

FIXED RATE - LOAN/CLTV MATRIX					
Standard Doc / Maximum CLTVs					
Loan Amount	Credit Score	Primary	Second Home	Investment	Reserves
\$350,000	740	90%	80%	75%	N/A
	700	85%	80%	65%	N/A
	680	75%	75%	N/A	N/A
\$500,000	740	85%	75%	75%	N/A
	700	85%	75%	65%	N/A
	680	75%	70%	N/A	N/A
Alt Doc / Maximum CLTVs					
Loan Amount	Credit Score	Primary	Second Home	Investment	Reserves
\$350,000	740	85%	75%	70%	N/A
	700	80%	70%	60%	N/A
	680	75%	65%	N/A	N/A
\$500,000	740	80%	70%	65%	N/A
	700	75%	65%	60%	N/A
	680	70%	60%	N/A	N/A

PROGRAM GUIDELINE SUMMARY	
Products	<ul style="list-style-type: none"> <li>Fully amortizing terms of 10, 15, 20 and 30 years</li> </ul>
Loan Amounts	<ul style="list-style-type: none"> <li>Minimum: \$75,000</li> <li>Maximum: \$500,000</li> </ul>
Combined Loan Balance Caps	<ul style="list-style-type: none"> <li>Maximum combined loan balance for all liens not to exceed \$4,000,000</li> <li>The CLTV of the combined 1st and 2nd lien loan balances are restricted as follows:                             <ul style="list-style-type: none"> <li>Total lien balance &gt; \$2,000,000 – 80% CLTV</li> <li>Total lien balance &gt; \$3,000,000 – 75% CLTV</li> </ul> </li> </ul>
STATE AND CBSA-SPECIFIC ELIGIBILITY RESTRICTIONS	<ul style="list-style-type: none"> <li>The maximum CLTV is limited to 80% if either or both of the following apply:                             <ul style="list-style-type: none"> <li>Appraisal report identifies the property as a declining market</li> <li>Subject property is in a state or CBSA table located in the Loan LTV Matrix</li> </ul> </li> </ul>
Eligible Property	<ul style="list-style-type: none"> <li>Single Family</li> <li>PUD</li> <li>2-4 Unit residential properties (Max CLTV 75%)</li> <li>Warrantable Condo(Max CLTV 80%)</li> </ul>
Ineligible Property	<ul style="list-style-type: none"> <li>Non-Warrantable Condo</li> <li>Properties not readily accessible by roads that meet local standards</li> <li>Property &gt; 10-acres</li> <li>Manufactured or Mobile Homes</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ Agricultural Zoned</li> <li>▪ Rural Property                             <ul style="list-style-type: none"> <li>- A property is classified as rural if:                                     <ul style="list-style-type: none"> <li>○ The appraiser indicates in the neighborhood section of the report a rural location; or</li> <li>○ The following two (2) conditions exist:   <ul style="list-style-type: none"> <li>• The property is located on a gravel road, and</li> <li>• Two of the three comparable properties are more than five (5) miles from the subject property.</li> </ul> </li> </ul> </li> </ul> </li> <li>▪ Mixed-Use</li> <li>▪ Unique Properties</li> <li>▪ Boarding houses, Bed and Breakfast, or single room occupancy</li> <li>▪ Geodesic Domes</li> <li>▪ Log Homes</li> <li>▪ Modular Homes</li> <li>▪ Ranches and Orchards</li> <li>▪ Properties in Litigation</li> <li>▪ Commercially Zoned</li> <li>▪ Properties with zoning violations</li> <li>▪ Properties used for the cultivation, distribution, manufacture, or sale of marijuana</li> <li>▪ Fractional ownership</li> <li>▪ Assisted living facilities</li> <li>▪ Homes on Native American Land (Reservations)</li> </ul>
State Restrictions	<ul style="list-style-type: none"> <li>▪ Not eligible: Texas</li> <li>▪ Restricted: NJ, NY (Max CLTV 80%, Min credit score 720)</li> </ul>
Loan Purpose	<ul style="list-style-type: none"> <li>▪ Stand-Alone Cash-Out (minimum ownership of 6 months required)</li> <li>▪ Simultaneous/Piggyback</li> </ul>
Desktop Underwriter (DU) or Loan Prospector (LP)	<ul style="list-style-type: none"> <li>▪ For simultaneous transactions only</li> <li>▪ Findings permitted to be used for income, asset, and liability documentation</li> <li>▪ Appraisal must follow the requirements of this program (appraisal waiver option from findings not eligible)</li> <li>▪ Max DTI based upon CLTV restrictions for this program.</li> </ul>
Occupancy	<ul style="list-style-type: none"> <li>▪ Primary Residence</li> <li>▪ Second Home</li> <li>▪ Investment</li> </ul>
1st Lien Requirements /Documentation	<p><b>Verification of 1<sup>st</sup> Lien P&amp;I Payment</b></p> <ul style="list-style-type: none"> <li>▪ Verify the 1<sup>st</sup> lien P&amp;I payment with either:                             <ul style="list-style-type: none"> <li>- Copy of 1<sup>st</sup> lien Note                                     <ul style="list-style-type: none"> <li>○ Default interest rate on Note cannot exceed Note rate</li> <li>○ If Interest Only and/or ARM, terms of the Note to be reviewed (See DTI Requirements)</li> </ul> </li> <li>- Copy of most recent monthly mortgage payment statement</li> </ul> </li> </ul>

## PROGRAM GUIDELINE SUMMARY

	<ul style="list-style-type: none"> <li>○ Utilized to determine if payment includes escrows (See DTI Requirements)</li> </ul> <p><b>Ineligible 1<sup>st</sup> Lien Features</b></p> <ul style="list-style-type: none"> <li>▪ First liens with the following high-risk features are not eligible:             <ul style="list-style-type: none"> <li>- Forbearance, modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12- months of the Note date</li> <li>- Loans in active forbearance or deferment</li> <li>- Negative amortization payment including loans with Paid-In-Kind (PIK) features</li> <li>- Balloon, if the balloon payment becomes due during the amortization period of the new 2nd lien.</li> <li>- Reverse mortgages</li> <li>- First liens for the subject property not reporting on credit report are ineligible (e.g., Private party mortgages including any loan not reporting on the credit report)</li> <li>- Loans secured by more than one underlying property, including cross collateralized loans or blanket mortgages</li> <li>- Home Equity Line of Credit</li> <li>- Note terms that include a default interest rate greater than the Note rate</li> </ul> </li> </ul> <p><b>Ineligible Loan Characteristics</b></p> <ul style="list-style-type: none"> <li>▪ Lien Free Properties – if the subject property is lien free, including delayed financing, ineligible.</li> <li>▪ Properties listed for sale in the past six (6) months are not eligible.</li> <li>▪ Unseasoned cash-out – if the existing lien is a cash-out, measured within six (6) months of the note date to note date.</li> <li>▪ Frequent Refinances – Two (2) or more cash-out refinances in the past twelve (12) months.</li> <li>▪ All existing subordinate liens must be satisfied except for solar panel liens/UCCs</li> <li>▪ Payoff of a Land Contract/Contract for Deed.</li> <li>▪ If the cash-out seasoning is less than 12-months, but greater than 6 months, the transaction property value is limited to the lower of the current appraised value or the property’s purchase price plus documented improvements.</li> </ul>
Cash-Out	<ul style="list-style-type: none"> <li>▪ Maximum Cash-Out: \$500,000</li> </ul>
Eligible Borrowers	<ul style="list-style-type: none"> <li>▪ U.S. citizens</li> <li>▪ Permanent resident aliens</li> </ul>
<b>Ineligible Borrowers</b>	<ul style="list-style-type: none"> <li>▪ Non-Permanent Resident Aliens</li> <li>▪ Foreign Nationals</li> <li>▪ Non-occupant Co-borrowers</li> <li>▪ First time homebuyers</li> <li>▪ Borrowers with diplomatic immunity, as defined by US Citizenship and Immigration Services</li> <li>▪ Persons sanctioned by OFAC</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ Any material parties (company or individual) to the transaction listed on HUD’s Limited Denial of Participation (LDP) list, the federal General Services Administration (GSA) Excluded Party list, or any other exclusionary list.</li> <li>▪ Not-For-Profit entity</li> </ul>
<b>TITLE VESTING AND OWNERSHIP</b>	<ul style="list-style-type: none"> <li>▪ Subject property must be owned a minimum of 6 months to be eligible, as measured from acquisition date to the date of the new note.</li> <li>▪ Ownership must be fee simple. Leaseholds are not eligible.</li> <li>▪ Eligible forms of vesting are:                         <ul style="list-style-type: none"> <li>- Individuals</li> <li>- Joint tenants</li> <li>- Tenants in Common</li> <li>- Inter Vivos Revocable Trust</li> </ul> </li> <li>▪ Ineligible forms of vesting are:                         <ul style="list-style-type: none"> <li>- Land Trust</li> <li>- Blind Trust</li> <li>- Irrevocable Trust</li> <li>- IRAs</li> <li>- Not-For-Profit entity</li> </ul> </li> </ul>
<b>POWER OF ATTORNEY</b>	<ul style="list-style-type: none"> <li>▪ Not eligible</li> </ul>
Responsible Lending	<ul style="list-style-type: none"> <li>▪ Loans must comply with TRID.</li> <li>▪ Loans must comply with the Ability-to-Repay ATR rule.</li> <li>▪ HPML – See Appraisal Section for requirements</li> <li>▪ Ineligible loans include State High Cost and HOEPA.</li> <li>▪ Points/Fees not to exceed 5%.</li> <li>▪ OFAC – Any company or individual who is a party to the transaction must be checked against the Office of Foreign Assets Control (OFAC) list. If any party’s name appears on the list, the loan is not eligible.</li> </ul>
Income Documentation - STANDARD INCOME DOCUMENTATION – ONE (1) OR TWO (2) YEAR OPTIONS	<ul style="list-style-type: none"> <li>▪ Wage/Salary – Paystubs covering 30-days including YTD earnings, prior years W-2’s, IRS Form 4506-C, Verbal VOE</li> <li>▪ Self-employment Income (25% or greater ownership):                         <ul style="list-style-type: none"> <li>- Personal and/or Business tax returns, signed and dated by the borrower(s), including all schedules.</li> <li>- An unaudited YTD Profit and Loss Statement (borrower prepared acceptable) signed by the borrower, including business sales, expenses, and net income up to and including the most recent month preceding the loan application date.</li> <li>- Two business bank statements, representing the two most recent months from the P&amp;L statement.</li> <li>- IRS Form 4506-C</li> </ul> </li> </ul>
Income Documentation	<ul style="list-style-type: none"> <li>▪ Personal bank statements or business bank statements may be used to document self-employment income.</li> </ul>

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<p>- ALT DOC – ONE (1) OR TWO (2) YEAR OPTIONS</p>	<ul style="list-style-type: none"> <li>▪ Borrowers must be self-employed for at least two (2) years. The employment section of the URLA must be completed with a minimum of two (2) years self-employment history.</li> <li>▪ The business being used to source income must be in existence for a minimum of two (2) years as evidenced by one of the following:             <ul style="list-style-type: none"> <li>- CPA Letter, or</li> <li>- Business License, or</li> <li>- Bank statement from 24 or more months prior to note date reflecting activity, or</li> <li>- Other reasonable evidence of business activity.</li> </ul> </li> <li>▪ Nonprofit Entity not eligible</li> <li>▪ Funds/Deposits in a IOLTA (Trust) ineligible source</li> <li>▪ Tax returns and 4506-C are not required for the bank statement program.</li> </ul>
<p>Income Documentation - PERSONAL BANK STATEMENT REVIEW</p>	<p>A personal bank account is held in the individual borrower(s) name. The following documentation requirements and analysis methods apply:</p> <ul style="list-style-type: none"> <li>▪ Documentation Requirements             <ul style="list-style-type: none"> <li>- 24 or 12 months of consecutive PERSONAL bank statements, the most recent statement dated within 90-days of the note date.</li> <li>- Most recent two (2) months of BUSINESS bank statements.</li> <li>- Verify that the borrower owns 20% of the business by providing one of the following: CPA letter, Tax Preparer letter, operating agreement, or equivalent, reflecting the borrower’s ownership percentage.</li> </ul> </li> <li>▪ Calculation Method             <ul style="list-style-type: none"> <li>- Only transfers or deposits from the business account(s) are eligible deposits. Qualifying income calculated using the sum of the total eligible deposits from the statements reviewed divided by the number of statements. The most recent bank statement must be consistent with the qualifying income.</li> <li>- If the personal account is jointly owned, and the joint owner is not an owner of the business, deposits that are not readily identifiable as transfers from the business accounts or business deposits must be excluded unless sourced.</li> <li>- ATM deposits may be included if a consistent pattern of such deposits is present.</li> <li>- Two (2) months of business bank statements, which must:                 <ul style="list-style-type: none"> <li>• Evidence activity to support business operations.</li> <li>• Reflect transfers to the personal account.</li> </ul> </li> </ul> </li> </ul>
<p>Income Documentation - BUSINESS AND CO-MINGLED BANK STATEMENT REVIEW</p>	<p>A standard 50% expense factor will be applied to the total of eligible deposits from the co-mingled and business bank statements to determine qualifying income.</p> <p>If the business operates more efficiently or typically has a materially different expense factor (higher or lower than standard expense factor), then an expense factor from a CPA/CTEC/EA letter or P&amp;L may be used to determine qualifying income.</p>

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A co-mingled bank account is a personal account used by a borrower for both business and personal use. A separate business account is not required.

- The borrower must be the sole owner of the business (borrower and spouse with combined 100% ownership eligible).

A business bank account is used for ongoing operations of the business and reflects the name of the business as completed on the URLA.

- Verify that the borrower has ownership of at least 25% of the business by providing one of the following:
  - CPA letter, Tax Preparer letter, operating agreement, or equivalent; reflecting the borrower's ownership percentage.
- Net income from the analysis of the bank statements is multiplied by the borrower's ownership percentage to determine the borrower's qualifying income.

\*Standard Expense Ratio – (50%)

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90 days of the note date.
- Total deposits from all bank statements, less any inconsistent deposit(s), multiplied by 50%, multiplied by ownership percentage, divided by the number of bank statements reviewed.
- $\text{Deposits} \times (.50) \times (\text{ownership } \%) / 24 \text{ or } 12 = \text{qualifying income}$

\* Business Expense Statement Letter

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- An expense statement letter specifying business expenses as a percent of the gross annual sales/revenue, prepared or reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or licensed tax preparer.
- Total expenses are calculated by multiplying the total deposits by the expense factor provided (subject to a minimum total expense percentage of 10%), multiplied by ownership percentage, divided by the number of bank statements.
- $\text{Deposits} \times (\text{expense ratio}) \times (\text{ownership } \%) / 24 \text{ or } 12 = \text{qualifying income.}$

\* 3rd Party prepared P&L Statement

- 24 or 12 months of consecutive business bank statements, the most recent statement dated within 90-days of the note date and;
- P&L covering 24 or 12 months (determined by the months of bank statements provided), prepared or reviewed and acknowledged by a CPA/accountant, IRS Enrolled Agent, or licensed tax preparer. Documentation is required to evidence the preparer's business.
- P&L Sales/Revenue must be supported by the provided bank statements. Total deposits reflected on the bank statements, minus any inconsistent deposits, must be greater than or no more than 20% below the sales/revenue reflected on the P&L. The bank statements and P&L must cover the same time period. If the deposits support the sales, qualifying income is the lower of:
  - The Net Income indicated on the P&L divided by the number of statements (24 or 12), or

## PROGRAM GUIDELINE SUMMARY

	<ul style="list-style-type: none"> <li>▪ Total deposits reported on the bank statements, minus any inconsistent deposits, divided by the number of statements (24 or 12).</li> <li>- When analyzing the P&amp;L Statement, the following may be added back to the applicant's income calculation:             <ul style="list-style-type: none"> <li>▪ Depreciation</li> <li>▪ Depletion</li> <li>▪ Amortization/casualty loss</li> </ul> </li> </ul>
Income Documentation - IRS FORM 1099	<ul style="list-style-type: none"> <li>▪ Permitted for individual(s) earning 100% commission or for independent contractors.</li> <li>▪ 1-year or 2-years of 1099s or 1099 transcript(s) permitted.             <ul style="list-style-type: none"> <li>- One of the following Business expense analysis methods:                 <ul style="list-style-type: none"> <li>▪ 90% Net Margin (10% Expense Factor), or</li> <li>▪ 3rd Party prepared P&amp;L (CPA, EA, accountant, tax preparer)</li> </ul> </li> </ul> </li> <li>▪ A minimum 2-year self-employment history is required (e.g., 1099 income) as documented from the Employment section of the loan application.</li> <li>▪ Qualifying income is the 12 or 24 monthly average from the total number of 1099's minus the expense factor from the method chosen above</li> <li>▪ YTD earnings must be documented when the 1099 reporting period is greater than 90 days from the note date. YTD earnings must support the ongoing receipt of income shown on the 1099s by:             <ul style="list-style-type: none"> <li>- Checks or a single check stub(s) with YTD totals if available, or</li> <li>- Bank statements (YTD).                 <ul style="list-style-type: none"> <li>▪ The YTD earnings from the total of check stubs or the tally of deposits from bank statements must be within 10% or greater than prior year earnings.</li> </ul> </li> </ul> </li> </ul>
Other Eligible Sources of Income	<p>Document per FNMA Seller Guide dated 6/03/2020, eligible sources include:</p> <ul style="list-style-type: none"> <li>▪ Social Security</li> <li>▪ VA Benefits</li> <li>▪ Pensions</li> <li>▪ Investment/Trust</li> <li>▪ Annuity income</li> </ul>
Ineligible Sources of Income	<ul style="list-style-type: none"> <li>▪ Income from a business that is state or federally illegal.</li> </ul>
Pre-Close Reverification of Employment	<ul style="list-style-type: none"> <li>▪ Verbal VOE within 10-days wage/salary.</li> <li>▪ Business verification for self-employment by 3rd party within 10-days of Note Date. Methods of verifying the business include a letter from a CPA, regulatory agency, or an applicable licensing bureau. Internet listings are not an acceptable source of verification.</li> </ul>
Manual Underwriting	<ul style="list-style-type: none"> <li>▪ All mortgage loans must be manually underwritten. Automated underwriting is not allowed.</li> </ul>
Credit Report	<ul style="list-style-type: none"> <li>▪ Full residential mortgage credit report or tri-merged credit report. All HAWK alert messages must be addressed and resolved, documentation to evidence resolution must be included in the loan file.</li> </ul>

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	<ul style="list-style-type: none"> <li>Frozen credit – not allowed. Any frozen credit must be unlocked, and a new credit report obtained to reflect current updated information.</li> </ul>
Fraud Report	<ul style="list-style-type: none"> <li>A third-party fraud detection report is required in every file. All “high” alerts, or “red flags” must be addressed and/or cleared by the seller (lender).</li> <li>Sellers may clear “high” alerts or “red flags” directly through the vendor solution or with an attestation. The attestation must address each “high” alert, or “red flag” noted in the fraud report. Emet may request additional documentation to address high fraud risk.</li> <li>All parties involved in the transaction must be included in the fraud report performed by an automated fraud and data check vendor solution.</li> <li>Transaction participants must be included in the fraud report as follows: Borrowers/Guarantors, Property Sellers, Brokers, Loan Officers, Appraisers, Real Estate Agents, Settlement Agents</li> <li>OFAC search - Individuals:             <ul style="list-style-type: none"> <li>All individuals involved in the transaction must be cleared through OFAC’s SDN list.</li> <li>Individuals to be included in the OFAC search: Borrowers/Guarantors, Property Sellers, Brokers, Loan Officers, Appraisers, Real Estate Agents, Settlement Agents</li> </ul> </li> </ul>
Application	<ul style="list-style-type: none"> <li>FNMA Form 1003: Current version of the Uniform Residential Loan Application.</li> <li>Maximum of four (4) borrowers per loan.</li> </ul>
Age of Documents	<ul style="list-style-type: none"> <li>Credit Documents: May not be over 90-days old at the time of closing</li> </ul>
Gap Credit	<ul style="list-style-type: none"> <li>A Gap Report or Debt Monitoring Report is required within 10-days of closing.</li> </ul>
Qualifying Credit Score	<ul style="list-style-type: none"> <li>Determine a representative score for each borrower by using the middle of 3 scores or lower of 2. When the loan includes more than one borrower, use the lowest representative score amongst all borrowers.</li> <li>Rapid rescoring not allowed.</li> </ul>
Housing History	<ul style="list-style-type: none"> <li>0x30x12: Verification of mortgage history required on all loans. One of the following options required to verify the mortgage history:             <ul style="list-style-type: none"> <li>12-month rating on the credit report.</li> <li>Copies of (front and back) 12 consecutive cancelled checks.</li> <li>12-months bank statements showing one payment per month.</li> </ul> </li> </ul>
Credit Events	<ul style="list-style-type: none"> <li>Foreclosure: 48-month waiting period. In the case of a foreclosure which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the foreclosure completion date</li> <li>Short Sale, Deed in Lieu: 48-month waiting period. In the case of a short sale/deed-in-lieu which was included in a bankruptcy, the seasoning timeline will start from the earlier of the date of discharge of bankruptcy and the short sale/deed-in-lieu completion date.</li> <li>Any Bankruptcy: 48-month waiting period.</li> <li>Forbearance, Modification, or Deferral</li> </ul>

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	<ul style="list-style-type: none"> <li>- Greater than 12-months from Note Date:             <ul style="list-style-type: none"> <li>o Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated greater than 12- months from the Note date of the subject transaction and having a 0x30x12 Housing History are allowed.</li> </ul> </li> <li>- Within 12-months of Note Date:             <ul style="list-style-type: none"> <li>o Forbearance, loan modifications, or deferrals (including COVID-19 related events) completed or reinstated within 12- months of the Note date of the subject transaction are not eligible.</li> </ul> </li> <li>▪ Multiple Derogatory Credit Events: 84-month waiting period.</li> </ul>
Tradelines	<ul style="list-style-type: none"> <li>▪ Min: 2 reporting 24-months with/activity in the last 12-months or 3 reporting 12-months w/recent activity</li> <li>▪ If the primary borrower has three (3) credit score, the minimum tradeline requirement is waived</li> </ul>
Liabilities	<ul style="list-style-type: none"> <li>▪ Installment Debt: Must be included in the DTI calculation if 10 or more payments remain. The monthly payment may be excluded from the DTI calculation if there are 9 or fewer monthly payments remaining, and the payment is not substantial. Substantial is defined as the payment equaling or exceeding 5% of the qualifying income. A substantial payment must be included in the DTI.</li> <li>▪ Deferred installment debts including student loans must be included in the DTI ratio.</li> <li>▪ Delinquent federal income taxes paid on a monthly basis to the IRS under an approved plan must be paid in full at or prior to closing.</li> <li>▪ All balloon payment notes</li> <li>▪ See FNMA Seller Guide dated 6/03/2020 for payment of other liabilities.</li> </ul>
Lawsuits	<ul style="list-style-type: none"> <li>▪ If the application, title, or credit documents indicate the borrower is involved in a lawsuit or litigation, the borrower is not eligible.</li> </ul>
Qualifying Payment	<p>Qualifying DTI includes the Principal and Interest payment of the subject loan and any existing or new first lien payment. Qualifying payment to be determined with the following:</p> <ul style="list-style-type: none"> <li>▪ First lien Principal and Interest payment             <ul style="list-style-type: none"> <li>o Transaction Type:                 <ul style="list-style-type: none"> <li>▪ Stand-alone: Utilize mortgage payment from credit report</li> <li>▪ Simultaneous: Utilize the 1st lien qualifying method as follows                     <ul style="list-style-type: none"> <li>• Fixed rate: Note rate amortized over the total term</li> <li>• Interest only: Note rate amortized over the remaining term after the expiration of the interest only period</li> <li>• ARMs: Qualifying rate is the higher of the fully indexed rate or note rate</li> <li>• Interest only: Qualifying rate amortized over the remaining term after the expiration of the interest only period</li> </ul> </li> </ul> </li> </ul> </li> <li>▪ Subject loan Principal and Interest Payment based upon the note rate</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ Hazard Insurance Premium</li> <li>▪ Flood and Other Insurance Premiums, as applicable</li> <li>▪ Real Estate Taxes</li> <li>▪ Association Dues</li> </ul>
Maximum DTI Ratio	<p>Debt-to-Income (DTI) ratio = (Monthly Housing Expense + Monthly Liability Expense)/Monthly Qualifying Income.</p> <ul style="list-style-type: none"> <li>▪ 45% for CLTV up to 90%</li> <li>▪ 50% for CLTV &lt;= 80%</li> </ul>
Reserves	<ul style="list-style-type: none"> <li>▪ None required.</li> <li>▪ Asset verification required if funds needed to consummate transaction</li> <li>▪ Simultaneous Transactions: Follow First lien requirements</li> </ul>
Eligible Assets	<ul style="list-style-type: none"> <li>▪ Checking/Savings: 100%</li> <li>▪ Marketable Securities: 70%</li> <li>▪ Vested Retirement Savings                             <ul style="list-style-type: none"> <li>- If borrower &lt; 59.5 years old: 55%</li> <li>- If borrower &gt; 59.5 years old: 65%</li> </ul> </li> </ul>
Asset Documentation	<ul style="list-style-type: none"> <li>▪ Account statements (e.g., checking, savings, share, or brokerage accounts)</li> <li>▪ Assets held in foreign accounts must be translated to English and verified in US Dollar equivalency at the current exchange rate via either <a href="http://www.xe.com">http://www.xe.com</a> or the Wall Street Journal conversion table.</li> <li>▪ Assets held in in a Trust require the following:                             <ul style="list-style-type: none"> <li>- Obtain written documentation (e.g., bank statements) of the value of the trust account from either the trust manager or the trustee, and</li> <li>- Document the conditions under which the borrower has access to the funds</li> </ul> </li> <li>▪ Accounts verified using a third-party vendor participating in the Fannie Mae Day 1 Certainty® process.</li> <li>▪ Verification of Deposit completed by the verifying financial institution (FNMA Form 1006).</li> <li>▪ 2-months of bank statements</li> </ul>
Appraisals	<p><b>HPML loans that are not Qualified Mortgages require a full appraisal with an interior inspection, regardless of the loan balance.</b></p> <p><b>Loan Amount &lt;=250k (One of the following required)</b></p> <ul style="list-style-type: none"> <li>▪ AVM from approved vendor with acceptable FSD and a new Property Condition Report with acceptable findings, or</li> <li>▪ Exterior Drive-By appraisal (Hybrid or 2055), or</li> <li>▪ Prior 1<sup>st</sup> lien appraisal dated within 12 months of subject loan Note Date allowed subject to the following:                             <ul style="list-style-type: none"> <li>- A new Property Condition Report with acceptable findings; And</li> <li>- Recertification of value by appraisal review product from an approved; And</li> <li>- Loan must be originated by same lender as the first</li> </ul> </li> <li>▪ New Appraisal (FNMA Form 1004/1025/1073)</li> </ul>

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	<p><b>Loan Amount &gt;250k (One of the following required)</b></p> <ul style="list-style-type: none"> <li>▪ Prior 1<sup>st</sup> lien appraisal dated within 12 months of subject loan Note Date allowed subject to the following:             <ul style="list-style-type: none"> <li>- Loan must be originated by same lender as the first; and</li> <li>- A new Property Condition Report with acceptable findings; and</li> <li>- Recertification of value by original appraiser; and</li> <li>- AVM within 30- days of the Note date from approved vendor with acceptable FSD.</li> <li>- The transaction value is the lower of the Prior Appraisal value or the current AVM.</li> </ul> </li> <li>▪ New Appraisal (FNMA Form 1004/1025/1073)</li> </ul>
Secondary Valuation Product	<ul style="list-style-type: none"> <li>▪ Required in every file</li> <li>▪ Acceptable review products include one of the following:             <ul style="list-style-type: none"> <li>- AVM (If primary valuation based on an AVM, review must be a different vendor)                 <ul style="list-style-type: none"> <li>○ If two AVMs are ordered, the AVM with the higher FSD will be treated as the primary valuation product. The second AVM will be treated as the secondary valuation product and must support the primary AVM within 10%. If both AVMs have the same FSD, the lower of the two must be utilized for determining the CLTV.</li> </ul> </li> <li>- Desk Review</li> </ul> </li> </ul>
AVM VENDORS	<ul style="list-style-type: none"> <li>▪ Clear Capital / Acceptable FSD Score at 90% <math>\leq</math> 0.13</li> </ul>
Property Condition Reports	<ul style="list-style-type: none"> <li>▪ When required, a Property Condition Report (i.e., Clear Capital Property Condition Inspection) should be obtained to include an exterior photo of the subject property along with a rating of the property’s physical condition and characteristics.</li> </ul>
Property	<ul style="list-style-type: none"> <li>▪ Minimum property size 700 Square Feet for SFR.</li> <li>▪ Minimum property size 500 Square Feet for Condominium.</li> <li>▪ Minimum property size 400 Square Feet for 2-4 Units.</li> <li>▪ Condition Rating of C5/C6 not eligible.</li> <li>▪ Any property located in a declining market as reported by the appraiser requires CLTV cap of 80%.</li> </ul>
Accessory Dwelling Units	<ul style="list-style-type: none"> <li>▪ An accessory unit is typically an additional living area independent of the primary dwelling unit and includes a fully functioning kitchen and bathroom. Some examples may include a living area over a garage and basement units. Whether a property is defined as a one-unit property with an accessory unit or a two-unit property will be based on the characteristics of the property, which may include, but are not limited to, the existence of separate utilities, a unique postal address, and whether the unit is rented. The appraiser is required to provide a description of the accessory unit and analyze any effect it has on the value or marketability of the subject property.</li> <li>▪ the property is eligible under the following conditions:</li> </ul>

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	<ul style="list-style-type: none"> <li>- The property is defined as a one-unit property with an accessory unit</li> <li>- Multiple accessory units are not permitted</li> <li>- The appraisal report demonstrates that the improvements are typical for the market through an analysis of at least one comparable property with the same use</li> <li>▪ Rental income may be used for the accessory unit subject to the following:             <ul style="list-style-type: none"> <li>- Appraisal to reflect zoning compliance is legal</li> <li>- Permit is not required to establish zoning compliance</li> <li>- Appraisal to include at least one comparable with an accessory unit</li> <li>- Refinance – The market rent for the accessory unit should be documented on FNMA Form 1007 and the file must include a copy of the current lease agreement with two (2) months proof of current receipt</li> <li>- Purchase                 <ul style="list-style-type: none"> <li>○ Owner-Occupied/2nd Home: Income from the accessory unit may not be used as qualifying income</li> <li>○ Non Owner-Occupied: User the lower of the market rent on FNMA Form 1007 or actual rent.</li> </ul> </li> </ul> </li> </ul>
Zoning	<ul style="list-style-type: none"> <li>▪ Industrial, commercial, rural and agricultural zoning are not eligible.</li> </ul>
Private Roads	<ul style="list-style-type: none"> <li>▪ Private roads require a permanent easement for ingress and egress with provisions for road maintenance.</li> </ul>
Unpermitted Additions	<ul style="list-style-type: none"> <li>▪ Properties with unpermitted additions/alternations to the subject property are not eligible.</li> </ul>
Title Insurance	<ul style="list-style-type: none"> <li>▪ ALTA – Full Title Policy, or</li> <li>▪ Residential Limited Coverage Junior Policy</li> <li>▪ A twelve (12) month chain of title from the title insurer is required that does not show evidence of previous flipping activity</li> </ul>
Homeowners Insurance	<ul style="list-style-type: none"> <li>▪ Use of the existing coverage amount is permitted. Loss payee clause must reflect seller as additional insured.</li> </ul>
Flood Insurance	<ul style="list-style-type: none"> <li>▪ Use of the existing coverage amount is permitted. Loss payee clause must reflect seller as additional insured.</li> </ul>
Escrows	<ul style="list-style-type: none"> <li>▪ Escrows for taxes and hazard insurance not required</li> <li>▪ If the property is located in a flood zone, evidence of flood insurance is required.</li> </ul>
Recently Listed Properties	<ul style="list-style-type: none"> <li>▪ Currently listed or properties listed for sale in the past 6-months are not eligible.</li> </ul>
Solar Panel	<ul style="list-style-type: none"> <li>▪ The ownership and debt financing structures commonly found with solar panels are key to determining whether the panels are third-party owned, personal property of the homeowner, or a fixture to the real estate. Common ownership or financing structures include:</li> </ul>

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- borrower-owned panels,
  - leasing agreements,
  - separately financed solar panels (where the panels serve as collateral for debt distinct from any existing mortgage); or
  - power purchase agreements
- Property with solar panels are eligible for purchase. If the borrower is, or will be, the owner of the solar panels (meaning the panels were a cash purchase, were included in the home purchase price, were otherwise financed and repaid in full, or are secured by the existing first mortgage), our standard requirements apply (for example, appraisal, insurance, and title).
  - Sellers are responsible for determining the ownership and any financing structure of the subject property's solar panels in order to properly underwrite the loan and maintain first lien position of the mortgage. When financing is involved, sellers may be able to make this determination by evaluating the borrower's credit report for solar-related debt and by asking the borrower for a copy of all related documentation for the loan. The seller must also review the title report to determine if the related debt is reflected in the land records associated with the subject property. If insufficient documentation is available and the ownership status of the panels is unclear, no value for the panels may be attributed to the property value on the appraisal unless the seller obtains a UCC "personal property" search that confirms the solar panels are not claimed as collateral by any non-mortgage lender.
  - A Uniform Commercial Code (UCC) financing statement that covers personal property and is not intended as a "fixture filing" must be filed in the office identified in the relevant state's adopted version of the UCC.
  - Sellers are responsible for ensuring the appraiser has accurate information about the ownership structure of the solar panels and that the appraisal appropriately addresses any impact to the property's value. Separately financed solar panels must not contribute to the value of the property unless the related documents indicate the panels cannot be repossessed in the event of default on the associated financing. Any contributory value for owned or financed solar panels must be noted in the Improvements Section of the Appraisal Report.
  - PACE (Property Assessed Clean Energy) allows homeowners to finance energy improvements through an assessment in their annual property tax bills. Properties with solar panels and other energy efficient items financed with a PACE loan are not eligible if the PACE loan is not paid in full prior to or at closing. Any property tax statement that reflects PACE, HERO, or equivalent will require proof of payoff. If loan proceeds are used to pay off the PACE loan, transaction will be considered cash out.
  - EMET will follow the investor guidelines. Please check more details to EMET UW.

