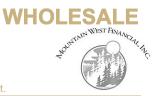


PROGRAM BASICS

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1. **PROGRAM BASICS**

1.1. Product Codes

Code	Description
JF30L2	30 Year Fixed Rate

1.2. Transaction Type

- Purchase
- Rate/Term Refinance
- Cash-Out

Note: Borrowers purchasing multi-family property (2-4 units) are required to complete the landlord education.



PROGRAM BASICS

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1.3. Eligible States See Eligible State Matrix

1.4. LTV/CLTV

See Product Matrix

1.5. Maximum Loan Amount

\$2,500,000 or, for First Time Homebuyer's \$1,500,000.

1.6. Eligible Property Types

- 1-4 Unit Owner Occupied Properties.
- 1 Unit Second Homes.
- 1-4 Unit Investment Properties.
- Condominiums Must be Fannie Mae warrantable and meet Fannie Mae guidelines.
- Cooperatives.
 - Investment properties not allowed.
- Modular homes.
- Planned Unit Developments (PUDs).
- Properties with ≤40 Acres.
- Properties >10 acres ≤40 acres must meet the following:
- Maximum land value 35%.
- No income producing attributes.
- Transaction must be 10% below maximum LTV/CLTV/HCLTV as allowed on Lakeview Jumbo AUS for transactions over twenty (20) acres. For example, if borrower qualifies for a loan at 80% LTV based on transaction, FICO score, loan amount and reserves, then the maximum allowed would be 70%.
- Properties Subject to Existing Oil/Gas Leases must meet the following:
 - Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease.
 - No active drilling: Appraiser to comment or current survey to show no active drilling.
 - No lease recorded after the home construction date; Re-recording of a lease after the home was constructed is permitted.
 - \circ $\;$ Must be connected to public water.

Note: Properties that fall outside these parameters can be considered on a single loan variance basis.



PROGRAM BASICS

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1.7. Ineligible Property Types

- 2-4 unit second home properties.
- Condotels/Condo Hotels.
- Manufactured Homes/Mobile Homes.
- Mixed-Use Properties.
- Model Home Leasebacks.
- Non-Warrantable Condominiums.
- Properties with condition rating of C5/C6.
- Properties with quality rating of Q6.
- Properties located in Hawaii in lava zones 1 & 2.
- Properties located in areas where a valid security interest in the property cannot be obtained.
- Properties >40 acres.
- Properties with a private transfer fee covenant unless the covenant is excluded under 12CFR.
- 1228 as an excepted transfer fee covenant.
- Tenants-in-Common projects (TICs).
- Unique properties.
- Working farms, ranches, or orchards.

1.8. Escrow Holdbacks

Not Allowed unless the holdback has been disbursed and a certification of completion has been issued prior to purchase.

1.9. Subordinate Financing

Allowed up to maximum CLTV per matrix. Secondary financing must conform to Fannie Mae guidelines.

- If subject property has a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed.
- Shared equity finance agreements are an ineligible source of subordinate financing.

1.10. Down Payment/Closing Cost Assistance

Down payment and closing cost assistance subordinate financing is not permitted.



BORROWER ELIGIBILITY

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2. BORROWER ELIGIBILITY

2.1. Eligible Borrowers

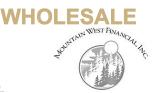
- US Citizens.
- Permanent Resident Aliens with evidence of lawful residency.
- Must be employed in the US for the past twenty-four (24) months.
 - Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions:
 - Primary Residence Only.
 - Maximum LTV/CLTV/HCLTV 75%.
 - Unexpired H1B, H2B, E1, L1, and G Series VISAs only; G Series VISAs must have no diplomatic immunity.
 - Borrower must have a current twenty-four (24) month employment history in the US.
- Documentation evidencing lawful residency must be met (see Special Products Seller Guide for requirements).
- Inter Vivos Revocable Trust.
- All borrowers must have a valid Social Security Number.
- Non-Occupant Borrower Follow Fannie Mae requirements with exception of non-occupant relationship who must be a related family member of the borrower(s).

2.2. First-Time Homebuyers

- Maximum loan amount is \$1,500,000.
- Not allowed on investment property transactions.
- See Reserve Section for additional requirements.

2.3. Ineligible Borrowers

- Foreign Nationals.
- Borrowers with Diplomatic Immunity status.
- Life Estates.
- Non-Revocable Trusts.
- Guardianships.
- LLCs, Corporations or Partnerships.
- Land Trusts, except for Illinois Land Trust.
- Borrowers with **any** ownership in a business that is Federally illegal, regardless if the income is not being considered for qualifying.



TRANSACTION TYPES

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3. TRANSACTION TYPES

3.1. Purchases

Follow agency guidelines.

3.2. Rate/Term Refinance

- The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items
 - If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed \$2000 in the most recent twelve (12) months
 - A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for twelve (12) months
 - A seasoned equity line is defined as not having draws totaling over \$2000 in the most recent twelve (12) months. Withdrawal activity must be documented with a transaction history
 - Max cash back at closing is limited to 1% of the new loan amount

3.3. LTV/CLTV/HCLTV Calculation for Refinance Transactions

- If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame may be based on subject transaction Note date
- If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame may be based on subject transaction Note date

3.4. Higher Priced Mortgage Loans

Higher Priced Mortgage Loans (HPML) are allowed if the following requirements are met:

- Loan must have an escrow account for a minimum of 5 years.
- 1002.14(a)(1) allowing the consumer to waive the requirement that the appraisal copy be provided three (3) business days before consummation, does not apply to Higher Priced Mortgage Loans subject to §1026.35(c). A Consumer of a Higher Priced Mortgage Loan subject to §1026.35(c) may not waive the timing requirement to receive a copy of the appraisal under §1026.35(c)(6)(i).

Appraisal Requirements

 If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required. Bank owned properties are not exempt.



TRANSACTION TYPES

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- If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20%, then a second full appraisal is required. Bank owned properties are not exempt.
- If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals.

3.5. Continuity of Obligation

When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:

- The borrower has been on title for at least twelve (12) months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements:
 - Has been making the mortgage payments (including any secondary financing) for the most recent twelve (12) months, or
 - o Is related to the borrower on the mortgage being refinanced.
- The borrower on the new refinance transaction was added to title twenty- four (24) months or more prior to the disbursement date of the new refinance transaction.
- The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership.
- The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply:
 - Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer.
 - The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent six (6) months prior to the disbursement of the new loan.

Note: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.

3.6. Delayed Financing

- Follow Fannie Mae Requirements.
- LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance except for primary residence transactions in Texas.



UNDERWRITING

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3.7. Non-Arm's Length Transactions

A non-arm's length transaction exists whenever there is a personal or business relationship with any parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm's length transactions are eligible:

- Family sales or transfers.
- Property seller acting as their own real estate agent.
- Relative of the property seller acting as the seller's real estate agent.
- Borrower acting as their own real estate agent.
- Relative of the borrower acting as the borrower's real estate agent.
- Borrower is the employee of the originating lender, and the lender has an established employee loan program. Evidence of employee program to be included in loan file.
- Originator is related to the borrower.
- Borrower purchasing from their landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord).
 Gifts from relatives that are interested parties to the transaction are not allowed unless it is a gift of equity. Real estate agents may apply their commission towards closing costs and/or prepaids if the amounts are within the interested party contribution limitations.

Investment property transactions must be arm's length.

Other non-arm's length transactions may be acceptable on a single loan variance basis.

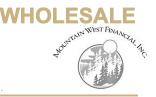
3.8. Multiple Financed Properties

- Maximum number of financed properties follow Fannie Mae requirements.
- All financed 1-4 unit residential properties require an additional six (6) months reserves for each property, unless the exclusions below apply.
- 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage.
- Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation.

4. UNDERWRITING

4.1. Underwriting

• All loans must have Fannie Mae DU Findings included in the loan file



UNDERWRITING

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- The DU recommendation may be either Approve/Ineligible due to loan amount or maximum cash-out on a rate/term refinance transaction or Approve/Eligible for high balance loan amounts only
- The loan delivery data must match the closed loan and the final data submitted to DU
- Manual underwrite is not permitted
- Delegated underwriting only.
- Second Home Transactions: Prudent underwriting must be exercised to determine the reasonableness of considering the property a second home.

4.2. Credit

4.2.1. Credit Documents Age

- All credit documents, including title commitment must be no older than ninety (90) days from the Note date.
- Self-employment age of docs for YTD Profit and Loss must be no older than ninety (90) days from the Note date.

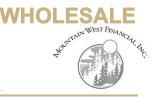
4.2.2. Credit Requirements

- Non-traditional credit is not allowed.
- All borrowers must have a minimum of two (2) credit scores.
- Disputed tradelines:
 - All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute.
 - Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However, if a disputed account has a zero balance and no late payments, it can be disregarded.
 - Frozen Credit: Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.
 - All borrowers must have a minimum of two (2) credit scores that are generated from the unfrozen bureaus.
- Rapid credit rescores are permitted. A rapid rescore is a process that can quickly update a borrower's credit score by submitting proof of positive account changes to the three major credit bureaus since the last reporting deadline in order to reflect the current credit status

Note: Manual underwrites are not permitted.

4.2.3. Housing History

- Mortgage history requirements:
 - If the borrower(s) has a Mortgage in the most recent twenty-four (24) months, a mortgage rating must be obtained, reflecting 0x30 in the last twenty-four (24) months.



UNDERWRITING

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- \circ The mortgage rating may be on the credit report or a VOM.
- Applicable to all borrowers on the loan.
- Sellers must review the borrower(s) credit report to determine status of all mortgage loans including verification mortgage is not subject to a loss mitigation program, repayment plan, loan modification or payment deferral plan. In addition to reviewing the credit report, the Seller must also apply due diligence for each mortgage loan on which a borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction, to determine the loan payments are current as of the Note date of the subject transaction. Current means the borrower has made all payments due in the month prior to the Note date of the subject transaction and no later than the last business day of that month. Acceptable documentation includes one of the following:
 - Loan payment history from the servicer or third-party verification service.
 - Payoff statement for loans being refinanced.
 - Current mortgage statement from the borrower.
 - Verification of mortgage (VOM).
 - If the mortgage holder is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory mortgage history is required.

4.2.4. Significant Derogatory Credit

- Bankruptcy, Chapter 7, 11, 13 seven (7) years since discharge / dismissal date.
- Foreclosure seven (7) years since completion date.
- Notice of Default seven (7) years.
- Short Sale/Deed-in-Lieu seven (7) years since completion / sale date.
- Forbearance seven (7) years since exit from forbearance.
- Mortgage accounts that were settled for less, negotiated or short payoffs seven (7) years since settlement date.
- Loan modifications:
 - Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply.
 - If the modification was due to hardship or included debt forgiveness seven
 (7) years since modification.
- Single loan variances for credit events will be considered on a case-by-case basis between four (4) and seven (7) years with extenuating circumstances subject to the following:
 - Extenuating circumstances are defined as non-recurring events that are beyond the borrower's control resulting in a sudden significant and prolonged reduction in income or catastrophic increase in financial obligations.



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- Examples would include death or major illness of a spouse or child but would not include divorce or job loss.
- Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the borrower has no reasonable option other than to default on their obligations.
- If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on a single loan variance basis.
- Multiple derogatory credit events not allowed, regardless if seasoned over seven (7) years.
 - A mortgage with a Notice of Default filed that is subsequently modified is not considered a multiple event.
 - A mortgage with a Notice of Default filed that is subsequently foreclosed upon or sold as a short sale is not considered a multiple event.
- Tax liens, judgments, charge-offs, and past-due accounts must be satisfied or brought current prior to or at closing.
- Cash-Out proceeds from the subject transaction may not be used to satisfy judgments, tax liens, charge-offs or past-due accounts.
- Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full.

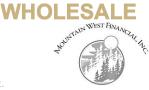
4.2.4.1. Forbearance

For borrowers who have entered into forbearance on any loan (including but not limited to the subject mortgage) between 01.01.2020 and 06.01.2022, the below listed criteria is to be used to determine eligibility. All other loans must follow the forbearance waiting period as required in the Significant Derogatory Credit section above.

- Any loans that are shown to be in active or previous forbearance but where the borrower continued to make regularly scheduled payments and has made at least one (1) regularly scheduled payment since forbearance inception date are eligible.
 - All payments must have been made within the month due.
 - The forbearance plan must be terminated at or prior to closing and the loan file must contain documentation that the forbearance is no longer active (i.e. removal letter from servicer, etc.).

Any loans (including but not limited to the subject mortgage) where a mortgage reflects reduced or missed payments under a forbearance and borrower has accepted a payment deferral, initiated a repayment plan or has reinstated the mortgage to return to a current status must meet the requirements below:

• Purchase & Rate/Term Refinance:



UNDERWRITING

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Three (3) consecutive months of required payments since completed forbearance plan. All payments must have been made within the month due. o Cash-out Refinance: Twelve (12) consecutive months of required payments since completed forbearance plan. All payments must have been made within the month due. Payment Deferral: The refinance of a loan that has a payment deferral and where the amount of the deferred payments is included in the new loan is eligible as a rate/term transaction. Funds applied to pay off the prior loan, including the deferred portion, are not considered cash out. Repayment Plan: The full amount of the repayment plan monthly payment must be considered in meeting the required consecutive payment requirements (Purchase/Rate Term or Cash-out) detailed above. • A mortgage subject to forbearance must utilize the mortgage payment history in accordance with the forbearance plan in determining late housing payments. Loan file must contain a letter of explanation from the borrower detailing the reason for forbearance and that the hardship no longer exists. Forbearance resulting in subsequent loan modification is considered a significant derogatory credit event and subject to a seven (7) year waiting period. 4.2.5. Lawsuit/Pending Litigation If the 1003, title commitment or credit documents indicate that the borrower is party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral

4.2.6. **HELOC** Documentation

If subject property has a HELOC that is not included in the CLTV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed

4.3. Income/Employment

4.3.1. Income/Employment

• A two-year employment history is generally required.



UNDERWRITING

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• If the borrower(s) have less than a two-year employment and income history, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.

4.3.2. Declining Income

- When the borrower has declining income, the most recent twelve (12) months should be used or the most conservative income calculation if the declining period is shorter than 12 months. Income must be stabilized and not subject to further decline in order to be considered for qualifying purposes.
- The employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying.

4.3.3. Unacceptable Sources of Income

- Deferred compensation.
- Retained earnings.
- Education benefits.
- Trailing spouse income.
- Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources is **not allowed** for qualifying:
 - Foreign shell banks.
 - o Medical marijuana dispensaries if borrower has any ownership.
 - Any income resulting from ownership in a business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law.
 - Businesses engaged in any type of internet gambling.

4.3.4. General Documentation Requirements

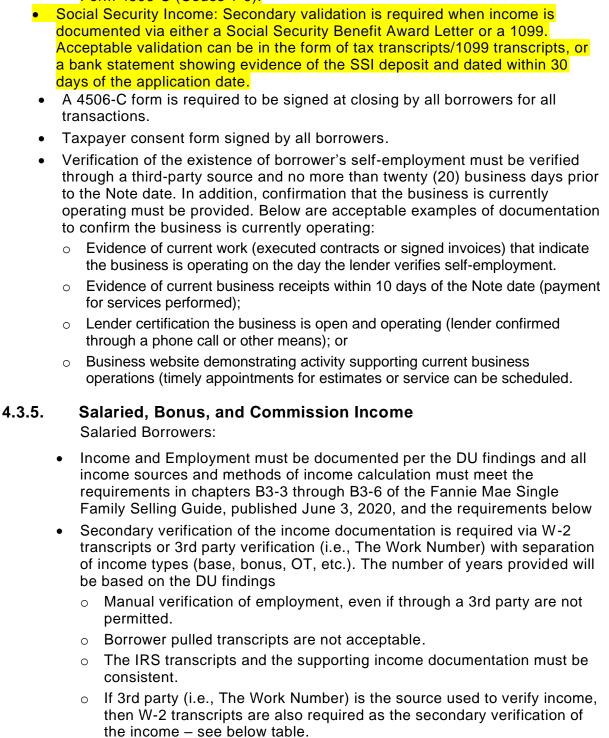
- Borrower(s) must have a minimum of two (2) years employment and income history.
- Tax transcripts for personal tax returns are required when tax returns are used to document borrower's income or any loss and must match the documentation in the loan file.
 - In the instance where there is an indication of possible identity theft or fraud and the transcript request has been rejected by the IRS with a Code 10 indicating that "Due to limitations, the IRS is unable to process this request", online borrower obtained tax transcripts are permitted to validate income used for qualifying purposes. Evidence of the IRS transcript request rejection is required. Borrower obtained transcripts are not permitted due to



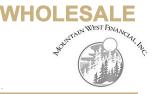
UNDERWRITING

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IRS rejection because of missing, incomplete or altered information on the Form 4506-C (Codes 1-9).



Income Documentation Source	Allowable Secondary Verification
 Paystub and W-2(s) 	W-2 transcript(s) or The Work Number



UNDERWRITING

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	The Work Number	W-2 transcript(s)		
•	Commission/Bonus Income:			
 Follow requirements above for salaried borrowers, and Commission/Bonus income must be documented for the most recent 2 (two) years with a year-to-date paystub and W-2s. 				

4.3.6. Retirement Income (Pension, Annuity, 401(k), IRA Distributions)

- Existing distribution of assets from an IRA, 401(k) or similar retirement asset must be sufficient to continue for a minimum of three (3) years.
- If any retirement income will cease within the first three (3) years of the loan, the income may not be used.

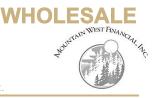
4.3.7. Self-Employment

Self-Employed borrowers are defined as having 25% or greater ownership.

- Minimum 720 FICO when any Self-Employment income is required for qualifying purposes. If the Self-Employment income is not needed for qualifying purposes, then the 720 FICO minimum is not applicable.
- In order to use self-employment income for qualifying purposes, the underwriter must consider economic impacts to the business and determine the stability of income.
- Aggregate secondary and separate sources of self-employment losses reporting on 1040 tax transcripts greater than 5% of borrower's total qualifying income must be deducted from qualifying income. Additional selfemployment documentation is not required:
 - K-1 losses where borrower owns less than 25% must be deducted from qualifying income when the aggregate loss is greater than 5% of borrowers total qualifying income.
 - Passive losses shown on K-1s, such as publicly traded companies or where ownership is under 5%, can be excluded from income on a caseby-case basis. Any passive K-1 losses excluded will not count toward the aggregate secondary and separate sources of self-employment losses and the 5% threshold for deducting the loss from income.

The requirements below apply for Self-Employed Borrowers with Self-Employment income used for qualifying:

- Follow the requirements per the DU findings and the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single Family Selling Guide, published June 3, 2020, except as detailed below:
 - If DU returns a recommendation for one (1) year of tax returns, the most recent year's tax return must be provided. IRS extensions are not permitted
 - If borrower has filed an extension, the most recent prior two (2) years tax returns are required
- YTD profit and loss statement (audited or unaudited) up to and including the most recent month preceding the loan application date. YTD profit and loss statement must not be more than 90 days aged prior to the Note date.
 - Unaudited P&L



UNDERWRITING

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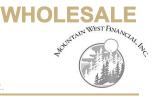
- An unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income; OR
- Audited P&L
 - An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income.
- If the borrower has filed an extension for the current tax year, the yearto-date profit and loss statement must be provided to cover the full year.
- If the year-to-date business income is less than the historically calculated income derived from the tax returns, the borrower may qualify by reducing the historical income to no more than the current level of stable monthly income using details from the year-to-date profit and loss statement.

4.3.8. Trust Income

- Income from trusts may be used if guaranteed and regular payments will continue for at least three (3) years.
- Regular receipt of trust income for the past twelve (12) months must be documented.
- Copy of trust agreement or trustee statement showing:
 - Total amount of borrower designated trust funds.
 - o Terms of payment.
 - o Duration of trust.
 - Evidence the trust is irrevocable.
- If trust fund assets are being used for down payment or closing costs, the loan file must contain adequate documentation to indicate the withdrawal of the assets will not negatively affect income.

4.3.9. Restricted Stock and Stock Options

- May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of two (2) years at a similar level as prior two (2) years.
- A two (2) year average of prior income received from RSUs, or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the lower of the current stock price or the 52-week average for the most recent twelve (12) months reporting at the time of application. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule.
- Additional awards must be similar to the qualifying income and awarded on a consistent basis.
- There must be no indication the borrower will not continue to receive future awards consistent with historical awards received.



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- Borrower must be currently employed by the employer issuing the RSUs/stock options for the RSUs/stock options to be considered in qualifying income.
- Stock must be a publicly traded stock.
- Vested restricted stock units and stock options cannot be used for reserves if using for income to qualify.
- RSU income must be entered into DU as bonus income.
- Incentive sign on income and future RSU's are limited to 50% of total qualifying income. Income calculation results may be reduced to meet the 50% restriction.

4.3.10. Projected Income

• Paystub (once borrower has started with new employer) must be provided prior to purchase of the loan by Lakeview.

4.4. Assets/Reserves

4.4.1. Asset Requirements

- Beyond the minimum reserve requirements and to fully document the borrower's ability to meet their obligations, borrowers should disclose all liquid assets
- Eligible assets must be held in a US account
- Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs
- Lender is responsible for verifying large deposits did not result in any new undisclosed debt
- Fannie Mae approved third party suppliers and distributors that generate asset verification reports are permitted for the purpose of verifying assets
- Follow the DU and the requirements in chapters B3-3 through B3-6 of the Fannie Mae Single
- Family Selling Guide, published June 3, 2020, except as detailed below.
- A written VOD as a stand-alone document is not acceptable.
 - A system generated automated VOD may be used as a stand-alone documentation if provided by a verifiable institutional bank.
- Stocks, bonds, and mutual funds do not require documentation of liquidation or of the borrower's actual receipt of funds when used for down payment or closing costs.
- Gift Funds
 - $\circ~$ Gift funds may be used once borrower has contributed 5% of their own funds.
 - Not permitted for reserves.
 - LTVs greater than 80% gift funds not permitted.
- Business Funds



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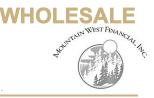
- Not permitted for reserves.
- Cash flow analysis required using most recent three (3) months business bank.
- o statements to determine no negative impact to business.
- Business bank statements must not reflect any NSFs (non- sufficient funds) or overdrafts.
- If borrower(s) ownership in the business is less than 100%, the following requirements must be met:
 - Borrower(s) must have majority ownership of 51% or greater.
 - The other owners of the business must provide an access letter to the business funds.
 - Borrower(s) % of ownership must be applied to the balance of business funds for use by borrower(s).

Retirement Accounts

- Eligibility Percentage to meet reserve requirements:
 - If borrower is ≥ 59 ½, then 70% of the vested value after the reduction of any outstanding loans.
 - If borrower is < 59 ½, then 60% of the vested value after the reduction of any outstanding loans.
- Refer to Fannie Mae Selling Guide for liquidation of funds requirements:
- Virtual Currency is an ineligible asset type. Virtual currency must be exchanged into U.S. dollars to be acceptable for use as down payment, closing costs or reserves. Refer to Fannie Mae Selling Guide for additional details.

4.4.2. Asset Depletion

- Maximum 80% LTV/CLTV/HCLTV.
- Primary residence 1-2 units only and Second Homes are eligible.
- Primary residence 3-4 units are not eligible.
- Investment properties are not eligible.
- Purchase, Rate/Term and Cash-Out transactions are eligible.
- Eligible assets must be held in a US account.
- There are no age restrictions for the use of Asset Depletion as a source of qualifying income.
- Qualifying Asset Income = Net Eligible Assets divided by 240.
- Asset Depletion may not be combined with employment related income to qualify (i.e., salaried income, self-employment income, etc.,) for any Borrower that is an account holder of the assets used for Asset Depletion. If there is employment related income from a Borrower that is not a joint account holder of the account used for Asset Depletion, then this income may be eligible to be used for qualifying purposes.



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Pension, Social Security or other annuity type income streams may be used and combined with Asset Depletion income as long as the assets generating that income are not used in the Asset Depletion income calculations. Assets used as income can only be sourced from one income stream. As an example, an asset cannot be used as both capital gains income and asset depletion income. Net Eligible Assets. Minimum Net Eligible Assets: Borrowers must have at least \$1,000,000 of Net Eligible Assets. Net Eligible Assets equals Total Eligible Assets as defined in the below table 0 (after any haircuts required for retirement assets per the Asset Requirements section of this product matrix) minus: Funds required to be paid by borrower for closing (i.e., down payment, closing costs). Gift and/or borrowed funds. • Reserves. Any portion of assets pledged as collateral for a loan. • Cash Out proceeds are not allowed to be used in the Asset Depletion calculation and are not an Eligible Asset. Business funds not permitted to be included in net eligible asset amount. Most recent two years of tax returns and corresponding tax transcripts are required. Assets must meet the eligibility and documentation requirements outlined in the below table: **Asset Type Asset Eligibility** Documentation **Requirements Requirements** Retirement The retirement assets must be Most recent retirement asset • • Assets in a retirement account account statement. recognized by the Internal Documentation evidencing • Revenue Service (IRS) (e.g., asset eligibility requirements 401(k), IRA). are met. Borrower must be the sole Most recent two years tax • • owner. returns and corresponding tax The asset must not currently transcripts. be used as a source of income

	 by the Borrower, i.e., retirement distributions. The borrower's rights to the funds in the account must be fully vest. 	
Lump -sum distribution funds not	 If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow 	 Employer distribution letter(s) and/or check stub(s) evidencing receipt and type of
deposited to an	the requirements for retirement	lump sum distribution funds;

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eligible retirement asset	 assets described above, otherwise: Lump -sum distribution funds must be derived from a retirement account recognized by the IRS (e.g., 401(k), IRA) and must be deposited to a depository or non-retirement securities account A borrower must have been the recipient of the lump sum distribution funds Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the funds from the lump sum distribution The proceeds from the lump sum distribution must be immediately accessible in their entirety The proceeds from the lump sum distribution must be immediately accessible in their entirety The proceeds from the lump sum distribution must not have been or currently be subject to a penalty or early 	 IRS 1099-R (if it has been received) Satisfactorily documented evidence of the following: Funds verified in the non-retirement account and used for qualification must have been derived from eligible retirement assets Lump sum distribution funds must not have been or currently be subject to a penalty or early distribution tax Most recent two years tax returns and corresponding tax transcripts.
Depository accounts and Securities	 distribution tax. The borrower must solely own assets or, if asset is owned jointly, each asset owner must be a Borrower on the Mortgage and/or on the title to the subject property As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty Account funds must be located in a United States or State regulated financial institution and verified in U.S. dollars. 	 Provide account statement(s) covering a two-month period For securities only, if the borrower does not receive a stock/security account statement Provide evidence the security is owned by the Borrower, and Verify value using stock prices from a financial publication or website Documentation evidencing asset eligibility requirements are met Sourcing deposits: Documentation must be provided to document the source of funds for any deposit exceeding 10% of the Borrower's total



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		 eligible assets in depository accounts and securities, and verify the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to qualify the borrower by the amount of the deposit When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file, additional documentation is not required to be obtained. Most recent two years tax returns and corresponding tax transcripts.
Assets from the sale of the Borrower's business	 The borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited to the depository or non-retirement securities account Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the proceeds from the sale of the Borrower's business The proceeds from the sale of the business must be immediately accessible in their entirety The sale of the business must not have resulted in the following: retention of business assets, existing secured or unsecured debt, ownership interest to seller held notes to buyer of business. 	 Most recent three months' depository or securities account statements Fully executed closing documents evidencing final sale of business to include sales price and net proceeds Contract for sale of business Most recent business tax return prior to sale of business Satisfactorily documented evidence of the following: Funds verified in the non-retirement account and used for qualification must have been derived from the sale of the Borrower's business Most recent two years tax returns and corresponding tax transcripts.



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4.4.3. Reserves

Reserve Requirements (# of Months of PITIA)		
Occupancy	Loan Amount	# of Months
	≤\$1,000,000 with LTV ≤80%	6
	\$1,000,001-\$1,500,000 with LTV ≤80%	9
Primary Residence	≤\$1,000,000 with LTV >80%	12
	\$1,000,001 - \$1,500,000 with LTV >80%	15
	\$1,500,001-\$2,000,000	12
	\$2,000,001-\$2,500,000	24
	≤\$1,000,000	12
Second Home	\$1,000,001-\$1,500,000	18
	\$1,500,001-\$2,000,000	24
	\$2,000,001-\$2,500,000	36
Investment Property	≤\$1,000,000	18
	\$1,000,001 - \$1,500,000	24
	≤\$1,000,000 with LTV ≤80%	12
First-Time Homebuyer	≤\$1,000,000 with LTV >80%	15
-	\$1,000,001-\$1,500,000 with LTV ≤80%	15
	\$1,000,001-\$1,500,000 with LTV >80%	18
Additional 1-4 Unit	Additional six (6) months reserves PITIA for each property is required based on the PITIA of the additional REO.	
Financed REO	If eligible to be excluded from the count of multiple financed properties, reserves are not required.	
	Borrowed funds (secured or unsecured) are	
Borrowed Funds	reserves.	not allowed for

4.5. Liabilities

4.5.1. Tax Liens & Payment Plans

Tax liens and Payment Plans

- If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient liquid assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date or if the tax transcripts show an outstanding balance due:
- A payment plan for the most recent tax year is allowed if the following requirements are met:
 - Payment plan was setup at the time the taxes were due. Copy of the payment plan must be included in the loan file.



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- Payment is included in the DTI.
- Satisfactory pay history based on terms of payment plan is provided.
- Payment plan is only allowed for taxes due for the most recent tax year, prior years not allowed. For example, borrower files their 2019 return or extension in April 2020 A payment plan would be allowed for taxes due for 2019 tax year. Payment plans for 2018 or prior years would not be allowed.
- Borrower does not have a prior history of tax liens.

4.5.2. Alimony Payments

Follow Fannie Mae requirements.

4.6. Debt-to-Income Ratio

- LTVs ≤ 80% 45%
- LTVs > 80% 36%

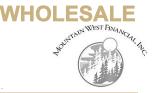
4.7. Property/Appraisal

4.7.1. Appraisal Requirements

- Full appraisal is required regardless of the DU Findings.
 - Property inspection waivers are not permitted.
- Transferred appraisals are not allowed.
- Collateral Underwriter (CU) with a score of 2.5 or less is allowed in lieu of a CDA.
 - Maximum LTV 80%.
 - Maximum Loan amount \$1,500,000.
- Appraisal Update (Form 1004D) is allowed for appraisals that are over 120 days Follow Fannie Mae requirements.
- Collateral Desktop Analysis (CDA) ordered from Clear Capital is required to support the value of the appraisal. The Seller is responsible for ordering the CDA. See above for the allowance of CU score in lieu of CDA.
 - If the CDA returns a value that is "Indeterminate" or if the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance, then one (1) of the following requirements must be met:
 - A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. The Seller is responsible for ordering the BPO and Value Reconciliation through Clear Capital.
 - A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. The Seller is responsible for providing the field review or 2nd full appraisal full appraisal.
 - If two (2) full appraisals are provided, a CDA is not required

Appraisal Requirements Based on Loan Amount:	
First Lien Amount	Appraisal Requirements

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	Purchase Transactions		
≤ \$2,000,000	1 Full Appraisal		
> \$2,000,000	2 Full Appraisals		
	Refinance Transactions		
≤ \$1,500,000	1 Full Appraisal		
> \$1,500,000	2 Full Appraisals		

• When two (2) appraisals are required, the following applies:

- Appraisals must be completed by two (2) independent companies.
- The LTV will be determined by the lower of the two (2) appraised values if the lower appraisal supports the value conclusion.
- Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled.
- If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon.
- If the date of the appraisal report is more than 120 days from the date of the Mortgage Note, the original appraiser must provide an update to the appraisal based on his or her exterior inspection of the Mortgaged Property and knowledge of current market conditions and in accordance with Fannie Mae Selling Guide age of document requirements.
- Higher Priced Mortgage Loans (HPML).
 - If the property was acquired by the seller less than 90 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 10% then a second full appraisal is required. Bank owned properties are not exempt.
 - If the property was acquired by the seller between 91-180 days from the purchase agreement and the purchase price exceeds the seller's acquisition price by more than 20%, then a second full appraisal is required. Bank owned properties are not exempt.
 - If a second appraisal is required for one of the above two reasons, the borrower may only be charged for one of the appraisals.

4.7.2. Construction to Permanent Financing

- The borrower must hold title to the lot which may have been previously acquired or purchased as part of the transaction.
- LTV/CLTV/HCLTV is determined based on the length of time the borrower has owned the lot. The time frame is defined as the date the lot was purchased to the Note date of the subject transaction.
 - For lots owned twelve (12) months or more, the appraised value can be used to calculate the LTV/CLTV/HCLTV.
 - For lots owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the current appraised value of the property or the total acquisition costs (documented construction costs plus documented purchase price of lot).



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4.7.3. Disaster Area Requirements

- Refer to the Disaster Guidelines in the Special Products Seller Guide for requirements pertaining to properties impacted by a disaster in:
 - FEMA Major Disaster Declarations with designated counties eligible for individual assistance (IA);
 - Areas where FEMA has not made a disaster declaration, but Community Loan Servicing or an Investor (Fannie Mae, Freddie Mac, FHA, USDA or the Veterans Administration) has determined that there may be an increased risk of loss due to a disaster.
 - Areas where the Seller has reason to believe that a property might have been damaged in a disaster.
- Correspondent lenders are responsible for monitoring the Disaster Declaration File and the FEMA Website including the FEMA Declarations Summary on an ongoing basis to ensure that the property is not located in an area impacted by a disaster.

4.7.4. Geographic Restrictions

Properties located outside of the United States or in a Territory, Province or Commonwealth; including, but not limited to properties in Guam, Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands or American Samoa are not permitted.