Homebridge Wholesale
A division of Homebridge Financial Services, Inc.

Jumbo Elite Program

Loans Registered On or After December 13, 2024

Fixed Rate and ARMs [8]

Owner-Occupied Primary Residence					
Transaction Type	**Units [8]**	**LTV/CLTV**	**Maximum Loan Amount [5,8]**	**Credit Score [4,8]**	**Maximum DTI [7,8]**
Purchase and Rate/Term Refinance	1	90% LTV [1,8] CLTV **ineligible** > 80% LTV	$1,500,000 [2]	740 [1]	43% [1,2]
	1	80%	$1,500,000 [2,6]	700	49.99%
	1	80%	$2,000,000 [2,6]	720	49.99%
	1	70%	$2,500,000 [2,3,6]	720	49.99%
	1	70%	$1,000,000	680	49.99%
	1	70%	$3,000,000	760	49.99%
	1	60%	$3,500,000	760	49.99%
	2	65%	$1,000,000 [6]	700	49.99%
	2	60%	$1,500,000 [2, 6]	720	49.99%
Cash-Out	1	70%	$1,000,000 [6] Max cash-out $500,000	720	49.99%
	1	65%	$1,000,000 [6] Max cash-out $500,000	700	49.99%
	1	65%	$1,500,000 [2, 6] Max cash-out $500,000	720	49.99%
	1	60%	$2,000,000 [2, 6] Max cash-out $500,000	720	49.99%
	1	50%	$2,500,000 [2, 3, 6] Max cash-out $750,000	720	49.99%
	2	60%	$1,000,000 Max cash-out $500,000	720	49.99%

Footnotes:

1. **80.01% to 90% LTV subject to all of the following (no exceptions):**
   - 1-unit primary residence
   - Fixed rate **only**; **ARMs ineligible**
   - Minimum loan amount is $1.00 more than the current conforming **or** high cost county 2025 limit set by the FHFA
   - Subordinate financing **not allowed; no CLTV with > 80% LTV. Per above maximum CLTV is 80% (80%LTV/CLTV)**
   - Gift funds **not** allowed
   - Escrow/impound account required unless prohibited by state law
   - Residual income required
   - Reserve requirements: ≤38% DTI 12 months PITIA; 38.01%-43% DTI 18 months PITIA
   - **First time homebuyer eligible**: Maximum DTI 38%, minimum 740 FICO and 15 months reserves
   - **Refer to the 80.01% to 90% LTV topic for complete requirements**
2. First time homebuyers maximum loan amount $1,000,000 except in the states of CA, CT, NJ, NY, and WA which are eligible up to $1,500.000. Refer to the Borrowers - Eligible topic for complete first time homebuyer requirements
3. Loan amount > $2,000,000 are considered on a case-by-case basis subject to Homebridge management approval
4. Minimum FICO is based on lowest middle score of all borrowers on the loan
5. **Fixed Rate: Minimum** loan amount is $806,501 for 1-unit and $1,032,651 for 2-units (including properties in high cost counties)
6. **Fixed Rate: New York ONLY:** NY transactions require the loan amount to be $1 more than the applicable **high cost county limit** set by the FHFA for where the property is located
7. There are **no exceptions** to the maximum DTI **AND** DTI of 45.01% to 49.99% requires residual income
8. **ARM transactions subject to**:
   - Minimum loan amount $350,000 (including NY transactions)
   - Max 80% LTV
   - Maximum 45% DTI, **no exceptions**

   Refer to the ARM Transactions topic for complete requirements

Second Home					
Transaction Type	**Units**	**LTV/CLTV**	**Loan Amount** [3,4,6]	**Credit Score** [1]	**Maximum DTI** [2]
Purchase and Rate/Term Refinance	1	80%	$2,000,000	720	43%
	1	70%	$2,500,000	720	43%
Cash-Out	1	60%	$1,500,000 Max cash-out $500,000	720	43%
	1	50%	$2,000,000 Max cash-out $750,000	720	43%
Investment [5,6]					
Transaction Type	**Units**	**LTV/CLTV**	**Loan Amount** [3,4]	**Credit Score** [1]	**Maximum DTI** [2]
Purchase and Rate/Term Refinance	1-4	70%	$1,500,000	740	38%
Cash-Out	1-4	60%	$1,500,000 Max cash-out $500,000	740	38%

Footnotes:

1. Minimum FICO is based on lowest middle score of all borrowers on the loan
2. There are **no exceptions** to the maximum DTI
3. Minimum loan amounts $766,551 for 1-unit and $1.00 more than the current conforming loan amount set by the Federal Housing Finance Agency (FHFA) for the applicable number of units
4. **New York ONLY**: NY transactions require the minimum loan amount to be $1 over the **current high-cost county** limit set by the FHFA for where the property is located
5. Investment transactions are subject to the following:
   - First time homebuyer's **ineligible**
   - Must be an arm's length transaction
   - Gift funds not allowed
   - Appraiser must provide comparable rent schedule
   - If using rental income to qualify, a copy of the executed lease agreement is required
   - Florida condominiums limited to a maximum 50% LTV/CLTV/HCLTV
6. ARM Transactions:
   - Eligible on second home transactions **ONLY;** ARMs **ineligible** on investment transactions
   - Minimum loan amount is $350,000 (including NY transactions)

<table>
<tr><th>Topic</th><th>Guideline</th></tr>
<tr><td>COVID-19</td><td>A signed, Borrower COVID-19 Affidavit is required</td></tr>
<tr><td>4506-C</td><td>• Completed and signed 4506-C required prior to loan closing for both personal and business tax returns (as applicable) for all borrowers whose income was used for qualifying
• The 4506-C must be processed and tax transcripts (both personal and business, if applicable) obtained for all borrowers when using tax returns to validate qualifying income
• W-2 transcripts to validate W-2 wages if tax transcripts are not provided and the borrower does not have any other income source or loss.
• 4506-C results must be validated against the income documentation in the loan file
• In the event tax returns were filed but the transcripts are not available from the IRS the results must reflect “No Record Found”.
- An additional prior year’s tax transcripts must be obtained.
- Large increases in income that cannot be validated through a tax transcript may only be considered for qualifying on a case-by-case basis.
• Broker provided processed 4506-C results are not eligible</td></tr>
<tr><td>80.01% to 90% LTV</td><td>80.01% to 90% LTV subject to all of the following (no exceptions). Topics not addressed in this section, follow standard guidelines.
• 1-unit primary residence
• Fixed rate only; ARM ineligible
• Purchase and rate/term refi only
• Minimum 740 FICO
• Minimum loan amount is $1.00 more than the current conforming/high balance limits set by the Federal Housing Finance Agency (FHFA)
• Mortgage insurance not required
• Subordinate financing not allowed
• Gift funds not allowed
• Major derogatory credit not allowed
• Business funds eligible for down payment and closing costs; business funds are ineligible to satisfy reserve requirements
• Maximum DTI 43% (excluding first time homebuyer – see FTHB below)
• Reserves are determined by DTI (excluding first time homebuyer – see FTHB topic below):
- DTI ≤ 38%: 12 months PITIA reserves
- DTI 38.01% - 43%: 18 months PITIA reserves
Refer to the Reserves topic for complete reserve requirements
• Escrow/impound account required
• Non-permanent resident aliens ineligible
• Appraisal requirements:
- Purchase transactions: One (1) full appraisal
- Rate/Term Refi: Two (2) full appraisals
Refer to the Appraisals topic for complete appraisal requirements
• Maximum of two (2) financed properties, including the subject
• Texas Section 50(a)(6) transactions ineligible
• Residual income required as detailed below:
<table>
<tr><th>Number in Household*</th><th>One</th><th>Two</th><th>Three</th><th>Four</th><th>Five</th></tr>
<tr><td>Required Residual Income</td><td>$1550</td><td>$2600</td><td>$3150</td><td>$3550</td><td>$3700</td></tr>
</table>
* Add $150 for each additional family member over five (i.e. 6 family member requires $3850 residual income; $3700 for 5 family members + $150 for 6th member = $3850)
First Time Homebuyers (FTHB)
The above guidance also applies to first time homebuyers with the following exceptions:
• Maximum DTI 38%, and
• 15 months reserves required, and
• Maximum loan amount $1M in all states except CA, CT, NJ, NY, and WA; CA, CT, NJ, NY, and WA FTHB Fixed Rate $1,500,000 loan amount; ARMs $1,250,000 loan amount</td></tr>
</table>

<table>
<tr><td>Ability to Repay</td><td>

All loans must meet Ability to Repay (ATR) requirements. All of the following criteria must be considered when determining if the borrower has sufficient income and assets to repay the loan.

Current or reasonable expected income or assets,
Current employment status,
Monthly payment on the covered transaction,
Monthly payment on any simultaneous loan,
Monthly payment for mortgage-related obligations,
Current debt obligations, alimony and child support,
Credit history, and
Debt-to-income ratio

The loan file must include documentation of the borrower’s ability to repay.
If the 1003, title commitment or credit documents indicate the borrower is a party to a lawsuit, additional documentation is required to determine the lawsuit will not have a negative impact on the borrower’s ability to repay, assets or collateral.

</td></tr>
<tr><td>Age of Documents</td><td>

All credit, income and asset documentation cannot be more than 120 days old at funding
Appraisal documents cannot be more than 120 days old at funding.
Title commitment cannot be more than 120 days old at funding

</td></tr>
<tr><td>Appraisals</td><td>

A new appraisal is required; a prior appraisal, regardless of date is not allowed
Appraisal requirements are as follows:

<table>
<tr><th colspan="2">Purchase Transactions</th></tr>
<tr><th>First Lien Loan Amount</th><th>Appraisal Requirement</th></tr>
<tr><td>≤ $2,000,000</td><td>One (1) full appraisal</td></tr>
<tr><td>> $2,000,000</td><td>Two (2) full appraisals</td></tr>
<tr><th colspan="2">Refinance Transactions</th></tr>
<tr><th>First Lien Loan Amount</th><th>Appraisal Requirement</th></tr>
<tr><td>≤ $1,500,000</td><td>One (1) full appraisal</td></tr>
<tr><td>> $1,500,000</td><td>Two (2) full appraisals</td></tr>
</table>
Refer to the <u>80.01% - 90% LTV</u> topic for appraisal requirements for loans with an LTV > 80%

One Appraisal Required: A Collateral Desktop Analysis (CDA) is required. The following applies to the CDA result:

<table>
<tr><th colspan="2">Collateral Desktop Analysis (CDA) Results</th></tr>
<tr><th>CDA Acceptable</th><th>CDA Unacceptable</th></tr>
<tr><td>If the CDA supports the value, no further action is required</td><td>If the CDA returns a value that is “indeterminate” OR the CDA to appraisal value is > 10% the following applies:
A field review or second full appraisal must be obtained and the lower of the two values will be used as the appraised value</td></tr>
</table>

Two Appraisals Required: When two appraisals are required the following applies:

Appraisals must be completed by two independent appraisal companies. The same AMC may be utilized but the appraisals must be provided from two different appraisal companies.
The LTV will be determined by the lower of the two appraised values. A CDA is not required
The underwriter is responsible to review both appraisals and address any inconsistencies between the two reports and all discrepancies must be reconciled
If the two (2) appraisals are done subject to and 1004Ds are required, only one (1) 1004D is required. The 1004D must be for the appraisal that the value is based upon

Transferred appraisals are not allowed

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

Appraisals (cont.)	• Properties purchased by the seller of the property within 90 days of the fully executed purchase contract are subject to the following additional requirements:
	- Two (2) appraisals required, and
	- Property seller on the purchase contract must be the owner of record,
	- Increases in value should be fully documented by the appraiser and supported with recent paired sales
	NOTE: The above does not apply to properties purchased from a bank that offered the property as a result of foreclosure or deed-in-lieu
	• Properties with values significantly in excess of the predominant value of the subject property's market are subject to Homebridge management review and approval.
	• Appraisals must be Uniform Appraisal Data (UAD) compliant and meet Fannie Mae's Appraiser Independence Requirements (AIR).
	• A Fannie Mae Market Conditions Addendum (1004MC) and a Fannie Mae Submission Summary Report is required on all appraisals.
	• 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 photos.
	- The exterior photos must contain photos of the front, back and street scene of the subject property as well as the front of all comparable sales.
	- The interior photos, at minimum, must include:
	  - Kitchen, (free-standing stove/range or refrigerator not required)
	  - Main living area,
	  - All bathrooms,
	  - Examples of physical deterioration, if present,
	  - Examples of any recent updates, if present (i.e. remodel, renovation, restoration)
	• 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 the states of Maine, New Hampshire, Vermont, and rural areas where MLS is **not** common
	• Comparable sales cannot be > 6 months old at time of underwriting review.
	• Comparable sales used for new construction properties are subject to the following:
	- If all three of the comparable sales used to support the value of the subject property were obtained from one of the above sources (public source eligible in Vermont and Maine only) no further action is required.
	- If the comparable sales are not all obtained from one of the sources listed above, or from a public independent source (Maine, New Hampshire, Vermont, or rural areas only), the appraiser must comment that the subject property development is being marketed in an "open" or "public" environment (i.e. newspaper advertisements, billboard 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 one of the sources listed above or public independent source (public source Maine/New Hampshire/Vermont/rural areas only).
	  - Two of the comparable sales must be from sources other than the subject property builder.
	NOTE: The appraiser is always allowed to provide more than three comparable sales in order to support the property value.

Appraisals (cont.)	• Modular/Prefabricated homes: The appraiser must address the marketability of the property • The appraisal must contain a comparable rent schedule on transactions involving investment properties • Land value subject to Fannie Mae guidelines. The appraiser must comment if typical for the area and current use is highest and best use • Maximum 20 acres. Properties > 10 acres to ≤ 20 acres cannot have any income producing attributes **NOTE:** Texas 50(a)(6) and 50(f)(2) transactions maximum 10 acres, no exceptions • 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. • An appraisal update (Form 1004D) is allowed for appraisals over 120 days but less than 180 days from the Note date subject to: - The appraiser must inspect the exterior of the property and provide a photo, and - The appraiser must review current market data to determine if the property has declined in value since that date of the original appraisal. If the value has declined, a new full appraisal is required - The 1004D must be dated within 120 days of the Note date • Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review.
Appraisal Management Companies (AMC)	Appraisal must be ordered from one of the following Homebridge approved AMCs: • ACT Appraisal Management • AMC Settlement Services • Axis Management Solutions • Class Valuation • Fastapp Appraisal Management • Golden State AMC • Nadlan Valuation • Nationwide Appraisal Network • Nationwide Property & Appraisal Network
ARM Transactions	The following applies to ARM transactions: • Primary residence and second home transactions **only**; **ineligible** on investment transactions • Maximum 80% LTV/CLTV • Minimum loan amount $350,000 • Maximum DTI 43%

Assets	Full asset documentation is required. Borrowers must disclose all liquid assets, in addition to the minimums required, and all assets must be held in a U.S. account and verified as detailed below. • Cash on hand ineligible **Checking and Savings Accounts** • The two (2) most recent, consecutive months' statements for both checking and savings accounts. A VOD is **not** acceptable in lieu of bank statements • Large deposits inconsistent with monthly income or other deposits must be verified. **Marketable Securities/Stock Accounts** • The two (2) most recent, consecutive months' stock securities account statements are required • **The full value of stock accounts can be considered in the calculation of assets available for closing and reserves** NOTE: Non-vested/restricted stock accounts are not eligible for down payment or reserves **Retirement Accounts** • The most recent account statement covering for a minimum of a two (2) month period • Evidence of liquidation is required when funds are used for down payment or closing costs. • Evidence of access to the funds is required **regardless of employment status** • 100% of the vested value of retirement accounts may be used to satisfy reserve requirements NOTE: Any outstanding loans must be deducted from the vested value. • Retirement accounts that do not allow for any type of withdrawal are ineligible to use for reserves. **Business Funds** Business funds may be used for down payment, closing costs, and reserves subject to the following: • A cash flow analysis using three (3) months business bank statements to determine the withdrawal of the funds will not have a negative impact on the business is required, **and** • Business bank statements cannot reflect any non-sufficient funds or overdrafts, **and** • If borrower(s) ownership in the business is < 100% the following is required: - Borrower(s) must have majority ownership of 51% or greater, - An access letter, signed by non-borrowing owners, is required when using business funds - Borrower(s) percentage of ownership must be applied to the balance of business funds eligible for use by the borrower(s) **Foreign Assets** Funds from foreign assets are **ineligible** **1031 Exchange** 1031 exchange funds are eligible on second home and investment purchase transactions only subject to the following requirements: • Copies of the CD for both properties, and • Copy of the Exchange Agreement, and • Sales contract for the exchange property, and • The underwriter must verify the funds from the Exchange Intermediary. **NOTE:** Reverse 1031 exchange transactions are not allowed.

<table>
<tr><td>Assets (cont.)</td><td>Cash Value of Life Insurance/Annuities
100% of the value is eligible unless subject to penalties
The most recent account statement, covering a minimum of a two (2) month period is required.
Taxes Owed or Tax Extension
If the most recent tax return or a tax extension indicate a borrower owes money to the IRS or applicable state tax authority, evidence of sufficient assets to pay the debt must be documented if the amount due is within 90 days of loan application.</td></tr>
<tr><td>Assumptions</td><td>Not allowed</td></tr>
<tr><td>AUS</td><td>Manual underwriting is required</td></tr>
<tr><td>Available Markets</td><td>All 50 states, excluding Nebraska
Guam, Puerto Rico and the Virgin Islands are ineligible.</td></tr>
<tr><td>Borrowers - Eligible</td><td>U.S. citizens
Permanent Resident Aliens – Eligible. Must provide documentation to verify they are legally present in the U.S. Must be employed in the U.S. for the previous two (2) years
Inter Vivos Revocable Trust - Eligible subject to the following:
- The trust must be established by one or more natural persons, solely or jointly,
- The primary beneficiary of the trust must be the individual(s) who established the trust,
- If the trust is established jointly, there may be more than one primary beneficiary as long as the income or assets of at least one of the individuals establishing the trust will be used to qualify for the mortgage,
- The trustee(s) must include the individual establishing the trust (or at least one of the individuals, if there are two or more),
NOTE: Institutional trustees are ineligible.
- The trustee must have the power to mortgage the security property for the purpose of securing a loan to the party (or parties) who are the borrower(s) under the mortgage or Note
- The mortgage must be underwritten as if the individual establishing the trust (or at least one of the individuals, if there are two or more) were the borrower (or co-borrower, if there are additional individuals whose income or assets will be used to qualify for the mortgage)
Non-Permanent Resident Aliens – Eligible subject to the following restrictions:
- Primary residence only
- Cannot own any other real estate
- Unexpired H-1B, H-2B, E1, L1 and G Series visas only. G Series visas with diplomatic immunity are ineligible.
- Credit tradeline requirements detailed in this guideline must be met, no exceptions,
- Borrower must have current 24 months employment history in the U.S.
- Income verification and validation requirements must be met, no exceptions.
Borrower Party to a Lawsuit
If the 1003, title commitment or credit documents indicate the borrower is a party to a lawsuit, additional documentation is required to determine the lawsuit will not have a negative impact on the borrower’s ability to repay, assets or collateral.</td></tr>
</table>

Borrowers - Eligible (cont.)	• **First Time Home Buyers** (borrowers who have not owned a property in the past 3 years). If multiple borrowers are on the loan and at least one borrower has owned a home, the FTHB restrictions do **not** apply. FTHB requirements vary based on LTV as detailed below
	- **≤ 80% LTV: First Time Homebuyer** property located in all states **excluding CA, CT, NJ, NY, and WA** eligible subject to the following:
	  - Maximum loan amount of $1,000,000*
	  - Primary residence
	  - Minimum 12 months PITIA reserves required
	- **≤ 80% LTV First Time Homebuyer** and property located in **CA, CT, NJ, NY, and WA** the following applies to loan amounts >$1,000,000 to $1,500,000)
	  - Primary residence
	  - Minimum 720 credit score
	  - No gift funds
	  - Minimum 15 months PITIA reserves required
	- **80.01% to 90% LTV First Time Homebuyers**
	  - Maximum loan amount $1,000,000 (all states **excluding** CA, CT, NJ, NY, & WA)
	  - Maximum loan amount $1,500,000 (CA, CT, NJ, NY, WA **ONLY**)
	  - Primary residence
	  - No gift funds
	  - Minimum credit score 740
	  - Maximum DTI 38%
	  - Minimum 15 months PITIA reserves required
	• **Illinois Land Trust – Eligible subject to the following:**
	- Parties to the Illinois Land trusts are as follows:
	  - **Beneficiary**: The person(s) who benefit from the trust and must be an individual and must be an individual and the mortgage applicant. The beneficiary must be the recipient of the trusts benefits and is considered to have beneficial title (ownership of the property). The land trust beneficiaries must execute the Note and guarantee the payment of the mortgage
	  - **Trustee**: The trustee has the authority to mortgage the property and to administer the trust. The trustee can only be an institutional trustee that customarily performs trust functions and who is authorized under state law to act as trustee.
	  - **Trustor/Settlor/Grantor**: Typically called the "grantor", this is the party or parties who created the trust and contributed the property to the trust.
	- Eligibility Requirements:
	  - At least one individual establishing the trust must be a borrower on the loan
	  - Occupancy must be primary residence or second home
	  - The title insurance policy must ensure full title protection and must indicate that title to the subject property is vested in the name of the trustee(s). The policy may not list any exceptions arising from the trust ownership of the property.
	- Full title to the property must be vested as:
	  - Solely in the trustees, or
	  - Jointly in the trustees and in the name of an individual borrower.
	
	(cont. on next page)

Borrowers - Eligible (cont.)	- Trust Agreement Requirements
	  - A copy of the trust agreement, certified by the borrower as being complete and accurate, must be provided
	  - The trust is established by a written document during the lifetime of the individual establishing the trust to be effective during their lifetime,
	  - The individual establish the trust has reserved the right to revoke or alter the trust during their lifetime,
	  - The trustee has the power to mortgage the subject property for the purpose of securing a loan at the instruction of the beneficiary(s),
	  - The primary beneficiary of the trust is the individual establishing the trust. If more than one individual established the trust jointly, there may be e more than one primary beneficiary,
	  - The beneficiaries must have the sole power of direction over the trust and trustee.
	• All borrowers are required to have a valid social security number; ITIN is **not** eligible.

Borrowers – Ineligible	• Foreign Nationals • Non-occupant co-borrowers • Land Trusts (except Illinois Land Trust) • Limited partnerships, general partnerships, corporations and LLCs • Borrowers with diplomatic immunity • Borrowers without a social security number or a number that cannot be validated with the SSA. An ITIN is not eligible • Borrowers with non-traditional credit • Borrowers with any ownership in a business that is federally illegal, regardless if the income is not being considered for qualifying • Life Estates • Non-revocable trusts • Guardianships • First time homebuyer purchasing second home or investment • Borrowers previously convicted of mortgage fraud

Borrower - Ownership Interest	• Title must be in the borrower’s name at time of application for refinance transactions and at the time of closing for all transactions.
	• Borrowers may hold title as follows:
	  - Fee Simple with vesting as:
	    - Individual, or
	    - Joint tenants, or
	    - Tenants in common
	    - Leasehold Estate: If commonly accept in the area leaseholds are eligible subject to:
	      o The mortgage must be secured by the property improvements and the borrower’s leasehold interest in the land, and
	      o The leasehold estate and the improvements must constitute real property, and
	      o Must be subject to the mortgage lien, and
	      o Be insured by the lender’s title policy

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 and is eligible subject to the following:
	- The borrower must hold title to the lot, which may have been previously acquired or purchased as part of the transaction
	- Rate/term and cash-out transactions:
	  - Lots owned ≥ 12 months the LTV/CLTV is based on the current appraised value
	  - Lots owned < 12 months the LTV/CLTV is based on the lesser of:
	    o The current appraised value, or
	    o The total acquisition costs (sum of construction costs and purchase price of lot)
	NOTE: Timeframe for ownership is measured from the date the lot was purchased to the Note date of the subject transaction.

Contingent Liabilities	• **Co-Signed Debt**
	  - Co-signed debt is **not required** to be included in the borrower's DTI calculation if all of the following applies:
	    - Documentation is provided that the borrower is not primarily responsible for payment of the debt, and
	    - The credit report indicates no late payments on the account, and
	    - 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower).
	  - Co-signed debt must **be included** in the borrower's DTI calculation if:
	    - It cannot be properly documented that the primary party obligated on the loan is making the payments, **or**
	    - A 12 month pay history, by the primary party, cannot be established, **or**
	    - The credit report indicates there have been late payments on the debt, **or**
	    - Another party is making the payments but the borrower is the only party responsible for the debt.
	• **Court Ordered Assignment of Debt**
	  - Debt that has been assigned by order of the court is not required to be included in the borrower's DTI calculations if the following is provided:
	    - Copy of the court order, **and**
	    - Mortgage debt requires a copy of the document transferring ownership of property, **and**
	    - If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be considered when reviewing the borrower's credit profile.
	• **Assumption with No Release of Liability**
	  - The debt on a previous mortgage may be excluded from the DTI subject to the following:
	    - Documentation the borrower no longer owns the property,
	    - Payment history showing the mortgage on the assumed property has been current during the previous 12 months, OR
	    - Sales price on the CD indicates an LTV of 75% or less
	• **Debts Paid by Others: Non-Mortgage**
	  - When the borrower is obligated on non-mortgage debt (e.g. installment loans, revolving, lease payments, student loans, etc.) but is **not** making the payment the debt may be **excluded** from the DTI calculation subject to the following:
	    - The other party must be paying the **entire monthly payment** for a minimum of 12 months. The debt may **not** be excluded if the borrower is paying any portion of the monthly payment **or** the other party has not been making the entire payment for at least 12 months.
	    - 12 months cancelled checks or bank statements from the party making the payments are required to document 12 months 0x30 pay history. If any delinquencies the payment **may not** be excluded.
	  NOTE: The above **does not apply** if the party paying the debt is an interested party to the subject transaction

Contingent Liabilities (cont.)	• **Debts Paid by Others: Mortgage Debt** - When the borrower is obligated on mortgage debt, but is not the party who is actually making the payment, the payment may be excluded from the borrower's DTI calculation subject to the following: - The party making the payments is obligated on the mortgage debt, and - There are no delinquencies in the most recent 12 months (0x30x12), and - The borrower is not using rental income from the applicable property to qualify. - 12 months most recent cancelled checks or bank statements, from the party making the payments, to document pay history of 0x30x12 **NOTE:** The property must be included in the number of financed properties count; refer to the Financed Properties topic for requirements
Conversion of Principal Residence to Second Home, Investment or Pending Sale	• **Departing Residence 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 to exclude the departure residence PITIA from qualifying: - A copy of an executed sales contract for the property pending sale (transaction must be arm's length), **and** - Confirmation that **all** contingencies have been cleared, **and** - The closing date for the departure residence must be within 30 days of the subject transaction Note date, **and** - The borrower must meet reserve requirements for subject property and have 6 months PITIA in reserves for vacating/departing property. • **Departure Residence Subject to Guaranteed Buy-out with Corporation Relocation:** - The borrower's payment on their primary residence that is part of a corporate relocation may be excluded when all of the following requirements are met: - Copy of the executed buy-out agreement verifying the borrower has no additional financial responsibility toward the departing residence once the property has been transferred to the third (3rd) party, and - Guaranteed buy-out by the third (3rd) party must occur within 4 months of the fully executed guaranteed buy-out agreement, and - Evidence of receipt of equity advance if funds will be used for down payment or closing costs, and - The borrower must meet reserve requirements for the subject property and **have an additional 6 months PITIA in reserves for the vacating/departing property.** • **Conversion to Second Home**: - The borrower is qualified using the PITIA payments for both properties - The borrower must meet the reserve requirements for the subject property and have 6 months PITIA reserves for vacating/departing property • **Conversion to Investment:** - Fannie Mae policy applies - Any positive rental income may only be used to offset the payment; it cannot be used towards borrower's income calculation
Credit History	• Minimum 3 tradelines that meet the following requirements: - One must be open for 24 months and active within the most recent 6 months, and - The 2 remaining tradelines must be rated for 12 months and may be open or closed, **OR** • Minimum 2 tradelines are acceptable if the borrower has a satisfactory mortgage rating for at least 12 months (open or closed) within the last 24 months, and one (1) additional open tradeline • **Each borrower** contributing income for qualifying must meet the minimum tradeline requirements; borrowers not contributing qualifying income are **not** subject to tradeline requirements. • Authorized user tradelines cannot be used to satisfy tradeline requirements. • Non-traditional credit cannot be used to satisfy tradeline requirements

Credit - Installment/Revolving	• **Installment Debt**
	- Installment debt is considered as a recurring monthly debt obligation and included in the borrower's long-term debt when there is > 10 months payments remaining.
	- **Car lease payments must be included in the monthly debt obligation regardless of the number of remaining payments.**
	- Installment debt **cannot** be paid down to qualify.
	- Installment debt **can be** paid off for qualification. If the account is paid off the following applies:
	  - Documentation that the account was closed must be provided and verified prior to loan disbursement.
	  - The payoff must be shown on the Closing Disclosure
	  - Gift funds cannot be used to payoff debts for qualifying
	- All accounts must be current at closing
	• **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, the greater of $10 or 5% of the outstanding balance is used to determine the monthly payment
	  - Payoff or pay down of debt solely to qualify the borrower is carefully evaluated and will be considered in the overall loan analysis by the underwriter. Gift funds cannot be used to payoff debts for qualifying
	  - Revolving debt that will be **paid off and closed:**
	    - Documentation that the account was closed must be provided and verified prior to loan disbursement.
	    - If the account is paid off **prior to** closing, documentation that the debt was paid in full and the source of funds must be provided and verified, **or**
	    - If the account is to be paid off **at closing**, the payoff amount must be shown on the Closing Disclosure
	  - Revolving debt that will be paid off, **but not closed**, will require:
	    - The current monthly payment, or 5% of the current outstanding balance, if the payment is not included on the credit report, to be included in the DTI
	• **Open 30-Day Charge Accounts**
	- If the credit report reflects an open-end or 30-day account, the balance owed must be subtracted from the borrower's liquid assets.
	• **Student Loans – Deferred/Forbearance/Repayment**
	- All student loans, whether deferred, in forbearance, or in repayment, a monthly payment must be included in the borrower's DTI calculation
	- If the monthly payment is provided on the credit report, the amount indicated as the monthly payment may be used in qualifying
	- If the credit report does not provide a monthly payment **OR** if it shows $0 as the monthly payment, the following applies:
	  o Loan payment indicated on the student loan documentation verifying the monthly payment is based on an income-driven plan
	  o Deferred loans or loans in forbearance:
	    ▪ 1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment) OR
	    ▪ A fully amortizing payment using the documented loan repayment terms
	• **Child Support/Separate Maintenance Payments**
	- 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. Voluntary payments are **not required** to be considered in the DTI calculation.

Credit - Installment/Revolving (cont.)	• **Alimony Payments** - **Divorce Finalized prior to 1/1/19**: Alimony payments may be deducted from the borrower's income **or** included in the DTI calculation. - **Divorce Finalized on or after 1/1/19**: Alimony payments must be included in the DTI calculation • **Taxes Owed or Tax Extension** - If the most recent tax return or a tax extension indicate a borrower owes money to the IRS or applicable state tax authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within 90 days of loan application **or** if tax transcripts show an outstanding balance due - A payment plan for the most recent tax year is allowed subject to the following: o The payment plan was set up at the time the taxes were due. A copy of the payment plan must be included in the loan file o The payment must be included in the DTI, o Satisfactory pay history based on the terms of the payment plan, o **Payment plan is only allowed for taxes due for most recent tax year**, **prior years not allowed** (e.g. borrower files 2020 taxes in April of 2021 a payment plan is eligible for taxes due for 2020; plans for 2019 taxes or prior years ineligible) o Borrower **does not** have a prior history of tax liens
Credit Report/Scores	• Minimum credit score per matrices on page one and two. • An individual borrower's 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 The representative score for the loan is the lowest representative score for all borrowers. • Homebridge will accept a credit report, in the broker's name, from any Fannie Mae acceptable credit vendor. • A tri-merged credit report is required for all borrowers. • **Credit Freeze**: Credit reports showing as "frozen" with a credit bureau will require the freeze to be removed and a new credit report, with all bureaus "unfrozen", is required. • **Credit Rescore**: A credit rescore is allowed. Documentation that supports the credit score change must be included in the loan file. Additionally, the underwriter must verify the borrower still has sufficient assets to meet applicable asset requirements • **Credit Inquiries**: The borrower(s) must address, in writing, **all** credit inquiries indicated on the credit report within the previous 90 days. The LOE must reference the creditor name (e.g. Wells Fargo, Bank of America, etc.) and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). If new credit was obtained, a verification of that debt must be provided and the borrower must be qualified with the monthly payment. ***Examples:*** - *Acceptable Response:* Chase, Wells & Bank of America credit pulled while searching for a mortgage and no credit was obtained. - *Unacceptable Response:* "We did not accept any credit for the inquiries listed on our credit report" or "We did not accept any credit from Chase, Wells & Bank of America" (neither response specifically addresses both the inquiry and disposition). • If additional debt was obtained or discovered or the borrower's income is reduced after the underwriting decision was made the following applies: - The additional debt(s) and reduced income must be applied and determined if the loan still qualifies, - If there is new subordinate debt on the subject property, the loan must be re-underwritten, and - The final loan application signed by the borrower(s) must include all income and debt verified, disclosed or identified • The credit report cannot be more than 90 days old at funding
Deed / Resale Restrictions	Properties with deed/resale restrictions are eligible subject to Fannie Mae requirements.

Derogatory Credit	
	Loans with an LTV of 80.01% to 90%: • BK, foreclosure/NOD/short sale/DIL/mortgages settled for less/negotiated or short payoff: **Not allowed regardless of seasoning** **Bankruptcy (7, 11, and 13)** • Seven (7) year waiting period measured from discharge/dismissal date to disbursement date of new loan; if seasoned more than 10 years, not considered **Foreclosure** • Seven (7) year waiting period measured from completion date to disbursement date of new loan; if seasoned more than 10 years, not considered **Deed-in-Lieu/Pre-Foreclosure/Short Sale/Short Pay-off** • Seven (7) years since completion/sale date; if seasoned more than 10 years, not considered **Mortgage Accounts Settled for Less/Negotiated Payoffs/Short-Payoff** • Seven (7) years from settlement date; if seasoned more than 10 years not considered **Notice of Default** • Seven (7) years from Notice; if seasoned more than 10 years, not considered **Past Forbearance (All transactions regardless of LTV)** • Borrowers with a previous forbearance are eligible six (6) months after the end of the forbearance period when: - The borrower made all monthly payments during the forbearance plan and did not skip any payments. The payoff and mortgage statements must not reflect any deferred principal balances or any indication of current forbearance **Restructured/Modified Loans** • **All transactions regardless of LTV**: A lender initiated modification is not considered a derogatory event if the modification was unrelated to hardship and there is no debt forgiveness as evidenced by supporting documentation. A seasoning requirement does not apply. • If the modification was due to hardship (including forbearance) or included debt forgiveness there is a seven (7) year waiting period measured from the modification date. **Loans with an LTV of 80.01% to 90: Not allowed** **Extenuating Circumstances** • If the bankruptcy, foreclosure, deed-in-lieu, short sale, short pay-off occurred ≥ 4 years and < 7 years and was due to documented extenuating circumstance (death of spouse, major illness of a spouse or child) that caused a sudden, significant, and prolonged reduction in income or catastrophic increase in financial obligation the transaction will be considered on a case-by-case basis subject to Homebridge management review and approval • Documentation supporting the extenuating circumstance (e.g., death certificate, medical bills, etc.) must be provided. NOTE: Divorce or job loss is **not** considered an extenuating circumstance **Assignment of Debt** If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on a case-by-case **Medical Collection Accounts** • May remain outstanding as long as the cumulative total of all medical collections are less than $10,000 **Non-Medical Collections Accounts** The following applies to non-medical collection accounts: • **1-Unit Owner-Occupied Primary Residence**: - Not required to be paid off regardless of the amount • **2-Unit Owner-Occupied Primary Residence and 1-Unit Second Home** - If the combined total of collections and charge-off accounts is greater than $5,000, the accounts must be paid in full prior to or at closing • **Investment Property** - Individual accounts greater than or equal to $250.00 or, if the combined balance of all accounts is greater than $1000.00, the accounts must be paid in full prior to or at closing.

Derogatory Credit (cont.)	**Judgments/Tax Liens/Charge-offs/Past-due Accounts** • Open tax liens, judgments, and charge-offs appearing on the Public Records section of the credit report must be paid off and past-due accounts must be brought current or paid in full prior to or at closing. • Documentation of sufficient funds to satisfy these obligations must be obtained. • Cash-out proceeds from the subject transaction may **not** be used to satisfy judgments, tax liens, charge-offs or past due accounts. **NOTE:** Payment plans on previous year tax liens/liabilities are **not** allowed; they must be paid in full **Consumer Credit Counseling** Borrowers who have participated in CC are eligible if they meet all other credit requirements (minimum credit score, no mortgage lates, no short sales, no modifications, etc.) **Disputed Accounts** • All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute. • Derogatory accounts must be considered in analyzing the borrower's willingness to repay unless the disputed account has a zero balance and no late payments; then it can be disregarded. **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. **Multiple Derogatory Credit Events** • **Not allowed** (even if seasoned > 7 tears)
DTI	Maximum DTI determined by LTV and occupancy • **≤ 80% LTV:** - **Primary Residence Fixed Rate:** Maximum 49.99% DTI (excluding ARMs; see below) - 45.01% - 49.99% DTI **requires residual income**; refer to the Residual Income topic for details - **Primary Residence ARM Transactions**: Maximum 45% DTI - **Second Home (Fixed and ARM)**: Maximum 43% DTI - **Investment Property (Fixed Only; ARM ineligible)**: Maximum 38% DTI • **> 80% LTV:** - **Non-First Time Homebuyer:** Maximum 43% DTI - 38.01% to 43% DTI **requires additional reserves** - **First Time Homebuyer**: Maximum 38% DTI Refer to the 80.01% - 90% LTV topic for complete > 80% LTV requirements • The DTI is based on the total of existing monthly liabilities plus any planned future liabilities based on credit inquiries or as disclosed by the borrower and then divided by the calculated gross monthly income. • Liabilities must include housing, revolving and installment debt, real estate loans, rent, child support, and any other consistent and recurring debt. • If the borrower owns other properties documentation must be provided to confirm the PITI, HOA dues, lease payments and any other property-related expenses. • Balloon payment Note that will come due within one year of loan closing must be considered in the borrower's liability

Employment	• A two (2) year employment and income history is required for both wage earner and self-employed borrowers. • Gaps in employment > 30 days during the past 2 years require a satisfactory letter of explanation • A verbal verification of employment (VVOE) is required within **5 business days prior to** the Note date for salaried borrowers • The VVOE for wage earners should contain the following information: - Date of contact, - The name and title of the person contacting the employer, - Borrower's start date of employment, - Name of employer - Name, phone number and title of the person contacted at the employer - Employment status and job title, and - The method and independent source used to obtain the phone number **NOTE:** The VVOE for wage earners must cover **two full years of employment** including any prior employment if the borrower has changed employers in the previous two years • The VVOE for self-employed borrowers (individuals who have a 25% or greater ownership interest in a business) the following applies: - Verification of the existence of the borrower's business from a third party source such as a CPA, regulatory agency, or applicable licensing bureau **no more than 5 calendar days prior to the Note date** **NOTE:** The borrower's website is **not** an acceptable 3rd party verification source. - Provide the listing and address of the borrower's business using a telephone book, internet, or directory assistance - Name and title of the person completing the verification and date of verification required • Wage earners require a current paystub with YTD income and the following applies - The pay stub must be computer generated and be from the most recent pay period at the time of application and no earlier than 120 days prior to the Note date - Clearly identify the borrower as the employee, - Pay stubs issued electronically via email or downloaded from the internet must show all of the following: - The URL address, - Date and time printed, and - Identifying information on place of origin and/or author of the documentation. **NOTE:** A fully completed written VOE is only acceptable as a supplement to the VVOE to further explain the type of income earned (e.g. breakdown of base, OT, bonus, commission, etc.) • Most recent W-2s are required for wage earners and must be employer generated copies.

Escrow Holdbacks	Not allowed
Escrow/Impound Account	• ≤ 80% LTV recommended but not required • > 80% LTV required
Financed Properties	• **Transactions 80.01% to 90% LTV**: Maximum 2 financed properties, including subject (financed commercial properties and multi-family properties 5+ units are excluded) • **Transactions ≤ 80% LTV**: Maximum four (4) financed 1-4 unit residential properties including subject (financed commercial properties and multi-family properties 5+ units are excluded) • Borrowers who own more than four financed (4) properties (including the subject property) are **not eligible**. • 1-4 unit properties held in the name of an LLC or other corporation can be excluded from the number of properties owned calculation if the borrower is not personally obligated on the mortgage. • Six (6) months PITIA on **each additional** financed property (in addition to subject property requirements) • Documentation to confirm PITIA, lease payment, and any additional property related expenses, as applicable, must be provided • Homebridge limits its exposure to a maximum of 4 loans per borrower.
Gift Funds	Gift funds are **eligible** subject to the following: • **Purchase Transactions**: Gift funds may be used once the 5% borrower own funds requirement is met. Gift funds are eligible for down payment (**after** borrower own funds requirement met) and closing costs. **NOTE: Gift funds may not be used to satisfy reserve requirements or to pay off debts to qualify** • The donor must be an immediate family member, future spouse, or domestic partner living with the borrower • A gift letter is required that includes the following donor information: - Name, - Address, - Telephone, and - Relationship to the borrower. • Proof of donor's funds and transfer/evidence of receipt by borrower must be documented. Acceptable documentation includes: - Copy of donor's check or withdrawal slip and borrower's deposit slip, or - Copy of donor's check to the closing agent, or - A settlement statement/CD showing receipt of the donor's gift check • Foreign funds are **ineligible** as gift funds • Gifts from relatives that are interested parties to the transaction are **not** allowed. Real estate agents may apply their commission towards closings costs and/or prepaids as long as the amount is within the interested party contribution limits Gift funds are **ineligible** on the following: • LTVs > 80%, **and** • Investment transactions, **and** • First time homebuyer transactions
Gift of Equity	• Eligible as a source of down payment. • Borrower is required to meet the 5% borrower contribution from own funds requirement.
HELOC	• The payment on the amount of the line currently being used must be included in the DTI calculation. If the payment is not reflected on the credit report, the payment documented on the current billing statement may be used. • HELOCs with a zero balance, no payment calculation is required unless HELOC funds will be used for down payment or closing cots • The applicable CLTV/HCLTV cannot be exceeded.

Income	• A minimum of two (2) years employment and income history is required. The underwriter is required to provide a written analysis and justification for using income that has less than a two (2) year history of receipt.
	• Stable monthly income is the borrower's verified gross monthly income from all acceptable and verifiable sources and there must be a reasonable expectation it will continue for a minimum of three (3) years.
	• Full income verification is required.
	• An income analysis form (Fannie Mae Form 1084 Cash Flow Analysis or its equivalent) is required detailing income calculations. Income analysis for borrowers with multiple employers, businesses or income sources must show income/loss details separately, not in aggregate.
	• **Wage earner borrowers**:
	  - At minimum, a current paystub with YTD earnings and the most recent two (2) years W-2 forms (W-2 **or** W-2 transcript) **or** tax returns are required.
	• **Self-employed borrowers**:
	  - Copy of the most recent 2-years signed federal individual and business tax returns with all schedules.
	• When tax returns are used for qualifying the following applies:
	  - Personal tax returns must include all schedules (W-2 forms, K-1s, etc.) and be signed and dated on or before closing.
	  - Business tax returns (if applicable) must be signed and dated on or before closing and include all schedules.
	• Refer to the Income Documentation Requirements topic for complete documentation requirements.
	• When the borrowers have unfiled prior years' tax returns the following applies:
	  - Between Jan 1st and the tax filing date (typically April 15th) the borrower must provide:
	    - IRS Form 1099 and the W-2 from the previous year
	    NOTE: If the loan is closing in January and the borrower has not received their W-2 the prior year's year-end paystub may be provided. Borrowers using 1099s, evidence of receipt of 1099 income must be provided.
	  - Between the tax filing date and the extension expiration date (October 15th), borrowers must provide (as applicable):
	    - Copy of the filed extension,
	    - Evidence of payment of any taxes owed as identified on the tax return,
	    - W-2 forms,
	    - Form 1099,
	    - Year-end signed profit and loss for the prior year, and
	    - Current signed profit and loss for prior year,
	    - Self-employed borrowers must also provide balance sheet for the prior calendar year.
	• Other sources of income are eligible for qualifying the borrower as long as it is considered stable and there is a reasonable expectation it will continue for a minimum of three (3) years.
	• Income must be fully documented and must be averaged for the time period covered.
	Declining Income
	• If declining income has occurred, the most recent 12 months should be used.
	• Declining income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and borrower's ability to repay
	• The employer or borrower must provide an explanation for the decline and the Underwriter must provide a written justification for including the declining income in qualifying
	• **Declining income requires Homebridge management review and approval.**
	NOTE: If the decline is related to a one-time capital expenditure, a longer period of time for the averaging of income on a case-by-case basis. Documentation of the expenditure must be provided.

<table>
<tr><td>Income (cont.)</td><td>
Income Documentation Requirements
<table>
<tr><th>Income Type</th><th>Documentation Requirements</th></tr>
<tr><td>Employment Income – Salaried</td><td>An earnings trend must be established and documented. Large increases in salary over the prior two (2) years must be explained and documented.
The following documentation is required:
W-2 forms or personal tax returns, including all schedules, for prior two years
Year-to-date pay stub up through and including the most current pay period at the time of application. Cannot be dated earlier than 120 days prior to the Note date
If the borrower receives overtime pay, it must be shown on the YTD pay stub</td></tr>
<tr><td>Employment Income – Hourly & Part-Time</td><td>An earnings trend must be established and documented.
Stable to increasing income should be averaged over a minimum two (2) year period. Declining income must be explained by the employer and borrower. The underwriter must provide a written analysis and explanation if declining income is used to qualify the borrower.
The following documentation is required:
W-2 forms or personal tax returns, including all schedules, for prior two (2) years
Year-to-date pay stub up through and including the most current pay period at the time of application. Cannot be dated earlier than 120 days prior to the Note date</td></tr>
<tr><td>Employment Income – Employed by Family Member</td><td>YTD paystub, and
Two (2) years W-2s and
Two (2) years personal tax returns (all schedules), and
Underwriter must address borrower’s potential ownership interest</td></tr>
<tr><td>Employment Income – Commission</td><td>Commission income must be averaged over the previous two (2) years.
If the commission income shows a continual decline, the underwriter must provide written sound rationalization for using the income to qualify or income cannot be used.
W-2 forms for prior 2 years if commissions are < 25% of the total income.
W-2 or tax return transcripts
Year-to-date pay stub up through and including the most current pay period at the time of application. Paystub cannot be dated earlier than 120 days prior to Note date</td></tr>
<tr><td>K-1 Income/Loss Schedule E</td><td>K-1s for the applicable number of years required when the income is negative and the loss from the most recent tax year should be applied
If the K-1 income is $0, positive, or stable and is not used for qualifying, the K-1 are not required
If ≤ 25% ownership of the income used for qualifying the YTD income must be verified if the most recent K-1s is more than 90 days old prior to the Note date
If > 25% ownership of the income used for qualifying, partnership/S-Corp and self-employment requirements apply</td></tr>
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Income (cont.)

Income Type	Documentation Requirements
Employment Income – Overtime & Bonus	An earnings trend for bonus and overtime must be established and documented. A period of more than two years must be used in calculating the average overtime and bonus income if the income varies significantly from year to year. If either type of income shows a continual decline, written sound rationalization for using the income to qualify must be provided, or income should not be used. • W-2 forms or personal tax returns, including all schedules, for prior two years. • W-2 or tax return transcripts • YTD pay stub up through and including the most current pay period at the time of application. Paystub cannot be dated earlier than 120 days prior to the Note date
Self-Employment Income	Self-employed borrowers are individuals who have 25% or greater ownership interest or receive a 1099 statement to document income. The below requirements apply to self-employed borrowers: • Income calculations should be based on Fannie Mae/Freddie Mac form 1084/91or equivalent income calculation form • YTD is defined as the period ending as of the most recent tax return through the most recent quarter ending one (1) month prior to the Note date. If tax returns are on extension, the entire unfiled year is also required • YTD financials (P&L and balance sheet) are not required if the income reporting is positive, not declining and not counted in qualifying income ***Example:*** The 2022 returns are in the file and the Note date is 7/14/23. YTD documentation through Q1 or March 31, 2023 would be required. Note date of 8/14/23 would require YTD documentation covering Q1 and Q2 or through June 30, 2023
Self-Employment – Sole Proprietorship (including Schedule C and F)	• YTD profit and loss (P&L)* with an end date within 90 days of funding for each business • YTD balance sheet* with an ending date within 90 days from the funding date for each business. • If the borrower filed an extension for the prior year then the prior year P&L **and** the prior year balance sheet (January through December) for each business is also required. • Personal tax returns, including all schedules, signed on or before the closing date, for prior two years are required • Stable to increasing income is averaged for (2) years. • *YTD & P&L and balance sheet may be waived if borrower is a 1099 paid borrower who does not actually own a business subject to: - Schedule C in #28 total expenses must be analyzed in relation to income in #7 gross income. Expenses are < 5% of income - Analysis of #8 advertising, # 11 contract labor, #16a mortgage interest, #20 rent/lease, and #26 wages must indicate the borrower does not have expenses in these categories - Analysis of #17 legal/professional and #18 office expense indicate nominal or $0 expense - Line C business name does not have separate business name - YTD in the form of a written VOE or pay history is provided by the employer paying the 1099 and it must support prior year's income

Income (cont.)

Income Type	Documentation Requirements
Self- Employment - Partnerships (General/Limited) **Limited Liability Companies (LLC)** **"S" Corps**	• Two (2) years signed personal tax returns signed on or before the closing date, **or** • In lieu of a signature, personal tax transcripts for the corresponding year may be provided • Two (2) years signed business tax returns (1065s/1120s) if ≥ 25% ownership **or** • In lieu of a signature, business tax transcripts for the corresponding year may be provided **NOTE**: Due date for business returns for partnerships and S-Corps is typically March 15th with an extension of 6 months (typically September 15th) After the extension date, the loan is **ineligible** without the filed tax return • Business returns and YTD financials are not required if the income reported is $0 or positive, not declining, and not counted in the qualifying income • Year-to-date profit and loss (P&L) with an end date within 90 days of funding for each business if ≥ 25% ownership • Balance sheet with an ending date within 90 days from the funding date for each business is ≥ 25% ownership. • Stable to increasing income is averaged for two (2) years • Two (2) years K-1s reflecting ownership percentage if counting any income from this source in qualifying (K-1 income, W-2 income, capital gains, or interest/dividends) **or** if Schedule E reflects a loss • If the borrower filed an extension for the prior year then the prior year P&L **and** the prior year balance sheet (January through December) for each business is also required.
Self-Employment - Corporation	• Personal tax returns, including all schedules, signed on or before the closing date, for prior two years are required, **or** • In lieu of signature, personal tax transcripts for the corresponding year may be provided prior to closing date, • Business returns (1120), signed if ≥ 25% ownership for prior two years, **or** • In lieu of signature, personal tax transcripts for the corresponding year may be provided prior to closing date • Business returns must reflect percentage of ownership • YTD P&L and balance sheet if ≥ 25% ownership • Stable to increasing income is averaged for two (2) years

Income (cont.)

Income Type	Documentation Requirements
Rental Income – All Properties (Excluding Departing Primary Residence)	• When using rental income to qualify the borrower Fannie Mae guidelines apply • Personal tax returns, including all schedules, for prior two years are required. - Properties listed on Schedule E of the borrower's tax returns, net rental income should be calculated as "rents received **minus** total expenses **plus** depreciation **plus** interest **plus** taxes **plus** insurance **plus** HOA (if applicable) **divided by** applicable months **minus** current PITIA". - If rental income is not listed on the borrower's tax returns, net rental income should be calculated using gross rents multiplied by 75% minus PITIA - Net rental income must be added to the borrower's total monthly income. Net rental losses must be added to the borrower's total monthly obligations. - If the subject property is the borrower's primary residence (1-unit property/1- unit with accessory unit) and generating rental income, the full PITIA must be included in the borrower's total monthly obligations (rental income ineligible) - If the subject property is the borrower's primary residence with 2-units, the rental income received from the unit not occupied by the borrower may be used for qualifying subject to meeting documentation requirements. • If the subject or non-subject property is an investment property and is a seasonal or short-term rental, the following applies: - Most recent one (1) year tax return reflects the property on Schedule E

Income (cont.)

Income Type	Documentation Requirements
Rental Income - Departing Principal Residence (Refer to the Conversion of Principal Residence topic for additional information regarding pending sale and conversion to second home)	When the borrower is converting their current primary residence to a rental property and will use the rental income to qualify or offset the payment the following applies: • The borrower must provide a fully executed lease agreement, **or** • In lieu of a current lease agreement, FNMA Form 1007 or 1025, as applicable, may be provided to determine market rent • Security deposit from the new tenant along with a copy of the bank statement showing the deposited security funds • Rent calculation is 75% of the lease or market rent minus the PITIA • Any positive rental income cannot be used for calculating borrower's income, it may only be used to offset payment
Retirement Income (Pension, Annuity, IRA Distributions)	Existing distribution of assets from an IRA, 401K or similar retirement asset account must be sufficient to sustain income continuance for a minimum of three (3) years. If any retirement income will cease with the first 3 years of the loan, the income is ineligible. • Verification of the assets is required, and • Distribution must have been set-up at least six (6) months prior to history of receipt, **OR** • Two (2) year history of receipt documented. **NOTE:** Distributions cannot be set up, or changed, solely for loan qualification purposes Document regular/continued receipt with any of the following: • Letters from the organization providing the income, or • Copies of retirement award letters, or • Copies of federal income tax returns (signed and dated on or before the closing date). or • Most recent IRS W-2 or 1099 forms, or • Proof of current receipt with 2 months bank statements
Social Security Income	• Surviving spouse/children benefits with a defined expiration date must have a remaining term of at least three (3) years. • Social Security income must be verified by a Social Security Administration benefit verification letter (sometimes called a "proof of income letter," "budget letter," "benefits letter," or "proof of award letter"). If any benefits expire within the first three full years of the loan, the income source may **not** be used in qualifying
Long Term Disability Income (Private Policy or Employer Sponsored)	• A copy of the policy or benefits statement must be provided to confirm current eligibility and to determine: - Amount and frequency of payments, - If there is an established termination date (some policies have an age based termination) - If there is a termination date, it may not be within three (3) years of the Note date
Projected Income	• Allowed on 1-unit primary residence, purchase transactions • Borrower cannot be employed by a family member and can be qualified using fixed base income **only** • The employment offer or contract must identify the employer and be fully executed by both he borrower and the employer • The offer or contract must be non-contingent. If contingencies stated all must be cleared prior to loan closing • If start date **is ≤ 30 days prior** to the Note date the loan file must include the offer/contract and VVOE must confirm employment started • If start date is **≤ 90 days after** the Note date the loan file must include a contingent free offer/contract

Income (cont.)

Income Type	Documentation Requirements
Alimony, Separate Maintenance & Child Support	Eligible with a divorce decree, court ordered separation agreement, court decree, or other legal agreement provided that income will continue for at least three (3) years. **NOTE:** If the income is the borrower's primary income source and there is a defined expiration date (even if expiration date exceeds 3 years), the income may not be acceptable for qualifying purposes. • Documentation evidencing that the borrower has been receiving full, regular, and timely payments for the past 6 months • Refer to the Non-Taxable Income topic for guidance on child support income
Capital Gains/Loss	Capital gains for like assets may be considered as effective income. The earnings trend or loss must be considered in the overall analysis of this income type. If the trend results in a gain, it may be added as effective income**. If the trend consistently shows a loss, it must be deducted from the total income.** • Personal tax returns for the prior two (2) years, including Schedule D to document consistent gains from similar assets required • Documentation of similar assets to the assets reported as capital gains to support continuation of capital gain income required
Dividend/Interest Income	Interest and dividend income may be used for qualifying with documentation that supports a two (2) year history of receipt. • Prior two (2) year's tax returns required, and • Proof of asset(s) to support the continuation of interest and dividend income.
Stock Options & Restricted Stock Units	• Not eligible as qualifying income unless income has been received for a minimum of two (2) years as identified on the paystubs and W-2s. **NOTE:** RSU income is limited **to 50%** of qualifying income • The vesting schedule must indicate the income will continue a minimum of two (2) years at a similar level to the prior two (2) years. There must be **no indication** the borrower will not continue to receive future awards consistent with prior awards received • Additional awards must be similar to the qualifying income and awarded on a consistent basis • Borrower must currently be employed by the employer issuing the RSU/stock options if used for qualifying • Stock must be publicly traded • Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify. ***Calculation Requirements*** • A two (2) year average of prior income received from restricted stock or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock priced based on the 52 week **low** for the most recent 12 months reporting at the time of application • The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule

Income (cont.)	**Income Type**	**Documentation Requirements**
	Note Income	Income from a Note is eligible subject to the following: • A copy of the Note must document the amount, frequency and duration of payments • Documentation substantiating regular receipt of Note income for the past 12 months and the income is expected to continue for a minimum of 3 years required. • Evidence of Note income must be reflected on tax returns.
	Trust Income	Income from trusts may be used if guaranteed and regular payments will continue for a minimum of three (3) years. • Regular receipt of trust income for the past 12 or 24 months must be documented. • Fannie Mae policy for fixed or variable trust income payments applies • A copy of the Trust Agreement or Trustee Statement indicating the following: - Total amount of borrower-designated trust funds, - Terms of payment, - Duration of trust, and - Trust is irrevocable • If trust fund assets are being used for down payment or closing costs, documentation must be provided to indicate withdrawal of the assets will not negatively affect the trust income.
	Foreign Income	Foreign income is eligible subject to the following: • W-2 forms or personal tax returns, including all schedules, for prior two (2) years to document receipt, • Year-to-date most recent pay stub • All income must be converted to U.S. currency.
	Non-Taxable Income (Child Support, Disability, Foster Care, Military, etc.)	• Eligible if documented income will continue for a minimum of three (3) years. • Tax returns must confirm that income is non-taxable • The amount of continuing tax savings attributed to the income not subject to federal taxes may be added to the borrower's gross income. The percentage of non-taxable income that may be added cannot exceed the appropriate tax rate for the income amount. Additional allowances for dependents are not allowed. Required documentation: - The amount of income grossed-up for any non-taxable income source must be documented and supported, - The same tax rate the borrower used to calculate their income tax from the prior year should be used **NOTE:** If the borrower is not required to file a tax return, 25% is used as the tax rate.
	Asset Depletion	• Eligible assets must be held in a U.S. account • Calculate the depletion of assets using a 3% rate of return over the life of the loan - **Borrowers ≥ 59 ½ years old**: All post-closing retirement and liquid assets may be used in the calculation if assets are fully vested and unrestricted - **Borrowers < 59 ½ years old**: All post-closing liquid (non-retirement) assets can be included in the calculation. **Minimum liquid post-closing assets of $500,000 required to include asset depletion for qualifying income** - Business funds **cannot** be included in the income calculation

<table>
<tr><td>Income (cont.)</td><td>
Ineligible Income

The following types of income are ineligible for qualifying purposes:

Income from sources that cannot be verified, or that is temporary or one-time occurrence
Rental income received from the borrower’s primary residence or second home,
Retained earnings,
Education benefits
Trailing spouse/co-borrower income

Income not legal according to the applicable federal, state, or local laws (e.g. medical marijuana dispensaries, business or activity, related to recreational marijuana use even if legally permitted by local law, internet gambling business, foreign shell banks, etc.)

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<tr><td>Inspections</td><td>

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.

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

Interested party contributions (IPC) include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender, or their affiliates, or any other party with an interest in the real estate transaction.
IPC’s may only be used for closing costs and prepaid items.
IPCs cannot be used to make the borrower’s down payment, reserve requirements or to meet the minimum borrower contribution requirement.
Interested party contributions are limited as follows:

<table>
<tr><th>Occupancy Type</th><th>LTV/CLTV</th><th>Maximum Allowable Contribution</th></tr>
<tr><td rowspan="2">Primary Residence
or
Second Home</td><td>75.01% to 90%</td><td>6%</td></tr>
<tr><td>≤ 75%</td><td>9%</td></tr>
<tr><td>Investment</td><td>All</td><td>2%</td></tr>
</table>
Seller Concessions

Seller concessions are defined as any interested party contribution beyond the limits stated above or any amounts not being used for closing costs or prepaid expenses (e.g. fund for repairs not completed prior to closing)
If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount when calculating the LTV/CLTV
All seller concessions must be addressed in the sales contract, appraisal, and HUD-1/CD

Personal Property

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

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</table>

LDP/GSA and Mortgage Fraud	• **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 the loan is ineligible
Mortgage Insurance	Not required
Mortgage/Rental History	**Mortgage History Requirements** • 0x30 in the previous 24 months (**no exceptions**). Applies to **all** borrowers on the loan. A VOM must be obtained. . • Mortgage must be current for the month closing • If the mortgage holder is a party to the transaction or a relative of the borrower cancelled checks or bank statements will be required to document mortgage history requirements have been met **Rental History Requirements** • 0x30 in the previous 12 months (**no exceptions**). Applies to all borrowers on the loan. A VOR must be obtained. A VOR is **not** acceptable when: - The landlord is a party to the transaction or a relative of the borrower. **Cancelled checks or bank statements to verify satisfactory rent history will be required in lieu of a VOR.**
Non-Arm's Length or Identity of Interest Transactions	A non-arm's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property. Non-arm's transactions are ineligible with the exceptions noted below. Eligible non-arm's lengths transactions include: • Family sales or transfers, • Property sellers representing themselves as the agent in the real estate transaction • Relative of the property seller acting as the seller's real estate agent • Buyers/borrowers representing themselves as the agent in the real estate transaction • Relative of the buyer/borrower acting as the borrower/buyer's real estate agent • The borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence must be provided of the employee program • Originator is related to the borrower • Renter buying from landlord with 24 months cancelled checks to verify satisfactory pay history. Gifts from relatives that are interested parties to the transaction are **not** allowed (gift of equity eligible). Real estate agents may apply their commission towards closings costs and/or prepaids as long as the amount is within the interested party contribution limits **NOTE: Investment property transactions must be arm's length, no exceptions**

Occupancy	**Owner-Occupied Primary Residence** • 1-2 units **Second Home** • 1-unit; refer to the Properties - Second Home topic for requirements **Investment/Non-Owner Occupied** • 1-4 units; refer to the Properties - Investment topic for requirements
Points and Fees	Maximum points and fees 3%
Power of Attorney	A Power of Attorney (POA) is allowed on a case-by-case basis on purchase and rate/term refinance transactions subject to all of the following: • Must be specific to the transaction • Attorney-in-fact must be a relative (as defined by Fannie Mae), a fiancé, fiancée, or domestic partner of the borrower • The person(s) granting the POA must match the name on the security instrument • Must include the borrower's name, property address and loan amount • The POA must be fully executed and notarized • The borrower must sign the application and disclosures • Homebridge to review and approve prior to loan closing • The POA must be recorded along with the mortgage. • Not permitted for cash out refinances • Not permitted for a Texas Section 50a6 (Texas Equity) transaction
Prepayment Penalty	Not permitted
Products	• 30 year fully amortizing fixed rate; qualified at the Note rate • 5/6, 7/6, and 10/6 ARM - **Index:** 30 day average of SOFR - **Caps**: o **5/6 ARM**: 2/1/5 o 7**/6 and 10/6 ARM**: 5/1/5 - **Margin**: 2.75 - **Floor**: 2.75 - **Qualifying**: o **5/6 ARM**: Qualify using the **greater of** the fully indexed rate **or** the Note rate **plus** 2% o **7/6 and 10/6 ARM**: Qualify using the **greater of** the fully indexed rate **or** the Note rate - No conversion option - Assumable **is not allowed**

Properties – Eligible	• 1-2 unit owner-occupied (attached/detached).
	  - 80.01% to 90% LTV 1 unit, owner-occupied **only**.
	• 1-unit second home (refer to the Properties - Second Home topic for requirements
	• 1-4 unit investment property (refer to the Properties - Investment topic for requirements)
	• PUDs (attached/detached)
	• Condominiums (attached/detached) including condominium conversions that are Fannie Mae warrantable
	  - Full Review allowed per Fannie Mae guidelines
	  - Limited Review allowed for attached condominium projects subject to Fannie Mae guidelines
	  - **New condominium projects require CPM acceptance or PERS approval**
	  - Limited Review **ineligible** in Florida.
	  - Investment transactions: Florida attached condominiums: Maximum 50% LTV/CLTV
	• Site condos (detached condos) meeting Fannie Mae requirements; no review/warranty required
	• Leaseholds meeting Fannie Mae requirements
	• Modular/prefabricated
	• Properties subject to existing oil/gas lease are subject to **all** of the following:
	  - Title endorsement providing coverage to Homebridge against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease, and
	  - No active drilling. The appraiser must comment or current survey to show no active drilling, and
	  - No lease recorded after the home construction date. Re-recording of a lease after the home was constructed is permitted, and
	  - The property must be connected to public water
	  NOTE: Exceptions may be granted on a case-by-case basis subject to Homebridge management approval
	• Properties with leased solar panels are eligible subject to Fannie Mae guidelines
	• Maximum 20 acres. Properties > 10 acres to ≤ 20 acres cannot have any income producing attributes

Properties – Eligible Condominiums	**Significant Deferred Maintenance/Unsafe Conditions: Projects with 5+ Units**
	The following applies to projects **with five (5) or more attached units**, regardless of the type of project review or review waiver
	Projects with any of the following are **ineligible:**
	• Significant deferred maintenance, **or**
	• A directive from a regulatory authority or inspection agency for the project to make repairs due to unsafe conditions, **or**
	• A project that has failed to obtain an acceptable certificate of occupancy or pass local regulatory inspections or recertifications
	Significant deferred maintenance includes deficiencies that meet one or more of the following:
	• Full or partial evacuation of the building to complete repairs is required for more than 7 days or for an unknown timeframe, **or**
	• The project has deficiencies, defects, substantial damage, or deferred maintenance that:
	  - Is severe enough to affect the safety, soundness, structural integrity, or habitability of the project, **and/or**
	  - The project needs substantial repairs and rehabilitation, including many major components, **and/or**
	  - Impedes the safe and sound functioning of one or more of the building's major structural or mechanical elements (e.g. foundation, roof, load bearing structures, electrical system, HVAC, or plumbing)
	Projects will **remain ineligible** until the required repairs have been made and the repairs documented. Acceptable documentation, showing repairs have been completed in a manner that resolves the building's safety, soundness, structural integrity, or habitability concerns, includes:
	• An engineering or inspection report, **or**
	• Certificate of occupancy, **or**
	• Other substantially similar documentation
	Special Assessments: Projects with 5+ Attached Units
	If the project has any current or planned special assessment, **even if paid in full for the subject unit**, the Homebridge underwriter must review the assessment for acceptability. The following documentation is required and must be retained in the loan file:
	• The reason for the special assessment, **and**
	• The total amount assessed and the repayment terms, **and**
	• Documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project, **and**
	• Borrower qualification with any outstanding special assessment payment
	Additionally, the following applies:
	• The financial documents, confirming the association has the ability to fund any repairs, must be obtained
	• If the special assessment is related to safety, soundness, structural integrity, or habitability, all related repairs must be fully completed, or the project is **ineligible**
	• If the appraiser is unable to determine that there is no adverse impact, the project is **ineligible**

Properties - Ineligible	• Non-warrantable condominiums • 3-4 unit owner occupied • New or newly converted condominium projects without a PERS approval or CPM acceptance • New or newly converted condominium projects in Florida with a PERS approval • Property < 750 square feet with the exception of New York city which cannot be < 450 square feet • Cooperative projects • Manufactured/mobile homes. Manufactured housing is defined as any dwelling built on a permanent chassis. **Manufactured homes are ineligible even if the towing hitch, wheels and axles have been removed.** • Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) • Mixed use • Model home leasebacks • Properties located in Hawaii Lava Zones 1 & 2 • Log homes • Unique properties • Unimproved land • Timeshare units • Properties > 20 acres • Residential property zoned commercial • Agricultural-type properties e.g. working farms, orchards, ranches • Commercial property • Properties zoned industrial • Properties located in areas where a valid security interest in the property cannot be obtained • Properties with a condition rating of C5/C6 • Properties with a construction/quality rating of Q6 • Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR 1228 as an excepted transfer fee covenant. • Tenants-in-Common projects
Properties - Investment	Eligible subject to the following: • Purchase and rate/term refinance only • 1-4 units • Gift funds ineligible • Transaction must be arm's length • Appraiser must provide a comparable rent schedule • Florida condo maximum 50% LTV/CLTV/HCLTV • First time homebuyers **not allowed** • ARMs ineligible; fixed rate only
Properties – Second Home	Second home transactions are eligible subject to the following: • Must be suitable for year round use, • Must be occupied by the borrower for some portion of the year • Must be a reasonable distance from the borrower's primary residence, • Cannot be subject to any agreement that gives a management company control over the occupancy; the borrower must have exclusive control over the property, • Any rental income received from the property cannot be used as qualifying income • First time homebuyers **not allowed**

<table>
<tr>
<td>Property with an Accessory Unit</td>
<td>
Legal Accessory Unit
Eligible on 1- unit single family properties only provided the following requirements are met:

The appraisal must indicate the improvements are typical for the market, and
A minimum of one (1) comparable sale with the same use is required, and
The appraiser must describe the unit and analyze any effect the accessory unit has on the value or marketability of the subject property, and
The unit includes a fully functioning kitchen and bathroom, and
The borrower must qualify for the mortgage without considering any rental income for the legal accessory unit.

Illegal Accessory Unit
If it is determined that the accessory unit does not comply with zoning the property is eligible subject to the following additional conditions:

The use conforms to the subject neighborhood and market.
The property is appraised based upon its current use.
The appraisal must indicate that the improvements represent a use that does not comply with zoning.
The appraisal must indicate that the improvements are typical for the market through an analysis of at least three (3) comparable properties that have the same illegal use.
The accessory unit cannot jeopardize any future hazard insurance claim that could be filed against the property.

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<tr>
<td>Property Flips</td>
<td>
Properties purchased by the seller of the property within 90 days of the fully executed purchase contract are subject to the following additional requirements:

Two (2) appraisals required, and
Property seller on the purchase contract must be the owner of record,
Increases in value should be fully documented by the appraiser and supported with recent paired sales.

NOTE: The above requirements do not apply if the property seller is a bank that received the property as a result of a foreclosure or deed-in-lieu.
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Refinance Transactions	**Rate/term Refinance Transactions**
	• **Properties listed for sale at the time of application or within the six (6) months prior to the application date are ineligible**
	• A rate/term refinance is limited to the payoff of the present first lien, any seasoned non-first lien, and closing costs and prepays.
	  - A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place 12 months.
	  - If the first mortgage is a HELOC, evidence it was purchase money HELOC **or** evidence it is a seasoned HELOC that has been in place for 12 months and total draws in the most recent 12 months were not > $2,000. Withdrawal activity must be documented with a transaction history for the HELOC.
	• **Cash-back to the borrower on a rate/term refinance limited to 1% of the principal balance of the new loan**.
	  - **ARM Transactions ONLY**: Maximum cash-back to borrow $5,000
	Rate/Term LTV/CLTV Determination
	• If ≥ 12 months seasoning, measured from Note date to Note date, the LTV/CLTV/HCLTV is based on the current appraised value.
	• If < 12 months seasoning, measured from Note date to Note date, the LTV/CLTV is based on the **lesser of**:
	  - The original purchase price plus documented improvements (receipts required) made after the purchase of the property, or
	  - The appraised value
	Inherited Properties
	• Properties inherited < 12 months prior to application are eligible for a rate/term refinance subject to the following:
	  - Must have clear title or copy of probate evidencing the borrower was awarded the property, and
	  - A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries, and
	  - Borrower retains sole ownership of the property after the pay out of the other beneficiaries, and
	  - Cash-back to the borrower cannot exceed 1% of the loan amount.

Refinance Transactions (cont.)	**Cash-Out Transactions**
	• Cash-out transactions require the borrower to have owned the property for a minimum of six (6) months prior to the application date unless the requirements under the Delayed Financing topic are met.
	• **Properties that were listed for sale in the 12 months prior to the application date are ineligible for a cash-out refinance**
	• Cash-out transactions may include the unpaid principal balance of the existing first mortgage plus closing costs, points, the amount to pay-off any outstanding subordinate mortgage lien(s) of any age and additional cash that the borrower may use for any purpose.
	• Cash-out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts
	• Maximum cash-out is limited to the amount indicated on the Cash-Out matrix on page 1. The maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand.
	• Properties inherited < 12 months from the application date are **ineligible** for cash-out; 12 months ownership is required.
	• The refinance of mortgage loans that involve the refinance of subordinate liens not used in whole to purchase the subject property. This includes home improvement loans, HELOC and second mortgage loans obtained for taking equity out of the property, even if a portion of the subordinate lien was used to purchase the property. However, if such subordinate lien has been outstanding form more than 2 years and there has not been a draw on the subordinate lien in the past 12 months then the new loan will not be considered a cash-out refinance.
	Cash-Out LTV/CLTV Determination
	• If ≥ 12 months seasoning, measured from Note date to Note date, the LTV/CLTV/HCLTV is based on the current appraised value.
	• If < 12 months seasoning (but ≥ 6 months), measured from Note date to Note date, the LTV/CLTV is based on the **lesser of**:
	  - The original purchase price plus documented improvements (receipts required) made after the purchase of the property, **or**
	  - The appraised value
	Reminder: Cash-out ineligible if loan seasoned < 6 months
	Payoff of Pledged Asset
	• Cash-out refinance transaction where the borrower is paying off a loan from a pledged asset or retirement account loan, are subject to the following:
	  - Cash-out limitation is waived if previous transaction was a purchase,
	  - The purchase must have been arm's length,
	  - Six month seasoning requirement for cash-out is waived,
	  - Funds used to purchase the property must be documented and sourced,
	  - CD must reflect payoff or pay down of pledged asset loan or retirement account loan. If cash-out proceeds exceed payoff of loans, the excess cash is subject to applicable cash-out limits,
	  - Investment properties are **ineligible**
	All Refinance Transactions
	Subordinate Lien
	• Released subordinate liens must be paid off and closed to exclude from the CLTV/HCLTV calculation on both rate/term and cash-out refinance transactions.
	Continuity of Obligation
	• A continuity of obligation is required on 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 and is measured from the date of the event (such as transfer of title) to the disbursement date of the new refinance transaction.
	NOTE: Continuity of obligation does **not** 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.
	
	(continued on next page)

Refinance Transactions (cont.)	• Exemptions to the above continuity of obligation requirements are:
	- The borrower was added to the title 24 months or more prior to the disbursement date of the new refinance transaction, or
	- The borrower has been on title for at least 12 months but is not obligated on the existing mortgage and one of the following applies:
	  - Has been residing in the property for at least 12 months,
	  - Has paid the mortgage for the last 12 months, or
	  - Can demonstrate a relationship (relative, domestic partner, etc.) with the current obligor
	- The borrower has been added to title through a transfer from a trust or a limited liability company (LLC) as long as the borrower was a beneficiary/creator of the trust **or** a 25% or more owner of the LLC/partnership prior to the transfer and the transferring entity and/or borrower has had consecutive ownership (on title) for at least the most recent 6 months prior to the disbursement of the new loan
	NOTE: Transfer of ownership from a corporation to an individual does **not** meet the continuity of obligation requirement
	- The borrower recently inherited, or was legally awarded, the property (divorce, separation, or dissolution of a domestic partnership). There is **no waiting period** in these instances.
	If the continuity of obligation requirement does not exist, or one of the exemptions outlined above do not apply, the loan is **ineligible.**
	Delayed Financing
	Delayed financing is the refinance of a property the borrower purchased for all cash within 6 months of the application date for the refinance transaction. The following applies:
	• Transaction is considered a rate/term refinance (**excluding** primary residence transactions in Texas, see below for Texas)
	• The LTV/CLTV is calculated based on the lesser of:
	  - The purchase price, or
	  - The appraised value;
	NOTE: The applicable LTV/CLTV for the transaction applies; refer to the matrices on pages 1 and 2 of these guides
	• Allowed on both primary residence, second home, and investment properties
	NOTE: Investment properties are eligible if the borrower is not a builder, or in the construction industry **and** the prior transaction was arm's length
	• Investment properties eligible as long as the borrower is not a builder or in the construction industry **and** the prior transaction was arm's length
	• The preliminary title reflects the borrower as the owner and no liens
	• Closing Disclosure from the original purchase is required to document that the total funds used to close the original purchase transactions were the borrower's own funds (no borrowed, gift, or shared funds – see exception below)
	• The following types of borrowed funds are acceptable:
	  - Funds drawn from a HELOC on another property owned by the borrower, **or**
	  - Funds borrowed against a margin account, **or**
	  - Funds from a 401(k) loan
	  - The borrowed funds must be fully documented **and** must be reflected on the CD as a payoff on the new refinance transaction
	• If funds from a pledged asset or retirement account were used to purchase the property delayed financing is **not** eligible.
	• **Texas Primary Residence Transactions**: Transaction is considered cash-out however cash-out limits **and** the 6 month seasoning requirement do **not apply**

Refinance Transactions (cont.)

Financing Real Estate Taxes – the following applies when real estate taxes are financed:

- **Limited Cash-out Refinance:** A loan is **ineligible** as a limited cash-out refinance and must be considered a cash-out transaction when:
  - The borrower finances the payment of real estate taxes for the subject property in the loan amount but does not establish an escrow account, or
  - The borrower finances the payment of real estate taxes that are more than 60 days delinquent for the subject property in the loan amount.

  NOTE: If considered cash-out, only eligible on primary residence
- **Cash-out Refinance**: A loan with financed real estate taxes that are more than 60 days delinquent is eligible as long as an escrow account is established. If an escrow account is **not** established the loan is **ineligible**.

Reserves

Borrowers should disclose **all** liquid assets (not just those required to satisfy reserve requirements) and those assets should be verified. Cash-out **cannot** be used to satisfy reserve requirements.

Reserve requirements for the subject property:

80.01% to 90% LTV 1-unit owner-occupied only		
Borrower Type	**DTI**	**Required Reserves***
Non-First Time Homebuyer	≤ 38%	12 months PITIA
	38.01% to 43%	18 months PITIA
First Time Homebuyer	≤ 38%	15 months PITIA
≤ 80% LTV		
Occupancy	**Loan Amount**	**Required Reserves***
Primary Residence	≤ $1,000,000	6 months PITIA
	$1,000,001 - $1,500,000	9 months PITIA
	$1,500,001 - $2,000,000	12 months PITIA
	$2,000,001 - $3,000,000	18 months PITIA
	$3,000,001 - $3,500,000	24 months PITIA
First Time Homebuyer Primary Residence	≤ $1,000,000	12 months PITIA
	$1,000,001 - $2,500,000	15 months PITIA
Occupancy	**Loan Amount**	**Required Reserves***
Second Home	≤ $1,000,000	12 months PITIA
	$1,000,001 - $1,500,000	18 months PITIA
	$1,500,001 - $2,500,000	24 months PITIA
Occupancy	**Loan Amount**	**Required Reserves***
Investment	≤ $1,000,000	18 months PITIA
	$1,000,001 - $1,500,000	24 months PITIA

*__The following additional reserve requirements apply:__

- **Self-Employed Borrowers**: Additional (3) three months reserves required
- **Minimum required reserves from non-retirement accounts:**
  - **Primary Residence**: 3 months PITIA
  - **Second Home and Investment:** 6 months PITIA
- **Additional Financed Properties**: If the borrower has additional financed properties (other than the subject property) six (6) months PITIA is required **for each additional financed property** in addition to the applicable reserve requirement stated above for the subject property. Refer to the Financed Properties topic for allowable number of financed properties

Reminder: If business funds are being used to satisfy reserve requirements maximum 75% LTV **AND** the required reserve amount **must be doubled** for both the subject property and for any additional financed properties owned by the borrower (e.g. if 6 months PITIA for subject and 6 months for (1) additional financed property = $30,000 in reserves then $60,000 in reserves is required)

Residual Income	Residual income is **only** required as follows: • 80.01% to 90% LTV, **OR** • ≤ 80% LTV **and** the DTI is 45.01% to 49.99% **Number in Household*** | **One** | **Two** | **Three** | **Four** | **Five** **Required Residual Income** | $1550 | $2600 | $3150 | $3550 | $3700 *> 5 members: Add $150 for each additional family member
Seller Contributions	Refer to the Interested Party Contributions topic for seller contribution limits.

Subordinate Financing	Eligible as follows:
	• Institutional financing only up to the maximum LTV/CLTV/HCLTV allowed. Seller subordinate financing is **not allowed**.
	• Subordinate financing **not allowed on LTVs > 80%**
	• Subordinate liens must be recorded and clearly subordinate to the first mortgage lien and the monthly payment must be included in the DTI calculation
	• Full disclosure must be made on the existence of subordinate financing and the repayment terms
	• The following types of subordinate financing are eligible:
	  - Mortgage with regular payments that cover at least the interest due so that negative amortization does not occur,
	  - Mortgage terms that require interest at a market rate
	  - Subordinate financing provided by the borrower's employer subject to:
	    - The employer has a documented employee financing assistance program in place,
	    - The employer may require full repayment of debt if the borrower's employment ceases before the maturity date,
	    - The financing may be structured in any of the following ways:
	      o Fully amortizing level monthly payments
	      o Deferred payments for some period before changing to fully amortizing payments,
	      o Deferred payments over the entire term
	      o Forgiveness of debt over time
	      o Balloon payment of no less than five (5) years, or the borrower must have sufficient liquidity to pay off the subordinate lien

Temporary Buydowns	Not allowed

Texas Section 50(a)(6) (Texas Equity)	A Texas Section 50(a)(6) loan (aka Texas Home Equity) is a cash-out refinance. Once a Texas Home Equity loan, any subsequent refinance, of the property is also considered a Texas Home Equity and subject to the Texas Home Equity restrictions. The following applies: • 30 year fixed rate term only • 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 LTV/CLTV is the lesser of 80% or as allowed by program • Subordinate financing not allowed (all liens must be paid in full by refinance transaction.) • 1 unit single family residence, PUD or condo. - 2-4 units are not permitted • Maximum of 10 acres, no exceptions. The acreage must meet all requirements for urban and rural properties. Land that is taxed as agricultural is **ineligible**. • Maximum 3% fee limitation for all closing costs, fees and charges: - Prepaid and bona fide discount points are excluded (discount points eligible if borrowers sign an “Election to Pay Discount Points” affidavit at closing). • 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. • Survey is required to demonstrate: - Any adjacent lands is divided as separate parcels, and - Property is separately platted and is a subdivided lot for which full ingress and egress is available. • 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 HUD-1/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). • 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 HUD-1 /CD 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. • Power of attorney is not permitted
Transactions – Eligible	• Purchase • Limited cash-out refinance (rate/term) • Cash-out refinance

Transactions – Ineligible	• Interest-only • ARM loan secured by an investment property • Loans with a prepayment penalty • Higher priced mortgage loan • High cost mortgage loan • Higher-Priced Covered transactions • Negative amortization • Convertible ARMs and Assumable ARMs • Temporary Buydowns • Balloon payments • Graduated payments • Non-traditional credit • 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. • Properties with a condition rating of C5/C6 • Properties with a construction/quality rating of Q6 • Investment properties listed for sale within the 6 months prior to loan application are ineligible for a refinance transaction • Transactions with a non-occupant co-borrower • Loans with bridge financing provided by a third party (e.g. Knock, Homelight, Opendoor, etc.)