

Fixed Rate Product Codes	Product Code Names
	Non-Conforming 15Yr Fixed (2015FB)
Non-Conforming 30Yr Fixed (2030FB)	
ARM Product Codes	Non-Conforming 5/1 LIBOR ARM (2051LFB)
	Non-Conforming 7/1 LIBOR ARM (2071LFB)
	Non-Conforming 10/1 LIBOR ARM (20101LFB)

PURCHASE AND NO CASH-OUT³ (RATE & TERM) REFINANCE

Loan Amount	LTV	CLTV	Property Type	Occupancy	FICO	DTI
\$3,000,000 ¹	80 ²	80 ²	1 Unit	Primary	700	43 ⁶
\$3,000,000 ¹	80 ²	80 ²	1 Unit	Primary	680	35 ⁶
\$3,000,000 ¹	70 ²	70 ²	1 Unit	Primary	680	43 ⁶
\$3,000,000 ¹	80 ²	80 ²	2 Units	Primary	740	43 ⁶
\$3,000,000 ¹	80 ²	80 ²	2 Units	Primary	720	35 ⁶
\$3,000,000 ¹	75 ²	75 ²	2 Units	Primary	720	43 ⁶
\$3,000,000 ¹	75 ²	75 ²	2 Units	Primary	700	35 ⁶
\$3,000,000 ¹	80 ²	80 ²	1 Unit	Second Home	720	43 ⁶
\$3,000,000 ¹	80 ²	80 ²	1 Unit	Second Home	700	35 ⁶
\$3,000,000 ¹	75 ²	75 ²	1 Unit	Second Home	700	43 ⁶
\$3,000,000 ¹	75 ²	75 ²	1 Unit	Second Home	680	35 ⁶
\$3,000,000 ¹	70 ²	70 ²	1 Unit	Second Home	680	43 ⁶

80.01% TO 90.00% LTV OPTIONS FOR PURCHASE TRANSACTIONS ONLY

Available on the Non-Conforming 30 Year Fixed Rate Product ONLY

Loan Amount	LTV	CLTV	Property Type	Occupancy	FICO	DTI
\$1,000,000	80.01-85 ²	85 ²	1 Unit	Primary	720	40 ⁶
\$1,500,000	80.01-85 ²	85 ²	1 Unit	Primary	740	40 ⁶
\$1,000,000	85.01-90 ²	90 ²	1 Unit	Primary	720	35 ⁶
\$1,500,000	85.01-90 ²	90 ²	1 Unit	Primary	740	35 ⁶

CASH-OUT REFINANCE^{4,5}

Maximum Cash-Out Amount is \$500,000, Regardless of LTV/CLTV and Loan Amount

Loan Amount	LTV	CLTV	Property Type	Occupancy	FICO	DTI
\$3,000,000	70 ²	70 ²	1 Unit	Primary	700	43 ⁶

1. Maximum Loan Amount for First Time Homebuyers is \$1,500,000. First Time Homebuyers are only eligible to purchase a Primary Residence. Second Homes are not allowed.
2. LTV/CLTV/HCLTV is reduced by 5% on properties in declining markets as indicated by the appraiser.
3. No Cash-Out will be considered when cash to the Borrower is less than \$2,000.
4. Cash-Out includes the payoff of subordinate liens that were not original purchase money liens.
5. Cash-Out may not be used to pay down debt to qualify for the loan.
6. Borrowers cannot pay off debt within 90 days of the credit report in order to qualify for the loan. Borrowers cannot pay debts down to 10 payments or less to exclude payments from debt ratio calculations.

MINIMUM LOAN AMOUNT	<p>The Minimum Loan Amount is \$1.00 over applicable Conforming Loan Limits: All States, except AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$424,101.00 • 2 Units \$543,001.00 <p>AK and HI:</p> <ul style="list-style-type: none"> • 1 Unit \$636,151.00 • 2 Units \$814,501.00
MAXIMUM LOAN AMOUNT	<ul style="list-style-type: none"> • 1,500,000.00 for First Time Homebuyers • 3,000,000.00 for Borrowers who have owned property in the last 3 years
AUTOMATED UNDERWRITING	Automated Underwriting is not applicable. Prior investor approval is required
MANUAL UNDERWRITING	Prior investor approval is required. All loans must be submitted to, and manually underwritten by FirstBank.
MULTIPLE LOANS PER BORROWER	FirstBank will do a maximum of four (4) loans for any one borrower, regardless of product or investor utilized.
INELIGIBLE PROGRAM FEATURES	<p>The Following Program Features are Not Allowed:</p> <ul style="list-style-type: none"> • Temporary Buydowns • Prepayment Penalties • Interest-Only • Repair Escrows/Escrow Holdbacks • Lender Paid MI
ESCROW WAIVER	Permitted on loans with an LTV of 80% or less, unless specifically outlined by state law.
ATR/QM & HIGH COST LOAN TRANSACTIONS	Loans that do not comply with ATR/QM regulations are Not Allowed. Section 32, HPCT, (Higher Priced Covered Transactions), and HPML, (Higher Priced Mortgage Loans), are Not Allowed.
CONSTRUCTION-TO-PERM	<ul style="list-style-type: none"> • One-Time Close transactions / Conversions are Not Allowed. • Two Time Close transactions, where permanent financing is being taken to refinance the Construction loan are allowed and are considered No Cash-Out refinance transactions. The LTV is calculated by dividing the loan amount of the new, construction-to-permanent loan by the “as-completed” appraised value of the property, (lot and improvements).
REFINANCE CALCULATION & SEASONING REQUIREMENTS	<p><u>NO CASH-OUT / RATE & TERM REFINANCE TRANSACTIONS:</u></p> <ul style="list-style-type: none"> • A No Cash-Out transaction is applicable when the cash to the borrower is less than \$2,000 • The refinancing of non-purchase money Closed-End and HELOC second liens will be considered a No Cash Out refinance if they are seasoned more than 12 months and any draws made on the HELOC within the last 12 months, are not greater than \$2,000. <p><u>CASH-OUT REFINANCE TRANSACTIONS:</u></p> <ul style="list-style-type: none"> • For a Cash-Out refinance, the loan being paid off must be seasoned for at least six months. • The maximum cash out amount is \$500,000, regardless of loan amount or LTV/CLTV • Cash-Out includes the payoff of subordinate liens that were not original purchase money liens. • Cash-Out may not be used to pay down debt to qualify.

INTERESTED PARTY CONTRIBUTIONS	Interested Party Contributions are allowed in accordance with FNMA’s standards. Amounts in excess of the limits set forth by FNMA, or cash back to the borrower for contributions that exceed the actual amount of closing costs, are considered to be sales concessions and must be treated accordingly, (deducted from the sales price when calculating the LTV).
ELIGIBLE BORROWER TYPES & TITLE REQUIREMENTS	<p>All borrowers must be natural persons that have reached the age at which the mortgage note can be enforced in the jurisdiction where the property is located. There is no maximum age limit for a borrower. Each borrower must have a valid Social Security Number and be one of the following:</p> <ul style="list-style-type: none"> • A US Citizen; • A Permanent Resident Alien (A copy of the front and back of the Green Card is required for all permanent resident aliens whose income and/or assets are being used to qualify for the loan); or • An Attorney-In-Fact (Allowed on Purchase and No-Cash-Out Transactions only.) Refer to Power of Attorney section of Product Guide <p><u>SPECIFIC TITLE REQUIREMENTS:</u></p> <ul style="list-style-type: none"> • Borrowers can take title in an Inter Vivos (living) trust. A copy of the entire living trust must be provided. • On refinance transactions, at least one borrower on the new loan and title, must be on the existing loan, and on title.
INELIGIBLE BORROWER TYPES	<p>The Following Borrower Types are Not Allowed:</p> <ul style="list-style-type: none"> • Non-Permanent Resident Aliens • Foreign Nationals • Non-Occupant Co-Borrowers • Limited Partnerships, General Partnerships, and Corporations • Borrowers taking title in an Irrevocable Trust
NON-ARM’S LENGTH TRANSACTIONS	<p>Non-arm’s lengths transactions are allowed only when purchasing a Primary Residence. A non-arm’s length transaction is a purchase transaction where the borrower has a relationship or business affiliation with the seller. This includes any ownership interest, or employment with the seller, builder, or developer and includes newly constructed properties.</p>
POWER OF ATTORNEY REQUIREMENTS	<p>Powers of Attorney are allowed on Purchase and No Cash-Out transactions only and must include the following:</p> <ul style="list-style-type: none"> • Be specific to the transaction. It must outline the specific transaction, including the property address, etc... • On No Cash-Out refinance transactions, it must outline the maximum loan amount and indicate that Data Mortgage dba Essex Mortgage is the lender the loan is being executed with • If in a jurisdiction in which the POA must be recorded with the Security Instrument, ensure it is recorded and the name(s) on the POA match the name(s) of the person(s) on the Security Instrument • The signature for all persons on the POA must be notarized • The appointed Attorney(s)-In-Fact may not be involved in, or a part of, the transaction. (IE: Lender, Title, Broker or Realtor, including any affiliates and employees of these companies.) • Requirements for Veterans on Military Deployment are the same as Fannie Mae’s standard guidelines.
AGE OF CREDIT DOCS	<p>The maximum age of credit documents is 90 days. Credit documents include credit reports, employment, income, and asset documentation. The age is measured from the date of the document to the date the note is signed.</p>

CREDIT REPORT & CREDIT HISTORY REQUIREMENTS

Refer to Product Matrix on page 1 for minimum credit score requirements. Additional credit report and credit history requirements include:

STANDARD CREDIT REQUIREMENTS:

- A Residential Mortgage Credit Report or tri-merged report, is required, from all three repositories
- The representative credit score for each borrower is the median of the three scores (or lesser of two, if only two scores are returned). The representative credit score for the loan is the lowest middle score among all borrowers.
- A minimum of two scores per borrower, is required.
- No Authorized User Accounts will be used to satisfy the minimum tradeline or FICO requirements.
- A written explanation for all inquiries within 90 days is required
- Credit Reports are valid for 90 days.

HOUSING PAYMENT HISTORY:

- The subject property and/or current residence must reflect a mortgage or rental history of no 30 day lates during the prior 24 months. This can be documented on the Credit Report, or with 24 months of cancelled checks, or an institutional VOM/VOR covering 24 months.
- For all other properties owned by the borrower(s), the mortgage history must reflect no more than one 30 day late during the prior 24 months. This can be documented on the Credit Report, or with 24 months of cancelled checks, or an institutional VOM/VOR covering 24 months.
- Borrowers who own their primary residence free and clear, must provide proof, via documentation included in the loan file, that all of the following payments that apply, have been paid on time; property tax payments, hazard insurance premium payments, flood insurance premium payments, ground lease payments, and homeowners assessments. These payments, whether monthly or annual, must be recognized as monthly liabilities.

MINIMUM TRADELINE REQUIREMENTS:

- The borrower's credit profile must include a minimum of 3 open trade lines and meet **all** of the following requirements:
 - One (1) account must be open and active for a minimum of 24 months;
 - At least one trade line must be an installment or mortgage account; and
 - Remaining trade lines must have a 12 month history reported
- If a borrower can't meet the minimum of 3 open trade lines, but has a minimum of 1 open trade line with 12 months or more reported, they can be considered without exception if they meet the following criteria:
 - Have 8 or more trade lines reported with at least one being a mortgage; and a minimum of 7 years of established credit history; OR
 - Six months additional reserves in combination with one of the following;
 - 1) The DTI is less than or equal to 35.00%, or
 - 2) The LTV is reduced by 10% from the program allowances; or
 - 3) The indicator FICO score is 740 or greater

Minimum trade line requirements apply to employed borrowers, utilizing income for qualifying purposes. Unemployed borrowers, or borrowers who are not using ANY income towards qualifying, do not need to meet the minimum trade line requirements as listed above. Minimum credit score requirements are still applicable.

<p>ADVERSE & DEROGATORY CREDIT</p>	<ul style="list-style-type: none"> • Borrowers with a history of collection accounts should be required to pay off derogatory accounts. • Bankruptcy / Foreclosure / Short-Sale / Deed-in-Lieu / Modifications: Not Allowed within seven (7) years prior to the application date. This time period is measured from the completion of the event to the application date of the new loan. <ul style="list-style-type: none"> • Modifications are allowed if they were lender initiated and documented proof it was not initiated due to a distressed situation, is provided • Judgments / Liens: Any judgment or lien impacting title must be paid in full • Collections / Charge-Offs: May NOT impact title; and cumulative amounts that exceed \$1,000 (individually or aggregate), must be paid in full • Past Due Accounts: Must be brought current, and documented, PRIOR to closing, not through closing.
<p>PAYMENT SHOCK</p>	<p>Payment shock not to exceed 250% for:</p> <ul style="list-style-type: none"> • First Time Homebuyers; • Borrowers with less than five (5) years job history; • Borrowers with inconsistent earned income <p>If the borrowers sold their home within the last 180 days, use the prior mortgage payment for purposes of payment shock calculation. A copy of the HUD I / CD from the sale of that home is required.</p>
<p>INCOME REQUIREMENTS</p>	<ul style="list-style-type: none"> • A two-year history of receipt of income used to qualify the borrower is required. • Underwriters may not consider income for qualifying purposes if they have knowledge, or documentation indicates, the income is likely to terminate within the next three years. The underwriter must continue to consider income trends and the consistency of the income used to qualify the borrower. • All loans must meet applicable regulations for ATR and QM. In order to meet QM and ATR requirements, income verifications over and above GSE standards apply. Refer to Appendix Q to Part 1026 of Regulation Z, on the CFPB site, for additional income documentation requirements. The website address is: https://www.consumerfinance.gov/eregulations/1026-Q/2013-30108_20140118
<p>GAPS IN EMPLOYMENT</p>	<p>The borrower’s employment must be verified for the most recent two full years. Allowances can be made for seasonal employment, typical for the building trades and agriculture, if verified.</p> <ul style="list-style-type: none"> • The start and end dates of any job changes within the most recent full two years must be verified with paystubs, VOEs, or employment contracts to ensure there are no gaps in employment history. • Any gaps in employment over one month in the past two years must be satisfactorily explained in writing by the borrower. • Multiple job gaps or frequent changes in employment in the past 24 months should be carefully reviewed to determine if the borrower’s employment is stable and likely to continue. • If the borrowers have been employed less than two years but were previously in school or in the military, a copy of the diploma or discharge papers must be obtained. • If the borrower is re-entering the workforce, obtain documentation to support that the borrower has been at the current employment for a minimum of six months and documentation to show a previous work history.

<p>SALARIED / EMPLOYED BORROWERS</p>	<p>The following documentation is required to support the income of a salaried or employed borrower:</p> <ul style="list-style-type: none"> • Most recent paystub including year-to-date earnings and covering a minimum of 30 days. • Two years W2's, or traditional written Verification of Employment and Income covering at least 2 years is required for employed borrowers. • A verbal VOE for all employed borrowers is required within 10 calendar days, prior to the Note date.
<p>BONUS AND OVERTIME INCOME</p>	<p>Borrowers relying on overtime or bonus income for qualification purposes, must have a history of receipt of no less than 2 years, for it to be considered. The overtime or bonus income used, must be supported with the following documentation:</p> <ul style="list-style-type: none"> • Most recent paystub including year-to-date earnings and covering a minimum of 30 days. • Two years W2's, or traditional written Verification of Employment and Income covering at least 2 years is required. <p>If the borrower has recently changed positions with his/her employer, determine the effect of the change on the borrower's eligibility and opportunity to receive bonus or overtime pay in the future.</p>
<p>PART-TIME TO FULL-TIME EMPLOYMENT</p>	<p>If a borrower has been historically employed on a part-time basis however indicates that he/she will now be working full-time, written confirmation from the borrower's employer must be obtained.</p>
<p>MILITARY INCOME</p>	<p>Military personnel may be entitled to different types of pay in addition to their base pay. Flight or hazard pay, rations, clothing allowance, quarters' allowance, and proficiency pay are acceptable sources of stable income, as long as evidence the particular source of income will continue to be received in the future, has been established.</p> <ul style="list-style-type: none"> • Income paid to military reservists while they are satisfying their reserve obligations also is acceptable if it satisfies the same stability and continuity tests applied to secondary employment.
<p>SECONDARY INCOME</p>	<p>Secondary employment income is income that is derived from a second job or multiple jobs the borrower may have. Verification of a minimum history of two years of uninterrupted secondary employment income is recommended. However, income that has been received for a shorter period of time, (no less than 12 months), may be considered as acceptable income, as long as there are positive factors to reasonably offset the shorter income history.</p> <p>A borrower may have a history that includes different employers, which is acceptable as long as income has been consistently received.</p> <p>Secondary employment income must be documented by obtaining the following:</p> <ul style="list-style-type: none"> • Most recent paystub including year-to-date earnings and covering a minimum of 30 days. • Two years W2's, or traditional written Verification of Employment and Income covering at least 2 years is required. • A verbal VOE for all employed borrowers is required within 10 calendar days, prior to the Note date.

<p>SEASONAL INCOME</p>	<p>Seasonal income can be used to qualify a borrower when verification has been provided, evidencing the borrower has worked in the same job, (or same line of seasonal work), for the past two years. In addition, confirmation from the borrower’s employer must be obtained, indicating there is a reasonable expectation that the borrower will be rehired for the next season.</p> <p>For seasonal unemployment compensation, verify that it is appropriately documented, clearly associated with seasonal layoffs, expected to recur, and reported on the borrower’s signed federal income tax returns. Otherwise, unemployment compensation cannot be used to qualify the borrower.</p> <p>Seasonal income must be documented by obtaining the following:</p> <ul style="list-style-type: none"> • Most recent paystub including year-to-date earnings and covering a minimum of 30 days. • Two years W2’s, or traditional written Verification of Employment and Income covering at least 2 years is required. • A verbal VOE for all employed borrowers is required within 10 calendar days, prior to the Note date. • Signed federal income tax returns may also be required to verify unemployment income related to seasonal employment.
<p>INCOME FROM ALIMONY OR CHILD SUPPORT</p>	<p>Documentation showing that alimony or child support will continue to be paid for at least three years after the date of the mortgage application, is required and can be verified by one of the following:</p> <ul style="list-style-type: none"> • A copy of a divorce decree or separation agreement, (if the divorce is not final), that indicates payment of alimony or child support, states the amount of the award, and the period of time over which it will be received. Note: If a borrower who is separated does not have a separation agreement that specifies alimony or child support payments, than any proposed or voluntary payments should not be considered as income. • Any other type of written legal agreement or court decree describing the payment terms for the alimony or child support. • Documentation that verifies any applicable state law that mandates alimony, child support, or separate maintenance payments, which must specify the conditions under which the payments must be made. <p>The documentation received must be reviewed to verify the following:</p> <ul style="list-style-type: none"> • Limitations on the continuance of the payments, such as the age of the children for whom the support is being paid, or the duration over which alimony is required to be paid. • No less than six months of the borrower’s most recent regular receipt of the full payment must be documented. • The payment history must be reviewed to determine its suitability as stable qualifying income. To be considered stable income, full, regular, and timely payments must have been received for six months or longer. Income received for less than six months is considered unstable and may not be used to qualify the borrower for the mortgage. In addition, if full or partial payments are made on an inconsistent or sporadic basis, the income is not acceptable for the purpose of qualifying the borrower.
<p>CHILD CARE – FOSTER CHILDREN</p>	<p>The foster-care income must be verified with letters of verification from the organization(s) providing the income. Documentation must be obtained evidencing that the borrower has a two-year history of providing foster-care services.</p>

<p>COMMISSION INCOME</p>	<p>A minimum history of 2 years of commission income is required and must be verified. In addition to the specific document requirements listed below, a verbal VOE is required from each employer.</p> <p>If the commission income represents less than 25% of the borrower's total annual employment income, the following documents must be obtained:</p> <ul style="list-style-type: none"> • A completed Request for Verification of Employment form, (Fannie Mae form 1005 or 1005(S)); or • The borrower's most recent paystub and IRS W-2 forms, covering the most recent two-year period. <p>If the commission income represents 25% or more of the borrower's total annual employment income, the following documents must be obtained:</p> <ul style="list-style-type: none"> • Copies of the borrower's signed federal income tax returns that were filed with the IRS for the past two years, and one of the following; <ul style="list-style-type: none"> • A completed Request for Verification of Employment form (Fannie Mae Form 1005 or 1005(S)); OR • The borrower's most recent paystub and IRS W-2 forms, covering the most recent two-year period. <p>For borrowers with commission income representing 25% or more of their total annual employment income, any unreimbursed business expenses must be subtracted from the gross commission income.</p>
<p>SELF EMPLOYED BORROWERS</p>	<p>Self Employed Borrowers are any individuals who have a 25% or greater ownership interest in a business, including all borrowers filing a Schedule C, (which includes sole Proprietorship and/or W2 wage earners filing Schedule C), and including borrowers receiving a 1099. Underwriters are required to obtain and analyze the borrower's individual (and business if appropriate), federal tax returns for the last two years to determine the impact of a business loss on the income used to qualify, <i>regardless of whether or not the income is used to qualify when the Borrower is self-employed.</i> All of the following is required:</p> <ul style="list-style-type: none"> • Two years of Federal Personal AND Business Tax Returns are required, all pages and all schedules; • Year to Date Profit and Loss (P&L) Statement, (may be unaudited), AND Balance Sheet, including business not normally providing such information <ul style="list-style-type: none"> • Must cover most recent quarter and end 1 month prior to date of application. • Full P&L Statement and Balance Sheet for current year to date. The previous year P&L and Balance Sheet are also required if the previous year's income is not documented by validated personal and business income tax returns. • A verbal VOE for all self-employed borrowers must be completed within 30 calendar days, prior to the Note date. The verification MUST include proof of the phone listing and address for the business, AND must also verify the existence of a Self Employed Borrower's Business within 30 days of the closing date, from a third party such as a CPA, Regulatory Agency, or applicable Licensing Bureau. The name and title of the person that verified this information must be included.

AUTOMOBILE ALLOWANCE	<p>For an automobile allowance to be considered as acceptable stable income, the borrower must have received payments for at least two years. All associated business expenditures must be included in the calculation of the borrower's total DTI ratio.</p> <p>There are two methods for calculating the income associated with an automobile allowance:</p> <ul style="list-style-type: none"> • Actual cash flow approach: If the borrower reports automobile allowances on Employee Business Expenses (IRS Form 2106), or IRS Form 1040, Schedule C; <ul style="list-style-type: none"> • Funds in excess of the borrower's monthly expenditures are added to the borrower's monthly income, or • Expenses in excess of the monthly allowance are included in the borrower's total monthly obligations. <p>If the borrower used IRS Form 2106 and recognized "actual expenses" instead of the "standard mileage rate," the borrower's "actual expenses" section of the form must be reviewed to identify the borrower's actual lease payments. Appropriate adjustments must be made, if applicable.</p> <ul style="list-style-type: none"> • Income and debt approach: If the borrower does not report the allowance on either Form 2106 or Schedule C, the full amount of the allowance is added to the borrower's monthly income, and the full amount of the lease or financing expenditure for the automobile is added to the borrower's total monthly obligations.
RENTAL INCOME	<p>Rental income should be calculated using the 1040 Tax Return, (Schedule E), information.</p> <ul style="list-style-type: none"> • In the event rental income is reported for only 1 year, a 12 month average of the rental income can be used. • If the rental property has been owned by the borrower for equal to, or more than two years, the rental income should be calculated using the 1040 Tax Return, (Schedule E), information, averaged for the last 24 months. If the rental income declined on the most recent tax return, then a 12 month average of the prior year rental income should be used. • If the property was acquired subsequent to the most recent tax filing year, a signed lease agreement should be used to calculate qualifying rental income. • A current lease agreement is always required to verify that the property will continue to be rented. • Rental income from second homes is not permitted.
TAX EXEMPT INCOME	<p>Tax exempt income must be documented, (such as, but not limited to, tax returns), in order to gross-up tax exempt income.</p>
TAX TRANSCRIPTS	<p>IRS Form 4506T is required to be signed and executed during the origination process, and transcript documentation for the most recent two years must be provided in the loan file.</p> <ul style="list-style-type: none"> • For self-employed borrowers, this applies to both personal returns and business returns, (for businesses where the borrower has 25% or more ownership, or has wages reported on Schedule C, (as defined above under Self-Employment), and the income from the businesses is being used for qualification), or the borrower receives a 1099. • Form 4506T must also be signed at closing.

VERBAL VERIFICATION OF EMPLOYMENT	<p>A verbal VOE must be completed and is required for all borrowers</p> <ul style="list-style-type: none"> • A verbal VOE for all employed borrowers is required within 10 calendar days, prior to the closing date. • A verbal VOE for all self-employed borrowers must be completed within 30 calendar days, prior to the Note date. The verification MUST include proof of the phone listing and address for the business, AND must also verify the existence of a Self Employed Borrower’s Business within 30 days of the closing date, from a third party such as a CPA, Regulatory Agency, or applicable Licensing Bureau. The name and title of the person that verified this information must be included.
TRAILING SPOUSE INCOME	Not Allowed
DOWN PAYMENT & SOURCE OF FUNDS	<p>All assets and funds required to close must be disclosed by the borrower, verified and documented in the loan file. Acceptable sources of assets/funds to close include:</p> <ul style="list-style-type: none"> • Gift Funds – Refer to Gift Funds section of Product Guide • Documentation for a VOD consists of account statements for the most recent two months or a quarterly statement. The source of any large deposits, excluding paychecks, must be verified. Large deposits in excess of 25% of monthly qualifying income OR ANY large deposit that is out of the ordinary MUST be explained and the source of funds documented. • Business Accounts may be considered for funds to close if the borrower is 100% owner of the business and one of the following is provided: <ul style="list-style-type: none"> • A letter from the business accountant is obtained to confirm that the withdrawal will not negatively impact the business. • A cash flow analysis using 3 months business bank statements to determine no negative impact to the business will result based on withdrawal of funds. <p>Funds in a business account may not be used to help meet reserve requirements.</p> <ul style="list-style-type: none"> • Stocks / Bonds / Mutual Funds may be used for reserves, (70%), however not as funds to close. • Vested Retirement Account Funds may be used for reserves, (60%), and as a source of funds to close. If needed to close, verification that the funds have been liquidated, if applicable, is required.
INELIGIBLE SOURCES OF ASSETS/FUNDS TO CLOSE	<p>The following assets are Not Allowed as acceptable sources for funds to close:</p> <ul style="list-style-type: none"> • Down Payment Assistance or Grant Funds • Builder Profits • Pooled Funds • Foreign Assets • Cash Advances on Credit Cards/Credit Lines • Signature Loans, Unsecured Financing or Personal Loans • Cash on Hand • Commission from Sale of Subject Property • Salary Advances • Sweat Equity • Reverse Mortgages • Pension Funds • Seller R/E Tax Credit • Employer Assistance Assets • Funds donated by the Property Seller, Builder, Real Estate Agent, or any other party not related to the Borrower

GIFT FUNDS	<p>Gift Funds are allowed only after a minimum down payment of at least 5% has been made from the borrower's own funds. In addition, the following requirements must be met when gift funds are used:</p> <ul style="list-style-type: none"> • A Gift Letter is required, regardless of LTV • Gift funds are only allowed on Primary Residences • All Deposits / Gifts must be verified • The loan must be an arm's length transaction • All Deposits / Gifts must be verified • Gifts of Equity are Not Allowed 																																																
RESERVE REQUIREMENTS	<p>The funds used towards the borrower's required reserves, must be derived from an acceptable source. If the borrower owns stocks, bonds, or mutual funds, 70% may be used for reserves. If the borrower has a vested retirement account, 60% may be considered for reserves. Funds in a business account are not eligible to help meet the reserve requirements</p> <table border="1" data-bbox="539 604 1458 1354"> <thead> <tr> <th colspan="3" style="background-color: black; color: white;">FIRST TIME HOMEBUYERS PRIMARY RESIDENCES ONLY</th> </tr> <tr> <th style="background-color: #cccccc;">LOAN AMOUNT</th> <th style="background-color: #cccccc;">LTV</th> <th style="background-color: #cccccc;">REQUIRED RESERVES</th> </tr> </thead> <tbody> <tr> <td>≤ \$1,000,000</td> <td>≤ 80%</td> <td>12 Months Verified PITIA</td> </tr> <tr> <td>\$1,000,001 ≤ \$1,500,000</td> <td>≤ 80%</td> <td>18 Months Verified PITIA</td> </tr> <tr> <th colspan="3" style="background-color: black; color: white;">HOMEOWNERS WITHIN LAST 3 YEARS PRIMARY RESIDENCES & SECOND HOMES</th> </tr> <tr> <th style="background-color: #cccccc;">LOAN AMOUNT</th> <th style="background-color: #cccccc;">LTV</th> <th style="background-color: #cccccc;">REQUIRED RESERVES</th> </tr> <tr> <td>≤ \$1,000,000</td> <td>≤ 80%</td> <td>6 Months Verified PITIA</td> </tr> <tr> <td>\$1,000,001 ≤ \$1,500,000</td> <td>≤ 80%</td> <td>9 Months Verified PITIA</td> </tr> <tr> <td>\$1,500,001 ≤ \$2,000,000</td> <td>≤ 80%</td> <td>12 Months Verified PITIA</td> </tr> <tr> <td>\$2,000,001 ≤ \$3,000,000</td> <td>≤ 80%</td> <td>24 Months Verified PITIA</td> </tr> <tr> <td colspan="3" style="background-color: #cccccc;"><i>Borrowers with multiple financed properties: 2 Months PITIA for each property</i></td> </tr> <tr> <th colspan="3" style="background-color: black; color: white;">ALL BORROWERS PRIMARY RESIDENCES ONLY</th> </tr> <tr> <th style="background-color: #cccccc;">LOAN AMOUNT</th> <th style="background-color: #cccccc;">LTV</th> <th style="background-color: #cccccc;">REQUIRED RESERVES</th> </tr> <tr> <td>≤ \$1,000,000</td> <td>80.01%-90%</td> <td>18 Months Verified PITIA</td> </tr> <tr> <td>\$1,000,001 ≤ \$1,500,000</td> <td>80.01%-90%</td> <td>24 Months Verified PITIA</td> </tr> <tr> <td colspan="3" style="background-color: #cccccc;"><i>PITIA = Principle, Interest, Taxes, Insurance and Association Dues</i></td> </tr> </tbody> </table>	FIRST TIME HOMEBUYERS PRIMARY RESIDENCES ONLY			LOAN AMOUNT	LTV	REQUIRED RESERVES	≤ \$1,000,000	≤ 80%	12 Months Verified PITIA	\$1,000,001 ≤ \$1,500,000	≤ 80%	18 Months Verified PITIA	HOMEOWNERS WITHIN LAST 3 YEARS PRIMARY RESIDENCES & SECOND HOMES			LOAN AMOUNT	LTV	REQUIRED RESERVES	≤ \$1,000,000	≤ 80%	6 Months Verified PITIA	\$1,000,001 ≤ \$1,500,000	≤ 80%	9 Months Verified PITIA	\$1,500,001 ≤ \$2,000,000	≤ 80%	12 Months Verified PITIA	\$2,000,001 ≤ \$3,000,000	≤ 80%	24 Months Verified PITIA	<i>Borrowers with multiple financed properties: 2 Months PITIA for each property</i>			ALL BORROWERS PRIMARY RESIDENCES ONLY			LOAN AMOUNT	LTV	REQUIRED RESERVES	≤ \$1,000,000	80.01%-90%	18 Months Verified PITIA	\$1,000,001 ≤ \$1,500,000	80.01%-90%	24 Months Verified PITIA	<i>PITIA = Principle, Interest, Taxes, Insurance and Association Dues</i>		
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APPRAISAL REQUIREMENTS	<p>A Uniform Residential Appraisal Report, (with the minimum requirements of a 1004, 1073, or 1025 Report based on property type), is required. Additional addendums and forms as needed and when applicable. (Appraisal Update, Market Conditions, etc...) Additional Appraisal Requirements include:</p> <ul style="list-style-type: none"> • A new appraisal is required for all loan transactions. (Appraisal updates and Re-Certifications of Value are not allowed). • Appraisals are valid for 120 days. After 120 days, a new appraisal will be required. • The appraiser must provide at least six comparable sales, preferably, closed sales. If the appraiser is unable to provide six comparable closed sales, the appraiser may use comparable listings or pending sales, but at a minimum, four of the comparable sales must be closed sales. • Interior photos are required. • Two Appraisals are required on Purchase Transactions with loan amounts greater than \$1,500,000, and on Refinance Transactions with loan amounts greater than \$1,000,000. • For refinance transactions, properties that were listed for sale must have been delisted six months prior to the application date. A copy of the cancelled/expired listing should be placed in the file and a search of the current multiple listing service should be completed to verify that the property is not currently listed by a different agency.
PROPERTY LOCATIONS	<p>Properties in all US states are allowed with the following exceptions:</p> <ul style="list-style-type: none"> • Refinances of primary residences in Texas that are categorized as a Texas 50a(6) transaction are Not Allowed. • Properties located in Hawaii Lava Zones 1 or 2 are Not Allowed.
ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • SFRs, Attached and Detached • PUDs, Attached and Detached • Condominiums – Refer to Condominium section of Product Guide. • 1 and 2 Unit Properties
INELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> • Mobile Homes • Manufactured Homes • Modular Homes • Log Homes • Condotels • Co-Ops • Hobby Farms • Foreclosed Properties • Properties Zoned as Agriculture • Mixed Use Properties • Properties with Income Producing Attributes • Properties Purchased at an Auction • Unique Properties
MAXIMUM ACREAGE	<p>A maximum of 20 acres is allowed. Properties with acreages greater than 10 must be typical for the area, have a maximum land to value ratio of 35%, and cannot have income producing attributes.</p>

SECOND HOMES	<p>A property may be considered a Second Home when it meets ALL of the following:</p> <ul style="list-style-type: none"> • Must be located a reasonable distance from the borrower’s primary residence; • Must be suitable for year round occupancy; • Must be occupied by the borrower(s) for some portion of the year; • Borrower(s) must have exclusive control over the property
CONDOMINIUMS	<p>All condominiums must be warrantable in accordance to standard Agency guidelines. In addition, the appraiser is required to provide the following:</p> <ul style="list-style-type: none"> • The appraiser must report the project name, all assessments, (including special assessments), and the property rights for each comparable sale and must compare them to the subject project. • The appraiser must identify the Common Elements including the Amenities available to the unit owners, comment on their condition, and analyze how they compare to competing projects. • Comparable sales must be from projects in the same market, and be similar to the subject project and compete for the same purchasers. • Projects that contain less than 10 units must be typical for the area and the appraiser must provide similar comparables.
PURCHASING A SHORT SALE	<p>The purchase of a short sale is allowed when all requirements below are met:</p> <ul style="list-style-type: none"> • There is no relationship or identity of interest between buyer and seller • The transaction is arms-length involving a realtor and formal sales contract • Short sale approval letter from all existing mortgage lien holders accepting the discounted sales price on the subject property must be provided • All liens are paid off and released with the sales proceeds • All earnest money deposits must be verified with a bank statement or a print out from the bank at the time the earnest money check cleared the borrower’s account, regardless of the amount. • The borrower is not involved in negotiations with the lien holder(s) to facilitate the short sale.
PROPERTIES LISTED FOR SALE	<p>Properties that have been listed for sale at any time after the application date are not eligible. Properties listed for sale must have been delisted six months prior to the application date. A copy of the cancelled/expired listing must be in the file and a search of the current multiple listing service must be completed to verify the property is not currently listed by a different agency.</p>
CONVERSIONS / DEPARTURE OF CURRENT PRIMARY RESIDENCES	<p>When a borrower’s current primary residence is converting to an investment property*, a second home, or is listed for sale, a minimum of 30% equity must be evidenced with an HVE. Departing properties with less than 30% documented equity will require six months PITIA in reserves for the converted property, in addition to standard reserves. The borrower must qualify with both payments.</p> <p>*NOTE: Rental income cannot be used to qualify a borrower if the equity on the departing property is less than 30%</p>
NUMBER OF FINANCED PROPERTIES	<p>These requirements apply to properties owned by all borrowers of the loan transaction.</p> <ul style="list-style-type: none"> • If the subject property is a Second Home, the borrower(s) are limited to a maximum of five, (5) financed properties, including the subject property • Joint ownership in a 1-4 family property is considered the same as total ownership therefore, jointly owned properties must be included in the total of properties owned.

<p>SUBORDINATE FINANCING</p>	<p>New Subordinate/Secondary Financing, as well as the subordination of Existing Secondary Financing is allowed, but are subject to the CLTV/HCLTV limits defined in the product matrix on page 1. In addition, a subordinate lien is subject to the requirements below:</p> <ul style="list-style-type: none"> • Secondary financing must take second lien position, subordinating to the first mortgage lien, and be recorded on title • A copy of the Note and Security Instrument must be included in the file • The financing must be obtained through an institutional lender • The loan must allow for prepayment at any time without a penalty • If the subordinate financing is a HELOC, the monthly payment must be calculated based on the current rate of the Total Line Amount, even if the HELOC has a \$0.00 balance. • The loan term cannot be less than 5 years, unless the financing fully amortizes prior to that time • The loan term must provide for regular payments of principal and interest, or interest only • If the loan has a variable rate, the total amount of the loan must fully amortize during the loan term. • On HELOCs, the repayment terms must provide for regular monthly payments that cover at least the interest due so that negative amortization will not occur • Subordinate financing provided by the borrower's employer is allowed. The loan must meet all of these program requirements except the terms of the Note may not require full repayment if the borrower voluntarily or involuntarily terminates employment, before the maturity date of the loan
<p>INELIGIBLE SUBORDINATE FINANCING TYPES</p>	<p>The following types of subordinate financing are Not Allowed:</p> <ul style="list-style-type: none"> • Subordinate loans that have wraparound terms, combining the indebtedness of the first mortgage with the second mortgage • Subordinate loans that do not provide for either regular monthly payments of principal and interest, or interest only • Subordinate loans that allow for negative amortization
<p>ARM INFORMATION</p>	<p>MARGIN: 2.250% (Subject to change, refer to Rate Sheet)</p> <p>INDEX: 1 Year LIBOR</p> <p>CAPS: 2/2/5 on the 5/1 ARM 5/2/5 on the 7/1 and 10/1 ARMs</p> <p>FLOOR: The rate will never be lower than the Margin</p> <p>QUALIFYING RATE: Unless other requirements are defined by applicable law:</p> <ul style="list-style-type: none"> • 5/1 ARM loans must be qualified at the Note Rate + 2%, but never less than the fully indexed rate* based on a fully amortizing principal and interest payment • 7/1 and 10/1 ARM loans must be qualified at the Note Rate based on a fully amortizing principal and interest payment <p><i>*The fully indexed rate = Margin + Index, rounded to the nearest 1/8th percent</i></p>