deposited into the borrower's account within 90 days of the date on the marriage license/certificate must be provided, **and**
	  - A copy of the license/certificate and acceptable documentation the funds are in the borrower's account is required.
	• Funds received as graduation gift from a related and/or unrelated person(s) are an acceptable source of funds for down payment and closing costs for the purchase of a primary residence. The following applies:
	  - Documentation the funds were deposited into the borrowers account within 90 days of the date of graduation from an educational institution must be provided, and
	  - A copy of the borrower's diploma, degree, school transcripts, etc. that supports the date of graduation is required
	• Deposits that represent funds awarded to the borrower (e.g. disaster relief funds, lottery winnings, court-awarded settlements are eligible as long as the source providing the funds is not an interested party to the transaction.
	• Real estate commissions earned by a borrower who is a licensed real estate agent are eligible for down payment/closing costs when purchasing a property. The CD must reflect the commission earned and the credit toward the transaction

Assets (cont.)	• Credit card rewards points that are redeemed for cash are an acceptable source of funds. If the points have not been redeemed and the cash has not been deposited into the borrower's account, the following applies:
	- Evidence of the borrower's ownership of the reward points and their cash value, **and**
	- Evidence the points were redeemed for cash prior to closing, **and**
	- Evidence the funds were deposited into the borrower's account **OR** were directly transferred to the closing agent
	• Large deposits are considered to be a single deposit where any **unsourced** portion of the deposit exceeds 50% of the combined gross monthly income of the borrower(s). If the deposit includes both sourced and unsourced funds, only the unsourced portion is used to calculate whether the deposit meets the 50% definition. Direct deposits, such as IRS or state income tax refunds, transfer of funds between verified accounts, that are easily identified on the account statement do not require documentation.
	- Large unsourced deposits must be explained and verified
	- Requirements for documenting large deposits are as follows:
	  - **Refinance Transactions**: Large deposits are not required to be sourced and explained however, at underwriter discretion, explanation and sourcing may be necessary as Freddie Mac requires any payment on borrowed funds be included in the DTI ratios.
	  - **Purchase Transactions**: If the funds from a large deposit are needed for the down payment, closing costs or reserves on the transaction documentation must be provided that the funds are from an **acceptable source.** Any undocumented large deposit will be deducted from the amount of verified funds and the reduced asset amount will be used for qualification. The only acceptable sources of deposits are the following:
	    o The borrower's income
	    o Funds awarded to the borrower (e.g. disaster relief funds, lottery winnings, court-awarded settlement, etc.) provided the source is not an interested party to the transaction
	    o Funds derived from eligible asset types (e.g. depository accounts, securities, gift funds, etc.)
	Examples:
	1. The borrower has a monthly income of $4,000 and a bank account with a balance of $20,000. A deposit of $3,000 was made but $2,500 of the deposit is documented as the borrower's tax refund (sourced).
	In this example only the $500 is considered "unsourced" ($3000 total deposit minus $2500 tax refund) and is included in the large deposit calculation.
	The unsourced $500.00 is only 12.5% of the borrower's monthly income therefore it does not meet the large deposit definition (50% of the borrower's total monthly qualifying income). In this example, documentation is not required and the entire $20,000 balance in the borrower's bank account may be used for underwriting purposes.
	2. The same borrower has a deposit of $3,000 but only $500 is documented as the borrower's tax refund (sourced) leaving $2,500 has unsourced.
	In this example the unsourced $2,500 is 63% of the borrower's $4,000 monthly income which does meet the definition of a large deposit.
	The unsourced $2,500 must be deducted from the borrower's $20,000 bank account balance leaving $17,500 that may be used for underwriting purposes.
	3. The same borrower has 3 separate unsourced deposits of $1800 which technically does not meet the 50% of the borrower's gross monthly income requirement since each deposit is less than $2,000 (50% of $4,000) however at underwriter discretion sourcing/documentation may be required.

<table>
<tr><td>Assets (cont.)</td><td>
Funds from outside the United States that will be needed for closing are eligible subject to the following requirements:

Funds must be transferred into a U.S. financial institution (cannot go directly to closing agent/escrow) and funds must be verified in U.S. dollars prior to loan closing, OR
The combined value of the assets must be at least 20% greater than the amount from these assets need for closing, AND
All documents of foreign origin must be filled out in English or the originator must provide a translation, attached to each page that warrants the translation is complete and accurate, AND
All foreign currency amounts must be converted to U.S. dollars at the time of translation

</td></tr>
<tr><td>Assets Used for Repayment of Obligations</td><td>
Assets may be used as the source for repayment of monthly obligations subject to the following:

The transaction involves a 1-2 unit primary residence or second home, and
Eligible on purchase and rate/term refinance transactions only, and
Maximum 80% LTVCLTV

NOTE: Cryptocurrency is not eligible as a source of assets used for repayment of monthly obligations. Refer to the <u>Cryptocurrency</u> topic for complete cryptocurrency policy

Types of Assets Eligible for Repayment of Obligations

Retirement Assets

Eligibility:

The retirement asset must be in a retirement account recognized by the IRS (e.g. IRA, 401(k) account, etc.), and
The borrower must be the sole owner of the account and the account is fully vested
The account is not currently used as a source of income by the borrower, and
As of the Note date, the borrower has access to withdraw the funds in their entirety without being subject to a penalty or additional early distribution tax (less any portion pledged as collateral for a loan or otherwise encumbered)

Documentation:

Documentation evidencing the account meets the above requirements must be provided along with the most recent account statement for the retirement account

Lump-Sum Distribution (Funds <u>Not</u> Deposited in an Eligible Retirement Asset)

Eligibility:

The lump-sum distribution funds must be from a retirement account recognized by the IRS (e.g. IRA, 401(k) account) and must be deposited into a depository or non-retirement securities account, and
The borrower on the mortgage must have been the recipient of the lump-sum distribution, and
Any party that has an ownership interest in the account holding the lump sum payment must also be obligated on the mortgage or the funds are ineligible, and
The entire amount of the funds from the lump-sum distribution must be immediately accessible and cannot have been or currently be subject to a penalty or early distribution tax

Documentation:

Documentation evidencing all of the following required:

Receipt and type of lump-sum distribution funds (e.g. employer distribution letter(s), or check-stub(s), or IRS 1099-R), and
The funds were derived from an eligible retirement asset, and
The funds were not, or are currently not, subject to a penalty or early distribution tax

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</table>

Assets Used for Repayment of Obligations (cont.)	• **Depository Accounts and Securities**
	- ***Definitions***
	  - Depository accounts are defined by Freddie Mac as accounts used to deposit and withdraw cash (e.g. checking, savings, money market, certificates of deposit, etc.)
	  - Securities accounts are defined by Freddie Mac as accounts that are traded on an exchange or marketplace (e.g. stocks, vested stock options, bonds, mutual funds, U.S. government securities, etc.)
	- ***Eligibility***
	  - The borrower must be the sole owner of the asset or, if owned jointly, the joint owner must also be a borrower on the loan and/or on title to the subject property, **and**
	  - At least one borrower who is an account owner **must be at least 62 years old**, **and**
	  - As of the Note date, the borrower has access to withdraw the funds in their entirety **without being subject to a penalty or additional early distribution tax** (less any portion pledged as collateral for a loan or otherwise encumbered), **and**
	  - The account must be located in as U.S. or state regulated financial institution and the funds must be verified in U.S. dollars
	- ***Documentation***
	  - Documentation evidencing the account meets all of the above requirements, **and**
	  - An account statement covering one or two months as required by LPA, **and**
	  NOTE: For securities only if the borrower does not receive a stock/security statement evidence the borrower owns the security and verification of the value of the stock using stock prices from a financial publication or web site is acceptable
	  - Any deposit exceeding 10% of the borrower's total eligible assets in depository and/ or securities account must be verified to ensure the deposit does not include gifts or borrower funds. If verification cannot be provided the borrower's eligible assets must be reduced by the amount of the deposit.
	  NOTE: If the source of the deposit can be clearly identified on the account statement (e.g. direct deposit, etc.) no further documentation is required.
	
	• **Assets from the Sale of the Borrower's Business**
	- ***Eligibility***
	  - The borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited in the depository or non-retirement securities account (see definitions under Depository Accounts and Securities account above), **and**
	  - The borrower must be the sole owner of the account where the proceeds from the sale of the business is deposited or, if owned jointly, the joint owner(s) must also be a borrower on the loan or the funds are ineligible
	  - The entire proceeds from the sale of the business must be immediately accessible, **and**
	  - The sale of the business cannot have resulted in any of the following
	    - Retention of business assets, **or**
	    - Existing secured or unsecured debt, **or**
	    - An ownership interest, **or**
	    - Seller-held notes to buyer of the business
	- ***Documentation***
	  - The most recent three months' depository or securities account statements, **and**
	  - Copy of the contract for the sale of the business, **and**
	  - Copy of the fully executed closing documents for the final sale of the business that includes the sales price and net proceeds, **and**
	  - Most recent tax return for the business prior to the sale of the business, **and**
	  - Evidence that the funds in the non-retirement account that are being used for qualification were derived from the sale of the business

Assets Used for Repayment of Obligations (cont.)	**Calculation of Assets Used for Repayment of Obligations** Asset calculation is determined by taking the net eligible assets (see below) and dividing by 240 months (regardless of loan term) which equals the eligible asset amount: • Net eligible assets divided by 240 months = asset amount eligible for qualification The following must be **subtracted** from the total amount of eligible assets to determine **net assets** used as the basis for the DTI calculation: • Funds required to be paid by the borrower to close the transactions (e.g. down payment, closing costs, etc.), **and** • Any gift or borrowed funds, **and** • Any portion of the assets that are pledged as collateral for a loan or otherwise encumbered
Assumptions	Not allowed
AUS	• LPA "Accept" is required. Documentation requirements are generally determined by LPA. • Manual underwriting is ineligible.
Available Markets	• All 50 states • Guam, Puerto Rico and the Virgin Islands are ineligible.
Borrowers – Eligible	• U.S. citizens • Revocable inter vivos trust that meets Freddie Mac guidelines. Trusts are eligible on: - 1 unit owner-occupied or second home **NOTE:** Trusts are **ineligible** on 2-4 unit primary residence and investment property. A Power of Attorney is ineligible with an inter vivos trust • **Non-U.S. Citizens**: **All loans delivered to Freddie Mac require Homebridge to rep and warrant the borrower is legally present in the U.S.** Lawful permanent or lawful non-permanent resident aliens are eligible subject to the following: - Borrower must have a valid social security number **OR** individual taxpayer identification number (ITIN), **AND** - Have a current, unexpired EAD **OR** other documentation showing immigration status is current/unexpired (e.g. Green Card, work visa, etc.), **AND** - The borrower meets all other standard employment and income requirements required by DU - If additional information is required to determine legal status, the Homebridge Underwriter will determine on a case-by-case basis the additional documentation requirements - Non-permanent resident alien borrowers who provide a visa, Homebridge will determine visa eligibility. Refer to the Visa Eligibility for Non-Citizens (Non-Permanent Resident Aliens) document on the Homebridge website for visa eligibility and documentation requirements **NOTE: Visa not required if current, unexpired EAD provided** - Borrowers with a Deferred Action for Childhood Arrivals (DACA) status**, are not eligible** • All borrowers are required to have a valid social security, or Individual Taxpayer Identification Number (ITIN) and meet legal residency documentation requirements
Borrowers – Ineligible	• Foreign Nationals • Borrowers with diplomatic immunity • Borrowers without a social security number, ITIN, or a number that cannot be validated with the SSA • Borrowers that receive Government/Public Assistance Income (Section 8 income) • Borrowers previously convicted of mortgage fraud

Borrower Types	• **Co-Borrower:** - An individual, who applies jointly with the applicant, takes title to the property and is liable for the debt - Signs all loan documents - Income, assets and debt used for loan qualification • **Non-Occupant Borrower**: - An individual, who applies with the applicant, takes title to the property and is liable for the debt but does not live in the property - Signs all loan documents - The non-occupant borrower's income is included in the DTI calculation - The non-occupant borrower cannot be an interested party to the transaction (e.g. the builder, property seller, real estate agent/broker, etc.) • **Co-Signer:** - An individual who has no ownership interest in the property, but is liable for the debt - Signs all loan documents (**except** Mortgage/Deed of Trust) - Income, assets, and income are used for qualification - Cannot have an interest in the transaction (seller, builder, real estate broker, etc.) • **Non-Borrowing/Non Purchasing Spouse:** - Generally has no ownership interest in the property and is not liable for the debt. - In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law **NOTE:** Community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin
Construction to Perm	The conversion of construction-to-permanent financing involves the granting of a long-term mortgage to a borrower for the purpose of replacing interim construction financing that the borrower has obtained to fund the construction of a new residence. • Construction-to-permanent financing can be structured as a transaction with one or two separate closings; **however Homebridge will not provide the construction financing (a one closing transaction).** The borrower must hold title to the lot, which may have been previously acquired or be purchased as part of the transaction. • All construction work, including any work that could entitle a party to file a mechanics' lien or materialmen's lien, must be completed and paid for, and all mechanics' liens, and any other liens and claims that could become liens relating to the construction must be satisfied before the loan is closed with Homebridge. Homebridge will retain the appraiser's certificate of completion and a photograph of the completed property in the loan file. When a construction-to-perm mortgage loan provides funds for acquisition or refinancing of an unimproved lot and the construction of a residence on the loan, Homebridge will retain a certificate of occupancy or an equivalent from the applicable government authority. • Units in a condo project are not eligible for construction-to-permanent financing. **Two-Closing Transactions** • The first closing is to obtain the interim construction financing (and may include the purchase of the lot). **Construction financing is not eligible through Homebridge.** • The second closing (aka "end" loan) is to obtain the permanent financing upon completion of the improvements **and is eligible** through Homebridge. • A modification may not be used to update the original Note; a new Note must be completed and signed by the borrowers. • The borrower is underwritten based on the terms of the permanent mortgage. • Transactions are subject to the limited cash-out and cash-out refinance maximum LTV/CLTV/HCLTV ratios, as applicable. • Cash-out refinance transactions require the borrower to have held legal title to the lot for at least 6 months prior to the closing of the permanent mortgage. • All other standard cash-out refinance eligibility and underwriting requirements apply.

Contingent Liabilities	• **Business Debt**
	- Business debt that appears on a self-employed borrower's personal credit report requires documentation that the debt is paid from company funds and considered in the cash flow analysis for the borrower's business.
	- Business debt does **not** need to be considered as part of the borrower's individual recurring monthly debt when:
	  - The account does not have a history of delinquency, **and**
	  - Documentation is provided that the debt was paid from the borrower's business funds (e.g. 12 months cancelled business checks), **and**
	  - The tax returns evidence that the business expenses associated with the debt (e.g. interest, lease payments, taxes, insurance, etc.) have been reported and support that the debt has been paid by the business
	If documentation of payment from the business funds cannot be provided, or there is history of delinquency on the account the debt must be considered as part of the borrower's individual recurring debt obligation.
	• **Exclusion of Mortgage Payment or Other Property-Related Contingent Expenses**
	- The mortgage payment or other property-related expenses (e.g. taxes, insurance, HOA dues, etc.) may be excluded from the DTI subject to the following:
	  - The borrower is not on the Note but is on title, **and**
	  - The party making the mortgage payment is on the Note, **and**
	  - The party making the payment has made on-time payments for the most recent 12 months, **and**
	  - The party making the payment is not an interested party to the transaction
	Refer to the Credit - Installment/Revolving/Student Loan topic for non-mortgage debt paid by others
	• **Assumed Mortgage Debt**
	- The payment on assumed mortgage debt may be excluded from the DTI calculation even when the borrower has not been released from liability on the assumed mortgage
	- If the borrower has **not been** legally released from liability on the assumed mortgage, the following applies when excluding the payment from the DTI calculation:
	  - Evidence must be provided that the borrower no longer owns the property, and
	  - The assignee has made timely payments for a minimum of 12 months, documented by:
	    o A copy of the fully executed assumption agreement is provided, **and**
	    o Evidence of timely payments on the assumed mortgage for the most recent 12 months as documented on the borrower's credit report
	• **Court Ordered Assignment of Debt**
	- Debt, (secured or unsecured) that has been assigned by order of the court is **not** required to be included in the borrower's DTI calculation. A copy of the court order is required.

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<tr><td>Conversion of Principal Residence or Pending Sale</td><td>

Pending Sale:

- If the borrower is purchasing a new primary residence, and the current primary residence is pending sale and the transaction will not close prior to the new transaction, the following is required:

  - The borrower is qualified using their current PITIA and the proposed PITIA (principal, interest, taxes, insurance, and other assessments). The PITIA payment for the current property (pending sale) may be excluded from the DTI calculation when one of the following is provided:

    1. An executed sales contract is provided. If the sales contract includes a financing contingency the following is required:

      - Evidence the financing contingency has been cleared, or

      - A lender's commitment to the buyer of the property pending sale; OR

    2. An executed buyout agreement that is part of an employer relocation plan where the employer/relocation company takes responsibility for the outstanding mortgage.

  - Reserve requirements are per LPA
Conversion to Second Home:

- The borrower is qualified using the PITIA payments for both properties.

- Reserve requirements are per LPA
Conversion to Investment Property:

- Reserve requirements are per LPA

- Standard rental income requirements apply. Refer to the Investment Property Requirements topic for details.

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<tr><td>Credit History</td><td>

Trade line requirements per LPA Feedback Certificate.
Authorized user trade lines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history.

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</table>

Credit - Installment/ Revolving	All debts will be run through LPA to ensure accurate LPA Feedback Certificate. Documentation of all monthly liability payment amounts must be included in the loan file
	• **Installment Debt**
	- Installment debt is considered as a recurring monthly debt obligation and included in the borrower's long-term debt when there are more than 10 months payments remaining.
	- Installment debt with ≤ 10 months remaining will be considered as a recurring monthly debt obligation if it significantly affects the borrower's ability to meet their credit obligations. If installment debt is excluded based on ≤ 10 months remaining the credit report or other documentation must be provided that reflects ≤ 10 months payments remaining
	NOTE: All lease payments (auto, furniture, appliances, etc.) **regardless of the number of payments remaining**, must be included in the borrower's monthly debt (only solar panel lease payments may be excluded subject to the below)
	- Timeshare loans are considered installment debt, regardless of how they are reported on the borrower's credit report, and the payment is included in the DTI calculation
	  - Maintenance fees associated with the timeshare are **not required** to be included in the DTI calculation
	NOTE: Timeshare loans are not considered housing payments so foreclosure requirements for reestablishment of credit do **not apply** to timeshare loans in foreclosure.
	- Lease payments for solar panels may be excluded as follows:
	  - If the lease provides for delivery of a specific amount of energy for an agreed upon payment during the given period **and**
	  - Includes a production guarantee under which the borrower is compensated on a prorated basis when the energy produced by the solar panels is less than the level required in the lease agreement, **or**
	  - Payments for solar panels subject to a PPA or similar type of agreement may be excluded if the payment is calculated based only on the generated energy
	  - A copy of the lease agreement or PPA must be included in the loan file
	- If the installment debt payment is not listed on the credit report or is listed as deferred, documentation of the payment amount is required (i.e. direct verification from the creditor, or a copy of the installment loan agreement)
	• **Revolving Debt**
	- Revolving debt is considered part of the borrower's recurring monthly debt. Revolving debt includes credit cards and personal lines of credit (equity lines, secured by real estate, are included in the housing expense). Revolving debt is subject to the following:
	  - If the monthly payment is not included on the credit report or no other documentation indicating the actual payment is available, 5% of the outstanding balance will used to determine the monthly payment. The actual payment must be used if known.
	  - If the revolving account is to be paid off at or prior to closing, a monthly payment is not required to be included in the debt ratio. The account does not need to be closed as a condition of excluding the payment from the borrower's debt ratio.
	    - If the revolving account is to be paid off prior to closing, documentation that the debt was paid in full and source of funds must be provided and verified.
	    - If the revolving account is to be paid off at closing, the payoff must be shown on the Closing Disclosure.
	• **Open 30 Day Charge Account**
	Open 30 day charge accounts require sufficient assets to pay off the debt in order to be excluded from the debt ratio. If the monthly payment must be included in the DTI calculation the actual payment, from the credit report or documentation verification will be used. If the actual payment is not known, 5% of the outstanding balance will be used.

Credit - Installment/ Revolving (cont.)	• **Alimony/Child Support/Separate Maintenance Payments** - Alimony/child support or separate maintenance payments that are required to be paid due to a divorce decree, separation agreement or other legal document must be included in the borrower's monthly debt obligations if they will continue for > 10 months. A copy of the documentation stating the payment amount must be included in the loan file. - If the payment due is excluded based on ≤ 10 months remaining the credit report or other documentation must be provided that reflects ≤ 10 months payments remaining • Voluntary payments are **not required** to be considered in the DTI calculation. • **Debt Paid by Others – Non-Mortgage** When the borrower is obligated on non-mortgage debt (i.e. installment loans, revolving accounts, lease payments) but is **not** making the payment the debt may be excluded from the DTI calculation subject to the following: - The other party has been paying the entire monthly payment for a minimum of 12 months (the other party is **not** required to be obligated on the debt) - 12 months cancelled checks or bank statements from the party making the payments are required to document 12 months' pay history. NOTE: The above does **not apply** if the party paying the debt is an interested party to the subject transactions. • **IRS <u>Approved</u> Tax Payment Installment Plans** Borrowers in a valid payment plan are eligible subject to the following: - A Notice of Federal Tax Lien has **not** been filed in the county where the subject property is located for the taxes owed under the installment agreement, **and** - Copies of the approved IRS installment agreement that includes the repayment terms, including the monthly payment amount and the total amount due, **and** - Documentation that the borrower is not past due under the terms of the installment agreement must be included in the loan file, **and** - The payment must be included in the DTI calculation if there are more than 10 months of payment remaining on the agreement **NOTE**: If a tax lien **has been filed** the lien must be paid off prior to close • **IRS Tax Payment Installment Plan <u>Pending Approval</u>** Borrowers who have applied for an installment agreement with the **IRS that has not yet been approved,** are subject to the following requirements: - A copy of the application for the installment agreement reflecting the amount of taxes owed and requested payment terms must be included in the loan file, and - The **greater of** the monthly payment amount requested by the borrower, **OR** the amount of taxes owed **divided by** 72 must be included in the borrower's DTI calculation, and - There must be no indication or knowledge that the IRS has filed a Notice of Federal Tax Lien for the taxes owed by the borrower

Credit Report/Scores	• **Student Loans – Repayment, Deferment, Forbearance, Including Income-Driven Repayment Plans** Student loan payments must be included in the DTI calculation when there are more than 10 months of payments remaining. In all cases, an amount greater than zero must be included in the monthly DTI calculation for all student loans as detailed below. - **Payment Amount Greater than Zero**: If the monthly payment amount is greater than zero, use the monthly payment amount reported on the credit report unless other documentation provided supports a different current payment amount, **or** - **Payment Amount Zero:** If the monthly amount reported on the credit report is zero, 0.5% of the outstanding loan balance as reported on the credit report will be used unless other documentation in the mortgage file supports a different current payment amount • **Student Loans – Forgiveness, Cancellation, Discharge, Employment-Contingent** A loan in one of these categories may be **excluded** from the DTI if documentation is provided that indicates the following: - The loan has 10 months or less of payments remaining until the full balance of the loan is forgiven, cancelled, discharged or, if employment-contingent, paid, **OR** - The monthly payment is deferred or in forbearance and the full balance of the student loan will be forgiven, cancelled, discharged, or, if employment-contingent, paid at the end of the deferment or forbearance period, **AND** - The borrower currently meets the requirements for the student loan forgiveness, cancellation, discharge or employment-contingent repayment program. Evidence of eligibility/approval must be provided by the student loan program or the employer • Credit score per LPA Findings **NOTES**: A minimum of 3 tradelines must be used to generate a credit score for the credit score to be usable Any debt not reported on the credit report requires documentation that it has been paid satisfactorily • Homebridge will re-issue a credit report when provided by a Homebridge **approved** Freddie Mac credit vendor. - Approved vendors include: - Credit Plus - CIS - Credit Technologies - CBC Innovis - Equifax - Universal Credit Services - Credit reports provided by a Freddie Mac credit vendor **not approved** by Homebridge **will require Homebridge to re-pull credit.** • A tri-merged credit report is required for all borrowers **NOTE**: Borrowers with frozen credit, no more than one of the national credit repositories can have frozen credit information • The representative credit score is determined as follows: - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. - If there are two (2) valid scores, the lower of the two is used - If there is one (1) valid score, that score is used

Credit Report/ Scores (cont.)	The representative score for the loan is the lowest representative score for all borrowers. • The borrower(s) must address **all** credit inquiries indicated on the credit report within the previous 90 days, specifically **stating the name of the creditor(s)** and the result of the inquiry/inquiries (i.e. was new credit obtained or not). Examples of acceptable/unacceptable responses below: - **Acceptable Response**: "The inquiry/inquiries by Bank of America, Wells Fargo, etc. did not result in additional credit" - **Unacceptable Response**: "We did not obtain any additional credit as a result of the credit inquiry/inquiries listed on our credit report" (unacceptable since name of creditors **not** listed) • The credit report must be dated within 120 days of the Note date
Credit Report/ Scores Not All/No Borrower Has a Usable Credit Score	**Not All Borrowers Have a Usable Credit Score** When not all the borrowers have a usable credit score, but at least one does, the following applies: • The transaction must be a purchase or rate/term refinance, • The property securing the loan must be a 1-unit primary residence and all borrowers must occupy the property • If the borrower(s) **without** a usable credit score contributes **more than 50%** of the total monthly income the following applies: • **Each borrower** without a usable credit score must have a minimum of 2 payment references in the U.S. from noncredit payment references and/or tradelines not appearing on the credit report. The payment references must have existed for at least the most recent 12 months **NOTE**: If 2 or more borrowers have the same payment references, the references may count for each borrower • **Housing Payment History Reference: At least one** borrower without a usable credit score **must have** a housing payment history as one of the payment references - 0x30 payment history for the most recent 12 months required, or if less than 12 months, 0x30 for the length of the payment history. If more than one borrower has a housing payment history, **each** housing history must be verified and meet the 0x30 in 12 months requirement • **Other Payment History References:** - No more than one payment reference may have a 1x30 in most recent 12 months, **and** - 0x60 in most recent 12 months for **all** payment references - Borrowers without a usable credit score cannot have any collections (excluding medical), judgments, or tax liens filed in the most recent 24 months - All payment references must be documented, meet Freddie Mac requirements applicable to written verifications, and meet age of documents requirements

Credit Report/Scores **Not All/No Borrowers Have a Usable Credit Score** (cont.)	**No Borrower Has a Usable Credit Score** When no borrower has a usable credit score the following applies: • The transaction must be a fixed rate purchase or rate/term refinance, • The property securing the loan must be a 1-unit primary residence **and** all borrowers must occupy the property, • Maximum 95% LTV/CLTV, • Conforming loan amounts only, • The borrower(s) cannot have any collections (excluding medical), judgments, or tax liens filed in the most recent 24 months, • **Each borrower** must have a minimum of 2 payment references in the U.S. from noncredit payment references and/or tradelines not appearing on the credit report. The payment references must have existed for at least the most recent 12 months **NOTE**: If 2 or more borrowers have the same payment references, the references may count for each borrower • **Housing Payment History Reference: At least one** borrower **must have** a housing payment history as one of the payment references - 0x30 payment history for the most recent 12 months required, or if less than 12 months, 0x30 for the length of the payment history. If more than one borrower has a housing payment history, **each** housing history must be verified and meet the 0x30 in 12 months requirement • **Other Payment History References:** - No more than one payment reference may have a 1x30 in most recent 12 months - All payment references must have 0x60 in most recent 12 months • All payment references must be documented, meet Freddie Mac requirements applicable to written verifications, and meet age of documents requirements • At least one borrower must participate in a homeownership education program prior to the Note date and documentation of completion must be provided. The following options are eligible to satisfy the homeownership education requirement: 1. Education/counseling programs developed by: - HUD Approved Counseling Agencies, - Housing Finance Agencies (HFAs), or - Community Development Financial Institutions (CDFIs) 2. Homeownership education programs developed by mortgage insurance companies or other provider programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (www.homeownershipstandards.com) 3. Freddie Mac's free online CreditSmart curriculum provided the borrower completes **all** of the following modules under the ***CreditSmart – Homebuyer U*** - Overview and Introduction of the Homebuying Process - Managing Your Money - Your Credit and Why it is Important - Getting a Mortgage - Finding a Home and Closing on a Loan - Preserving Homeownership ***Documenting Homeownership Education/Counseling*** • **Option 1 or 2**: If the borrower completes one of the programs under Options 1 or 2 above completion of the program must be documented with: - Freddie Mac Exhibit 20 Homeownership Education Certification or similar document signed by the counselor • **Option 3:** If the borrower completes Option 3, CreditSmart – Homebuyer U completion of the program must be documented with: - The Certificate of Completion generated by CreditSmart once the borrower successfully completes the final quiz

Cryptocurrency	The following applies to cryptocurrency: • Income paid to the borrower in cryptocurrency is **not eligible** as qualifying income • If evidence of sufficient remaining assets is required to establish likely continuance of the income (e.g. retirement account distributions, trust income, dividend and interest income, etc.) those assets **may not** be in the form of cryptocurrency • Cryptocurrency is **not eligible** to be used when calculating assets as a basis for repayment of debt • Any monthly payment(s) on debt secured by cryptocurrency must be included in the borrower's DTI calculation; standard installment debt secured by financial asset policy does not apply • Cryptocurrency must be exchanged for U.S. dollars when it is used by the borrower for any funds required for the transaction (down payment, closing costs, and reserves)
Deed / Resale Restrictions	Properties with age related restrictions (55+ communities) are eligible subject to Freddie Mac requirements. All other properties subject to deed/resale restrictions are ineligible. If the resale restriction terminates upon foreclosure, at the end of any foreclosure redemption period (if applicable), or at the time a deed-in-lieu of foreclosure is recorded the following applies: • The appraisal must reflect the market value of the property without the resale restriction • The seller of the property must ensure the borrower and the appraiser are aware of the resale restriction and must advise the appraiser the statement below **must be included in the appraisal report:** *"This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure."* • The requirement for the appraiser to provide two comparable sales with similar resale restrictions **no longer applies.** The appraiser is only required to state the existence of the resale restriction and note any impact the restriction may have on the property's value and marketability • The applicable LTV/CLTV/HCLTV is determined using the appraised value
Derogatory Credit	Derogatory credit waiting periods subject to the following: (see table below) *Measured from the applicable event end date to application date **Judgments and Tax Liens** Must be paid prior to close **Delinquent Child Support** Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review.
Down Payment Assistance	Ineligible

Derogatory Event Type	Waiting Period Requirements*
Bankruptcy – Chapter 7, 11, 13	Per LPA
Foreclosure	Per LPA
Deed-in-Lieu of Foreclosure	Per LPA
Short Sale	Per LPA

DTI	• Per LPA with an "Accept" approval • All borrower liabilities must accurately be entered into LPA • The monthly housing expense (mortgage or rent) is based on the full monthly payment amount for the property including, for a mortgage, the principal and interest, hazard insurance, taxes, and, as applicable, mortgage insurance premium, flood insurance, leasehold payment, HOA dues, payment on any secondary financing, HELOC payment, bridge loan payment (if applicable) and any special assessments with more than 10 monthly payments remaining The above guidance, as applicable, also applies to any other properties the borrower owns **NOTE:** HELOC payment must be included when there is an outstanding balance. If the payment amount is not included on the credit report or documentation cannot be provided of the payment amount, 1.5% of the outstanding balance will be used as the payment amount • When there is a partial or complete real estate tax abatement on the subject property, the reduced real estate tax amount may be used in determining the monthly housing expense calculation • When the borrower is exempt from real estate taxes the taxes may be excluded from the calculation • Tax abatement/exemption is subject to **Homebridge management review and approval** and the following: - Documentation of the tax abatement or exemption must be obtained and maintained in the loan file, **and** - The documentation must indicate the abatement/exemption will continue for **a minimum of 5 years after the Note date** - If the tax exemption is due to the borrower's age or disability, documentation verifying 5 years' continuance is **not required**, however the exemption **cannot** have a predetermined expiration date within 5 years of the Note date • Any monthly payment(s) on debt secured by cryptocurrency **must be included** in the borrower's DTI calculation. Refer to the Cryptocurrency topic for complete cryptocurrency policy
Employment – General Requirements	• A two year employment history is generally required for both wage earner and self-employed borrowers for the income to be considered stable. Refer to the Employment History topic for examples of when a less than 2-year history may be considered **NOTE:** A 2-year history **does not** apply to military personnel. • Self-employed borrowers with a 12-24 month history of self-employment may be eligible subject to Homebridge management review and the following: - Borrower has a documented 2 year history of receipt of income at the same or greater level in a field that provides the same products or services as the current business or an occupation with similar responsibilities as the current business, **and** - The borrower's level of experience and the amount of business debt will be considered, **and** - The service or product provided are well accepted in the market The underwriter must review a YTD financial statement for the business and/or the most recent 3 months bank statements to determine if the income is stable. • A verbal verification of employment (VVOE) is required within the 10 **business** days **prior** to the Note date for salaried borrowers and within the 30 calendar days **prior** to the Note date for self-employed borrowers. • A military Leave and Earnings Statement dated within the 120 days prior to the Note date is acceptable for active duty military in lieu of a VVOE • A current paystub with YTD income and most recent W-2s are required for wage earners. • Self-employed borrowers require verification of the business by a third party source (e.g. CPA, **or** Federal Tax ID Certificate, **or** Business License, etc.). Self- employed borrowers are individuals who have 25% or greater ownership interest in a business.

Employment – General Requirements	• **Employment Contracts**: - ***Educational Fields***: The income identified on a renewable or term employment contract for the educational industry, (e.g. teachers) may be considered stable monthly income and likely to continue as long as there is no documentation in the file to indicate otherwise. - ***Other Industries (Non-educational):*** The income identified on an employment contract may considered stable monthly income if employment contracts are reasonably common to the particular employment field and/or region as long as the borrower has a document ability maintain consistent employment and income with the form or similar form of income identified on the contract for the most recent 2-years. • **Employment and Income Commencing After the Note Date**: Income from new employment or a salary increase from the borrower's current employer may be considered stable monthly income subject to the following: - A copy of the non-contingent offer letter, that includes the terms of employment and income, that is signed by the borrower indicating acceptance - Refer to Income Commencing After the Note Date for complete requirements.
Employment History	Generally a borrower should have a minimum 2-year employment history. If a borrower has less than a 2-year employment history, the Homebridge underwriter will determine the stability of the income by reviewing the income and/or employment characteristics and the overall loan risk factors including the borrower's demonstrated ability to repay. See wage earners or self-employed topics below for requirements **Wage Earners** The justification for allowing < 2-years employment must be included in the loan file. **Examples of < 24 months income that may be acceptable, include, but are not limited to:** **Newly Employed** The income earned by a borrower with less than a 2-year employment history may be used for qualifying if documentation is provided the borrower was attending school or in a vocational/ training program immediately prior to their current employment. **Re-Entering the Workforce** If the borrower is re-entering the workforce after an extended absence, for any reason, the employment may be considered stable if documentation is provided to support a stable employment history that directly preceded the extended absence. **Gaps in Employment** Any gaps in employment > 30 days requires documentation explaining the reason for the gap **Fluctuating Hourly Employment** If a borrower's income is derived from fluctuating hourly employment earnings, the borrower must have a **minimum of 12 month employment history**; less than 12 months is **not** allowed. The required minimum 12 month history must be derived from either: • The borrower's current fluctuating hourly employment, **or** • A combination of current and prior fluctuating hourly employment, **or** • A combination of current fluctuating hourly employment and prior salaried employment in a similar industry or job type that had an income level consistent with the current income level based on the income trend analysis Refer to the Fluctuating Hourly Employment Income topic for details on calculating the income **Secondary Employment** Borrowers with less than 24 months secondary employment history, **but have a minimum 12 month** secondary employment history, may have an employment history that is considered stable if the underwriter can justify the stability of the employment. **< 12 months secondary employment history is ineligible.** Examples that may support < 2-year secondary employment history include, but are not limited to, the following: • The borrower previously held a job with base non-fluctuating earnings working 40 hours per week for multiple years; however, due to reasons such as position elimination, work for reduction, or illness, the borrower is not longer employed at this job and is now working at multiple part-time jobs that, when combined are similar in hours and pay to the previous full-time job. Since the borrower's full-time employment ended 18 months ago, the length of employment at each part-time job is in the range of 13 to 15 months. In this example an employment history of < 24 months may be acceptable if the earnings are consistent and the borrower has shown their ability to repay obligations (cont. on next page)

<table>
<tr><td>Employment History (cont.)</td><td>

The borrower is employed in the educational system as a teacher. During the previous summer the borrower taught summer school within the same educational system and is now starting teaching summer school for the current year. Although a 2-year history is not fully developed, given the job type and current employment situation, the underwriter may be able to justify including the summer school income provided an accurate qualifying amount can be established and documented based on the previous and current earnings. The underwriter may request additional documentation to determine the stable monthly income (e.g. how many classes, documentation supporting income, is the income similar to prior year, etc.)

<u>Self-Employed – Loans with a Note Dated Prior To November 8, 2024</u>

Borrowers with < 2 years self-employment history may still have the income and employment considered stable when the following requirements are met.

Homebridge must obtain supporting documentation that is sufficient to determine if the income is stable.
When making this determination Homebridge will consider the overall layering of risk, including the borrower's demonstrated ability to repay obligations
Prior to consider the income for qualifying, at minimum, Homebridge will:

Document the borrower has a 2-year history of receipt of income at the same or greater level in the same or similar occupation, and
Consider and evaluate:

The borrower's experience in the business, and
The acceptance of the company's service or products in the marketplace

A YTD financial statement and/or the most recent three (3) months business bank statements may be requested by the Homebridge underwriter to complete the analysis of current business activity

<u>Self-Employed – Loans with a Note Dated On or After November 8, 2024</u>

Borrowers with < 2 years self-employment history may still have the income and employment considered stable when the following requirements are met.

Homebridge must obtain supporting documentation that is sufficient to determine if the income is stable. At minimum, Homebridge will:

Consider and evaluate the borrower's experience in the business, and
Document the borrower has a combined 2-year history of receipt of income from the current self-employment and the prior job in the same or similar occupation or industry, and
Determine the qualifying income using the lesser of:

The stable monthly income from the new business, OR
The stable monthly income earned in the previous occupation, and

Develop a written analysis justifying the determination of the stability of the income which will be included in the loan file, and
Consider the overall layering of risk, including the borrower's demonstrated ability to repay obligations

A YTD financial statement and/or the most recent three (3) months business bank statements may be requested by the Homebridge underwriter to complete the analysis of current business activity

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<tr><td>Escrow Holdbacks</td><td>

Homebridge offers the Home Fixer-Repair Escrow Option Program which allows escrow holdbacks subject to the following:

Repairs cannot affect the safety or habitability of the property
Repair work is limited to a maximum of $5,000.
An estimate from a licensed contractor or qualified professional is required, detailing all repairs
Homebridge will hold 1.5 times of the repair estimate. Borrowers using their own funds to establish the escrow holdback account must have sufficient documented assets to cover the down payment, closing costs and escrow holdback funds.
All repairs must be completed within 14 calendar days of closing and the final inspection must be completed within 72 hours of completion.

NOTE: Properties that do not meet the "average condition" appraisal requirement may be eligible for an Escrow holdback. If an escrow holdback is approved, the appraiser must confirm the work completed will bring the property up to average condition.
</td></tr>
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Escrow/ Impound Account	• > 80% LTV required unless prohibited by state law; CA transactions ≥ 90% LTV • < 80% LTV not required; refer to rate sheet for pricing adjustment **Reminder**: If flood insurance is required, escrow/impounds are required **regardless of LTV;** escrows **cannot** be waived
Financed Properties	• Owner-occupied properties: Unlimited • **Second home and Investment**: - Maximum of ten (10) 1-4 unit properties on which the borrower(s) are **personally obligated** (e.g. Notes, land contracts and/or any other debt or obligations) including subject and borrower's primary residence are included when calculating the number of financed properties. **NOTE: The above applies to each borrower individually and all borrowers collectively** - Borrowers who **own more than one financed investment property** are eligible for fixed rate or a 7/6 or 10/6 ARM **only**; a 5/6 ARM is **ineligible** - Reserve requirements are determined by the number of financed properties**. LPA will provide the amount of reserves required to be verified in the LPA Feedback Certificate** - **1 to 6 Financed Properties**: If the borrower(s) has 1-6 financed properties: - The borrower must have two (2) months of PITIA payments for each financed property in reserves - **7 to 10 Financed Properties**: If the borrower(s) has 7-10 financed properties: - A minimum 720 credit score is required, and - The borrower must have eight (8) months of PITIA payments for each property in reserves **The following are not included** in the number of financed properties calculation: • Commercial real estate, • Multifamily property (5 or more units), • Property held in the name of the borrower's business provided the borrower is not personally obligated on the Note, land contract and/or any debt or obligation related to the property, • Property titled in the name of a trust where the borrower is the trustee provided the borrower is not personally obligated on the Note, land contract and/or any debt or obligation related to the property, • Timeshare, • Vacant residential lot, • Manufactured home on leasehold estate not titled as real property • Homebridge limits its exposure to a maximum of 4 loans per borrower

Gift Funds	• Gift funds, from an acceptable donor, may be used for all or part of the down payment, closing costs, or reserve requirements as long as the borrower meets the minimum contribution requirements.
	• Borrowers are required to make a 5% minimum down payment from borrower own funds on:
	  - 1-unit second home **and** the LTV/CLTV/TLTV is > 80%
	• Gift funds are **not allowed** on investment transactions.
	• Gift funds may be provided by any of the following:
	  - A relative, defined as the borrower's spouse, child, or other dependent, or by another individual who is related to the borrower by blood, marriage, adoption or
	  - A guardian of the borrower or a person for whom the borrower is a guardian, **or**
	  - A fiancé or fiancée, or domestic partner, **or**
	  - An unrelated individual with close, family-like ties to the borrower, **or**
	  - A trust established by a related person, **or**
	  - An estate of a related person
	• The gift fund donor **cannot** be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction.
	• Funds provided by a donor who is on the purchase agreement and on title but is not obligated on the loan (title-only individuals) are acceptable. **These funds <u>are considered gift funds</u> and gift fund eligibility/documentation requirements apply**
	• The gift must be evidenced by a gift letter, signed by the donor and it must:
	  - Specify the dollar amount,
	  - Be signed by the donor and the borrower,
	  - Specify the date the funds were transferred,
	  - Indicate the donor(s) name, address, phone number, and relationship to the borrower, and
	  - Include a statement by the donor that no repayment of the gift funds is expected.
	• The transfer of the gift funds must be documented. Gift funds must be transferred directly from the donor's financial institution account to the borrower's account or to the settlement/closing agent except as noted below under gift funds for earnest money deposit. Acceptable documentation includes:
	  - Copy of the donor's cancelled check and the borrower's deposit slip
	  - Copy of the donor's withdrawal slip and the borrower's deposit slip
	  - Copy of the donor's check to the closing agent, or
	  - The settlement statement showing receipt of the donor's check.
	  NOTE: Funds transferred using a third-party money transfer application or service (e.g. Venmo, Zelle, PayPal, etc.) are acceptable as long as documentation is provided showing the funds went directly from the donor's account to the borrower's account or to the settlement/closing agent
	• **Gift funds for earnest money deposit:** When gift funds are provided for the earnest money deposit, the donor may transfer the funds directly to the real estate agent or builder. The transfer of funds to the earnest money deposit holder must be documented. Acceptable documentation includes:
	  - Copy of the cancelled check/cashier's check, or
	  - Wire transfer confirmation
	• If funds not transferred prior to settlement, documentation the donor gave the closing agent the gift funds in the form of a certified/cashier's check, other official check, or wire transfer confirmation

Gift of Equity	If the requirements below are met, the gift of equity is not subject to the interested party contribution requirements: • Allowed from an immediate family member only. • Eligible on primary residence and second home purchase transactions. • A gift letter must be provided (refer to gift funds above for gift letter requirements). • The Closing Disclosure must indicate "gift of equity".

Higher Priced and High Cost Loans	• Higher priced mortgage loans (HPML) are eligible subject to the following:
	  - Establishment of an escrow account for taxes and insurance on primary residence transactions, and
	  - The loan must meet all applicable and/or federal compliance requirements, and
	  - The loan must be fixed rate
	• High cost loans are **ineligible**

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

- Income documentation is determined by LPA however, at underwriter discretion, additional documentation may be required.
- The use of assets to pay obligations is eligible. Refer to the Assets Used for Repayment of Obligations topic for details
- **Wage Earner Borrowers**
  - At minimum, a current paystub with YTD earnings, **dated no more than 30 days prior to the application date**, and the most recent W-2 is required

    NOTE: Income paid to the borrower in cryptocurrency **is not** eligible for qualifying income. Refer to the Cryptocurrency topic for complete cryptocurrency policy

<table>
<tr><th colspan="2">Determining Earnings Types</th></tr>
<tr><th>Earnings Type</th><th>Requirements and Guidance</th></tr>
<tr><td>Base Non-Fluctuating Employment Earnings</td><td>Base non-fluctuating employment earnings are considered to be earnings with a pre-determined and agreed upon rate of pay and number of hours worked each pay period.
• The pay rate and number of hours worked must be reflected on an on-going consistent basis for each pay period and be fully supported by the YTD income. In addition, if the annual salary is reported on the income verification documentation, that may be considered additional confirmation of base non-fluctuating earnings
• Base non-fluctuating earnings may include both exempt (salaried) and non-exempt (hourly) earnings, however, the pay rate and number of hours worked must not fluctuate between pay periods
Example: The borrower is a non-exempt (hourly) employee and receives overtime income. The written VOE includes a breakdown of base pay and overtime pay over the prior year and YTD, which supports consistent base hours of 37.5 per pay period
• Base non-fluctuating earnings may include military base pay. Active duty pay for military members is considered base non-fluctuating earnings
• Base non-fluctuating earnings may include part-time earnings, provided the number of hours worked each pay period are pre-determined and the same, as outline above
NOTE: Base non-fluctuating earnings do not include additional employed income (e.g. commission, bonus, OT, tips)</td></tr>
<tr><td>Fluctuating Hourly Employment Earnings</td><td>• Fluctuating hourly employment earnings are based on a pre-determined and agreed upon hourly rate of pay. The hours worked are not pre-determined and may fluctuate each pay period. Fluctuating hourly employment earnings are typically representative of non-exempt earnings. The Homebridge underwriter will determine if the hours fluctuate by reviewing the YTD and prior year income documentation, including the reported number of hours worked and YTD earnings in relation to base hours worked.
Example #1:
• The pay frequency is bi-weekly
• The current YTD paystub shows 77 hours worked
• The prior pay period YTD paystub shows 74 hours worked
• The earnings are fluctuating hourly
Example #2:
• The pay frequency is weekly
• The paystub reflects 6 months YTD income showing 37 hours worked at a pay rate of $30 per hour
• If the borrower worked 37 hours every week, the YTD earnings are approximately $28,860, however the YTD base earnings on the paystub are $20,240.
• This income documentation shows fluctuating hourly earnings so additional documentation is necessary to determine otherwise.
NOTE: The above guidance does not apply to additional employed income (e.g. commission, bonus, overtime, etc.)</td></tr>
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Income (cont.)

General Underwriting for Income Calculation

Topic	Requirements and Guidance
Pay Frequency	The Homebridge underwriter must determine the frequency of payment (weekly, bi-weekly, semi-monthly, monthly, quarterly, annually) for all income used to qualify the borrower to accurately analyze and calculate the stable monthly income **Example**: The borrower received an annual bonus in February of the prior year and current year as evidenced by the written VOE dated March of the current year. The bonus amounts are consistent based on the income trend analysis. Since the bonus is paid on an annual basis, the amounts received in the current and prior year must be averaged over a 2-year period. It is **not accurate** to average the prior year and YTD number of months on the income documentation (e.g. 15 month average)
Documented Income Breakdown **(e.g. bonus, OT, commissions, etc.)**	A documented breakdown between the base non-fluctuating earnings or fluctuating hourly earnings and the additional employed income (e.g. bonus, OT, commission, tips) ensures the most accurate analysis and calculation of stable monthly income. While a documented breakdown is not required in all instances, one may be used to support a higher amount of qualifying income, verify bonus pay frequency and/or support fluctuating income when the degree of fluctuation exceeds 10% **Verification Method:** A written VOE and year-end and current YTD paystubs that show the breakdown between the earnings type and additional employed earnings (OT, bonus, commissions)
Verification of Pay Raises and Using a Pay Increase in Calculation of Income	Merit, promotional, or other types of increases in pay may justify using different averaging methods for fluctuating hourly earnings based on the application of the new pay rate to the average hours worked for the prior year and YTD While documentation to verify pay raises is not required in all instances, it may be used to support a higher amount of qualifying income and/or support fluctuating hourly earnings when the degree of fluctuation exceeds 10% **Verification Method**: A pay raise(s), may be verified using paystubs from the current or prior year that show the new and old rates of pay when the raise occurred and/or year-end paystubs will likely be necessary to complete verification **Calculation Method:** For consistent and increasing income trends, one of the options below will be utilized: • **Option 1:** Average the most recent year and YTD income over the applicable number of months of required history and documentation • **Option 2:** Apply the current pay rate to the average number of hours worked during the prior year and the current year, provided the hours worked during the prior year and the current year are consistent or increasing and documented.

Income (cont.)

Fluctuating Hourly Employment and Additional Fluctuating Employment Earnings

Topic	Requirements and Guidance
Income Calculation Method and Trend Analysis	The degree of fluctuation and the length of receipt of the income must be considered when calculating income used to qualify the loan. The Homebridge underwriter must evaluate the income trend and use the amount that is most likely to continue for the next 3 years **<u>Consistent and Increasing Income Trends</u>** **Calculation Method:** The Homebridge underwriter will average the most recent year(s) and YTD income over the applicable number of months of required history and documentation. **NOTE:** In certain instances, the calculation may be based on a shorter number of months if the Homebridge underwriter can provide a written justification and/or documentation to support the applicable months used in the calculation. The total number of months used in the calculation **must be a minimum of 12 months** and have a reasonable expectation to continue **for a minimum of 3 years** Pay frequency must be considered as it may impact the income calculation (e.g. bonuses) If the increasing income is due to a pay raise, the underwriter will used the calculation method for pay raises **Income Trend Analysis:** • **Degree of Fluctuation ≤10%:** The income trend is considered consistent when the increase between YTD and prior year(s) is ≤ 10%. No additional analysis or documentation is required when calculating the qualifying income • **Degree of Fluctuation > 10% to ≤ 30%:** If the increase between the YTD and prior year(s) earnings is > 10% but ≤ 30%, no additional analysis or documentation is required **when the increase is supported by the documented income breakdown and/or verification of a pay raise** Otherwise, additional analysis is required, and additional documentation may be required to determine income stability and to develop an accurate calculation of qualifying income. The analysis and documentation must support the amount of income used to qualify the borrower • **Degree of Fluctuation > 30%:** If the increase between the YTD and prior year(s) earnings is >30% additional analysis is required and additional documentation will likely be necessary to determine income stability and to develop an accurate calculation of qualifying income. The analysis and documentation must support the amount of income used to qualify the borrower **<u>Declining Trend</u>** If the income trend is declining, the YTD income will be used; the previous higher level cannot be included unless there is documentation of a one-time occurrence (e.g. injury) that prevented the borrower from working or earning full income for a specific period of time **and** evidence is provided that the borrower's income is back to the amount previously earned If the decline between the prior year(s) and/or YTD earnings exceeds 10%, further analysis will be required in additional documentation may be required. The reason for the decline must be included in the analysis.

Income (cont.)

- **1099 Income Borrowers**
  - The borrower is qualified using 1099 guidance (see below), **OR** using self-employed guidance
  - The 1003 and the LPA Findings must be consistent with the qualification option used
  - **DOCUMENTATION REQUIREMENTS for 1099 Income Borrowers Using Non-Self-Employed Option** (FHLMC Bulletin 2022-18)
    - The following documentation is required to consider 1099 income non-self-employment income:
      - Two (2) year's most recent 1099s; 1099s received from multiple sources are acceptable
      - One (1) year most recent tax return (pages one and two) and all applicable schedules
      - YTD income documentation
      - Schedule C must evidence **all** of the following:
        - Gross receipts or sales are equal to the total amount(s) reported on IRS Form 1099(s), **and**
        - Total expenses are ≤ 5%* of gross receipts or sales after deducting non-cash expenses (e.g. depreciation), **and**
        - Cost of goods sold must equal $0, **and**
        - 12 month history of 1099 income and reported expenses

        ***NOTE:** If the expense factor is within a close range of 5% (e.g. 6%) the Homebridge underwriter may perform additional analysis to determine if income reported on Schedule C remains characteristic of non-self-employed income. Factors considered include, but not limited to, principal business or profession, gross receipts or sales, cost of goods sold, and the type and level of expenses reported
      - The income must be likely to continue for at least 3-years
  - The qualifying income is the **net** income
  - A 2-year history of receipt of 1099 income is required except as noted below:
    - Less than 2-years receipt, but not less than 1-year, may be eligible if the income is considered stable and the borrower has prior experience in the same field. 1-2 years receipt **requires Homebridge management review and approval**, **and**
    - The Homebridge Underwriter must complete a written analysis of the income and supporting documentation must be maintained in the loan file.
- **Self-Employed Borrowers:** The business structure determines the reporting method of the business and self-employment income to the IRS. The borrower's tax return for the business generally document the percentage of ownership interest in the business.

Business Structure	Self-Employment Verification of Ownership Interest Percentage
Partnership, S-Corp., and Corporation	• A borrower who has an ownership interest of 25% or more in a partnership (general or limited) S Corp, and/or corporation is considered self-employed • The ownership interest percentage must be verified by a review of the tax returns for the business, the K-1(s) or IRS Form 1125-E. If the information is not provided on these documents, the ownership interest percentage must be verified by a letter from the accountant for the business or similar document(s) • If the borrower has an ownership interest in one or more business, but the ownership interest **is less than 25%** for any business, refer to the Schedule K-1: Borrower Has Less Than 25% Ownership Interest topic for details
Sole Proprietor	• A sole proprietor is an unincorporated business. A sole proprietor owns 100% of the business and reports the income and expenses from that business on Schedule C of the tax return. There is no associated federal business tax return. • 1099 income received for services performed and reported on Schedule C; refer to the 1099 Income Borrowers topic above to determine if the 1099 income is considered self-employed income or non-self-employed income

Income (cont.)	

- **Self-Employed Borrowers Tax Return Requirements:**
  - An income analysis (Freddie Mac Form 91 or similar) must be completed for self-employed borrowers
  - **Businesses operating 5 or more years:**
    - 1 year of tax returns (business and personal) is required. The tax returns must reflect **a full 12 months self-employment income.**

      Example: If 2022 tax returns used for qualification, documentation must be provided the borrower's business was in existence **on or before** 12/31/21 to meet the full 12 months self-employment requirement.
  - Refer to the Employment topic for length of self-employment requirements and to the Self-Employed Documentation Requirements topic below required documents
  - **Businesses operating < 5 years**:
    - 2 years of tax returns (business and personal) are required. Copies of the most recent 2 years signed federal individual and business tax returns with all schedules.
- **Self-Employed Documentation Requirements: Borrower has 25% or More Ownership Interest:**
  - **Partnerships/S Corp/Corporations**: Tax returns must indicate the number of years the business has been in existence
  - **Sole Proprietorship**: Any documentation provided must not contradict the information provided on the loan application regarding the number of years the business has been in existence.

  NOTE: Refer to the Schedule K-1: Borrower Has Less Than 25% Ownership Interest topic for requirements when borrower has < 25% ownership interest

Business Structure	Business Operating ≥ 5 years	Business Operating < 5 years
Sole Proprietorship (100% Owner)	Signed individual federal tax return for most recent year	Signed individual federal tax returns for most recent 2 years
Partnership	Signed individual and business federal tax returns (Partnership IRS Form 1065) including K-1s for the most recent year	Signed individual and business federal tax returns (Partnership IRS Form 1065) including K-1s for the most recent 2 years
S Corp	Signed individual and business federal tax returns (S-corp IRS Form 1120S) including K-1s, Form 1125-E and W-2s for the most recent year	Signed individual and business federal tax returns (S-corp IRS Form 1120S) including K-1s, Form 1125-E and W-2s for the most recent 2-years
Corporation	Signed individual and business federal tax returns (Corporation IRS Form 1120) including K-1s, Form 1125-E and W-2s for the most recent year	Signed individual and business federal tax returns (Corporation IRS Form 1120) including K-1s, Form 1125-E and W-2s for the most recent 2-years

Rental income and expenses reported on Rental Real Estate Income and Expenses of a Partnership or an S Corporation (IRS Form 8825) will be treated as self-employment income, regardless of whether or not the borrower is personally obligated on the Note **and** regardless of the borrower's percentage of ownership in the business

Business Structure Change – Loans with a Note Dated On or After November 8, 2024

If the borrower changed their business structure (e.g. sole proprietorship to S-corp., S-corp. to corporation, etc.) **the borrower's ownership interest must not change** in order for the current and prior business structures to be considered the same business. Additionally, the following applies:

- Homebridge cannot have any knowledge, information, or documentation that other changes occurred (e.g. change of products and/or services, location, etc.), **and**
- There can be no indication the change had a negative impact on business revenue or expenses, **and**
- The Homebridge underwriter must document their evaluation of the above in the written income analysis

If any of the above requirements are not met, the current and prior business structures will be treated as different businesses.

Income (cont.)	• **Self-Employed Income Disclosed Not Used for Qualifying**
	- Self-employment income **not used** for qualifying (i.e. primary source of income is salaried income, or self-employed income is secondary source of income) documentation and evaluation of the self-employment income is **not** required
	- Borrower(s) on the mortgage who are self-employed, and their self-employed income is not being used for qualifying **and** the borrower does not have another source of incoming that is being used for qualifying the following applies:
	  - Page 1 & 2 of the borrower's federal tax returns, and all applicable schedules, must be provided for the Homebridge underwriter to review
	  - If a business loss is reported, and the borrower qualifies with the loss, no additional documentation is required
	  - If a business loss is reported and the borrower does not qualify with the loss, personal and business tax returns must be provided.
	    o Allowable adjustments will be added back
	    o The adjusted loss will be added to the 1003
	    o The loan will be rerun through LPA to ensure the borrower still qualifies
	- If the tax returns or other documentation in the file indicates there is positive income from the business, no additional documentation is required
	Temporary Leave
	• Temporary leave is generally short in duration and is used for circumstances such as family and medical reasons, maternity, short-term disability, etc. The temporary leave policy **does not apply** to employer-initiated actions (i.e. furloughs or layoffs) The income from a borrower who is on temporary leave is eligible for qualification subject to the following:
	- The borrower's employment and income meet standard eligibility requirements,
	- The borrower must provide written confirmation of the intent to return to work and indicate the return date,
	- Documentation must be provided verifying the borrower's pre-leave income (i.e. regular base pay, commission, bonus income, etc., as applicable)
	- Documentation generated by the employer confirming the borrower's eligibility to return to work after the leave (e.g. employer-approved leave request, Family Medical Leave Family, etc.). Documentation may be provided by the employer or a third party vendor.
	- The borrower must demonstrate their ability to repay the mortgage and all other monthly obligations.
	Calculation of the income is as follows:
	- Borrower **returning to work** by the first mortgage payment due date: The borrower's pre-leave gross monthly income is used for qualifying
	- Borrower **is not returning to work** by the first mortgage payment due date:
	  - The temporary leave income that will be received for the duration of the leave, or
	  - In the event the temporary leave income is reduced or interrupted the temporary leave income may be combined with the borrower's available liquid assets.
	NOTE: Assets required for down payment, closing/financing costs, prepaids/escrows and reserves are ineligible to use for qualification.
	- The total qualifying income cannot exceed the borrower's pre-leave gross monthly income
	- In addition to the documentation noted above, the following documentation is also required for borrower's returning to work after the first mortgage payment is due:
	  - Documentation evidencing the amount, duration and consistency of all temporary leave income sources used to qualify the borrower (e.g. short-term disability, insurance, sick leave benefits, temporarily reduced income from the employer, etc.) that is being received by the borrower during the leave, **and**
	  - Documentation that substantiates and verifies any liquid assets used to supplement the reduced income due to the leave, **and**
	  - A written statement from the underwriter explaining the analyses used to determine the qualifying income.

Income (cont.)	**Union Workers**
	• Union workers are subject to the following:
	  - Union workers employed full time through their employer and has a W-2, employment verification is per LPA Feedback Certificate.
	Union workers employed through the union (i.e. contract employees, tradesmen) and/or receive variable sources of income from assigned union jobs, additional verification may be required to evidence stability of employment/income (e.g. 2 years tax returns)
	Rental Income
	• Rental income is eligible for qualifying subject to requirements detailed under the Investment Property Requirements topic.
	Non-Arm's Length Employment: Loans With a Note Dated Prior To November 8, 2024
	Borrowers employed by a family member or an interested party to the transaction (e.g. property seller, real estate agent, etc.) require further analysis to determine the stability of the income. The following applies:
	• Complete, signed federal individual tax returns the most recent year must be provided
	Non-Arm's Length Employment: Loans With a Note Dated On or After November 8, 2024
	Borrowers employed by a family member or an interested party to the transaction (e.g. property seller, real estate agent, etc.) require additional validation to support the current income. The following applies:
	• Completed, signed federal tax returns, **OR**
	• IRS wage and income transcripts for the most recent year must be provided.
	  - The documentation provided **must validate** the prior year earnings from current employment and support the current income level. If the current income level is **not** supported:
	    - Homebridge may use the validated income amount from the prior year as qualifying income
	Employment Contracts
	• **Educational Field:** If the borrower provides an annually renewable or term contract, and it is reasonable to assume it continuance, there are no unique requirements if the borrower is in the educational field (e.g. teacher)
	• **Non-Educational Fields**: An employment contract is eligible to document stable monthly income, when the employment contract is common for the type of employment field and/or the region. The pay structure must be detailed in the contract and the borrower has demonstrated the ability to maintain consistent employment and income with this form or similar form of pay structure over the most recent 2 years.
	  - If the contract does **not** detail the non-fluctuating base pay structure documentation of a 2-year history of income and employment in the same field or similar field/industry must be obtained.
	• **Income Commencing After the Note Date**: Borrowers starting new employment or receiving a future salary increase from their current employer are **eligible subject to Homebridge management approval**

Income (cont.)	**Other Sources of Income** Other sources of income are eligible for qualifying the borrower. LPA determines the documentation, verification and continuation requirements for other sources of income. • **Alimony/Child Support/Separate Maintenance Income:** Eligible subject to the following: - Income must have been received for the most recent 6 months and will continue for a minimum of 3 years - The income cannot be considered for qualifying when: - The payor has been obligated to make payments for less than 6 months, or - The payments received were not for the full amount, or - The payments were not received consistently - **Documentation Requirements:** - A copy of the legally binding documentation verifying the payor's obligation (i.e., signed court order, final divorce decree, legally binding separation agreement, legally binding child support agreement or other legally binding documentation) for the previous 6 months, including the amount and the duration of the obligation - For child support income **only:** Proof of the ages of the children for which child support is received - Documentation to evidence **receip**t of the alimony, child support, or separate maintenance income for the most recent 6 months with one of the following: ○ Evidence the payments were cashed or deposited not the borrower's depository account at a financial institution, **OR** ○ Evidence the payments were transferred into a third-party money transfer application account owned by the borrower, **OR** ○ Statement from a government agency (i.e. child support agency) reflecting the borrower's name as the recipient and the amounts paid • Freddie Mac requires **a 2 year consecutive history of receipt**, with 3 years likely continuance, on the following types of income when used for qualifying (not an all-inclusive list): - Bonus, commission, - Overtime, - Capital gains, - Foster care, - Tip income, - Automobile allowance, - Dividend and interest documented by signed individual federal tax returns - Income from a second/additional job and seasonal employment • If evidence of sufficient remaining assets is required to establish likely continuance of the income (e.g. retirement account distribution trust income, dividend and interest income, etc.) those assets may not be in the form of cryptocurrency. Refer to the Cryptocurrency topic for complete policy

Income (cont.)	**Other Sources of Income** (cont.)
	• Income received from a trust is eligible subject to the following: - **Fluctuating payments** from a trust asset (e.g. dividends and interest) require 2-year history of receipt and must continue for a minimum of 3-years. The following is required: - A copy of the fully executed trust agreement outlining payment terms, **and** - 2-years most recent tax returns, **and** - Evidence of sufficient assets to support the qualifying income (e.g. letter from the trustee, bank statements, etc.) **NOTE**: If the borrower is the trustee of the trust **the borrower cannot provide the letter confirming sufficient assets**; sufficient assets must be documented by another source - **Pre-determined fixed payments** occurring at regular intervals **require a minimum 1-year history of receipt** and must continue for a minimum of 3-years. The following is required: - Copy of the fully executed trust agreement specifying the fixed payment amount, the interval of payments (e.g. monthly, quarterly), and the duration of payments, **and** - Document receipt for the most recent 12 months with a copy of a bank statement or other equivalent documentation, **and** - Evidence of sufficient assets to support the qualifying income (e.g. letter from the trustee, bank statements, etc.) for a minimum of 3-years **NOTE**: If the borrower is the trustee of the trust **the borrower cannot provide the letter confirming sufficient assets**; sufficient assets must be documented by another source • **Tax exempt/non-taxable income** is eligible subject to the following (see tax exempt social security income below for social security income requirements): - A history of receipt **not** required - The income must be likely to remain tax exempt - The amount that may be grossed-up is determined using: - 25% of the tax exempt portion of the income, **OR** - The current federal and state income tax withholding table - A copy of the borrowers most recent tax return or other documentation evidencing the income, or a portion of the income, is tax exempt • **Tax exempt/non-taxable social security income** (i.e. retirement income, disability benefits, survivor benefits, and SSI) is subject to the following: - A history of receipt **not** required - The income must be likely to remain tax exempt - The amount that may be grossed-up is determined using: - 25% of the tax exempt portion of the income, **OR** - The current federal and state income tax withholding table - 15% of the social security income may be grossed up **without obtaining documentation** to validate the portion of the social security income is tax exempt/non-taxable **Exampl**e: If SSI is $1,000 per month it can be grossed up $150 to $1150 without documentation ($1000 x 15% = $150) - If grossing up **more than 15%** of the social security income, to the maximum allowed of 25% for tax exempt income, documentation is required as follows**:** - The borrowers most recent tax return, **or** - Other documentation evidencing the income, or a portion of the income, is tax exempt **Reminder:** Even with documentation the **maximum amount non-taxable/tax exempt income may be grossed up is 25%** (e.g. if SSI is $1,000 per month the maximum it may be grossed up is $250 to $1250 ($1000 x 25% = $1250)

Income (cont.)

Other Sources of Income (cont.)

- **Restricted Stock (RS) and Restricted Stock Units (RSU)** income is eligible subject to determining the stability of the income and the guidance below.
  - The stability of the RS and/or RSU income must be determined; the following applies:
    - An analysis of changes in the company's stock price as well as past and future distributions detailed in a vesting schedule is required
    - If the YTD earnings are consistent with prior years or trending upward, the applicable calculation, detailed in the charts below, are used to determine eligible monthly income
    - If the YTD earnings are not consistent (i.e. the value of the vested share distributions has decreased substantially) additional analysis and documentation is required to determine eligibility

Income Type	Requirements

Restricted Stock (RS) and Restricted Stock Units (RSU) Subject to:
 	
Performance-Based Vesting Provisions
	History of Receipt
	• Requires 2 years consecutive receipt
	• The RS and RSU must be vested and have been distributed to the borrower from their current employer without restriction
	• Must be likely to continue for a minimum of the next three (3) years (documentation **not** required unless loan file contains information that income no longer received or likely to cease)
	Documentation
	• YTD paystub which includes YTD earnings including the RS and RSU payouts
	• W-2s for the most recent 2 years
	• Evidence the stock is publicly traded
	• Copy of the RS and/or RSU Agreement **or** offer letter
	• The current vesting schedule(s) detailing past and future vesting
	• Evidence of receipt of previous years payouts of RS/RSU (e.g. year-end paystub, employer-provided statement paired with a brokerage or bank statement) showing transfer of shares or funds that at minimum include:
	  - The number of vested shares or its cash equivalent distributed to the borrower (pre-tax)
	Calculation
	• **RS/RSU Distributed as Shares –** calculate as follows:
	  - Multiply the 52-week average stock price as of the application date by the total number of vested shares distributed (pre-tax) to the borrower in the previous 2 years and divide by 24
	  Example: If 200 vested shares were distributed (pre-tax) in the past 2-years and the 52-week average stock price as of the application date is \$10, multiply 200 by \$10 then divide by 24 = \$83.33 monthly income
	• **RS/RSU Distributed as Cash Equivalent**
	  - The total dollar amount distributed (pre-tax) from the cash equivalent of vested shares for the previous 2-years is divided by 24

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<tr><th>Income Type</th><th>Requirements</th></tr>
<tr><td>Restricted Stock (RS) Restricted Stock Units (RSU) Subject to:
Time-Based Vesting</td><td>
History of Receipt

One year minimum
The RS and RSU must be vested and have been distributed to the borrower from their current employer without restriction
Must be likely to continue for a minimum of the next three (3) years (documentation not required unless loan file contains information that income no longer received or likely to cease)

Documentation

YTD paystub which includes YTD earnings including the RS and RSU payouts
W-2 for the most recent year
Evidence the stock is publicly traded
Copy of the RS and/or RSU Agreement or offer letter,
The most recent vesting schedule(s) detailing past and future vesting
Evidence of receipt of previous year's payout of RS/RSU (e.g. year-end paystub, employer-provided statement paired with a brokerage or bank statement) showing transfer of shares or funds that at minimum include:

Date(s) of the payout(s), and
The number of vested shares or its cash equivalent distributed to the borrower (pre-tax)

Calculation

RS/RSU Distributed as Shares – calculate as follows:

Multiply the 52-week average stock price as of the application date by the total number of vested shares distributed (pre-tax) to the borrower in the past year and divide by 12

Example: If 50 vested shares were distributed (pre-tax) in the past year and the 52-week average stock price as of the application date is $10 multiply 50 by $10 and divide that by 12 = $41.67
RS/RSU Distributed as Cash Equivalent

The total dollar amount distributed (pre-tax) from the cash equivalent of vested shares for the past year is divided by12

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Income (cont.)

Other Sources of Income (cont.)

- **Social Security Retirement Income, Long-Term Disability, Survivor and Dependent and Social Security Supplement Security Income (SSI). The following applies:**
  - Documentation and likelihood of continuance requirements are determined based on the type of benefit as detailed in the table below and on the following page
  - A history of receipt is **not** required for the income to be considered stable
  - Refer to the Tax Exempt guidance for requirements pertaining to the tax exempt portion of social security income

Income Type	Requirements

Retirement (Social Security/ Pension/ Annuity)
 	
Does not apply to retirement account distributions; refer to next page for 401(k)/IRA distributions
	Currently Received
	• Document the type, source, amount, frequency received with:
	  - Award letter, benefit verification letter, or equivalent documentation
	• Document current receipt with:
	  - 1 month bank statement, pay statement
	NOTE: Separate verification of current receipt is not required if the award letter, benefit verification letter verifies current receipt
	• A 3-year likely continuance is required
	• Social Security Retirement Benefits**: One** of the following is required:
	  - The benefit verification letter, **or**
	  - Documentation evidencing current receipt, **or**
	  - Form 1099-SSA for the most recent calendar year, **or**
	  - Pages 1 and 2 of the borrower's most recent federal tax return (or pgs. 1-3 if borrower files Form 1040-SR). If the tax returns are filed jointly with an individual who is not borrower on the transaction, additional documentation supporting the amount of social security income used for qualifying must be obtained
	
	Newly Established Benefit
	• If newly established the following applies:
	  - Current receipt verification is not required
	  - Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes:
	    - An award letter, benefit verification letter or equivalent documentation
	  - The income must begin prior to or on the first payment due date of the mortgage

Income (cont.)	**Other Sources of Income** (cont.)

Income Type	Requirements

Retirement Account Distributions (401(K)/IRA etc.)	**Eligibility**
	• The distribution must be without penalty (i.e. early withdrawal penalty), **and**
	- Document the type, source, amount, frequency received and history of receipt with the most recent retirement account statement, **and**
	- **Required Distributions**: If distributions are due to the borrower taking the minimum distribution as required by the IRS and evidence of current receipt is documented, history of receipt is not required, **or**
	- **Non-Required Distributions:** If the distribution is not a required distribution the Underwriter must determine the stability of the income and review the history of receipt as detailed below:
	  - Review the frequency and regularity of receipt
	  - Determine the history of receipt and if that receipt demonstrates a stable pattern
	  - The Underwriter must document the analysis used to determine the eligible qualifying income and include in the loan file, **and**
	• Documentation that evidences sufficient assets to support the qualifying income for a minimum of three (3) years from the Note date required (the borrower's retirement assets in aggregate may be considered when confirming continuance)
	NOTE: Any retirement assets used to verify continuance **may not** be used as a source of funds for closing or reserves, as a current source of income, or for calculation of assets as a basis for repayment obligations, **and**
	- Document current receipt with 1 month bank or pay statement
	NOTE: If distributions are not received monthly, (i.e. annual, semi-annual etc.) a copy of the retirement account statement, 1099 or equivalent documentation for each account issuing a distribution that is being used for qualifying, is acceptable to document current receipt

Income (cont.)

Other Sources of Income (cont.)

Income Type	Requirements

Long-Term Disability (Social Security/VA/ Workers Comp/ Private Disability)	**Currently Received**
	• Document the type, source, amount, frequency received with:
	  - Award letter, benefit verification letter, or equivalent documentation
	• Document current receipt with:
	  - 1 month bank statement, pay statement
	NOTE: Separate verification of current receipt is not required if the award letter, benefit verification letter verifies current receipt
	• Continuance may be assumed unless there is a pre-determined insurance/benefit expiration date that is less than 3 years (e.g. stated expiration on a private insurance policy)
	• Social Security Retirement Benefits**: One** of the following is required:
	  - The benefit verification letter, **or**
	  - Documentation evidencing current receipt, **or**
	  - Form 1099-SSA for the most recent calendar year, **or**
	  - Pages 1 and 2 of the borrower's most recent federal tax return (or pgs. 1-3 if borrower files Form 1040-SR). If the tax returns are filed jointly with an individual who is not borrower on the transaction, additional documentation supporting the amount of social security income used for qualifying must be obtained
	Newly Established or Future Benefit
	• If newly established the following applies:
	  - Current receipt verification is not required
	  - Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes:
	    - An award letter, benefit verification letter or equivalent documentation
	  - The income must begin prior to or on the first payment due date of the mortgage, **OR**
	  - The income may begin **after** the first payment due date subject to:
	    - The borrower is currently receiving short-term disability benefits that will be converting to long-term benefits, **and**
	    - The borrower is qualified on the **lesser** amount of the long-term or short-term disability payments, **and**
	    - The documentation requirements stated above are met

Schedule K-1: Borrower Has Less Than 25% Ownership Interest	**Schedule K-1 Income from Partnerships and S Corps:** **Borrowers who have <u>less than 25%</u> ownership:** Schedule K-1 income is subject to the following: • Schedule K-1s for the most recent 2-calendar years must be provided, **and** • When using ordinary business income for qualification, the historical cash distributions must be reasonably consistent with the ordinary business income reported on the K-1s and have been received for the most recent 2-years, **and** • Documentation of all YTD income must be obtained if available (e.g. most recent YTD paystub or equivalent). If YTD information is **not attainable** (e.g. due to year-end payment structures) the Homebridge underwriter may document and justify the income stability without this information, **and** • Guaranteed payments for services payments must have been received for the most recent 2-years; however in certain instances a shorter history may be acceptable if the income is stable when sufficient documentation is provided to justify the determination of stability (e.g. borrower recently changed from an employee of the same firm to a partner with a nominal ownership interest**). In no instances may the history be less than 12 months, and** • Verification of the current existence of the business is required

Income (cont.)

Other Sources of Income (cont.)

Income Type	Requirements

Survivor/Dependent Benefit (Social Security/ VA or other similar benefits)	**Currently Received**
	• Document the type, source, amount, frequency received with:
	  - Award letter, benefit verification letter, or equivalent documentation
	• Document current receipt with:
	  - 1 month bank statement, pay statement
	NOTE: Separate verification of current receipt is not required if the award letter, benefit verification letter verifies current receipt
	• A 3-year likely continuance is required
	Newly Established Benefit
	• If newly established the following applies:
	  - Current receipt verification is not required
	  - Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes:
	    - An award letter, benefit verification letter or equivalent documentation
	  - The income must begin prior to or on the first payment due date of the mortgage

Social Security Supplemental Security Income (SSI)	**Currently Received**
	• Document the type, source, amount, frequency received with:
	  - Award letter, benefit verification letter, or equivalent documentation
	• Document current receipt with:
	  - 1 month bank statement, pay statement
	NOTE: Separate verification of current receipt is not required if the award letter, benefit verification letter verifies current receipt
	• Continuance may be expected unless there is evidence of a pre-determined expiration date
	Newly Established Benefit
	• If newly established the following applies:
	  - Current receipt verification is not required
	  - Documentation that provides the type, source, frequency, date the income will begin and the payment to be received is required. Acceptable documentation includes:
	    - An award letter, benefit verification letter or equivalent documentation
	  - The income must begin prior to or on the first payment due date of the mortgage

Inspections

- Septic inspections are only required when the appraiser indicates there is evidence the septic system be failing.
- Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation
- Well inspections are only required when state or local regulations require, or if there is indication the well may be contaminated

Interested Party Contributions

Interested party contributions (IPC) pay for costs that are normally charged to the buyer of the property (borrower) and are provided by a party that has a financial interest in, or can influence the terms and sale/transfer of the subject property such as:

- Seller,
- Builder/developer,
- Real estate agent,
- Broker, or
- Any affiliate of the above who will benefit from the sale of the property and/or at the highest possible sales price.

IPCs can be either financing concessions or sales concessions and include:

- Funds paid directly from the interested party to the borrower
- Funds that flow from an interested party through a third-party organization, including nonprofit entities, to the borrower,
- Funds that flow to the transactions on the borrower's behalf from an interested party, (includes third party organization and nonprofit agency),
- Funds donated to a third party who provides the funds to pay some or all of the closing costs for the transaction.
- If the borrower is a realtor purchasing a home, the realtor's commission funds from the transaction are an acceptable IPC, subject to the limits below, but they cannot be used for down payment, reserves, and/or minimum borrower contribution requirements.

  NOTE: Prorated real estate tax credits, contributed by the property seller in areas where real estate taxes are paid in arrears, **are not** considered IPCs and **are not** included in financing concession limits

  Interested party contributions are limited as follows:

Occupancy Type	LTV/CLTV	Maximum Allowable Contribution
Primary Residence or Second Home	> 90%	3%
	75.01% - 90%	6%
	75% or less	9%
Investment Property	All	2%

  NOTE: IPC limits do not apply to Freddie Mac REO properties (concessions contributed by FHLMC as the property seller)
- **Funds** for a temporary buydowns are subject to interested party contribution limits; refer to the Temporary Buydown topic for complete buydown requirements
- IPCs cannot be used to make the borrower's down payment, reserve requirements or to meet any minimum borrower contribution requirement.
- Sales concessions items such as furniture, automobiles, decorator allowances, cash, etc. and financing concessions that exceed the limits above **must be** deducted from the sales price when calculating the LTV/CLTV ratios.
- Financing concessions generally include origination fee, discount points, commitment fee, appraisal cost, transfer taxes, attorney's fees, title insurance premiums, etc. They may also include prepaid items such as interest charges (no more than 30 days), real estate taxes covering any period after the settlement date, hazard insurance premiums (≤ 14 months), HOA dues (≤ 12 months), mortgage insurance premiums and escrow accruals for borrower paid MI.
  - Financing concessions are subject to the IPC limits noted above. Financing concessions include:
    - Financial contributions from an interested party that benefits the borrower in the financing transaction,
    - Payments or credits related to acquiring the property, and
    - Payments or credits for financing term, closing costs, or prepaids, including up to 12 months HOA dues. HOA dues must be collected at closing and transferred directly to the HOA and documented on the Closing Disclosure

  NOTE: Fees and/or closing costs paid by the seller that are considered common and customary are not subject to IPC limits e.g. owner's title and transfer tax.
- The costs associated with a builder forward commitment **are not** subject to IPC limits
- Undisclosed IPCs are ineligible (i.e. borrower paid closing costs moved to seller side of CD)

<table>
<tr><td>Investment Property Requirements/Rental Income Eligibility</td><td>

Rental Income – General Eligibility

- Rental income from the following property types is eligible:
  - 2-4 unit primary residence (income from the units not occupied by the borrower)
  - 1-4 unit investment property
  - Non-subject investment property owned by the borrower (not restricted to residential property, i.e. commercial property allowed)
  - A 1-unit primary residence with an ADU; refer to the Rental Income from an ADU topic for requirements
- Rental income for a Partnership or an S Corp reported on **IRS Form 8825** is treated as self-employment income; refer to the Self-Employed Documentation Requirements topic for details
- **Subject investment property purchase transactions and primary residences being converted to investment property have specific requirements regarding the use of rental income.** Refer to the Limitations on the Use of Rental Income to Qualify for Certain Transaction Types topic for details and exceptions.
- Eligible rental income must be stable, generated from an acceptable and verifiable source and must be reasonably expected to continue for a minimum of 3 years
- Gift funds are **ineligible** on investment transactions.
- Required reserves will be determined by LPA; refer to the Reserves topic for details
- Rent loss insurance not required
- Investment property files, regardless of whether or not income is used to qualify, must contain **one** of the following documents at closing:
  - If the property is vacant, verification from the appraiser that all units are currently vacant (can be noted on the appraisal report), **or**
  - If the property has any tenants, verification from the title company that they will not have a "Tenants in Possession" exception in the title policy. Specific verification from the title company is required; the title company must provide in writing documentation that they will not have a "tenants in possession" exception, **or**
  - A copy of the lease documentation that specifically indicates one of the following:
    - The lease is subordinate to any mortgage, or
    - Any tenant's right to purchase the property or any rights that could affect Homebridge's interest have been formally waived by all tenants of the property.

Appraisal Form Requirements and Analysis

	Subject Property 1-unit Investment Property	Subject Property 2-4 unit Primary or Investment Property
Documentation	FHLMC/FNMA Form 1000/1007 **Single Family Comparable Rent Schedule**	FHLMC/FNMA Form 72/1025 **Small Residential Income Property Appraisal Report**
Underwriter Analysis	• Determine if the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, as applicable • If the current market rents do not reasonable support the gross monthly rents reported on Schedule E or lease: - Additional documentation may be required at underwriter discretion, **and** - The underwriter must prepare a written analysis to be included in the in loan file explaining the discrepancy and documenting reasons for considering the income stable and reasonable expected to continue	

(requirements continued on next page)

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Investment Property Requirements/Rental Income Eligibility (cont.)

Documenting Rental Income Requirements

	Subject Property <u>Purchase</u> Transactions 2-4 Unit Primary Residence and 1-4 Unit Investment	**Subject Property <u>Refinance</u> Transactions or Non-Subject Investment Property** 2-4 Unit Primary Residence 1-4 Unit Investment **Property purchased in current calendar year OR placed in service as a rental property in the current calendar year** (also see Properties owned in the **prior year**)

Documentation Required	• A copy of the existing lease(s) **is required** (if available*),
	OR
	• If a lease is **not** available, one of the following is required:
	- FHLMC/FNMA Form 1000/1007 (Single-Family Comparable Rent Schedule), **or**
	- FHLMC/FNMA Form 72/1025 (Small Residential Income Property Appraisal Report)
	
	*NOTE: Reasonable effort must be made to determine lease availability (e.g. review of appraisal, comparable rent data, purchase contract, discussion with the borrower, etc.)
		• A copy of the existing lease, **AND**
		• **One** of the following is also required to support the income on the lease:
		- FHLMC/FNMA Form 1000/1007 (Single-Family Comparable Rent Schedule), **or**
		- FHLMC/FNMA Form 72/1025 (Small Residential Income Property Appraisal Report), **OR**
		- Documentation verifying receipt of two (2) months of rental payments, **or**
		- Documentation of the receipt of the security deposit and the first month's rental payment.
		- Documentation must include:
		  - Evidence the payments were cashed, deposited into the borrower's account **or evidence** payments were transferred into a 3rd party money transfer application owned by the borrower. Acceptable evidence includes bank statements, cancelled checks, screen shot that evidences transfer of payment that ties to the borrower's bank account, monthly account statement, etc., **or**
		  - For security deposits, evidence of deposit into an escrow or business account established for that purpose
		• Purchase date or conversion date (primary to investment) as applicable **must be documented**

Lease Requirements	• The existing lease must be current and fully executed in the property seller's name as the landlord	• The lease must be current and fully executed • Newly executed leases require that the first rental payment due date be no later than the first payment due date for the subject loan

(requirements continued on next page)

Investment Property Requirements/Rental Income Eligibility (cont.)		**Limitations on the Use of Rental Income**	
	Limitations on the Use of Rental Income to Qualify for Certain Transaction Types	**Subject Investment Property Purchase Transactions:** • When the borrower(s) are purchasing an investment property each borrower must currently own a primary residence **OR** have a current rental housing payment that can be documented in order to use rental income to qualify **Exception:** If the borrowers are **currently residing in the same property** only **<u>one borrower</u>** is required to own a primary residence or have a current rental housing payment (i.e. be on the mortgage or the lease) • Net rental income can **only** offset the PITI, and, when applicable, mortgage insurance premiums, leasehold payments, HOA dues, and payments on secondary financing on the subject investment property **Exception:** If at least **<u>one borrower</u>** has a minimum of **one-year documented** investment property management experience **the <u>full amount of the net rental income may be used for qualifying</u>**	**Primary Residence Being Converted to Investment Property:** • Net rental income can **only** offset the PITI and, when applicable, mortgage insurance premiums, leasehold payments, HOA dues (excluding unit utility charges) and any payments on secondary financing on the primary residence being converted **Exception:** If at least one borrower has a minimum of one year of investment property management experience and the investment property management experience can be documented for one borrower, **<u>the full amount of the net rental income may be used for qualifying</u>**

(requirements continued on next page)

<table>
<tr>
<td rowspan="3">Investment Property Requirements/Rental Income Eligibility (cont.)</td>
<td></td>
<td>Rental Income from Property Owned in the Prior Calendar Year</td>
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<tr>
<td>Documentation Required</td>
<td>
The following documentation is required:

A copy of the borrower’s complete federal income tax returns, including Schedule E for the most recent year
If the property was purchased or converted to a rental property in the prior calendar year, the purchase or conversion date, as applicable, must be provided and documented in the loan file
Rental income used for qualifying must be calculated using Schedule E, except as stated below for when a signed lease may be used in lieu of Schedule E

Calculating Qualifying Income Using Schedule E:

If the property was owned as a rental property during the entire calendar year, the rental income or loss used in qualifying must be annualized by dividing by 12
Exception: The qualifying income may be established based on the number of days in service provided that the property was out of service for any period of time in the prior year and documentation is provided evidencing an event, such as a renovation, that supports the reduced number of days in use and repair costs on Schedule E
If the property was purchased or converted to a rental property later in the prior calendar year, the rental income used for qualifying is based on the purchase or conversion date
Exception: The qualifying income may be established based on the number of days in service on Schedule E, provided the property was out of service for a period of time after the purchase or conversion, and documentation is provided evidencing an event, such as a renovation, that supports the reduced number of days in use and repair costs on Schedule E

Using a Signed Lease in Lieu of Schedule E:
A signed lease may be used when:

The most recent tax return filed does not include the rental property on Schedule E (i.e. the tax return for the year during which the property was purchased or converted is on extension), OR
The property was out of service for any time period during the prior year, and documentation is provided evidencing an event, such as a renovation, supports the reduced number of days in use and repair costs on Schedule E

When a lease is used to calculate rental income, the following additional documentation is required:

FHLMC Form 72 or 1000 supporting the income reflected on the lease, OR

Documentation verifying receipt of 2 months rent payments or the security deposit a receipt of the first month’s rent payment. Acceptable documentation includes:

Evidence the payments were cashed, deposited into the borrower’s account or
Evidence payments were transferred into a 3rd party money transfer application owned by the borrower. Acceptable evidence includes bank statements, cancelled checks, screen shot that evidences transfer of payment that ties to the borrower’s bank account, monthly account statement, etc., or
For security deposits, evidence of deposit into an escrow or business account established for that purpose or evidence payment was cashed or deposited into the borrower’s personal depository account

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<tr>
<td>Lease Requirements</td>
<td>

Lease must be current and fully executed
Newly executed leases require that the first rental payment due date be no the first payment due date for the subject loan

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</table>

<table>
<tr><td rowspan="5">Investment Property Requirements/Rental Income Eligibility (cont.)</td><td colspan="2">Documenting Rental Income Requirements (cont.)</td></tr>
<tr><td>Rental Income Source</td><td>Net Rental Income Calculation
Net Rental Income Calculation Determined by Rental Income Source</td></tr>
<tr><td>Lease and/or FHLMC/FNMA Forms 1000/1007 or 72/1025</td><td>75% of the gross monthly rent or gross monthly market rent

Refer to the Documentation Required topic for lease and Forms eligibility requirements</td></tr>
<tr><td>Schedule E</td><td>The net rental income for each individual property is determined based on the history of income and expenses reported on Schedule E. The net rental income from Schedule E is calculated using Freddie Mac Form 92 Net Rental Income Calculations – Schedule E as follows:
• Rents received minus total expenses. The following expenses are added back:
- Insurance,
- Mortgage interest
- Real estate taxes,
- Depreciation and/or depletion
- HOA dues (if reported as an expense),
- One time losses (due to a catastrophic event),
- Non-cash deductions
NOTE: When calculating the net rental income for each individual property, the insurance, mortgage interest paid, real estate taxes, and HOA dues are only added back if they are included in the payment being used to establish the debt payment-to-income ratio for that property.

The result of the above calculation is the net rental income divided by 12 months to determine monthly amount unless specific exceptions are met. Refer to the Rental Income from Property Owned in the Prior Calendar Year topic for details</td></tr>
<tr><td colspan="2">DTI Calculation</td></tr>
<tr><td></td><td>DTI Ratio Using Net Rental Income</td><td>Subject 2-4 Unit Primary Residence:
• The monthly housing expense is added as a liability to the DTI, and
• The net rental income may be added to the monthly income
Subject 1-4 Unit Investment:
• Subtract the monthly payment amount from the net rental income:
- If positive, add that amount to the monthly income
- If negative, add that amount to the DTI
Rental Income from Non-Subject Investment Property
• Subtract the monthly payment amount from the net rental income:
- If positive, add that amount to the monthly income
- If negative, add that amount to the DTI
NOTE: If the borrower owns multiple non-subject investment properties apply the above calculation and requirement to each property</td></tr>
</table>

LDP/GSA and Mortgage Fraud	**LDP / GSA** **LDP / GSA** All of the following parties to the transaction, as applicable, must be checked against HUD's Limited Denial of Participation list and the General Service Administration's Excluded Parties List System. • Borrower(s) and Borrower(s) AKA name (if applicable) • Seller(s), • Real Estate Listing and Selling Agent(s), • Appraiser, • Appraisal Company (**not** the AMC) • Broker • Loan Officer, Loan Officer Assistant • Loan Processor, • Underwriter, • Account Manager, • Closing/Settlement Agent, • Title/Settlement Company, and • 203(k) Consultant • Any transaction where any of the interested parties to the transaction have been convicted of mortgage fraud will require review and approval by Homebridge management.
Manufactured Housing: Overview	• Freddie Mac defines a manufactured home as a 1-unit dwelling built on a permanent chassis in accordance with the National Manufactured Construction and Safety Standards Act as promulgated by the Department of Housing and Urban Development (HUD) and affixed to a permanent foundation. • The manufactured home and the land on which it is situated must be titled as real property **and** the borrower must own the land. Documentation must be provided to evidence the home is legally classified as real property, the home is properly titled and the lien on the home is property created, evidenced and perfected. • Homebridge follows Freddie Mac guidelines for manufactured housing unless otherwise noted in these guidelines. To view Freddie Mac's complete manufactured housing requirements refer to the Manufactured Housing topics in the Freddie Mac Seller Guide Chapter 5703 • A Manufactured Housing Limited Power of Attorney signed by the borrower is required for any post-close items pertaining to the conversion of the home from personal to real property if not completed prior to closing. Any post-closing documents must be included in the loan file. • **Conforming loan amounts only; super conforming loan amounts ineligible**

Manufactured Housing: General Terms	**HUD Certification Label (aka HUD label, seal or tag)** A 2"x4" metal plate affixed to the **exterior** of each transportable section of the manufactured home. The plate includes the HUD certification label number which evidences compliance with the Federal Manufactured Home Construction and Safety Standards. Information from the HUD Certification Label is included in the appraisal report if available. If not available a letter of label verification, obtained from the Institute for Building Technology and Safety is required **Institute for Building Technology and Safety** A letter of label verification must be obtained from The Institute for Building Technology and Safety if the HUD Certification Label is missing from the manufactured home **HUD Data Plate (aka Compliance Certificate)** A paper label mounted **inside** the manufactured home that includes the manufacturer's name, trade/model name, year manufactured, serial number, a list of the Certification Label number(s). Information from data plate is included on the appraisal report **Engineer's Certification for Manufactured Housing Foundation:** A certification the home's permanent foundation is in compliance with the Permanent Foundations Guide for Manufactured Housing (PFGMH) **New Manufactured Home** A home that is purchased directly from a retailer or a developer and has never been occupied and has never been affixed to a permanent foundation on another site **HUD Codes** – Regulations Applicable to Manufactured Homes • Federal Manufactured Home Construction and Safety Standards (MHCSS 24 CFR Part 3280) • Manufactured Home Procedural and Enforcement Regulations (24 CFR Part 3282) • Model Manufactured Home Installation Standards (MIS 24 CFR Part 3285/3286)
Manufactured Housing: Eligibility	Manufactured homes must meet HUD codes for manufactured homes. HUD codes include: • Federal Manufactured Home Construction and Safety Standards • Manufactured Home Procedural and Enforcement Regulations • Model Manufactured Home Installation Standards

Manufactured Housing: Eligibility (cont.)	Additionally the following applies: • The home must be a 1-unit multi-wide dwelling, classified as real property and permanently affixed to a permanent foundation in compliance with HUD codes • Primary residence or second home eligible • The manufactured home must be a minimum of 20 feet wide • The wheels, axles and towing hitches must be removed from the home • The land on which the home sits must be owned by the borrower in fee simple; **leaseholds are ineligible** • The home must have been built on or after June 15, 1976 • If installed prior to October 20, 2008 (prior to HUD code requirements for anchoring systems were in place) the anchoring system must comply with the manufacturer's design or a designed by a licensed, registered professional engineer. Documentation must be provided by an appropriately licensed professional attesting the anchoring system is in compliance with the manufacturer's/ or engineer's design. • The permanent foundation must adhere to the manufacturer's requirements and meet all local, state, or federal codes as applicable. • The home must be permanently connected to utilities (power, water and a sewage disposal system) per HUD codes • Any improvements, modifications or repairs that affect safety, soundness, or habitability of the home must be completed prior to loan closing • If the home is a new a copy of the manufacturer's invoice and purchase agreement must be provided and maintained in the loan file • The home must be built on a permanent chassis in compliances with the applicable HUD code in effect as of the date the home was constructed. The following must be present and legible to evidence the home was built in compliance: - The HUD Certification Label, and - The HUD Data Plate. The appraisal must include all of the information from the HUD Data Plate and Certification label If either of the above are not present, the following may be provided as evidence of compliance: - **HUD Certification Label:** A verification letter from the Institute for Building Technology and Safety (IBTS) - **HUD Data Plate**: A copy of the Data Plate or substitute perform verification from the IBTS, **or** - A copy of the Data Plate from the In-Plant Primary Inspection Agency (IPIA), **or** - The manufacturer of the manufactured home **NOTE**: **If the original/alternative documentation cannot be obtained the loan is ineligible** **Ineligible** The following are **ineligible**: • An investment property secured by a manufactured home • A manufactured home subject to a leasehold estate • A home moved from another site (i.e. previously installed at another site) Home must have been delivered directly from the manufacturer/dealer to its current site. • A single wide manufactured home • A manufactured home located in a condominium project • A manufactured home located in a senior community • A mortgage secured by a manufactured home where the proceeds will be used to pay the outstanding balance under a land contract • A super conforming loan amount secured by a manufactured home • A transaction involving the payoff of a land contract • Construction to perm if the foundation not complete and home not fully installed prior to loan documents

Manufactured Housing: Purchase Transactions	A purchase transaction may be used to purchase the manufactured home and the land or just the manufactured home if the borrower already owns the land.
	• The purchase price may include documented costs for:
	  - Delivery and set-up,
	  - Site development,
	  - Installation, and
	  - Permanent utility connections (including well/septic)
	• Credit for wheels and axles and any retailer rebates must be deducted from the purchase price along with any sales concessions
	• Financing of insurance, with the exception of mortgage insurance, is **not** allowed
	• A copy of the manufacturer's invoice and the manufactured home purchase agreement
	New Construction
	New construction is defined a home not previously owned and/or is not affixed to a permanent foundation as of the application date. The maximum LTV/CLTV for a new manufactured home is based on the value determined by the **lower of**:
	• The purchase price of the home, **and**
	  - If the land was purchased < 12 months prior to the application date, the lowest purchase price at which the land was sold during that 12-month period, **or**
	  - If the land was purchased 12 months or more prior to the application date, the current appraised value of the land,
	OR
	• The current appraised value of the home and land
	Existing Manufactured Home
	An existing manufactured home that is affixed to a permanent foundation prior to the application date. The maximum LTV/CLTV is based on the **lowest of:**
	• The purchase price of the home and land, **or**
	• The current appraised value of the manufactured home and land, **or**
	• If the home was affixed to a permanent foundation < 12 months prior to the application date, the lowest priced at which the home was previously sold during that 12 month period, **and** the **lower of**:
	  - The current appraised value of the land, **or**
	  - The lowest price at which the land was sold during the 12-month period (if there was a sale)

Manufactured Housing: Refinance Transactions	**No Cash-Out (Rate/Term) Refinance** • The maximum LTV/CLTV, regardless of length of ownership, is based on the current appraised value of the manufactured home and land (for both single or separate liens) • Cash back to the borrower not to exceed the **lesser of** 2% of the balance of the new loan or $2,000 **Cash-Out Refinance** A cash-out refinance involves the payoff of an existing loan secured by the home and land (or loans if home and land are encumbered by separate mortgages) or allows the property owner to obtain a loan on a property that does not currently have a loan against it and allows the borrower to take equity out of the property. • **To be eligible for a cash-out refinance, the borrower must have owned both the home and the land for a minimum of 12 months prior to the Note date**. **NOTE**: If the property is owned free and clear only one borrower is required to have been on title to the subject property **for at least 6 months** prior to the Note date • The value for a cash-out refinance is based on the current appraised value of the home **and** land
Manufactured Housing: Land Acquired through Gift/Inheritance	**Land Acquired Through Gift/Inheritance** If the borrower acquired the land as a gift or inheritance or other "non-purchase" transaction , 12 months prior to the application date, appropriate documentation must be provided to verify the acquisition and transfer of ownership of the land. In any of these cases, the value of the land is the current appraised value.

Manufactured Housing: Required Documentation	**Existing Manufactured Home Required Documentation** • **HUD Certification Label**: Verification of the HUD Certification Label: If the Certification Label is not attached to the manufactured home, an alternative to the HUD Certification Label is a verification letter that provides the same information which must be provided from one of the following: - The Institute for Building Technology and Safety (IBTS), **or** - An In-Plant Primary Inspection Agency (IPIA), **or** - The manufacturer of the manufactured home, **OR** • **HUD Data Plate**: Information as detailed in the appraisal topic **must be** included in the appraisal report, **AND** • **Inspection Report – Required only when an Addition/Alteration made to Home:** If an addition or alteration has been made to the original manufactured home one of the following is required: - Evidence is provided that an inspection by a state agency to approve the modifications has been completed (in states which require such inspections), **OR** - The property must be inspected by a licensed professional engineer certifying the addition or structural changes were completed in accordance with the HUD Manufactured Construction Safety Standards, **NOTE**: In either instance, a copy of the inspection report must be included in the loan file. **AND** (as applicable) • **Manufactured Home Installed on or after October 20, 2008**: • An Engineers Certification completed by a licensed engineer stating the home was attached to the permanent foundation in accordance with the manufacturer's requirements and the foundation meets all manufacturer and state/local requirements, **OR** • A copy of the Certification of Installation or comparable state specific form, **OR** • **Manufactured Home Installed prior to October 20, 2008:** An Engineers Certification completed by a licensed engineer stating the home was attached to the permanent foundation in accordance with the manufacturer's requirements and the foundation meets all manufacturer and state/local requirements **New Manufactured Home Required Documents** • **HUD Certification Label**: Verification of the HUD Certification Label: If the Certification Label is not attached to the manufactured home, an alternative to the HUD Certification Label is a verification letter that provides the same information which must be provided from one of the following: - The Institute for Building Technology and Safety (IBTS), **or** - An In-Plant Primary Inspection Agency (IPIA), **or** - The manufacturer of the manufactured home, **AND** • **HUD Data Plate**: Information as detailed in the appraisal topic **must be** included in the appraisal report, **AND** • An Engineers Certification completed by a licensed engineer stating the home was attached to the permanent foundation in accordance with the manufacturer's requirements and the foundation meets all manufacturer and state/local requirements, **OR** • A copy of the Certification of Installation or comparable state specific form

Manufactured Housing: Legal/Closing Provisions	The loan must be secured by both the manufactured home and the land on which it sits and must be legally classified as real property under applicable state law. The owner of the home must own both the home and the land. The following also applies: **ALTA Endorsement** An ALTA form 7.1 endorsements in states where available or Form 7 endorsement for other states or its equivalent (such as a T-31 endorsement in the state of Texas) The title policy must identify the home on the land an insure against any loss if the manufactured home is not real property **Affidavit of Affixture** An Affidavit of Affixture must be signed by the borrower and Homebridge indicating their intent the manufactured home be a permanent part of the real property securing the mortgage. The Affidavit must be notarized and recorded and a copy **must be** included in the loan file. Loans without the Affidavit are **ineligible** **Limited Power of Attorney** A Manufactured Housing Limited Power of Attorney signed by the borrower is required for any post-close items pertaining to the conversion of the home from personal to real property. Any post-closing documents must be included in the loan file. **Certificate of Title** The certificate of title is required if the property is located in a state where there is no procedure for cancelling the certificate of title. If the applicable state law requires the owner of the home to retain the original certificate of title a copy is acceptable **Closing Instructions** The following applies to closing instructions: • Closing instructions must be provided to the closing agent that instruct the agent to obtain the required documentation evidencing the home is affixed to a permanent foundation • In non-certificate of title states the closing agent must provide documentation the home is real property and does not require a certificate of title including documentation the home has been permanently installed • In certificate of title surrender states, the instructions must instruct the closing agent to perform all procedures to assure the certificate of title was properly cancelled, or the manufacturer's statement of origin properly surrendered, and include evidence in the loan file **Closing Protection Letter (CPL)** An insured CPL is required for each mortgage securing the manufactured home unless not allowed under state law. If an insured CPL is not available it must be documented in the loan file **Uniform Commercial Code (UCC)** If state law requires a UCC filing in order to perfect a security interest in the home, the filing is required. **Security Instrument and Manufactured Home Rider** The security instrument must: • Indicate that the manufactured home is an improvement to the land and an immovable fixture or similar language that the manufactured home will be treated as real property under applicable state law, and • Include a comprehensive description of the home and the land in the property section or on a separate, attached addendum. The description must include: - The serial number or VIN (required for each unit), - Make, - Model, - Size, and - Any other information required by applicable law to definitely identify the home.

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<tr><td>Mortgage Insurance</td><td>

Loans with > 80% LTV, mortgage insurance is required and are subject to MI guidelines. The more restrictive of Homebridge or MI company guidelines apply. Links to review individual MI Company guidelines are provided below.
Eligible MI products:
- Borrower paid mortgage insurance (BPMI). Monthly or single premiums are eligible.
- Lender paid mortgage insurance (LPMI). Single premium only.
Eligible MI options:
- Financed MI eligible for BPMI single premium
- Non-refundable
- Refundable (eligible with BPMI single premium only)
- Renewal type: Level/constant
Homebridge approved MI companies are:
- Arch
- Essent
- Enact
- Radian
Manufactured housing: MI must be obtained from Radian
Mortgage insurance coverage is determined by LTV and loan term as detailed below.

<table>
<tr><th colspan="5">Required MI Coverage</th></tr>
<tr><th rowspan="2">Loan Term</th><th colspan="4">LTV</th></tr>
<tr><th>80.01-85%</th><th>85.01-90%</th><th>90.01-95%</th><th>95.01-97%*</th></tr>
<tr><td>25/30 year</td><td>12%</td><td>25%</td><td>30%</td><td>35%</td></tr>
<tr><td>10/15/20 year</td><td>6%</td><td>12%</td><td>25%</td><td>35%</td></tr>
</table>
*See 95.01% to 97% LTV topic for restrictions
</td></tr>
<tr><td>Mortgage Insurance – New York</td><td>
New York state statute supersedes Freddie Mac standard requirements for calculating the LTV used for determining the need for mortgage insurance. The following applies to loans secured by properties in New York:
Calculating the LTV to Determine if MI Required

The appraised value is always used to calculate the LTV ratio to determine whether or not mortgage insurance is required. If MI required determine coverage as outlined below.

Determining the Required Amount of MI Coverage

If mortgage insurance is required, the lesser of the appraised value or the sales price is used to calculate the LTV ratio that determines the amount/percentage of mortgage insurance coverage required (see Required MI Coverage chart above for required coverage amounts by LTV/Loan Term)

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Mortgage/Rental History	• Per LPA. If delinquencies are allowed, a satisfactory explanation is required and is subject to underwriter review. • Current mortgage must be current for the month closing • Third-party documentation, to verify the monthly payment amount, is required if the credit report does not provide the monthly housing payment. **Forbearance Plan Policy** The policy below applies to the subject property and to any other real estate mortgage loan where the borrower is in a forbearance plan, **<u>Subject Property Lien (Loan being Refinanced) and is Current</u>** • If the borrower is current **and** has not missed a payment, the loan is **eligible** **<u>Other REO OR Subordinating Second Lien and is Current</u>** • The loan is eligible if the borrower is current **and** has never missed a payment, **and** • Written evidence, **provided directly from the servicer**, confirming the forbearance plan has been withdrawn, closed or cancelled prior to the closing of the new subject loan required. NOTE: Documentation must be obtained for loans in a forbearance plan **and** for loans where borrower inquired about forbearance and the servicer flags the inquiry **<u>Subject Property, Subordinating Second Lien, AND Other REO NOT Current/Missed Payment AND Loan is Brought Current (Reinstatement)</u>** • If the borrower has brought the loan current (aka reinstatement), **using their own funds**, the loan is eligible subject to: - The funds used to bring the loan current must be the borrower's **own funds <u>and</u>** must be **sourced and seasoned, and** - The borrower **cannot** have entered into a forbearance repayment plan or loan modification agreement, **and** - Proceeds from a refinance cannot be used to bring the loan current or, if cash-out, to reinstate the mortgage on other REO, **and** - The payoff cannot include any deferred or missed payments - **Other REO or Subordinating Second ONLY**: Written evidence must be provided **directly from the servicer** confirming that the forbearance plan has been with withdrawn or otherwise close out/canceled prior to closing of our new Homebridge loan **<u>Subject Property AND Other REO NOT Current/Missed Payment AND Borrower in Forbearance Repayment Plan, Loan Modification, Payment Deferral, or Other Loss Mitigation Solution</u>** • The following applies to loans in a repayment plan, had a loan modification, payment deferral or any other loss mitigation solution. - The loan is eligible if the borrower has made three (3) on-time payments per the applicable agreement - When the above requirement is met for the existing mortgage being refinanced, the new loan amount may include the full amount required to satisfy the existing mortgage **NOTE**: The borrower is only required to have made the three (3) consecutive payments; completion of the applicable plan is not required
Non-Arm's Length or Identity of Interest Transactions	• A non-arm's length transaction is a purchase transaction where the is a relationship or business affiliation between the buyer and seller of the property • Non-arm's length transactions are eligible for re-sale properties on all occupancy types. • When a non-arm's length transaction occurs on a property that is new construction, the property must be a primary residence only. Non-arm's length transactions on new construction properties are ineligible if the property is a second home or investment. • An identity of interest transaction involves parties who are not related and do not have close personal ties, however they have a strong interest in the transaction. Identity of interest transactions are eligible on owner-occupied transactions, however additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion.

Occupancy	• 1-4 unit owner-occupied primary residence - Active duty military borrowers who are unable to immediately occupy the property due to military service are eligible. The borrower's military orders must confirm the borrower will temporarily be unable to occupy the property due to their military deployment **NOTE:** The security instrument establishes occupancy requirements (generally 60 days from closing) • 1-unit second home: - Borrower must occupy the property for some portion of the year, - The property must be available for the borrower's personal use and enjoyment more than half of the calendar year - The property must be in a location that is reasonable for a second home, - The property must be suitable for year-round occupancy with the following exception: - A property with seasonal limitations (e.g. lack of accessibility in the winter) is acceptable if the appraiser includes a minimum of one (1) comparable sale with a similar limitation to demonstrate the marketability of the property - The borrower may rent the property on a short-term basis subject to: - The property cannot be subject to a rental pool or rental agreement that requires the borrower to rent the property, and - A management/other entity cannot have any control over the occupancy of the property and there cannot be any revenue sharing between any owners, the developer or any other another party - The property cannot be subject to a timeshare or other shared ownership arrangement • 1-4 unit investment (non-owner occupied). Manufactured home investment ineligible
Power of Attorney	A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions. A POA is eligible on cash-out transactions with Homebridge management review and approval. The use of a POA is subject to the following: • The use of a POA is **only** eligible in the event of: - A medical emergency, - Natural disaster, - Military deployment, - Other hardship that prevents the borrower from signing the required docs, **OR** - If an applicable law requires the use of a POA. **NOTE:** An explanation for the use is required and must be maintained in the loan file. Freddie Mac **does not** allow the use of a POA just for the convenience of the parties • The person acting as the attorney-in-fact must: - Have a familial or fiduciary relationship with the borrower, or - Be an individual employed by the title insurer that is underwriting the title insurance insuring the mortgage, or - Be an individual employed or engaged contractually by the title agency issuing the title insurance for the mortgage and closing and closing the transaction **IF** the title insurer has issued a CPL (or similar contractual indemnity) relating to the transaction for such policy issuing agent • Must include the borrower name, property address and loan amount • The POA is not required to be specific to the transaction but must be fully executed and notarized • If the use of a POA is approved by Homebridge management on a cash-out transaction, the following applies: - After the terms of the loan are finalized but prior to closing, the Broker/NDC is required to review the terms of the loan with the borrower. The attorney-in-fact is not required to be a participant. This requirement may be waived in the event the borrower is unavailable due to military service or is incapacitated such that the borrower cannot participate in the discussion. The following must be addressed with the borrower: - A review of the rate, term, and principal balance of the mortgage, **and** - The address of the property that will be securing the mortgage, **and** - The fact that the attorney-in-fact will use the borrower's POA to sign documents on behalf of the borrower, **and** - The scheduled/estimated closing date of the transaction

Power of Attorney (cont.)	- The discussion must be acknowledged, in writing, by the borrower. The acknowledgment may be: - In writing, **or** - An e-mail exchange with the borrower is acceptable provided it uses a borrower email address that is on file, **and** - The acknowledgement must be maintained in the loan file • Homebridge to review and approve prior to loan closing • The POA must be recorded along with the mortgage
Prepayment Penalty	Not permitted
Products	• **Fixed Rate**: 10, 15, 20, 25 and 30 year - A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 temporary buydown feature eligible on fixed rate transactions; refer to the Temporary Buydown topic for complete eligibility requirements • **ARMs**: 5/6, 7/6, and 10/6; Index: SOFR 30 day average - **5/6 ARM:** Caps 2/1/5 - Qualify at the **greater of** the fully indexed rate **or** the Note rate **plus** 2% **NOTE:** 5/6 ARM **ineligible** for borrowers who own **more than one financed investment property** - **7/6 and 10/6 ARM**: Caps: 5/1/5 - Qualify at the **greater of** the fully indexed rate **or** Note rate **Manufactured Home Specific** • **Cash-out** transactions secured by a manufactured home: - Fixed rate **15 or 20 year** loan term fixed rate; fixed rate 25 and 30 year loan term **ineligible, or** - **ARMs 7/6 or 10/6 ARM; 5/6 ARM ineligible** • **Purchase and rate/term** transactions secured by a manufactured home: - **Fixed rate** 15, 20, 25, or 30 year, or - **ARMs:** 7/6, or 10/6 ARM; 5/6 ARM **ineligible**
Properties – Eligible	• Single family residences (attached/detached) • 2-4 units • PUDs (attached/detached) • Condominiums, low and high rise (attached/detached) Freddie Mac warrantable **or** Fannie Mae warrantable with PERS approval or CPM acceptance. - Condominium projects that share amenities with residential PUD projects and/or cooperative projects are eligible • Modular/prefabricated properties 1-unit only. Factory built but **not** built on a permanent chassis; built on site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems • Multi-wide (double/triple) manufactured home that is a minimum of 20 feet wide. Owner-occupied primary residence only (excluding manufactured homes on leasehold estates; manufactured homes on leasehold estates are **ineligible**. • Leaseholds meeting Freddie Mac guidelines eligible on a case-by-case basis subject to Homebridge Management review and approval. The lease term must extend a minimum of 5 years from the mortgage maturity date. • Rural properties • Properties in Hawaii in lava zones 2, 3, and 4. If the property is located in lava zone 2 the property insurance coverage requirements are as follows: - Maximum of $350,000, or - If the loan amount exceeds $350,000 coverage must be for 100% replacement cost

Properties – Eligible Condominiums	Review Types

	Review Types
	• **Full Review** with CPM completed by Homebridge. The project review must be completed within 180 days prior to the Note date for new projects and within 1 year prior to the Note date for established projects
	  - If there is an unexpired project review that was completed prior to September 18, 2023 Homebridge is required to validate that Fannie Mae's requirements for Projects in Need of Critical Repairs are met
	  - CPM status of "Unavailable" is **not eligible**
	• **PERS Review**: Projects with an **existing** Fannie Mae PERS approval are eligible. Documentation of the PERS approval must be included in the loan file
	• **Freddie Mac Streamlined Review** eligible for established projects subject to Freddie Mac guidelines. When a Streamlined Review is performed, the following LTV restrictions (**all states except Florida**) apply:
	  - Owner occupied maximum LTV 90%
	  - Second home/investment maximum LTV 75%
	  - The Homebridge underwriter must confirm with the Homebridge Condo Dept. that the project status is not "unavailable" in CPM
	  NOTE: A Streamlined Review is required for the project if a loan secured by a condo utilizes the automated collateral evaluation (ACE) or ACE + PDR offer
	• **Project Review Waiver:** A project review may be waived on rate/term refinance transactions when the loan being refinanced is owned by Freddie Mac. The following applies:
	  - The LTV/CLTV ratio is ≤ 80%
	  - The project is not an ineligible project as defined by Freddie Mac
	  - The project has the required applicable project-related property insurance coverage
	  - **Transactions with an application dated on or after September 18, 2023 ONLY**:
	    - There are no unaddressed outstanding critical repairs **OR** evacuation orders
	    - The Homebridge underwriter must confirm with the Homebridge Condo Dept. the project status is not "unavailable" in CPM
	• **Project Review Waiver Requirement Reminders:** When a project review is waived or an ACE Offer (with or without a PDR) was issued and accepted, Freddie Mac still requires Homebridge to ensure the project meets the following Freddie Mac requirements, **as applicable**:
	  - Property eligibility requirements,
	  - The project is not an ineligible project,
	  - Priority of common expense assessments,
	  - When an appraisal is obtained it meets all appraisal requirements,
	  - Insurance requirements have been met
	• **Detached units only** (project consists of all detached condo units or mixture of detached/attached). The project must have insurance that meets Freddie Mac requirements (liability and fidelity coverage is **not** required to be verified). If the project is on a leasehold estate the lease must also comply with Freddie Mac requirements. Detached/site condos **do not** require project review and validation of project status in CPM **not required**
	• **Two-to-Four Unit Projects:** Projects consisting of 2-4 units **do not require a review** and validation of project status in CPM **not required**
	• **FHA Project Approval**: Established projects with an FHA approval are eligible

Properties – Eligible Condominiums (cont.)	• Projects where the HOA (or developer if not turned over to the HOA) is a party to litigation, arbitration, mediation, or other dispute are only eligible in the following circumstances:
	- The litigation amount is known, the insurance company has committed to providing defense, and the litigation amount is covered by the insurance policy, or
	- The litigation/arbitration involves non-monetary neighbor disputes regarding the rights of enjoyment, or
	- The HOA is the plaintiff in the litigation but it can be determined that the matter is minor in nature with insignificant impact to the financial status of the condo project.
	• **Florida Specific**
	- New condo projects require PERS approval
	- Established Project Review is eligible for established projects
	- Streamlined Review for established condo project eligible as follows:
	  - Maximum 75%/90% LTV/CLTV for owner-occupied
	  - Maximum 70%/75% LTV/CLTV for second home/investment property
	Refer to the Properties – Eligible Florida Condo Projects topic for additional FL requirements
	Projects in Need of Critical Repairs
	Freddie Mac defines projects in need of critical repairs as those needing repairs or replacements that significantly impact the safety, soundness, structural integrity, habitability of the project's building(s), or the financial viability or marketability of the project.
	Projects in need of critical repairs **are ineligible** until the repairs required to remediate the issue has been completed and documented accordingly.
	Critical repairs include conditions such as:
	• Material deficiencies, which if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year,
	• Any mold, water intrusions or potentially damaging leaks to the project's building(s),
	• Advanced physical deterioration,
	• Any project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications specific to structural safety, soundness, and habitability, or
	• Any unfunded repairs costing more than $10,000 per unit that should be undertaken within the next 12 months (**does not** include repairs made by the unit owner or repairs funded through a special assessment)
	Examples of items that will be considered when assessing a project for any required critical repairs include, but are not limited to the following:
	- Sea walls,
	- Elevators,
	- Waterproofing,
	- Stairwells,
	- Balconies,
	- Foundation,
	- Electrical systems,
	- Parking structures, and
	- Other load-bearing structures
	NOTE: If damage or deferred maintenance is isolated to one or just a few units and the damage/deferred maintenance **does not** affect the overall safety, soundness, structural integrity, or habitability of the project these requirements do not apply
	Routine Repairs
	The below repairs are considered routine repairs and **are not** considered critical:
	• Repairs that are preventive in nature or are part of normal capital replacements (e.g. items focused on keeping the project fully functioning and serviceable), **and**
	• Repairs that are completed within the project's normal operating budget or through special assessments that are within Freddie Mac guidelines.
	Projects Under Evacuation Orders
	Projects under an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s) **are ineligible** until the unsafe condition has been remediated and the building(s) is deemed safe for occupancy.
	(cont. on next page)

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<td>Properties – Eligible Condominiums
(cont.)</td>
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Special Assessments
Special assessments may be current or planned. Homebridge will review project documentation for the following:

What is the purpose of the special assessment, and
When was the special assessment approved and was it planned (i.e. approved by the unit owners, but not yet initiated by the board) OR already being executed, and
What was the original amount of special assessment and what is the remaining amount to be collected, and
When is the expected date the special assessment will be paid in full

If the special assessment is associated with a critical repair and the issue has not been remediated the project is ineligible
Project Review Requirements
The following applies to all loans secured by a condo in projects with five (5) or more attached units, regardless of the type of project review or project review waiver (Refer to the Project Review Waiver topic for waiver eligibility requirements). The following applies:

The project review must define critical repairs, material deficiencies, and significant deferred maintenance, including defining routine repairs that are not considered critical
Full Reviews or Streamlined Reviews that identify any of the below, Homebridge will determine the documentation is required (refer to the Documentation Requirements below for details)
- That critical repairs are needed, and/or
- Evacuation orders are in effect, and/or
- There are any regulatory actions required
Full Reviews completed by Homebridge on projects that have had structural and/or mechanical inspections completed within 3 years of the previous project review completed by Homebridge, and a structural and/or mechanical inspection report was included as a requirement of that initial (previous) review, copies of the structural and/or mechanical inspection reports will be required. The report/inspection cannot indicate any of the following:
- That critical repairs are needed, and/or
- Evacuation orders are in effect, and/or
- There are any regulatory actions required
If the inspection report(s) indicates there are unaddressed critical repairs, the project is ineligible until the required repairs have been completed and documented accordingly.

Documentation Requirements
Documentation that may be required for Homebridge to determine if the project meets Freddie Mac requirements include, but are not limited to:

HOA board meeting minutes,
Engineering report(s),
Structural and/or mechanical inspection reports,
Reserve studies,
A list of necessary repairs provided by the HOA or the project’s management company,
A list of special assessments provided by the HOA or the project’s management company, and
Other substantially similar documentation

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<td>Properties – Eligible: Florida Condominium Projects</td>
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Florida condominium projects that are <u>3 or more stories high</u> are subject to the following requirements:

If the condo building is 30 years or older, <u>OR</u>
The condo building is 25 years or older AND the building is within 3 miles of the coastline, <u>THEN</u>:
- Evidence the building has completed the inspections required under Florida Senate Bill 4D (SB-4D), <u>AND</u>
- Evidence the HOA has completed the required structural integrity reserve study, and the budget contains sufficient reserves. The HOA fee must be consistent with the budget

NOTES:

If the project has not had the required inspections, it is ineligible
If an inspection was completed but revealed substantial structural deterioration and/or unsafe/dangerous conditions exist, evidence the required repairs have been completed must be provided or the project is ineligible

REMINDER: This requirement does not apply if the condo building is only 1 or 2 stories high
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Properties - Ineligible	• Non-warrantable condominiums • New condominium projects in Florida without a PERS approval • Condominium conversions that were converted in the previous 3 years regardless of location • Condominiums < 450 square feet • Cooperative projects • Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) • Unique properties • Agricultural-type properties, farms, orchards, ranches • Properties zoned for agricultural use • Unimproved land • Rural property > 10 acres • Timeshares • Commercial property • Properties with Condition Rating of C5/C6 or Quality Rating of Q6 unless the deficiencies resulting in the applicable rating has been remedied • Property currently in litigation (except as noted above in the Properties Eligible-Condominiums) topic • Home Possible Financing • Land Trust • Properties in Hawaii located in lava zone 1 • Investment property secured by manufactured home • Single wide manufactured/mobile homes • Manufactured home located on a leasehold estate • Manufactured home located in a condo project that do not meet Freddie Mac requirements • Manufactured home located in senior projects • A manufactured home moved from another site (i.e. previously installed at another site). The home must have been delivered directly from the manufacturer/dealer to its current site. • Condo projects in need of critical repairs, including material deficiencies and significant deferred maintenance • Condo projects under an evacuation order • Condo projects with a special assessment that is due to critical required repairs • Projects with an “Unavailable” status in CPM
Property Acquired at Auction	If the subject property is purchased at auction, the buyer’s premium may be included in the final sales price. The following applies: • The purchase contract, Closing Disclosure, and all loan documents must reflect the final purchase price which includes the premium • The purchase contract must break-out the auction price from the premium, and • The lesser of the final sales price or appraised value is used to establish the LTV/CLTV ratios.

Property with an Accessory Unit	**Accessory Units** **Overview** • An accessory unit is defined as an additional living area that: - Includes a kitchen, - Includes a bathroom, - Has a separate entrance - Is independent of the primary dwelling unit, and - Contributes less to the value of the property than the primary dwelling unit • Eligible ADUs include a 1, 2 or 3-unit dwelling with an ADU above a garage, an ADU in a basement, or an ADU that is attached or detached from the primary dwelling • ADUs are subject to the following: - The primary unit must be a 1, 2 or 3-unit property with an accessory unit (aka in-law/granny unit); accessory unit **ineligible** with a 4-unit property, **and** - There is only one accessory unit; more than one accessory unit **ineligible, and** - The unit must be smaller in size than the primary dwelling, **and** - The primary dwelling with an ADU must be legal, legal non-conforming, or located in an area without zoning with the following exception: **NOTE**: A 1-unit dwelling with an ADU that does not comply with zoning requirements (illegal zoning) may be eligible. Refer to the **Illegal Accessory Units** topic below for details **Appraisal Requirements for Legal Accessory Units** • The appraiser must describe the accessory unit and appraise the property based on its current use, **and** • The appraiser must analyze any effect the accessory unit has on the value or marketability of the subject property, **and** • At least one (1) comparable sale with an accessory unit should be provided when available to demonstrate marketability of the subject property - If a recent comparable sale is not available in the subject neighborhood an older sale with an accessory unit from the subject neighborhood or competing neighborhood or to support market data is acceptable. The appraiser may always use more than 3 comparable sales, including pending sales and or current listing to justify and support any adjustments/opinion of market value, as long as at least 3 are actual closed sales - If a comparable sale with an accessory unit is **not** available, a comparable sale in the subject neighborhood without an accessory unit is acceptable as long as the appraiser justifies and supports the use in the appraisal - Specific requirements apply if rental income from an ADU is used for qualifying the borrower on the subject 1-unit property. Refer to the Rental Income from an ADU topic for detailed requirements **Illegal Accessory Units** If the accessory unit does **not comply** with the zoning and land use requirements the following applies: • The subject property is a 1-unit property with an ADU, **and** • The appraiser must indicate the non-compliance in the “Site” section of the appraisal, **and** • The appraisal must contain a minimum of two (2) comparable sales, each with an accessory unit, that are also non-compliant with zoning/land use requirements (to demonstrate conformity/marketability of the subject property), **and** • The accessory unit cannot jeopardize any future hazard insurance claims **Manufactured Home ADU** • If the ADU is a manufactured home it must meet the manufactured home requirements stated in this guideline, including all manufactured appraisal requirements, **and** • The 1, 2, or 3-unit primary dwelling must be site-built in addition to the requirements in this topic, **and** • The ADU must be a minimum of 400 square feet of gross living area

Property with an Accessory Unit (cont.)	**Rental Income from an ADU** • Rental income received from the ADU is eligible to qualify the borrower on **1-unit primary residence** purchase or rate/term refinance transactions **only.** Rental income received from the ADU **may not** be used for qualifying if the subject transaction is a 2 or 3-unit property • The chart below details the documentation requirements when rental income from the ADU is used for qualifying

Purchase Transactions	Rate/Term Refinance Transactions
• If a lease is available, **it must be provided** and used to determine net rental income, **and** • The ADU rental analysis, from the appraisal report, must support the income reflected on the lease **NOTES:** 1. If the lease is not available, the ADU rental analysis will be used to determine net rental income 2. New leases must have the first rental payment due no later than the first mortgage payment for the subject transaction	• The most recent years tax returns, including Schedule E, is used to determine the net rental income except as detailed below • A lease **and** ADU rental analysis may be used if the ADU rental analysis supports the rental income reflected on the lease **and** one of the following is met: - The property was out of service for any time during the prior year and Schedule E reflects reduced number of days in use (e.g. renovation and repair costs are listed on Schedule E), **OR** - The property was purchased later in the calendar year and the reduced number of days are reflected on Schedule E, **OR** - The property was placed in service in the current calendar year as documented in the loan file

- Net rental income calculation requirements:
  - **Lease**: 75% of the gross monthly rent or gross monthly market rent
  - **ADU Rental Analysis**: The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses
  - **Schedule E**: The net rental income is calculated using Form 92, Net Rental Income Calculations – Schedule E (or similar alternative form)
- The rental income generated from the ADU may be considered in an amount up to 30% of the total stable monthly income that is used to qualify the borrower
- When rental income from the ADU is used for qualifying, the appraisal must include the following within the appraisal report:
  - General condition of the unit,
  - Square feet of finished area
  - Total number of rooms including the number of bedrooms and baths
  - Indicate if the ADU is allowed per zoning and land use requirements (i.e. legal, legal non-conforming, no zoning)
  - Comparable sales must include at least one comparable sale with an ADU
  - The rental analysis must include a minimum of 3 comparable rentals to support the opinion of market rent applicable to the ADU.
    - The appraiser may provide this rental analysis data in narrative form within the appraisal report or by attaching a separate rent schedule to the appraisal report

Landlord Education

- Purchase transactions will require at least one borrower to complete a landlord education course prior to the Note date if the borrower(s) do not have a minimum of 1-year history managing rental property.
- The landlord education **cannot** be provided by an interested party to the transaction, the originating lender, or the seller. Freddie Mac does not offer its own landlord education course, (FHLMCs CreditSmart course **does not** provide landlord education), however several Mortgage Insurance companies offer an acceptable landlord course (e.g. MGIC, Arch)
- A copy of the course completion certificate must be provided and retained in the loan file

Property Flips	Eligible subject to underwriter review and the following: • Appraisal must support any value increases. Additional documentation, a desk review or second appraisal may be required at underwriter discretion. • Borrower must have an excellent credit and employment history, savings pattern, etc.

Refinance Transactions	**Limited Cash-Out Transactions**
	• Limited (rate/term) refinance transactions are eligible subject to the following:
	- Proceeds can be used to pay off the principal and interest due, including a balance deferred under a loss mitigation plan, for the first mortgage, regardless of age, used to acquire the property or originated as a refinance transaction (with a Note date no less than 30 days prior to the Note date of the no cash-out refinance mortgage, as documented in the loan file), **and**
	NOTE: Construction-to-perm transactions, the amount of the interim financing, secured by the subject property, is considered an amount used to pay off the first mortgage
	- Pay off of any costs or fees associated with the satisfaction and release of the first mortgage (e.g. late fees, prepayment penalties, etc.), **and**
	- Pay off or pay down any second mortgage related to the purchase of the subject property. Any remaining balance of the second mortgage must be subordinated to the new mortgage, **and**
	- Related closing costs, prepaid items/escrows*.
	- Proceeds from a rate/term refinance **may not** be used to pay past due and/or delinquent real estate taxes **unless** the funds used to pay the delinquent/past due taxes were part of the acceptable cash-back allowed for a rate/term transaction (as indicated below)
	- Cash-back to the borrower is allowed up to the **greater of**:
	  - 1% of the loan amount, **or**
	  - $2,000
	- Any cash back that is received by the borrower on a limited cash-out (rate/term) may **not** be used to satisfy any required reserves
	*__NOTE__: Prepaid real estate taxes **are** an allowable closing costs and are eligible to be paid from the proceeds of the transaction.
	Financed real estate taxes that **exceed** the prepaid amount (delinquent taxes) are **not** considered an allowable closing cost **and are subject to the maximum cash back limits stated above for limited cash-out transactions**. Refer to the Financing Delinquent Real Estate Taxes topic for details
	• A 30 day seasoning (measured from the Note date of the loan being paid off to the new loan Note date) is required on rate/term transactions
	• Properties listed for sale must be taken off the market on or before the disbursement date of the new loan **AND** primary residence transactions require the borrower to provide written confirmation of their intent to occupy the property
	Requirements for All Cash-Out Transactions
	(Refer to the Requirements for Cash-Out Transactions Paying Off a First Lien Mortgage topic for additional requirements)
	• At least one borrower must have been on title to the subject property for a minimum of 6 months prior to the Note date except as noted below:
	- Property ownership held in a limited liability company (LLC) or limited partnership (LP) may be included in the 6-month requirement provided:
	  - At least one borrower must have been a majority owner or had control of the LLC/LP since the date the property was acquired by the LLC or LP, **and**
	  - Title must be transferred into the borrower's name **on or before the Note date**
	- The property is a leasehold estate, at least one borrower must have been the lessee on the ground lease or lease agreement of the subject leasehold estate for at least 6 months
	• **ALL borrowers on an owner-occupied primary residence cash-out refinance transaction MUST currently occupy the property; non-occupant borrower(s) are not allowed**

Refinance Transactions (cont.)	**Requirements for All Cash-Out Transactions** (cont.) • If none of the borrowers have been on title for at least 6 months prior to the Note date the following requirements must be met: - One of the borrowers inherited or was legally awarded the property (e.g. in the case of divorce, separation, dissolution of a domestic partnership), **OR ALL of the following:** - The executed Closing Disclosure from the original purchase transactions reflects that no financing secured by the subject property was used to purchase the property (a recorded trustee's deed or equivalent documentation may be used when a Closing Disclosure was not used for the purchase transaction), - The preliminary title report for the refinance transaction must reflect the borrower as the owner of the subject property and indicate there are no existing liens on the property, - The source of the funds used to purchase the subject property must be fully documented, - If funds were borrowed to purchase the subject property, those funds must be repaid **or** paid down. Funds must be reflected on the Closing Disclosure for the refinance transaction, - The amount of the cash-out transaction cannot exceed the sum of the original purchase price, plus related closing costs, financing costs, and prepaids/escrows as documented on the Closing Disclosure for the purchase transaction (subject to the maximum LTV/CLTV ratios for a cash-out transaction based on the current appraised value), **NOTE:** If the borrowed funds are paid down, but not paid off, **no additional cash-out is permitted <u>and</u>** the payment on the outstanding borrowed funds must be included in the borrower's DTI**,** - There must have been no affiliation or relationship between the buyer and seller of the purchase transaction (non-arm's length purchase ineligible), **and** - An "Accept" Feedback Certificate from LPA is required and the transaction must meet all other cash-out eligibility requirements. **NOTE**: Continuity of obligation requirements **do not** apply since there is no mortgage on the property. • A new loan placed on a property owned free and clear are considered cash-out refinance • Properties listed for sale must be taken off the market on or before the disbursement date of the new loan **AND** primary residence transactions require the borrower to provide written confirmation of their intent to occupy the property **Requirements for Cash-Out Transactions Paying off a First Lien Mortgage** • Cash-out refinance transactions require **12 months** seasoning measured from the Note date of the loan being refinanced to the Note date of the cash-out transaction) when the proceeds are used to pay off a first lien mortgage. • The 12 month seasoning requirement does not apply when: - The cash-out refinance is a special purpose refinance (i.e. the cash-out proceeds will be used to buy out the equity of a co-owner), **or** - The first lien being refinanced is a HELOC, **or** - A manufactured home is being converted to legally classified real property under applicable state law, **or** - The transaction is a construction conversion • Properties listed for sale must be taken off the market on or before the disbursement date of the new loan **AND** primary residence transactions require the borrower to provide written confirmation of their intent to occupy the property

Refinance Transactions (cont.)	**Special Purpose Refinance**
	A special purpose refinance is limited to amounts used to buy out the equity of the co-owner. The pay off may include:
	• Paying off the first mortgage (regardless of age), **and**
	• Paying off junior liens, **and**
	• Paying related closing costs
	Additionally **all** of the following applies:
	• The borrower and co-owner receiving the buy-out proceeds must have jointly owned the property for a minimum of 12 months prior to the initial loan application (does not apply if property inherited),
	  • The borrower and co-owner receiving the buy-out proceeds must provide evidence that they occupied the subject property as their primary residence (does not apply if property inherited),
	  • The borrower and co-owner receiving the buy-out proceeds must provide a written agreement, signed by all parties, stating the terms of the property transfer and the disposition of the proceeds from the refinancing transaction, and
	The borrower who retains sole ownership of the property may not receive any of the proceeds from the refinance transaction
	
	Rate/Term AND Cash-out Refinance Transactions
	• **Properties Listed for Sale**: Properties listed for sale must be taken off the market on or before the disbursement date of the new loan **AND** primary residence transactions require the borrower to provide written confirmation of their intent to occupy the property
	• A continuity of obligation is required on all refinance transactions. Continuity of obligation is met when at least one borrower on the existing mortgage is also a borrower on the new refinance transaction.
	NOTE: Continuity of obligation does **no**t apply to properties owned free and clear (i.e. no mortgage lien) due to the borrower purchasing the property with all cash **or** the prior mortgage that the borrower was obligated on has been paid in full.
	• Exemptions to the above continuity of obligation requirements are:
	  - The borrower has been on title **and** living in the property for at least 12 months, measured from the date of the event (such as transfer of title) to the disbursement date of the new loan, but is not obligated on the existing mortgage **and** the following applies:
	    - Has paid the mortgage, including any secondary financing, payments for the last 12 months, **or**
	    - The borrower recently inherited, or was legally awarded, the property (divorce, separation, or dissolution of a domestic partnership).
	NOTE: Transfer of ownership from a corporation or LLC to an individual does **not** meet the continuity of obligation requirement
	Financing Delinquent Real Estate Taxes – the following applies to financing delinquent real estate taxes:
	• **Limited Cash-out Refinance:**
	  - Delinquent real estate taxes may be financed but must be included in the maximum cash-back limitation allowed on rate/term transactions (the > of 1% or $2,000).
	    - An escrow account is **not** required
	  - Any delinquent taxes that exceed the cash-back limitation must be paid by the borrower using borrower own funds outside of closing
	• **Cash-out Refinance**:
	  - Delinquent real estate taxes may be financed. An escrow account is **not** required

Reserves	- Reserve requirements are per the LPA Feedback Certificate - All reserves entered into LPA must be verified **NOTE:** If Homebridge is processing multiple mortgage applications for the same borrower, the same assets may be used to meet the reserve requirements for each transaction **Reserve Requirements when Subject Property is Second Home and Investment** • **Second Home or Investment**: - **1-6 Financed Properties**: Two (2) months PITIA for each additional second home **and/or** 1-4 unit investment property that is financed **and on which the borrower is obligated (required reserve amount is included in the reserves required received from LPA)** - **7-10 Financed Properties: Eight (**8) months PITIA for each additional second home **and/or** 1-4 unit investment property that is financed **and on which the borrower is obligated (required reserve amount is included in the reserves required received from LPA)** - Reserves are based on the full monthly payment amount for the property including principal and interest, hazard insurance, taxes, and, as applicable, mortgage insurance premium, leasehold payment, HOA dues, and payment on any secondary financing.
Seller Contributions	Refer to the Interested Party Contributions topic for seller contribution limits.
Subordinate Financing	• If existing subordinate financing is a HELOC, the full amount of the available credit must be used to determine the CLTV. • Unacceptable subordinate financing terms include: - Mortgages with negative amortization (with the exception of employer subordinate financing that has deferred payments) - Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years after the Note date of the new fist mortgage - Subordinate financing that has a prepayment penalty - Cannot allow for equity sharing • A CA HERO program are ineligible subordinate financing

Temporary Buydowns	Temporary buydowns allow the borrower to lower their monthly mortgage payment for a limited time through a temporary buydown of the initial interest rate The temporary buydown feature is subject to the following: • Fixed rate purchase • 1-4 unit primary residence and 1-unit second home; investment and manufactured homes **ineligible** • **Buydowns may be funded by one of the following:** - Seller, - Realtor - Selling Agent (aka Buyer's Agent) **or** Listing Agent (aka Seller's Agent), or - Lender **NOTE**: **Buydowns may only be funded by one party**; funding of the buydown cannot be split between parties • Interested party contribution limits apply • Buydowns are qualified at the Note rate • A 1/0, 1/1, 1/1/1, 2/1, or 3/2/1 buydown available • Buydown funds are deposited into an escrow account and the Servicer will disburse funds from the escrow account each month to make the full mortgage payment **Example of a 2/1 Buydown** • Initial Note Rate: 5% • First Year: Interest rate is 3% (2% lower than initial) • Second Year: Interest rate is 4% (1% lower than initial) • Third Year: The initial Note rate of 5% is in place for the remainder of the loan term **Example of a 3/2/1 Buydown** • Initial Note Rate: 5% • First Year: Interest rate is 2% (3% lower than initial) • Second Year: Interest rate is 3% (2% lower than initial) • Third Year: Interest rate is 4% (1% lower than initial • Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term **Example of a 1/1/1 Buydown:** The Interest rate is 1% below the Note rate for the first 3-years of the loan • Initial Note Rate: 5% • First Year: Interest rate is 4% (1% lower than initial) • Second Year: Interest rate is 4% (1% lower than initial) • Third Year: Interest rate is 4% (1% lower than initial • Fourth Year: The initial Note rate of 5% is in place for the remainder of the loan term

Eligible Transactions Quick Reference Guide

Transaction Types	**Eligible**
Fixed rate	Yes
ARM	No
Primary residence (1-4 units)/Second Home	Yes
Investment	No
Purchase transactions	Yes
Refinance transactions	No
Manufactured	No
Texas Equity	No

Texas Section 50(a)(6) (Texas Equity)	A Texas Section 50(a)(6) loan (aka Texas Home Equity) is a cash-out refinance. A current Texas equity loan may be refinanced as a rate/term refinance subject to specific requirements. See requirements specific to a Texas Equity Being Refinanced as a Rate/Term Transaction topic. The following applies: • Cash-out refinance • Owner-occupied primary residence classified as a homestead under Texas law • All borrowers must reside in the home. • Non-occupant co-borrowers are not allowed. • Maximum 80% LTV/CLTV. • Power of Attorney eligible • Subordinate financing not allowed (all liens must be paid in full by refinance transaction.) • 1 unit single family residence, PUD or condo. • “Accept” LPA Finding required. • Maximum of 10 acres, no exceptions. Land that is taxed as agricultural is eligible NOTE: The borrower cannot obtain an agricultural designation **after** they have originated a Texas equity loan (state of Texas restriction) • Maximum 2% fee limitation for all closing costs, fees and charges. The following are excluded from the limitation: - Prepaid and bona fide discount points (discount points eligible if borrowers sign an “Election to Pay Discount Points” affidavit at closing), - Escrow reserves, - Insurance premiums, - Property taxes paid at closing, - Per diem interest - Homeowner’s insurance, - Title insurance premium and endorsement fees, - Survey costs, and - Third party appraisal fees • Notice Concerning Extension of Credit required (aka “12 Day Disclosure”): - Borrower and non-borrowing spouse (if applicable) must sign the Notice Concerning Extension of Credit, - The loan cannot close until 12 days after the Notice was signed. • A survey is required • Loan must close at the closing agent’s office; it cannot close at the borrower’s home. • Borrower must receive a copy of the final 1003 along with the CD for review a minimum of 24 hours prior to closing • All married parties, regardless if on the loan or not, must sign the Deed of Trust and Notice of Right to Cancel as Texas is a community property state • Borrower(s) cannot sign early (i.e. cannot sign before the date of the closing package) • Deed of Trust must be completed on the Security Instrument (must be a Texas resident and is typically an attorney).

Texas Section 50(a)(6) (Texas Equity) cont.	• Property taxes are due yearly in December. Tax Certificates are generally provided. School, city, county and MUD taxes are common • Waiting periods: - The loan cannot close until the Notice Concerning Extensions of Credit (12 Day Disclosure) has been signed and received by Homebridge for 12 days - The loan cannot close until 24 hours after the borrower(s) have signed the final Closing Disclosure and the final 1003 - There is a 12 months seasoning requirement. The loan cannot close until a minimum of 12 months have passed after the closing of the previous loan • There is a 3 day right of rescission period • Fixed rate only; ARMs ineligible **Texas Equity Being Refinanced as a Rate/Term Transaction** The following are specific requirements for an equity loan being refinanced as rate/term: • A minimum of one (1) year has passed since the home equity loan closed • Rate/term refinances are also limited to 80% CLTV • The borrower **cannot receive any cash at close** • The borrower must sign the Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan **within 3-days of loan application and a minimum of 12 calendar days prior to loan closing** (a new application will be required if Notice not signed within 3 days of application) NOTE: The state of Texas does not have a specific seasoning requirement for the refinance of a rate/term transaction; Freddie Mac requirements apply.
Transactions – Eligible	• Purchase • Limited cash-out refinance (rate/term) • Cash-out refinance
Transactions – Ineligible	• Any transaction without an LPA “Accept” Feedback Certificate • Manual underwrites • Interest-only • Freddie Mac Home Possible • Freddie Mac Open Access • Non-arm’s length transaction that involves new construction and the loan is secured by a second home or investment property • Refinance transactions where the property was listed for sale at time of loan disbursement. • Transactions where the property securing the loan is subject to a private transfer fee covenant created on or after Feb. 8, 2011 and the fee collected does not directly benefit the property. • Land Trusts • Transaction with PACE/HERO program subordinate financing • A transaction with a super conforming loan amount secured by a manufactured home