



TABLE OF CONTENTS

Search Tip: Use the CTRL+F Key to find words within this document.

Table of Contents

TABLE OF CONTENTS.....	1
1. PROGRAM BASICS.....	3
1.1. Product Codes	3
1.2. Eligible Transaction Types.....	3
1.3. Eligible States.....	3
1.4. LTV/CLTV.....	3
1.5. Maximum Loan Amount	3
1.6. Escrow/Impounds.....	3
1.7. General Program Guidelines.....	3
1.8. Age of Loan at Delivery	4
1.9. Age of Loan	4
1.10. Identity of Interest and Non-Arm's Length Transactions.....	4
1.11. Subordinate Financing	4
1.12. AUS and Underwriting Method	5
1.13. Power of Attorney	5
1.14. Covid-19 Requirements.....	6
2. BORROWER ELIGIBILITY	6
2.1. Eligible Borrower Types.....	6
2.2. Ineligible Borrower Types	6
2.3. Other Eligibility Requirements	6
2.4. Non-U.S. Citizen Proof of Lawful Residency Documentation Requirements	7
2.5. Trusts.....	7
3. TRANSACTION TYPES.....	7
3.1. Ineligible Transactions.....	7
3.2. Purchase Transactions	8
3.3. Refinance Transactions	8
3.3.1. Listed Properties	8
3.3.2. Continuity of Obligation Requirement.....	8
3.4. Rate and Term Refinance Transactions	10
3.5. Delayed Financing Exceptions	11
4. CREDIT	11
4.1. Credit Report	11
4.2. Housing Payment History	12
4.2.1. Mortgage Credit History*.....	12



TABLE OF CONTENTS

Search Tip: Use the CTRL+F Key to find words within this document.

4.2.2.	Renting	12
4.2.3.	Living Rent Free	12
4.2.4.	Subject Property Owned Free and Clear	13
4.3.	Extenuating Circumstances	13
4.4.	Significant Derogatory Credit Events and Other Credit Events	13
4.5.	30-Day Accounts	14
4.6.	Current Residence Pending Sale or Conversion	15
4.7.	Debt-to-Income Ratio	15
4.8.	Forbearance	15
4.9.	Multiple Financed Properties for the Same Borrower	16
5.	INCOME/EMPLOYMENT	17
5.1.	Employment, Income, and VVOE	17
5.2.	Tax Transcripts	17
6.	ASSETS/RESERVES	18
6.1.	Asset Documentation	18
6.2.	Borrower Required Funds	19
6.3.	Reserves	19
6.4.	1031 Tax Deferred Exchanges	19
6.5.	Interested Party Contributions and Lender Contributions	19
7.	PROPERTY/APPRAISAL	20
7.1.	Appraisal, Property Valuation	20
7.1.1.	Appraisal Form	20
7.1.2.	General Requirements	20
7.1.3.	Appraisal Age	21
7.1.4.	Appraisal Re-Use	21
7.2.	Appraisal Review and Second Appraisal Requirements	21
7.3.	Condominiums and PUDs	22
7.4.	Deed Restrictions	24
7.5.	Disaster Re-Inspection Requirements	24
7.6.	Leasehold and Life Estates	24
7.7.	Occupancy Types	24
7.8.	Property Eligibility	25
7.9.	Property Flipping, Purchase Contract Assignments	26
7.10.	State and Geographic Restrictions	26



PROGRAM BASICS

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1. Program Basics

1.1. Product Codes

Code	Description
JF30AE	JUMBO FIXED 30YR MWF EXPRESS

1.2. Eligible Transaction Types

- Purchase Transactions
- Rate and Term Refinance Transactions
- Cash-Out Refinance Transactions

1.3. Eligible States

See Eligible State Matrix

1.4. LTV/CLTV

See LTV Matrix

1.5. Maximum Loan Amount

See Loan Product Matrix

1.6. Escrow/Impounds

- Escrow/impound accounts are required for all loans > 80% LTV except as prohibited or required by Applicable Law in certain states.
- **Flood Insurance:** Flood insurance must be escrowed if the loan is secured by a primary residence or second home located in a mandatory flood zone, regardless of whether any other funds are escrowed unless premiums are paid by a condominium association, homeowners association or other applicable group as a common expense, (June 22, 2015, Biggert Waters Joint Final Rule).
 - This requirement applies irrespective of property state and/or Seller entity type.
- Loans must additionally comply with Fannie Mae requirements, B2-1.4-04, Escrow Accounts.
- **Monthly Real Estate Tax Payment:** An escrow/impound account established for payment of real estate taxes must not be less than the lender's calculation of real estate taxes for borrower qualification, B3-6-03, Monthly Housing Expense.
- HPML loans must meet HPML Escrow requirements.

1.7. General Program Guidelines

- **Manual Underwriting:** Manual underwriting is NOT accepted for any loans.

**PROGRAM BASICS**

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- **Mortgage Insurance:** No private mortgage insurance (PMI) is required at any LTV.
- Minimum Loan amount for this Program is \$50,000.

1.8. Age of Loan at Delivery

Maximum 45 days from settlement statement disbursement date (per HUD-1 or Closing Disclosure) of subject transaction until delivery of complete loan file.

1.9. Age of Loan

- Unless otherwise directed in the Desktop Underwriter® (DU®) Findings report, credit documents must be less than four (4) months old on date the Note is signed.
- Properties in Disaster Areas: Follow Fannie Mae requirements for age of documents when a property is in a declared disaster area granted individual assistance.

1.10. Identity of Interest and Non-Arm's Length Transactions

Loans for transactions with identity of interest or non-arm's length characteristics are not eligible under this Program. Examples of these types of transactions (not a complete list) include:

- Sales of properties between family members
- Sales of properties between business associates
- Sales involving a business entity and an individual who is an officer or principal in that business
- Sales involving the builder/developer of subject property and an employee or affiliate of the builder/developer
- Transactions involving an assignment of the sales contract.

1.11. Subordinate Financing

- Subordinate financing must meet Fannie Mae requirements B2-1.1, LTV, CLTV, HCLTV and Subordinate Financing, B5-5.2-04 Re-subordination, and the following requirements:
 - A copy of the second lien Note is required for all new and re-subordinating second liens.
 - In all cases, the title policy must ensure that the new first is clearly insured in first lien position.
 - For new subordinate liens, a certified copy of the security instrument indicating that it is recording subordinate to the new first lien must be in the Loan file.
 - For re-subordinating seconds, a copy of the executed subordination agreement (or equivalent, as designated by applicable state law) must be delivered with the Mortgage Loan file.



PROGRAM BASICS

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- Secondary financing must have Fannie Mae eligible terms and characteristics.
- No lien on subject property may be a sovereign instrumentality (e.g. secured loans provided by tribal governments).
- **HELOCs:** Follow Fannie Mae guidelines for calculating CLTV, HCLTV, B2-1.2-03, Home Equity Combined Loan-to-Value (HCLTV) Ratios:
 - The entire credit line limit based on the Note must be used to calculate the HCLTV.
 - If a credit line is reduced without a permanent modification of the original Note, then the entire original line limit must be used to calculate the HCLTV.
- **HELOC Payment Calculation:** To calculate the qualifying payment of a subordinate HELOC, follow B3.6, Liability Assessment Generally:
 - If the HELOC does not report a balance, then there is no recurring monthly debt obligation, so the lender does not need to develop an equivalent payment amount based on the line amount or otherwise.

1.12. AUS and Underwriting Method

Underwriting Type: Delegated and Non-Delegated Underwriting.

- **Underwriting Eligibility:** This Program requires utilization of Fannie Mae Desktop Underwriter (DU®). All loans must be underwritten to the more restrictive of this program guide, the DU Findings report, or the Fannie Mae COVID-19 requirements.

Desktop Underwriter® – All loans must receive either:

- A DU Approve/Eligible recommendation, or
- A DU Approve/Ineligible recommendation where the Ineligible recommendation is for loan structure only, i.e., LTV/CLTV Limits, Loan Purpose, or Loan Amount. The Ineligible recommendation may not be for a credit event. Except for documented erroneous credit data, credit events may not be excluded from DU®.
- Loans utilizing DU Validation Service for income, employment, or assets are eligible under this program.
- Fannie Mae Unique Eligibility and Underwriting Considerations are not permitted.

DU Underwriting Analysis report must meet Fannie Mae requirements, in B3-2-01, General Information on DU, B3-2-10 Accuracy of DU Data, DU Tolerances and Errors in the Credit Report and B3-6-02, Debt-to-Income Ratios.

Manual underwriting is NOT accepted for any loans, including loans with errors in the credit report.

1.13. Power of Attorney

- In certain situations, a specific, special, military, or limited Power of Attorney (POA) may be acceptable.

**BORROWER ELIGIBILITY**

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- Use of Power of Attorneys is not allowed for transactions with any of the following characteristics (not all characteristics may be applicable to this program): cash-out refinance; non-owner occupied (investment) properties; title taken as trust; identity of interest or non-arm's length transactions; non-occupant Borrowers.
- The Settlement Agent must not act as the attorney-in-fact or sign documents on behalf of any party to the transaction.

1.14. Covid-19 Requirements

- The loan must be underwritten to the more restrictive of this Program Guide, the DU findings report, or the Fannie Mae COVID-19 requirements.
- Income:
 - Rental Income: Provide documentation for all rental income used to qualify that all rents due for the most recent two months have been received.
 - Unemployment Benefits: Not eligible for qualifying income.
 - Income from Furloughed Borrowers: Not eligible for qualifying income.

2. Borrower Eligibility**2.1. Eligible Borrower Types**

- U.S. Citizens
- Permanent Resident Aliens
- Inter Vivos Revocable "Living" Trusts

2.2. Ineligible Borrower Types

- Non-Permanent Resident Aliens, Non-Resident Aliens or Other
- Person(s) with diplomatic immunity or a Foreign Politically Exposed Person(s).
- Foreign Nationals
- Borrowers with an Individual Taxpayer Identification Number (ITIN)

2.3. Other Eligibility Requirements

Loans to One Borrower: Maximum exposure in this program is the lessor of 4 loans or combined loan amounts totaling \$4 million. For loans secured by Second Homes, the maximum loans to one borrower is (1) loan.

All Borrowers must meet Fannie Mae eligibility requirements including:

- Borrowers must be a natural person or an eligible Inter Vivos Revocable "Living" trust. (See Leasehold and Life Estates in this program guide.) Note: If title is taken in Inter Vivos trust, POA cannot be used. See Trusts in this program guide.

**TRANSACTION TYPES**

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- Eligible Non-U.S. citizen borrowers must meet Fannie Mae requirements for non-U.S. citizens.
- All Borrowers meet Fannie Mae requirements for Continuity of Income.
- All Borrowers must have a valid social security number.
- No Borrower is a Corporation, Limited Liability Company (LLC), partnership or other business entity.
- All Borrowers must also meet the following requirements:
 - All non-U.S. citizen Borrowers meet the proof of lawful residency documentation requirements listed in the table below.
 - Maximum four (4) Borrowers per loan.

All guarantors, co-signers and non-occupant borrowers whose income is considered in qualifying and/or who sign the Note, must meet the “Borrower Eligibility” requirements above and Fannie Mae eligibility requirements, B2-2-04, Guarantors, Co-Signers or Non-Occupant Co-Borrowers. (Note: Guarantors and co-signers must sign the Note.)

2.4. Non-U.S. Citizen Proof of Lawful Residency Documentation Requirements

- Permanent Resident Alien
 - Permanent Resident Card (Green Card), or
 - Passport with USCIS I-5511 stamp
- Non-permanent Resident Alien
 - Not Eligible
- Non-Resident Alien or Other
 - Not Eligible

2.5. Trusts

- Trusts must meet the requirements in Fannie Mae Selling Guide B2-2-05, Inter Vivos Revocable Trusts. Fannie Mae allows Inter Vivos “Living” trusts only.
- Documents for loans where title is taken in a trust cannot be signed with a Power of Attorney.

3. Transaction Types

3.1. Ineligible Transactions

- Loans to finance the initial construction of a dwelling, one-time-close construction-to-permanent loans, or construction loan modifications.
- Primary residences in Texas subject to Texas Section 50(a)(6) or Texas Section (f)(2).

**TRANSACTION TYPES**

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- For all Texas refinance transactions, a copy of the previous Note or security instrument is required to document that the previous loan being refinanced was not an (a)(6).
- Loans with temporary buy-downs or prepayment penalties.

3.2. Purchase Transactions

- Proceeds from the purchase money mortgage transaction must be used to finance the acquisition of the subject property, or
- To pay off the outstanding balance of a land contract or contract for deed.
- Transaction proceeds may not be used to give the applicant cash back other than an amount representing reimbursement for the applicant's overpayment of fees and/or a legitimate pro-rated insurance premiums and real estate tax credit in locales where real estate taxes are paid in arrears, if any.
- The settlement statement must clearly indicate the refund, and the loan file must include documentation to support the amount and reason for the refund.

3.3. Refinance Transactions

Refinance Transactions are subject to the requirements outline in *Ineligible Transactions*, above.

3.3.1. Listed Properties

- Listed at Time of Application: Properties currently listed for sale (at the time of application) are not eligible for refinance transactions.
- Listed within 6 months: Properties listed for sale by the Borrower within six (6) months of the application date are acceptable if the following requirements are met:
 - Rate and Term refinance only: The listing must have expired or been withdrawn prior to the application date.
 - Cash-out Refinance:
 - **LTV/CLTV < 70%**: The listing must have expired or been withdrawn prior to the application date.
 - **LTV/CLTV ≥ 70%**: The application date must be six months or more after the last listing expired or was withdrawn.
- The Appraiser must confirm all of the following:
 - Home is not currently listed in the MLS as for sale.
 - Home is not publicly offered or for sale by the owner.
 - Date the listing was withdrawn or expired.

3.3.2. Continuity of Obligation Requirement***Rate and Term Refinance Transactions.***

When an existing Mortgage will be satisfied as a result of a Rate and Term Refinance transaction, one of the following requirements must be met:



TRANSACTION TYPES

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- At least one Borrower on the refinance mortgage was a Borrower on the mortgage being refinanced; or
- At least one Borrower on the refinance Mortgage held title to the subject property for the most recent 12-month period prior to the application date. In addition, for Primary Residence transactions, at least one Borrower on the refinance Mortgage has also resided in the subject property as a primary residence for the most recent 12 month period prior to the application date. The mortgage file must contain documentation evidencing that the borrower, either:
 - Has been making timely mortgage payments, including the payments for any subordinate financing, for the most recent 12-month period; or
 - Is a related person to a borrower on the mortgage being refinanced; or
- At least one Borrower on the refinance mortgage inherited or was legally awarded the subject property, e.g., in the case of divorce, separation, or dissolution of a domestic partnership; or
- The title to the subject property is in the name of a Limited Liability Company (LLC) or an acceptable trust. As of the application date, the borrower(s) must be a member of the LLC or beneficiary of the trust. Title to the subject property must be transferred into the Borrower's name prior to the Note Date or at closing.

Cash-Out Refinance Transactions (including properties owned free and clear)

- All Borrower(s) must have held title to the subject property for a minimum of 6 months prior to the application date.
- Property was purchased by borrower:
 - If the borrower's purchase date is within 6 to 12 months prior to application date, the LTV/CLTV must be based on the lesser of the original sales price or the current appraised value
 - If the borrower's purchase date is more than 12 months prior to application date, the LTV/CLTV may be based on the current appraised value.
- Property was not purchased by borrower (e.g. borrower was granted the property):
 - If the borrower has been on title for at least 6 months prior to the application date, the appraised value can be used to calculate LTV/CLTV.
 - The LTV/CLTV maximum is 50% or the program maximum whichever is less.
- The title to the subject property may be in the name of a Limited Liability Company (LLC) or an acceptable trust. As of the application date, the borrower(s) must be a member of the LLC or beneficiary of the trust. Title to the subject property must be transferred into the Borrower's name prior to or at closing.



TRANSACTION TYPES

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- Borrower(s) must meet all other program guidelines including the mortgage housing history.
- Transfer of owners from a corporation to an individual does not meet the continuity of obligation requirement.

3.4. Rate and Term Refinance Transactions

All Rate and Term Refinance transactions must meet Fannie Mae requirements, except as modified by the following parameters:

- Cash back limit is the lesser of 2% of the loan amount or \$2,000
- HELOCs: A HELOC may be paid off in full and still considered a rate and term transaction provided the HELOC has no draws in excess of \$2,000 within 12 months prior to the new loan.
- Benefit to the borrower must be documented.

Ineligible Transactions:

- The refinance Mortgage is considered to be a Cash-Out Refinance if the mortgage being refinanced was a Cash Out Refinance within the last 6 months, measured from Note Date to the Application Date.

Cash-Out Refinance Transactions

All Cash-Out Refinance transactions must meet Fannie Mae requirements, except as modified by the following parameters:

- Maximum cash-out allowed is \$500,000. This limit is valid for all product-types, occupancies, and property-types. This includes the payoff of consumer debt and certain subordinate debt and is not limited to "cash in hand".
- Seasoning Requirements:
 - Minimum 12 months ownership seasoning to use appraised value to determine LTV/CLTV.
 - If the ownership seasoning is less than 12 months, the lower of the purchase price or the appraised value will be used to determine LTV/CLTV.
 - The purchase price must be documented.
- All Borrowers must have held title to subject property for a minimum of 6 months. This includes where borrowers held title individually, as an eligible Inter Vivos Revocable "Living" trust, or an LLC. As of the application date, the borrower(s) must be a member of the LLC or beneficiary of the trust. See Product Matrix for additional LTV/CLTV restrictions for Cash-Out refinance transactions.
- The refinance Mortgage is considered to be a Cash-Out Refinance if cash back exceeds the lesser of 2% of the loan amount or \$2,000.

**CREDIT**

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- The refinance Mortgage is considered to be a Cash-Out Refinance if the mortgage being refinanced was a Cash-Out Refinance and within the last 6 months, measured from Disbursement Date to the Application Date.
- Paying off a HECLOC where borrower has drawn more than \$2,000 in the last 12 months.

3.5. Delayed Financing Exceptions

- **Delayed Financing Exception:** must meet Fannie Mae requirements in B2-1.2-03, Cash-Out.
 - In summary, Fannie Mae requires that Borrowers who purchased the subject property within the past six months (measured from the Closing date on which the property was purchased to the Disbursement date of the new mortgage loan) are eligible for a cash-out refinance if all of the requirements of B2-1.2-03, Cash-Out Delayed Financing Requirements are met.
- The new loan transaction is considered a Cash-Out Refinance.
- Fannie Mae requires that all delayed financing transactions must be arm's-length, irrespective of occupancy type.

4. Credit**4.1. Credit Report**

Residential Mortgage Credit Report (RMCR) or traditional tri-merge with applicable credit report supplements is required for all Borrowers.

- **Frozen Credit:** Credit reports may not have "frozen credit." If a Borrower unfreezes credit after the initial report is run, then a new 3-file merged credit report must be obtained.
- **Fraud Alert Requirement:** All credit reports must include FACT Act messages and at least one repository fraud alert product (e.g., Hawk, FACS+, or SAFESCAN). Alerts must be resolved.
- **Inquiries:** Credit reports must list all inquiries made within the previous 90 days and a written explanation for all inquiries within 90 days is required.
- **Credit Scores:** Each Borrower, including those with no income used to qualify, must have a valid social security number, and generate a traditional credit score from at least two of these repositories: Experian, Equifax, and TransUnion. Foreign credit is not acceptable. See the Product Matrix for minimum credit score requirements.
- **Qualifying Score:** For each Borrower, qualifying score is the middle of 3 or lower of 2 scores, as applicable. Qualifying score for the loan is the lowest qualifying score of any Borrower.

**CREDIT**

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4.2. Housing Payment History

As of the application date, at least one of the borrowers must have a fully documented, recent, consecutive, 12/24 months primary housing history. Must be documented within 59 days of the Closing Date.

4.2.1. Mortgage Credit History****Mortgage Payment History***

- Must be on the credit report, or,
- Private Party Loans: Documented by cancelled checks, bank statements, or evidence of electronic transfers (VOM alone is not sufficient), or
- Institutional Lender: Documented by cancelled checks, bank statements, or evidence of electronic transfers, or through a statement produced by the lender.

Ratings

- Inclusive of all liens regardless of position, and applicable to all mortgages on all financed properties, rating must indicate:
- 0 X 30 within the past 12 months

* "Mortgage Credit" Defined: Payment histories on all housing rental payments and mortgage trade lines, regardless of occupancy, including first and second mortgage liens, HELOCs, mobile homes, and manufactured homes are considered mortgage credit, even if reported as an installment loan.

4.2.2. Renting***Rental Payment History***

- Credit report rating (if management company rates), or
- Management company Verification of Rents (VOR), or
- Cancelled checks, or
- Bank statements, or
- Evidence of electronic transfers.

Ratings

- 0 X 30 within the past 12 months.

4.2.3. Living Rent Free

- Living Rent Free includes situations where the borrower may have received a rent holiday, payments have lapsed due to divorce/separation, or other instances where the most recent 12/24 month housing history is not consecutive or complete.
- At least one of the borrowers must have a fully documented, recent, consecutive, 12-months primary housing history.

**CREDIT**

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- Loans where all borrowers are living rent free and do not have a recent, consecutive, 12-month primary housing history are not eligible.

4.2.4. Subject Property Owned Free and Clear

- Provide evidence that the property is free and clear.
- Owned Free and Clear ≥ 12 months: No additional documentation is required.
- Owned Free and Clear < 12 months: Verify timely payments of mortgages, taxes, insurance, and HOAs, as applicable for the previous 12 months. When the property has been owned free and clear < 12 months, additional housing history documentation is required to verify a complete full 12 month history.

4.3. Extenuating Circumstances

Extenuating circumstances guidelines and flexibilities, derogatory credit, and significant credit events are not permitted. See B3-5.3-08, Extenuating Circumstances for Derogatory Credit and B3-5.3-07, Significant Derogatory Credit Events — Waiting Periods and Re-establishing Credit.

4.4. Significant Derogatory Credit Events and Other Credit Events

Significant Derogatory Credit Event	Required Time Elapsed	Comments/Requirements
Foreclosure	7 years	-Measured from completion date of the foreclosure action to application date -Exceptions for extenuating circumstances are not permitted
Short Sale, Deed-in-Lieu, or Pre-Foreclosure sale	4 years	-Measured from completion date of the deed-in-lieu of foreclosure, pre-foreclosure sale, or charge-off as reported on the credit report or other documents provided by the borrower to application date.
Loan Modification	4 years	-Measured from the date of the Loan Modification Agreement to the application date.
Mortgage Included in Bankruptcy	See Comment	-If documentation provided verifies that the mortgage loan in question was discharged in the bankruptcy, apply the bankruptcy waiting period. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied.
Bankruptcy – Chapter 7 or 11	4 years	-Measured from discharge or dismissal to the Note Date
Bankruptcy – Chapter 13	See Comment	- 2 Years if Discharged: measured from the discharge date to the Note Date - 4 Years if Dismissed: measured from the dismissal date to the Note Date.

**CREDIT**

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Multiple Significant Derogatory Credit Events	See Comment	<p>-Borrowers with multiple Significant Derogatory Credit Events are not eligible under this program.</p> <p>-Two or more borrowers with individual bankruptcies are not cumulative, and do not constitute multiple bankruptcies. For example, if the borrower has one bankruptcy and the co-borrower has one bankruptcy this is not considered a multiple bankruptcy.</p>
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Mortgage Credit related “Significant Derogatory Credit Event” waiting time requirements apply to all Borrowers for all properties owned or previously owned, whether the Borrower(s) owned the property solely or jointly.

“Mortgage Credit” is defined as: Payment histories on all mortgage trade lines, regardless of occupancy, including first and subordinate mortgage liens, HELOCs, mobile homes, and manufactured homes, even if reported as an installment loan.

Other Credit Events	Requirements
Past Due Accounts	-Per DU.
Judgements, Garnishments, Liens, and Potential Liens	<p>-All delinquent credit obligations that have the potential to affect the subject Mortgage Loan’s lien position or diminish Borrower’s equity in the subject property must be paid off at or before closing including, without limitation:</p> <ul style="list-style-type: none"> o Delinquent taxes (including State or Federal income taxes), delinquent property taxes, tax liens, judgments, garnishments and mechanics’ or materialmen’s liens <p>-Verification of sufficient funds to satisfy these obligations must be documented.</p> <p>-Documentation of the pay-off or satisfaction must be provided.</p> <p>-No payment plan or subordination is allowed.</p> <p>-Cash-out proceeds from the subject transaction may not be used to pay off delinquent credit obligations.</p>
Aggregate Charge-Offs and Collection Accounts	-Per FNMA
Tax Payment Plans	-Tax repayment plans must be paid off prior to or at closing.

4.5. 30-Day Accounts

For open 30-day charge accounts that do not reflect a monthly payment on the credit report, or 30-day accounts that reflect a monthly payment that is identical to the account balance, lenders must verify borrower funds to cover the account balance.

**CREDIT**

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4.6. Current Residence Pending Sale or Conversion***Pending Sale of Current Primary Residence, Conversion of Primary Residence to Second Home, Conversion of Primary Residence to Investment Property:***

See Fannie Mae requirements regarding *Qualifying Impact of Other Real Estate Owned* and *Income from Rental Property in DU*

4.7. Debt-to-Income Ratio

- For DTI calculation, follow Fannie Mae requirements.
- Calculating Monthly Real Estate Taxes: See Fannie Mae Selling Guide, B3-6-03, Monthly Housing Expense for the Subject Property.
- For maximum DTI, see the Product Matrix.
- DU will analyze the risk factors for ALL borrowers on the loan regardless of occupancy, including income, assets, liabilities and credit.

4.8. Forbearance

- **Additional Due Diligence:** In addition to reviewing the credit report, due diligence must be applied for each mortgage loan on which the borrower is obligated (including co-signed and non-subject property transactions) to determine whether the payments are current as of the Note date.

General Eligibility Requirement:

- No mortgage loan on which the borrower is obligated may be in forbearance as of the Note date.

Borrower in forbearance with no missed payments:

- A Borrower who was granted a Mortgage Payment Forbearance and continues to make payments as agreed under the terms of the original Note is not considered delinquent or late and shall be treated as if not in forbearance provided that documentation is provided that the Forbearance Plan is terminated at or prior to the Note date.

Borrower in forbearance with missed payments resolved through a reinstatement:

- Reinstatement prior to the application date: No additional source of funds documentation required.
- Reinstatement after the application date: Document source of funds. Proceeds from refinance may not be used to reinstate any mortgage loan.
- Verify that the borrower has made at least three timely payments as of the Note date.

**CREDIT**

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Borrower in forbearance with missed payments resolved through a loss mitigation solution:

- Verify that the borrower has made at least three timely payments as of the Note date.
- The following additional requirements apply by transaction type:
 - **Purchase:** Property securing the loan that was in forbearance must have been sold and the loan in forbearance paid in full as of the Note date.
 - **Rate & Term Refinance:** Document that the subject transaction provides a benefit to the borrower, e.g., lower monthly payment, shorter loan term, elimination of mortgage insurance.
 - **Cash-Out Refinance:** All proceeds from subject transaction must generally be used to pay off consumer debt, lowering the borrower's overall monthly obligations. Pay-off of debt must occur through loan closing and be documented on the Closing Disclosure.

4.9. Multiple Financed Properties for the Same Borrower

- The maximum number of financed residential, 1–4-unit properties, including the subject property, is determined by the occupancy type of the subject transaction:
 - Primary Residence: No maximum
 - Second Home or Investment Property: A maximum of 10 financed properties, cumulative for all borrowers
- Calculation of financed properties includes:
 - All financed residential, 1–4-unit properties, including the subject property, where the borrower is obligated on the mortgage loan.
 - Residential, 1–4-unit properties owed in the name of an LLC or partnership where the borrower has an ownership interest $\geq 25\%$.
 - These limitations apply only to the total number of all financed properties, not to the number of mortgages on the property.
 - Jointly financed properties are only counted once.
- Calculation of financed properties does not include:
 - Commercial properties, vacant land, timeshares, 5+ unit multi-family properties, or manufactured homes or leasehold estates not titled as real property.
 - Residential, 1–4-unit properties owed in the name of an LLC or partnership where the borrower has an ownership interest $< 25\%$.
 - Residential, 1–4-unit properties owed by the borrower's joint venture, S or C Corp.

**INCOME/EMPLOYMENT**

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5. Income/Employment

5.1. Employment, Income, and VVOE

- Borrower employment, income sources used to qualify and income calculations must meet Fannie Mae requirements. Generally:
 - Employment documentation: Follow the DU® Findings report and Fannie Mae Selling Guide requirements, B3-3.1-02 Standards for Employment Documentation.
 - DU Validation Service: For income and employment verified utilizing the DU Validation Service.
 - Rental Income: See Fannie Mae requirements B3-3.1-08, Rental Income and B3-3.5-02, Income from Rental Property in DU.
 - Other Income: For “other” sources of income follow Fannie Mae requirements, B3-3.1-09, Other Sources of Income and B3-3.2, Self-Employment Income.
 - VVOE*: A Verbal Verification of Employment (VVOE) for each borrower using employment or self-employment income must meet the Fannie Mae requirements.
 - Hourly, Salary, and Commission Income (Non-Military) – Per Fannie Mae
 - Military Personnel – Per Fannie Mae
 - *DU Validation Service: When employment is validated by DU, the validation satisfies the requirement for verbal verification of employment.
- Employment Offers and Contracts: The borrower’s paystub from the new employment must be in the loan file at the time of loan delivery.
- Employment-Related Assets as Qualifying Income – Must meet Fannie Mae requirements as set forth in B3-3.1-09, Other Sources of Income: generally maximum LTV is 70%.
- DU will analyze the risk factors for all borrowers on the loan regardless of occupancy, including income, assets, liabilities, and credit.
- Ineligible Income Sources: Any income source not meeting the requirements of this program guide and:
 - Income derived from an activity that is deemed illegal by federal or state law for example, income derived from a business that is legal by state law but illegal by federal law, cannot be considered.
 - Foreign income
 - Restricted Stock Units

5.2. Tax Transcripts

- A signed 4506-C (or an alternate form acceptable to the IRS that authorizes the release of tax transcripts) is required for each borrower whose income (regardless of income source) is used to qualify, including for those borrowers whose income is validated by the DU validation service.

**ASSETS/RESERVES**

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- Tax or W-2 transcripts are required for all borrowers for the income type used to qualify.
- If most recent year's tax transcript for the income used to qualify is not available for a borrower who has filed taxes, the income may be verified by one of the following:
 - Officially stamped return by the IRS, or
 - Evidence that the return was electronically received (must reflect refund or amount owed to IRS).

In all cases, evidence of a refund check or payment made must be supplied.

Tax Extensions:

- Tax extensions are permitted until October 15th.
- If the borrower has not filed tax returns by April 15th, the following must be provided on or prior to June 30th:
 - Evidence of tax extension (IRS Form 4868) or evidence of extension filing
 - Proof of payment for tax liability (if applicable) or the amount of the tax liability due can be subtracted from the borrower's liquid assets (if proof of payment is not supplied).
 - The borrower will need to meet the required assets for down payment, closing costs and reserves after the taxes due are subtracted from the borrower's liquid assets.
 - After October 15th proof of tax payment is required.
 - After June 30th, in addition to the requirements above, an IRS Form 4506-T transcript confirming "No Record Found" for the tax returns on extension must be supplied.

6. Assets/Reserves**6.1. Asset Documentation**

- Follow Fannie Mae requirements in B3-4, Asset Assessment.
- For assets verified using the DU Validation Service, see B3-2-02, DU Validation Service.
- For direct verification by a third-party asset verification vendor, see B3-4.2-01, B3-4.2-01, Verification of Deposits and Asset.
- DU® will analyze the risk factors for all borrowers on the loan regardless of occupancy, including income, assets, liabilities, and credit.
- Loan transactions with Community Seconds® are not eligible in this program.

Business Funds

- If the borrower(s) own \geq but $<$ 100% of the business a cash flow analysis (Fannie Mae Form 1084 or equivalent) is required.

**ASSETS/RESERVES**

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- All funds must be seasoned for at least 60 days. Any atypical or large deposits for the business must be sourced and full documented along with an explanation letter. Atypical deposits are defined as more than 150% of the gross monthly qualifying income.

6.2. Borrower Required Funds

A minimum down payment of 5% of the purchase price from the borrower's own funds is required for any purchase transaction. These funds cannot be from a non-occupant co-borrower or from a gift, B3-4.3-04, Personal Gifts. A borrower's real estate commission from the subject property cannot be used to satisfy the minimum down payment requirement.

6.3. Reserves***General Reserve Requirements:***

- Minimum Months' Reserves: See the Product Matrix for minimum number of months reserves required.
 - The minimum number of months' reserves is based on the subject property's PITIA, including payment for any secondary/subordinate financing.
- Additional Reserves:
 - Additional Financed Properties: For loans with LTV/CLTV > 80%, add 2 months reserves. Additional reserves are calculated on the PITIA of each non-subject property.

6.4. 1031 Tax Deferred Exchanges

Transactions that are 1031 Tax Deferred Exchanges are eligible for Investment property purchases only.

6.5. Interested Party Contributions and Lender Contributions

- **Interested party contributions (IPCs)**, are financing and sales concessions. IPCs may be applied toward the borrower's closing costs and prepaid items. The following are not eligible:
 - Loans with undisclosed interested party contributions, and
 - Loans with Payment Abatements.
- **Maximum IPC:** For principal residence or second homes 75.01%-85% LTV = 6%, ≤ 75% = 9%. Investment property for all CLTV's = 2%.
- **Lender Contributions:** Lenders may contribute to borrower-paid closing costs and prepaid fees as follows:
 - The lender credit is derived from premium pricing (borrower has selected a higher interest rate in exchange for a lender credit).
 - (The amount of) a lender credit derived from premium pricing is not considered to be an IPC even if the lender is an interested party to the transaction.

**PROPERTY/APPRaisal**

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- However, when the lender is an interested party to a purchase transaction, any amount of a lender contribution not derived from premium pricing, is considered to be an IPC (SEL-2018-03).
- The lender credit is sourced directly from lender funds with no expectation for repayment or financial obligation apart from the subject mortgage.
 - Funds passed to the lender from a third party, for the purpose of providing a lender credit, are not eligible as a lender contribution.
- The lender credit cannot be used to fund any portion of the borrower's down payment or reserves and should not exceed the amount needed to offset the borrower's closing costs and prepaid items.
- Any excess lender credit required to be returned to the borrower in accordance with applicable regulatory requirements is considered an overpayment of fees and charges and may be applied as a principal curtailment or returned in cash to the borrower.
- For cash or cash-like lender incentives, see Fannie Mae Requirements.

7. Property/Appraisal

7.1. Appraisal, Property Valuation

7.1.1. Appraisal Form

- Irrespective of DU® Findings, a full URAR appraisal report with interior and exterior inspection on the appropriate Fannie Mae form is required for all properties. Reduced inspection types, such as exterior-only inspections, and property inspection waivers, such as the Fannie Mae Appraisal Waiver are not allowed.
- All appraisals must be fully compliant with the Appraisal Independence Rule and the ECOA Valuation Rule.

7.1.2. General Requirements

Appraisals and appraisers must meet Fannie Mae requirements, and the following:

- All appraisals must be uploaded to the UCDP and receive a "successful" status and a Collateral Underwriter Risk Score.
- Appraisers and supervisory appraisers appearing on the Fannie Mae AQM list as subject to 100% review or ineligible will render the appraisal ineligible.
- Appraisals generated for third parties are NOT eligible.
- Appraisal transfers must meet all Appraiser Independence Requirements (AIR) as well as USPAP requirements. (See USPAP Advisory Opinions 26 & 27)
- Appraisals completed in the name of a lender different than the Seller or its originating TPO are not eligible.



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7.1.3. Appraisal Age

- To be utilized without an update, appraisals must be dated within 120 days prior to the Note Date.
- No appraisal may be dated more than 180 days prior to the Note Date.
- For appraisal reports dated more than 120 days, but \leq to 180 days prior to the Note Date, an appraisal update is required as follows:
 - The appraiser must provide an appraisal update based on their exterior inspection of the subject property and knowledge of current market conditions, and
 - The appraiser must acknowledge that the value of the subject property has not declined since the original appraisal date.
 - The update must be completed on Fannie Mae Form 1004D/Freddie Mac Form 442, and
 - The update must be dated within 60 days prior to the Note Date.

7.1.4. Appraisal Re-Use

The use of an appraisal utilized for a previous loan that has closed for the subject property is not permitted.

7.2. Appraisal Review and Second Appraisal Requirements

For all transactions the following appraisal review and second appraisal requirements apply, based on transaction type and combined loan amounts, (first lien plus any subordinate liens), as follows:

Purchase Transactions

If the combined loan amounts are:	Appraisal Requirements
$\leq \$2,000,000$	-One full URAR appraisal report with interior and exterior inspection on appropriate Fannie Mae form -Appraisal must be uploaded to the UCPD and receive a Collateral Underwriter Risk Score
$> \$2,000,000$	-Two full URAR appraisal reports with interior and exterior inspection on appropriate Fannie Mae form -The appraisal with the lower of the two values must be uploaded to the UCPD and receive a Collateral Underwriter Risk Score

If the combined loan amounts are:	Appraisal Requirements
$\leq \$1,500,000$	-One full URAR appraisal report with interior and exterior inspection on appropriate Fannie Mae form -Appraisal must be uploaded to the UCPD and receive a Collateral Underwriter Risk Score

**PROPERTY/APPRaisal**

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> \$1,500,000	<ul style="list-style-type: none"> -Two full URAR appraisal reports with interior and exterior inspection on appropriate Fannie Mae form -The appraisal with the lower of the two values must be uploaded to the UCPD and receive a Collateral Underwriter Risk Score
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Refinance Transactions**Second Appraisal Requirements**

- The second appraisal must be completed by a different appraiser not affiliated with the original appraiser or appraisal company. A second appraisal ordered through the same AMC as the original appraisal is acceptable.
- The appraised value for underwriting purposes is the lower of the purchase price or the two appraisals.

Third Party Review Requirements

- For appraisals with a Collateral Underwriter Risk Score of 2.5 or less, no third party review is required.
- For appraisals with a Collateral Underwriter Risk Score greater than 2.5, a Clear Capital Collateral Desktop Analysis – (CDA) is required.

The following requirements apply for all transactions utilizing a *Clear Capital Collateral Desktop Analysis – (CDA)*:

If the CDA finding is:	Additional Review Requirements
≤ 10% of the Appraised Value or the purchase price	-The lower of the purchase price or appraised value is used to calculate the LTV/CLTV
> 10% below the original appraised value of the property, or the finding is "indeterminate"	<ul style="list-style-type: none"> -Obtain both: <i>Clear Capital Broker Price Opinion (BPO)</i> and <i>Clear Capital Value Reconciliation of Three Reports (Recon Form 3.0)</i> -The Value Reconciliation will consider the original appraisal, CDA and BPO. -The final value determined by Clear Capital will be used as the appraised value for the property.
> The appraised value	-The lower of the purchase price or appraised value is used to calculate LTV/CLTV

Prior Sale Within 180 Days

For Purchase transactions, if there has been a sale or ownership transfer of subject property within the previous 180 days, see section 7.9 *Property Flipping, Purchase Contract Assignments* for additional appraisal review assignments.

7.3. Condominiums and PUDs

- Projects must meet all applicable Fannie Mae eligibility requirements. See B4-2, Project Standards. For requirements related to Condo Project Manager™ (CPM™) status, see Lender Letter (LL-2021-14) – Temporary Requirements for Condo and Co-op Projects for additional information.
- **Loan File Must Include:**



PROPERTY/APPRaisal

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- Uniform Underwriting and Transmittal Summary, Form 1008/1077, or equivalent, identifying the type of project review completed. **and project name and CPM ID Number, if applicable.**
- For condominium projects requiring a Full or Limited project review type, Fannie Mae Condominium Project Questionnaire Full Form (Fannie Mae Form 1076) or equivalent.
- **Condominium Project Review** – Eligible Fannie Mae review types. **The “Approved by Fannie Mae” status designation as reflected in CPM may include projects approved through PERs or other Fannie Mae approval processes:**
 - **Limited Review**, See B4-2.2-01, Limited Review Process.
 - **Full Review** (with or without Condo Project Manager™ (CPM™) - (See B4-2.2-02 and B4-2.2-03.)
 - **FHA Project Review** – See B4-2.2-05, FHA-Approved Condo Review Eligibility.
 - **Fannie Mae PERS** – See B4-2.2-06, Project Eligibility Review Service (PERS).

Note: Fannie Mae Loan File Submission – must be submitted with project type code “T” and any applicable special feature code(s) (SFCs).

- **Waiver of Project Review:** Project review requirements, including documentation of liability and fidelity/crime insurance, are waived for Detached Condo Units and 2- to 4-Unit Condo Projects, subject to all of the requirements in B4-2.1-02, Waiver of Project Review.
- **Project Review Expiration:** Project reviews must meet the timeline requirement in B4-2.1-01, Expiration for Project Reviews.
- **Condo Project Manager “Unavailable” Status:** The Seller must check the CPM status on all loans that are secured by units in projects with five or more attached units. For CPM findings resulting in an “Unavailable” status, the loan will be ineligible, regardless of the project review process used in underwriting the loan.
- **Ineligible Condominium Types and Project Types:** Condominium projects must meet Fannie Mae requirements. See B4-2.1-03, Ineligible Projects for a list of ineligible project characteristics and related criteria. The following are not acceptable:
 - Fannie Mae ineligible (non-warrantable) condo projects, such as the following project characteristics:
 - New projects with undisclosed excessive sale or financing structures
 - Hotel Condominiums/Condotels
 - Conversions from hotels or motels unless the project was a gut rehabilitation, where the resulting condo units no longer have the characteristics of a hotel/motel and meets the Fannie Mae requirements for an established project.

**PROPERTY/APPRaisal**

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- Multi-Dwelling Unit Condos
- Commercial or Mixed Use Space in excess of Fannie Mae's allocation limit (no more than 35%)
- Litigation or pre-litigation involving the safety, structural soundness, habitability, or functional use of the project
- Single-entity ownership concentration in excess of Fannie Mae's eligibility limit within the project
- Subject property with unit size less than 650 square feet
- Co-ops
- Manufactured Home Condominium Projects (MHCPs)
- Condominium conversion seasoned less than three years

7.4. Deed Restrictions

- Mortgage Loans subject to resale deed restrictions are not eligible, other than an acceptable age-related resale restriction meeting Fannie Mae guidelines.
- Eligible occupancy and property types for loans with age-related resale restrictions (typically for one occupant to be age 55 or older) are as follows:
 - 1- to 2-unit principal residences, including condos and PUDs
 - 1-unit second homes
 - 1- to 2-unit investment properties.

7.5. Disaster Re-Inspection Requirements

- Properties affected by a disaster must meet Fannie Mae requirements
- Re-Inspections are required for properties in presidentially declared disaster areas.
- Property inspection date must be after the declared incident period end date for loans within this program.

7.6. Leasehold and Life Estates

- The following are not eligible:
 - Properties secured by leasehold estates,
 - Life estates,
 - Loans secured by properties located on Indian (Native American) tribal land or Indian Trust Land or Restricted Land, and/or properties for which Borrower has a leasehold interest in same.

7.7. Occupancy Types

See Fannie Mae requirements.

**PROPERTY/APPRaisal**

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7.8. Property Eligibility

Properties must meet all Fannie Mae requirements as well as the following:

- A property condition rating of C1 through C4 is required on all Single Family, PUDs, and Condominiums.
- 2-4 Unit properties must have Condition description of Good or Average.
- Ineligible Property Types –
 - Mixed Use Properties including, but not limited to properties that have been modified to accommodate home businesses, such as catering, in-home day care, animal boarding facilities, or auto repair
 - Manufactured or Mobile homes (modular is allowed)
 - Titled with more than 5 acres
 - Rural or Agricultural properties that do not meet the restrictions above
 - Commercial, Industrial or Business Zoned (where highest and best use is not residential)
 - More than four units in dwelling
 - Deed Restriction Communities (Age restricted communities permitted)
 - Houseboat
 - Live/Work Projects
 - Condotels
 - Geodesic Domes
 - Properties in declining markets
 - Property secured for land development purposes or where marketability has not been established
 - Square footage less than 500 square feet per unit (eligible with 2 acceptable comparable properties that are within 100 square feet of subject)
 - Unimproved land
 - Properties located on Indian/Native American tribal land
 - Properties not suitable for year-round occupancy regardless of location
 - Boarding rooms or group homes
 - Properties not readily accessible by roads that meet local standards
 - Condominium conversion seasoned less than three years
 - Time share units/projects
 - Motel conversions
 - Properties with any type of litigation not meeting Fannie Mae requirements
 - Properties that do not have full utilities installed to meet all local health and safety standards

**PROPERTY/APPRaisal**

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- Properties appraised "subject to" without an Appraisal Update and/or Completion Certificate (FNMA Form 1004D or FHLMC Form 442)
- Properties appraised "as is" that are incomplete and/or require significant repairs
- Any property with health and safety, habitability, or structural issues
- Properties in Hawaiian Lava Flow Hazard Zones 1 and 2 as determined by the U.S. Geological Survey's Hawaiian Volcano Observatory
- Bed & breakfast
- Boarding houses
- Condition: Properties with ratings of C4, C5, C6 or Q6 are not allowed unless the issues that caused the ratings are cured prior to loan delivery
- Condominiums: Ineligible condo projects as described in the Ineligible Condo Projects section of this Guide
- "Barndominiums" (barn conversions or barn-style buildings)
- "Shouses" (living-space and work/storage combinations)
- Berm homes
- Log homes
- Additional Fannie Mae guidelines apply to homes with leased solar panels, see B2-3-04, Special Property Eligibility Considerations

7.9. Property Flipping, Purchase Contract Assignments

- **Purchase Transactions:**
 - If the Purchase Contract has been assigned, the loan is not eligible.
- **Prior sale within 180 days:**
 - The loan is eligible only if: 1. Relocation Agency 2. Foreclosure or Deed in Lieu, or 3. Obtained through inheritance or divorce.
 - The 180-day period is measured from closing date of the previous transaction to purchase contract date for the new transaction.
 - Identity of Interest (Non-Arm's Length) transactions are not eligible.

7.10. State and Geographic Restrictions

- **Texas Refinance:** Texas (a)(6) or Texas section (f)(2) transactions are not eligible in this program.
 - For all Texas refinance transactions, a copy of the previous Note or security instrument is required to document that the loan being refinanced was not a Texas (a)(6) transaction.